

**THE NECESSITY AND SIGNIFICANCE OF THE STATE BUDGET EXECUTION IN
THE REPUBLIC OF UZBEKISTAN: CURRENT STATE AND FUTURE PROSPECTS.**

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Abstract: This article explores the concept, necessity, and significance of state budget execution in the Republic of Uzbekistan, and analyzes its current performance, challenges, and future prospects. The study clarifies the theoretical foundations of budget execution, discusses the institutional and legal framework in Uzbekistan, and provides empirical evidence based on recent data (e.g., execution of social expenditures, capital investment, deficits, debt dynamics). Through budget tables and diagrams, the paper highlights trends and structural imbalances. The article also critically assesses constraints such as off-budget spending, weak transparency, and limited fiscal space, drawing on evaluations (e.g. PEFA, IMF, World Bank). Finally, it proposes policy recommendations for strengthening budget execution, improving the efficiency of public spending, enhancing fiscal discipline, and leveraging digitalization and public participation to enhance accountability. The prospective section forecasts execution under different scenarios and outlines strategic directions for sustainable fiscal management in Uzbekistan.

Keywords: budget execution, Uzbekistan, public finance, fiscal policy, transparency, public expenditure, prospects

The state budget serves as the primary instrument for implementing government economic policy and financing social and infrastructure objectives. However, significant challenges arise from discrepancies between budget planning and actual execution, the real efficiency of cash flows, and inadequacies in financial control, which prevent the state budget from fully achieving its intended objectives. These issues necessitate a thorough analysis of the content, necessity, and significance of budget execution. This article examines the theoretical and conceptual foundations of budget execution, the institutional and legal mechanisms in Uzbekistan, the practical state of budget execution in recent years including social expenditures, investments, budget balances, debt parameters, and the control system. A comprehensive analysis identifies the strengths, weaknesses, risks, and challenges, while future scenarios and recommendations are proposed. The article is intended for an international audience and is presented in an academic style.

Budget execution represents a crucial stage of the budget process. Once the budget is approved, it must be implemented in practice through the management of cash flows. The process of budget execution involves implementing, monitoring, and controlling the planned revenues and expenditures in real terms. Key structural elements of budget execution include the approval of the budget, the allocation of funds to relevant organizations, financial transactions such as payments and contracts, and mechanisms of control and audit.

Budget execution is essential for translating planned policies and objectives into tangible outcomes. While the budget represents a plan, execution reflects the actual results of government financial activity. Proper execution ensures the coordination and control of cash flows in real time, facilitates the optimal allocation of resources, enhances investment efficiency, and prevents unnecessary expenditures. Additionally, it improves accountability and transparency, as public oversight, audits, and reporting hold budgetary institutions accountable. Effective budget

execution also contributes to the coordinated management of macroeconomic stability, ensuring control over deficits and adherence to budget limits.

The importance of budget execution extends beyond administrative efficiency. It enables the implementation of social justice measures and targeted social policies, ensures systematic financing of infrastructure and investment projects, and fulfills international financial obligations and transparency standards, such as those outlined by PEFA and the IMF. Experience from developing countries demonstrates that failures in budget execution can lead to macroeconomic instability, as evidenced by underfunding of donor assistance in various contexts, highlighting the necessity of efficient execution processes.

In Uzbekistan, the legal and regulatory framework for budget execution is established through the Law “On the State Budget” and its annexes, along with national accounting, financial reporting, and audit standards. Normative documents define budget processes for ministries, territorial budget bodies, state organizations, and local governments. The treasury system functions as a centralized tool for implementing budget execution, with financial control bodies and the state audit service playing a critical role in oversight.

The treasury system ensures the distribution of funds, budget allocations, and payments to all relevant budgetary entities. It has been developed based on scientific and institutional foundations to optimize budget execution in the context of Uzbekistan. The system offers several advantages, including reduced transaction costs, strengthened financial control, and enhanced monitoring of the actual implementation of budget allocations.

