

**BUDGET SYSTEM AND FINANCIAL CONTROL IN UZBEKISTAN: MODERN
APPROACHES AND STRATEGIES TO IMPROVE EFFICIENCY**

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Abstract: This article provides a scientific analysis of the modern structure of the budget system in Uzbekistan, budgetary processes, and the development of control mechanisms in public financial management. The study examines the degree of fiscal centralization, budget discipline, the transformation of the treasury system, and the role of digital technologies in enhancing the transparency of government expenditures. The alignment of normative-legal reforms with international standards (INTOSAI, OECD, IMF fiscal rules) is also evaluated. The findings demonstrate the direct impact of financial control on the stability of Uzbekistan's budget system and propose strategic recommendations to improve efficiency.

In the process of gradually transitioning to a market economy, establishing stable mechanisms for public financial management remains a priority in Uzbekistan's macroeconomic policy. In the context of globalization, the increase in government expenditures, growing fiscal risks, and economic volatility necessitate transparent, efficient, and controlled budgetary processes. Therefore, reforms aimed at strengthening the institutional foundations of fiscal management, modernizing the treasury system, and enhancing parliamentary and public oversight have become decisive factors in ensuring financial discipline.

Although Uzbekistan has achieved significant results in modernizing fiscal management in recent years, there is still a need for additional scientifically grounded mechanisms to improve the efficiency of budget expenditures, forecast fiscal risks, and manage public debt. This article examines the current state of Uzbekistan's budget system and financial control in comparison with international practices and outlines strategic directions for further improvement.

The budget system of the Republic of Uzbekistan is the central component of the national public financial system and is formed through the state budget, state targeted funds, local budgets, and government programs. The current Budget Code (2014) clearly defines the stages of the budget process, including budget planning and forecasting, drafting and approval of the budget, budget execution and treasury control, and preparation and auditing of financial reports. The vertical integration of the budget system, functional allocation of government expenditures, and the degree of fiscal centralization determine the government's priorities in macroeconomic policy.

In OECD countries, devolving fiscal powers to lower levels is seen as a factor stimulating economic growth. In Uzbekistan, the degree of fiscal centralization is relatively high, with the majority of tax revenues collected in the republican budget. While this allows for centralized investment policy, it limits the financial independence of local budgets. Recent reforms aimed at strengthening local budgets serve to optimize this balance.

Financial control is a key mechanism ensuring the stability of public finances, consisting of internal and external components. Internal control is carried out through internal audit services within ministries and agencies, applying risk-based approaches in the assessment of public expenditures, and using the treasury system for real-time monitoring of payments. External audit is conducted by the Accounts Chamber of Uzbekistan, evaluating the targeted use of budget funds, the efficiency of government investments, and public debt management. Aligning the activities of the Accounts Chamber with INTOSAI international standards is essential for enhancing the quality of external oversight.

In recent years, the expansion of open budget portals, transparent procurement systems (E-Procurement), and “Open Data” platforms has strengthened public participation, increasing transparency and reducing corruption risks.

Digital transformation has fundamentally changed the quality of budget control. In Uzbekistan, the Unified Treasury Information System enables real-time monitoring, automated payments, and online control of expenditure limits. E-Procurement ensures transparent procurement, reduces corruption risks, and enhances competition. Moreover, Big Data and artificial intelligence-based fiscal analytics, as demonstrated internationally (e.g., South Korea, Estonia), have proven effective in strengthening fiscal discipline. In Uzbekistan, the use of AI models for predicting financial threats is an emerging area with promising potential.

Analysis indicates several systemic challenges: occasional weakening of budget discipline, inconsistencies in expenditure planning, insufficient assessment of public investment project efficiency, growing dynamics of public debt, limited financial independence of local budgets, and incomplete alignment of audits with international standards. According to IMF recommendations, risk assessment and the implementation of limit systems are necessary to ensure debt sustainability. Full integration of INTOSAI ISSAI standards is required to enhance audit quality.

The introduction of fiscal rules, following OECD and IMF experience, such as debt ceiling rules and budget deficit limits, strengthens fiscal discipline. Enhancing the financial independence of local budgets can be achieved by expanding the local tax base, optimizing transfer systems, and providing fiscal incentives to regions. Expenditure review practices, as applied in countries like South Korea and Canada, are among the most effective tools for fiscal management. The implementation of digital audits and AI-based monitoring, including predictive analytics for expenditures, creation of corruption risk maps, and blockchain-based tracking, can improve oversight quality. Stress-testing mechanisms are recommended to strengthen public debt management.

The budget system of Uzbekistan has undergone significant modernization in recent years due to institutional and digital reforms. The treasury system, open data infrastructure, and strengthened parliamentary oversight have improved fiscal transparency and efficiency. However, global economic volatility, rising fiscal risks, and increasing public debt require further development of the budget system. The adoption of fiscal rules based on international experience, enhancement of local budget independence, and expansion of AI-based monitoring systems are strategic measures essential for ensuring financial stability.

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