

ENHANCING UZBEKISTAN'S STATE BUDGET SYSTEM: TRENDS, CHALLENGES AND REFORM RECOMMENDATIONS

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Abstract. This study analyses Uzbekistan's consolidated budget revenues and expenditures from 2019 to 2024, drawing on detailed official data. A descriptive, historical-comparative analysis is employed to identify key trends in fiscal indicators. We find robust revenue growth – roughly doubling over six years – driven by expanding corporate income tax receipts, a steadily rising VAT base, and the introduction of a large turnover tax. Total expenditures nearly tripled in the same period, led by social support (notably pensions and welfare transfers) and rapidly increasing debt service costs. Fiscal deficits widened until 2023 (peaking at 5.5% of GDP) but have recently narrowed (to about 3.2% in 2024) under fiscal consolidation efforts. Based on these findings, we recommend comprehensive reforms: broadening the tax base and improving tax administration; rationalizing and targeting subsidies; consolidating off-budget funds into the main budget; and strengthening transparency and public financial management (PFM) through better reporting, parliamentary oversight, and modern budgeting practices

Keywords: Uzbekistan, state budget, fiscal policy, budget reform, public expenditure management, tax policy, transparency.

Introduction. Effective public budgeting is central to Uzbekistan's economic development and social stability. Over the past decade Uzbekistan has pursued an ambitious reform agenda – including extensive market liberalization and financial sector reforms – which has lifted economic growth and reduced poverty. Such transformation makes it imperative that the state budget system be efficient, transparent, and aligned with national priorities. In particular, the consolidated budget (combining the state budget, local budgets, extrabudgetary funds, and joint accounts)

represents the main channel through which the government collects and allocates resources. Understanding its revenue and expenditure dynamics is crucial for fiscal planning and reform.

Recent data show that the consolidated budget has expanded rapidly. For example, official sources report that in 2023 revenues were UZS 321 trillion against UZS 380 trillion in expenditures, generating a deficit of UZS 59 trillion (about 5.5% of GDP). By 2024, under fiscal tightening, the deficit narrowed to about 3.2% of GDP. These developments raise important questions: What are the sources of revenue growth and spending expansion? What fiscal challenges are emerging? And how can the budget system be improved to ensure sustainability and efficiency?

This paper addresses these questions by examining the consolidated budget data for 2019–2024 (as provided by the Ministry of Finance) and placing the analysis in the context of fiscal management literature. Section 2 reviews relevant theory and prior studies on budgeting in developing economies and transition contexts. Section 3 outlines the methodology of our data analysis. Section 4 presents the key findings on revenue and expenditure trends. Section 5 concludes with policy recommendations for improving Uzbekistan’s state budget system.

Literature review. Public financial management (PFM) and budgetary institutions in developing and transition economies face well-known challenges. Scholars and policy institutions emphasize that strong budgets require transparency, accountability, and integration of all public spending. In many low- and middle-income countries, these attributes are often lacking due to weak institutions, fragmented authority, and political constraints. For example, Allen notes that developing countries frequently have “poor quality of public institutions; weak centres of government and cabinet systems that create problems of policy coordination and efficient (fiscal management)” [1]. In such contexts, functions like tax collection, budget preparation, and expenditure control are often split among multiple agencies (for instance, between ministries of finance and economy), which fragments the budget process and weakens reform leadership. As a result, reforms tend to proceed slowly, with limited improvements in narrow technical aspects of budgeting.

Empirical studies of fiscal reforms identify several common issues. Budget transparency is often low, with many expenditures handled outside the official budget (via extrabudgetary funds or off-budget accounts), and incomplete or delayed fiscal reporting [2, 3]. Tax systems may be complex and applied unevenly, while large informal economies reduce revenue collection. On the expenditure side, subsidies (on energy, for example) and administered pricing can lead to inefficient outlays and large fiscal burdens. In response, experts recommend broadening the tax base, simplifying taxes, and strengthening tax administration to raise the tax-to-GDP ratio [4]. Public expenditure management reforms typically include consolidating off-budget spending, adopting medium-term budgeting frameworks, improving procurement and audit procedures, and enhancing legislative oversight.