Despite these advancements, several challenges remain. Off-budget expenditures, which are not reflected in official accounts, are not subject to parliamentary oversight. Legislative and regulatory documents occasionally contain contradictions and ambiguities, while the balance between centralization and regional budget rights is inconsistent. Audit and control mechanisms remain limited, public participation is low, and electronic information systems and reporting processes are still underdeveloped. These gaps underscore the need for further institutional reforms and modernization of the budget execution system to improve efficiency, transparency, and accountability.

III. Current Trends and Analysis of Budget Execution

1. Overall Budget Balance and Execution Levels

The table below presents some indicators of Uzbekistan's budget execution for recent years (trillion UZS, percentages as an example):

| Year | Revenues (trln UZS) | Expenditures (trln UZS) | Balance (trln UZS) | Rate GDP (%) | Level (%)* |
|------|---------------------|-------------------------|--------------------|--|--|
| 2019 | 112.2 | 117.6 | -5.4 | — | — |
| 2020 | 129.6 | 149.3 | -19.7 | ~3.9% (state) / 5.5% (consolidated) | 100–115 % |
| 2022 | — | — | — | — | High performance in terms of social spending and |

| | | | | | |
|--|--|--|--|--|---|
| | | | | | investments (example: schools, kindergartens) |
|--|--|--|--|--|---|

* “Execution rate” is the percentage of planned budget targets compared to actual monetary amounts.

Figure 1. Trends of revenue and expenditure of state budget (in trillions UZS)

In recent years, Uzbekistan has significantly increased allocations from the state budget for social and capital expenditures. For example, investments in kindergartens experienced a marked rise in 2021–2022, with funds directed toward construction, reconstruction, and major repairs, reflecting a government priority to enhance early childhood education infrastructure. Similarly, social protection expenditures reached 19,397.1 billion UZS in 2022, representing a 78.3% increase compared to 2021. Despite these substantial allocations, performance analysis across health, education, social payments, and subsidy systems indicates instances of both over- and under-performance, revealing the need for further optimization and monitoring of social spending effectiveness.

Regarding debt and budget constraints, the IMF projects that general government debt will reach approximately 32.6% of GDP by the end of 2024. Annual budgetary limits are established through the state budget law, which sets ceilings for the consolidated budget deficit and public debt. However, international assessments highlight that off-budget spending and the absence of fully consolidated financial reporting in Uzbekistan continue to weaken fiscal transparency and reduce the ability to comprehensively assess government financial management.

Audit, transparency, and public participation have shown incremental improvements. The Fiscal Transparency Report of 2023 indicates that the entire budget execution process was audited, and the findings provided important recommendations for improving financial discipline and accountability. PEFA assessments in 2024 suggest progress in budget execution and reporting; however, public participation remains limited. Budget reports are often produced in the form of official letters with narrow circulation, restricting public oversight and engagement.

A SWOT analysis provides a structured evaluation of the strengths, weaknesses, opportunities, and risks associated with state budget execution. Strengths include the centralization of the treasury system, which has fostered discipline in budget execution, increased targeted investments in social and infrastructure sectors, and demonstrated political commitment to fiscal sustainability and budgetary control in public policy. Weaknesses include insufficient representation of off-budget expenditures, incomplete consolidated financial statements, resource constraints, limited control mechanisms in local budget systems, insufficient flexibility in electronic budget and information technologies, and gaps between regulatory provisions and their practical implementation. Opportunities exist in the further expansion of digital budget systems and the “e-treasury,” strengthening public participation and parliamentary oversight, enhanced technical assistance and regulatory guidance through collaboration with international financial institutions such as the IMF and World Bank, and methodological innovations including program-targeted budgeting and results-oriented financing. The main risks include external financial shocks, exchange rate volatility, increasing public debt and associated service costs, political indecision or limitations on budgetary enforcement, and the potential for widespread corruption and financial mismanagement.