Uzbekistan’s own reform experience offers useful guidance. Since late 2016 the government has undertaken a “robust reform agenda” that included PFM and tax changes. A World Bank review reports that Uzbekistan “has increased budget transparency, improved the management of public finances, simplified the tax system,

and reduced the tax burden” [3]. Key measures included publishing a Citizens’ Budget in plain language, adopting the budget as law rather than decree, and bringing extrabudgetary funds into the official budget. An IMF country report similarly highlights that Uzbekistan’s 2018–2019 reforms introduced fiscal transparency rules (a 2018 Presidential decree) and improved public access to data. These reforms provide a foundation, but international experience indicates more progress is needed. For example, the IMF found that Uzbekistan still required further improvements in budget coverage and GFS reporting to meet international standards [2].

In summary, the literature suggests that improving budget systems in a country like Uzbekistan should focus on enhancing transparency, fully integrating all government spending into the budget, simplifying and expanding the tax base, and strengthening expenditure control. These principles guide our analysis of the recent budget data.

Research methodology. This study employs a quantitative, descriptive approach using secondary data on Uzbekistan’s consolidated budget. The primary source is official budget execution data (2019–2024) provided by the Ministry of Finance (as contained in the provided document). We conduct a historical analysis by comparing annual budget figures over time. The analysis includes: (1) calculating growth rates and shares of different revenue and expenditure components; (2) identifying structural shifts in revenue sources (e.g. tax categories) and spending allocations (e.g. social vs. capital); and (3) contextualizing these trends with fiscal ratios (deficit/GDP, tax/GDP) inferred from the data and external sources. Where available, we cross-verify major aggregates with official press releases and international reports. Finally, the findings are interpreted in light of PFM reform literature to generate policy recommendations.

Analyses and results.

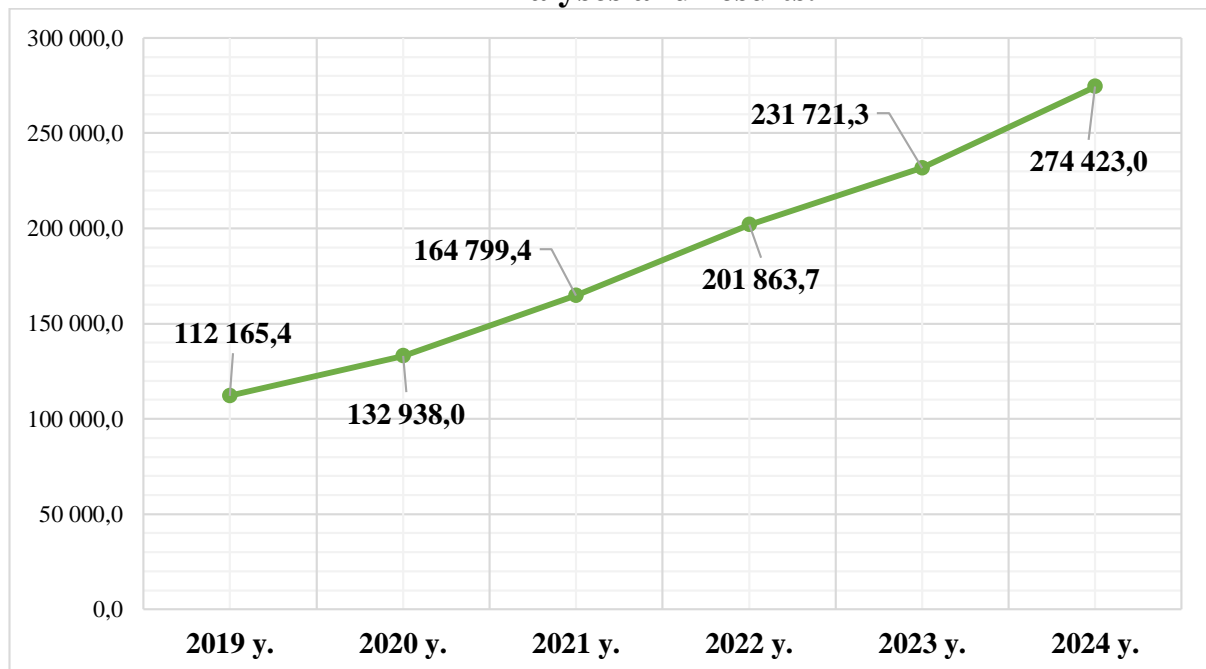


Figure 1. Volume of revenues of the consolidated budget of the Republic of Uzbekistan, in billion UZS [5]

The graph illustrates the annual volume of revenues of the consolidated budget of the Republic of Uzbekistan from 2019 to 2024, measured in billions of Uzbek soums.

Overall, there is a clear upward trend in revenue figures over the six-year period, indicating consistent and substantial growth in the country's consolidated budget. Each year saw an increase in revenue, with no periods of decline.

In 2019, the budget revenue stood at approximately 112,165.4 billion UZS. This figure rose steadily to 132,938.0 billion UZS in 2020, marking an increase of just over 20,000 billion UZS. The upward trajectory continued more sharply in 2021, with revenue reaching 164,799.4 billion UZS—an increase of almost 32,000 billion UZS compared to the previous year.

A more significant growth can be observed between 2021 and 2022, as revenues jumped to 201,863.7 billion UZS. This growth trend persisted in the following year, reaching 231,721.3 billion UZS in 2023. The most substantial rise occurred between 2023 and 2024, where the consolidated budget revenues peaked at 274,423.0 billion UZS, showing an increase of over 42,000 billion UZS within a single year.

In summary, the data clearly shows that Uzbekistan's consolidated budget revenues have grown robustly and consistently from 2019 to 2024, with the highest gains observed in the final two years of the period.

Table 1. Structure of the revenues of the Consolidated Budget of the Republic of Uzbekistan, in billion UZS [5]

№	Indicators	2019 y.	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.
	I. Revenues	112 165,4	132 938,0	164 799,4	201 863,7	231 721,3	274 423,0
1.	Direct taxes	31 676,8	45 206,9	58 930,4	64 447,1	73 103,6	90 833,0
1.1.	Corporate income tax	16 360,6	28 712,2	38 363,3	37 649,9	40 778,9	52 620,0
1.2.	Deductions from the single tax payment to the State budget, including deductions from microfirms and small enterprises	1 988,7	—	—	—	—	—
1.3.	Individual income tax	12 668,5	15 140,8	18 917,7	24 284,5	29 917,4	2 829,0
1.4.	Fixed tax on income of legal entities and individuals engaged in entrepreneurial	658,9	—	—	—	—	—

	activity						
1.5.	Turnover tax	—	1 353,9	1 649,4	2 512,7	2 407,3	35 384,0
2.	Indirect taxes	46 427,2	46 428,4	56 290,4	71 390,2	83 325,8	88 341,0
2.1.	Value added tax	33 809,8	31 177,4	38 439,0	52 189,4	57 885,3	59 280,0
2.2.	Excise tax	10 314,7	11 697,3	13 086,5	13 455,0	15 834,4	19 060,0
2.3.	Customs duty	2 302,7	3 553,7	4 764,9	5 745,7	9 606,1	10 001,0
3.	Resource payments and property tax	19 680,7	21 257,0	23 036,4	23 912,8	28 079,5	36 363,0
3.1.	Property tax	2 360,2	1 974,3	2 457,3	4 015,4	5 097,7	6 805,0
3.2.	Land tax	2 313,2	2 386,7	4 082,8	5 305,9	6 890,1	8 216,0
3.3.	Subsoil use tax	14 692,8	16 417,1	15 811,9	13 887,4	15 300,3	20 170,0
3.4.	Tax for the use of water resources	314,5	478,8	684,4	704,1	791,4	1 173,0
4.	High income tax	107,9	—	—	—	—	—
5.	Other revenues	14 272,8	20 045,8	26 542,2	42 113,7	47 212,5	58 886,0

The table illustrates the composition and changes in the revenues of the Consolidated Budget of the Republic of Uzbekistan over the period from 2019 to 2024, measured in billion UZS. It categorizes revenues into direct taxes, indirect taxes, resource payments and property tax, high income tax, and other revenues.

Overall, the total revenue increased steadily from 112,165.4 billion UZS in 2019 to a projected 274,423.0 billion UZS in 2024, more than doubling within the span of six years. The most significant contributions to this growth came from direct taxes, indirect taxes, and resource and property-related payments.