Looking forward, the future prospects for state budget execution in Uzbekistan hinge on continued modernization and integration of digital tools, reinforcement of institutional frameworks for financial control, and greater alignment with international fiscal standards. Enhancing transparency, improving public and parliamentary participation, and implementing AI and data-driven monitoring systems will be crucial for optimizing budget execution, ensuring effective allocation of resources, maintaining macroeconomic stability, and sustaining fiscal

discipline in the face of domestic and external challenges. Strategic reforms that combine technological, institutional, and methodological innovations are expected to strengthen the efficiency, accountability, and resilience of Uzbekistan’s budgetary system.

1. Scenarios and Forecasts

Three types of scenarios are proposed below:

| Scenario | Description | Performance level and fiscal stress | Risks and opportunities |
|-----------------|--|--|---|
| Conservative | Fiscal policy is prudent; spending growth is limited; deficit is maintained at a sustainable level | Execution rate around ~95–100%, deficit 2–3% of GDP, debt growth limited | If the economy does not grow, pressure on the budget will increase |
| Basic | Policy-oriented investments, digitalization and increased efficiency | Execution ~100–105%, deficit ~3%, debt at a stable level | There is risk from external shocks, but good financial management will help |
| Growth-oriented | Major investments, acceleration of infrastructure projects, expansion of budget space | Execution 105–110%, deficit could be higher, debt likely to increase | If the economy does not grow, there may be budget deficits and macro risks |

Example: The government's 2025 budget proposal includes a plan based on 6% economic growth. americanjournal.org

Key directions for improving budget execution in Uzbekistan focus on enhancing fiscal transparency, efficiency, and resilience through institutional, technological, and methodological reforms. A consolidated budget approach is essential, incorporating off-budget expenditures into the official budget framework and expanding consolidated financial reporting to provide a complete and accurate picture of government finances. The development of electronic budget systems, including a digital treasury platform, real-time monitoring tools, and automated control mechanisms, will strengthen oversight, reduce administrative costs, and improve the accuracy of budget execution.

Results-oriented financing, implemented through program-based budgeting, links the allocation of funds to measurable project and program outcomes, with monitoring and auditing conducted according to key performance indicators. This approach ensures that resources are used efficiently and objectives are achieved as planned. Public oversight and parliamentary participation play a complementary role by involving citizens, non-governmental organizations, and legislative bodies in monitoring budget processes, increasing transparency and accountability.

Increasing the capacity of local budgets is another priority, involving the expansion of the revenue base for regional and municipal authorities, enhancing financial independence, and strengthening local control resources. International cooperation and integration of global experience, including technical assistance and advisory support from the IMF, World Bank, and donor agencies, further support fiscal reform and capacity building. In addition, establishing mechanisms for risk management and reserve budgets ensures preparedness for emergency situations, such as economic shocks or natural disasters, mitigating the potential impact on public finances.

The general prospects for budget execution in Uzbekistan are positive if these strategies are implemented effectively. A more consolidated, digitalized, and results-oriented budget system can increase stability and efficiency, creating broader financial space for social and economic development. Nevertheless, the success of these reforms will also depend on global economic conditions, energy prices, currency fluctuations, and the political environment, which continue to influence the fiscal landscape and require adaptive policy responses.

In this article, we have analyzed the theoretical aspects of state budget execution, institutions and practical situation in Uzbekistan, as well as prospects. Budget execution is a very important stage in the implementation of state policy, and its effectiveness serves to strengthen fiscal stability and social justice, as well as economic growth.

As can be seen from the analysis, despite significant progress in the field of budget execution in Uzbekistan, there are problems such as off-budget expenditures, unconsolidated budget reports, limited public oversight and lack of digital systems. In the future, digitalization, consolidation, public participation, and efficiency-oriented financing trends can take budget execution to a new level.

The scenarios and recommendations proposed in the article, strengthening existing control mechanisms, and modernizing budgeting policy have a high probability of positive future prospects for the execution of the state budget of the Republic of Uzbekistan.

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