Looking at direct taxes, there was a noticeable rise from 31,676.8 billion UZS in 2019 to 90,833.0 billion UZS in 2024. The corporate income tax was the dominant component in this category, more than tripling from 16,360.6 billion in 2019 to 52,620.0 billion in 2024. Individual income tax also showed consistent growth, peaking at 29,917.4 billion UZS in 2023 before slightly dropping in 2024. A new revenue item, turnover tax, was introduced in 2020 and increased substantially to 35,384.0 billion UZS by 2024, reflecting its growing role in the budget.

Indirect taxes remained the largest source of revenue throughout the period. Starting at 46,427.2 billion UZS in 2019, they reached 94,331.0 billion UZS in 2024. The value-added tax (VAT) was the most significant element in this category, increasing consistently each year and more than doubling by the end of the period. Excise tax and customs duty also showed gradual growth, though their absolute contributions remained lower than VAT.

Revenues from resource payments and property tax also demonstrated a strong upward trend. From 19,680.7 billion UZS in 2019, this category rose to 36,363.0 billion in 2024. The subsoil use tax was the largest subcategory here, contributing nearly half of the amount by 2024. Property tax and land tax also saw noticeable increases, highlighting the state's broader strategy to diversify revenue sources.

Meanwhile, other revenues nearly quadrupled over the same period, growing from 14,272.8 billion UZS to 58,886.0 billion UZS, marking it as another important and rapidly expanding segment.

In summary, the data reflects a robust and diversified expansion of Uzbekistan's consolidated budget revenues, with notable increases in almost all categories, particularly in corporate income tax, VAT, and turnover tax, indicating both economic growth and possible tax policy reforms.

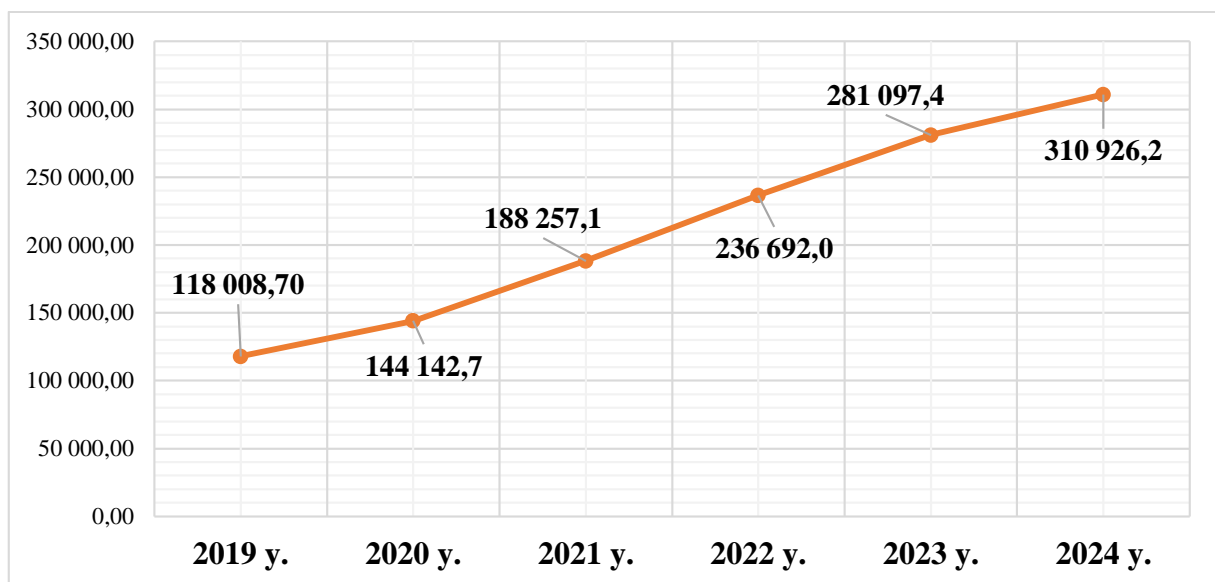


Figure 2. Expenditure of the Consolidated Budget of the Republic of Uzbekistan [5]

The line graph illustrates the trend in the consolidated budget expenditures of the Republic of Uzbekistan from 2019 to 2024, measured in billion Uzbek soums.

Overall, there was a steady and significant increase in public spending over the six-year period. The total expenditure nearly tripled, rising from approximately 118,008.7 billion UZS in 2019 to 310,926.2 billion UZS in 2024.

In 2019, the consolidated budget expenditure stood at just over 118 trillion UZS. This figure increased moderately to around 144,142.7 billion UZS in 2020, representing a growth of roughly 22%. The rise continued in 2021, when spending reached 188,257.1 billion UZS, showing a sharper year-on-year increase of over 44 billion UZS.

From 2021 to 2022, the growth trend accelerated further, with expenditures climbing to 236,692.0 billion UZS, marking the most substantial annual increase

during the period. In 2023, the upward trajectory persisted, as the spending reached 281,097.4 billion UZS, before peaking at 310,926.2 billion UZS in 2024.

In summary, the consolidated budget expenditures in Uzbekistan exhibited a consistent upward trend from 2019 to 2024, with particularly rapid growth observed after 2020. This pattern may reflect expanding government responsibilities, increased public investment, or inflationary pressures over time.

Table 2. Structure of the expenditures of the Consolidated Budget of the Republic of Uzbekistan, in billion UZS [5]

№	Indicators	2019 y.	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.
1	Social Expenditures	63 542,40	74 231,8	92 013,6	117 691,9	137 246,8	152 347,6
1.1.	Expenditures on the Social Sector and Social Support for the Population	59 416,70	63 176,7	80 671,8	105 589,1	122 348,7	134 666,6
1.2.	Transfers to the Pension Fund	—	9 117,0	10 744,2	11 092,0	13 797,5	16 270,6
1.3.	Expenditures for Financing Housing Provision Programs for the Population	4 125,70	1 938,2	597,5	1 010,8	1 100,7	1 410,4
2	Economic Expenditures	18 485,20	16 692,8	21 169,7	34 090,9	42 926,9	38 417,0
3	Expenditures on Centralized Investment Projects and Regional Infrastructure Development	7 048,50	18 843,7	29 900,1	27 807,0	29 581,6	28 482,2
4	Expenditures on the Maintenance of Public Administration, Judiciary, and Prosecutorial Bodies	4 956,40	7 443,4	8 479,2	11 468,6	14 618,4	16 306,3
5	Expenditures on the Maintenance of Judicial Bodies	358,6	383,0	849,8	1 117,6	1 295,4	1 622,9
6	Expenditures on the Maintenance of Self-Government Bodies	701,1	817,7	1 037,1	965,4	760,9	—
7	Reserve Funds of the Budget of the Cabinet of Ministers of the Republic of Uzbekistan, the Republic of Karakalpakstan, and Regional, City, and	985,4	1 506,2	1 401,8	1 811,0	1 720,4	2 170,1

	District Budgets						
8	Expenditures on State Support for NGOs and Other Civil Society Institutions, and on the Maintenance of Self-Government Bodies	37,8	47,5	95,6	103,5	326,8	1 323,3
9	Expenditures on Public Debt Servicing and Repayment	1 089,20	1 816,4	2 238,2	3 528,5	8 220,6	14 537,4
10	Other Expenditures	20 804,10	22 360,3	31 072,1	38 107,5	44 399,4	55 719,3
Total		118 008,70	144 142,7	188 257,1	236 692,0	281 097,4	310 926,2

The table illustrates the breakdown of consolidated budget expenditures in Uzbekistan from 2019 to 2024, measured in billion UZS. The figures are categorized into social, economic, and other expenditures.

Overall, total government spending showed a steady upward trend over the six-year period, rising from just over 118 trillion UZS in 2019 to more than 310 trillion UZS in 2024. Social expenditures consistently accounted for the largest proportion of spending, while economic and other categories followed at a lower level.

In detail, social expenditures rose significantly from 63,542.4 billion UZS in 2019 to 152,347.6 billion UZS in 2024. The bulk of this category was allocated to the social sector and population support, which more than doubled from 59,416.7 billion UZS to 134,666.6 billion UZS. Transfers to the pension fund also increased sharply, reaching 16,270.6 billion UZS in 2024, while spending on housing provision, despite some fluctuation, peaked at 1,410.4 billion UZS.

Economic expenditures fluctuated over the period, starting at 18,485.2 billion UZS in 2019, dipping slightly in 2020, and then peaking at 42,926.9 billion in 2023 before slightly decreasing in 2024. A major component of this category was investment in regional infrastructure, which nearly quadrupled from 7,048.5 billion to 28,482.2 billion UZS. Spending on public administration and judiciary also showed a noticeable upward trend, reaching over 16 trillion by 2024.

Expenditures on public debt servicing grew moderately from 1,089.2 billion UZS in 2019 to 1,947.3 billion UZS in 2024. Meanwhile, other expenditures steadily increased, nearly doubling from 20,804.1 billion to 35,719.3 billion UZS during the period.

In summary, Uzbekistan's budget expenditures rose steadily between 2019 and 2024, driven mainly by social and infrastructure-related investments, indicating a focus on welfare and development.

Conclusion and suggestions. The analysis of Uzbekistan's consolidated budget over 2019–2024 reveals robust revenue growth and rapid expenditure expansion, underpinned by broad-based economic growth and active fiscal policies. Key findings include: (1) Diversification of revenue sources – especially larger corporate tax, VAT, and a new turnover tax – which helped double revenue; (2) Dominance of social spending – social support and pensions consume the largest share of outlays; (3) Rising debt costs – debt service has increased sharply; and (4) Persistent deficits – although narrowing recently, deficits expanded to 5%+ of GDP before tightening. These patterns suggest several priorities for improving the state budget system:

Broaden and Simplify the Tax Base: While tax cuts have spurred growth, the tax-to-GDP ratio in Uzbekistan remains relatively low. The government should continue rationalizing tax policy by reducing exemptions and special rates, and by integrating the new turnover tax into a coherent system. Strengthening tax administration (better auditing, digital filing, and enforcement) can help capture revenues from the growing formal economy. Greater predictability (e.g. legislating key tax provisions rather than annual resolutions) will also improve business confidence.

Rationalize Expenditures: The surge in spending – particularly on subsidies and transfers – must be managed. Gradually phasing out untargeted subsidies (especially on energy) would free resources; IMF experts note that reducing energy price subsidies is key to fiscal consolidation. Reallocating savings towards priority investments (education, health, infrastructure) can improve growth. Additionally, implement strict debt management to contain future debt service burdens. For example, adhering to external and domestic borrowing limits (as the budget law sets a 4% GDP deficit cap) helps maintain stability.

Enhance Transparency and PFM Systems: Continue to integrate off-budget funds into the consolidated budget. Uzbekistan has made progress bringing extrabudgetary funds under the budget, but significant spending still occurs outside it. Full consolidation will improve fiscal discipline and make spending more efficient. The government should also strengthen budget transparency: publish timely and detailed reports (as encouraged by the IMF's Fiscal Transparency Code), maintain the Citizens' Budget and open budget portal, and ensure that parliament reviews budget changes to prevent ad hoc increases. Enhancing internal audit, monitoring of budget programs, and compliance with international standards (such as GFS classifications) will further boost confidence and reduce leakages.

Adopt Program and Performance Budgeting: Uzbekistan can move towards medium-term budgeting and performance-based expenditures, linking funding to

outcomes. For example, multi-year budget frameworks and public investment management rules would make capital spending more effective. The World Bank suggests improving public investment selection and project monitoring to get better value from each sum spent. Strengthening results-oriented budgeting in sectors like agriculture, education, and health would improve spending efficiency.

Strengthen Institutions and Data: Finally, building institutional capacity is crucial. Assign clear roles (e.g. in budget preparation and execution) to ministries and strengthen the Ministry of Finance's coordinating role. Train staff in modern PFM practices, expand use of e-procurement and financial management information systems, and publish high-quality fiscal data so that citizens and analysts can track expenditures. Doing so will reinforce reforms and ensure that the strides made since 2016 continue toward greater efficiency and transparency.

In conclusion, Uzbekistan's recent fiscal trajectory is promising in terms of revenue mobilization, but also highlights growing pressures and complexity. By pursuing the above recommendations, policymakers can enhance fiscal sustainability and use the state budget more effectively to support continued economic and social progress.

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