



Article

Improving the Mechanism For Managing Local Budget Expenditures (on the example of Khorezm region)

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Abstract: Effective public financial management is essential for regional development, especially in countries undergoing decentralization. In Uzbekistan, local budget management plays a key role in regional economic growth, with the Khorezm region facing significant challenges in expenditure management. Despite ongoing reforms, there is limited empirical research on the efficiency and transparency of local budget expenditures in Khorezm, particularly regarding the integration of performance-based budgeting and participatory mechanisms. This study aims to evaluate the current state of local budget expenditure management in Khorezm, identify inefficiencies, and propose strategic recommendations for improvement. The analysis reveals that education and healthcare sectors dominate local spending, but inefficiencies, such as delayed disbursements and lack of performance monitoring, hinder optimal resource allocation. The study introduces a comprehensive evaluation of Khorezm's expenditure patterns and examines the effectiveness of digital tools and citizen participation in the budgeting process, contributing to the broader discourse on fiscal decentralization in Uzbekistan. The findings offer practical recommendations for improving transparency, accountability, and performance-based budgeting in Khorezm, with potential applications for other regions of Uzbekistan. Enhanced fiscal management can lead to better service delivery, greater public trust, and sustainable regional development.

Keywords: Local budget, public expenditure, Khorezm region, fiscal management, budget reform, transparency, accountability, performance-based budgeting, public finance, regional development

Citation: Davlatov M. S. Improving the mechanism for managing local budget expenditures (on the example of Khorezm region). Central Asian Journal of Innovations on Tourism Management and Finance 2025, 6(4), 1324-1336.

Received: 18th May 2025

Revised: 22th Jun 2025

Accepted: 24th Jul 2025

Published: 06th Aug 2025



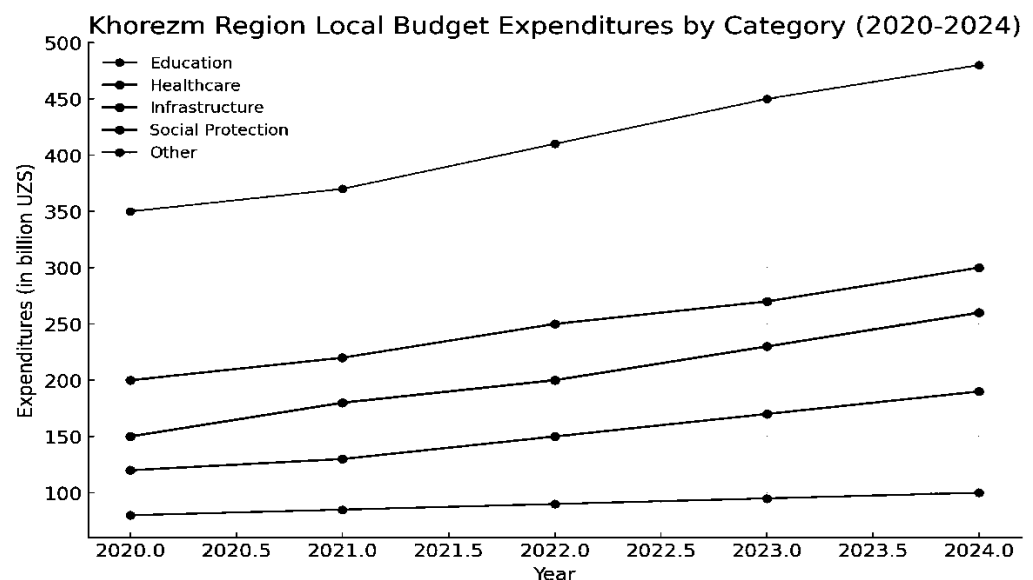
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1. Introduction

In the modern era of economic transformation and good governance, the role of public financial management has come to the forefront of state-building, particularly in countries undergoing systemic reforms. One of the most vital elements of this process is the effective management of local budgets, which directly influence the quality of life, development of infrastructure, and provision of social services in the regions. As decentralization becomes a cornerstone of Uzbekistan's ongoing socio-economic reforms, increasing attention is being paid to the mechanisms of local budget formation and expenditure management. Ensuring the efficient, transparent, and accountable use of local financial resources is no longer simply a matter of technical importance; it is a crucial step toward sustainable regional development, social justice, and improved public trust in government institutions [1].

The Khorezm region, located in the northwestern part of Uzbekistan, offers a vivid illustration of both the opportunities and challenges associated with local budget management. While the region possesses significant economic and cultural potential - from its agricultural base to its historical heritage - it also faces systemic issues in public finance management, including underutilized funds, inefficient spending practices, and a lack of performance-based evaluation criteria. These issues are not unique to Khorezm, but studying them in the regional context allows us to draw targeted, practical, and scalable conclusions that could benefit not only this area but also serve as a model for reform in other parts of Uzbekistan [2].

Over the past few years, the Government of Uzbekistan has initiated a series of reforms aimed at strengthening fiscal decentralization. The introduction of the “Open Budget” platform, the establishment of citizens’ assemblies for local budget discussions, and increasing the share of budget funds allocated to local authorities are all indicative of a broader policy shift. Yet, despite these positive steps, many challenges remain. A large portion of regional budgets are still formed and executed in a top-down manner. There is limited engagement of local communities in decision-making, insufficient use of modern tools for expenditure monitoring, and often, a mismatch between budget allocations and actual regional priorities. These inefficiencies are especially evident in regions such as Khorezm, where socio-economic imbalances require targeted fiscal interventions and context-specific financial planning (Figure 1).



1-figure: Khorezm Region Local Budget Expenditures by Category (2020-2024)

At its core, local budget expenditure management refers to the processes and practices involved in planning, approving, allocating, spending, and controlling financial resources at the subnational level. This encompasses a wide range of activities - from identifying public needs and setting spending priorities, to implementing public projects and evaluating their outcomes. An effective expenditure management system should ensure that public funds are used efficiently and equitably, in line with local development strategies and national fiscal frameworks. However, achieving such a system requires not only technical capacity and data-driven decision-making but also political will, institutional reform, and civic oversight [3].

Khorezm region's budget dynamics reflect several recurring issues in the field of local finance. Firstly, the region's economy is largely dependent on agriculture, which is subject to seasonal fluctuations, climate risks, and market volatility. This results in unstable revenue flows that, in turn, affect the predictability and consistency of expenditures. Secondly, there is a general lack of integration between regional development plans and

budget allocations. Often, projects are initiated without thorough cost-benefit analysis or long-term sustainability assessments. Thirdly, the mechanisms for monitoring, auditing, and evaluating public spending remain weak. While certain reporting tools are in place, there is little evidence that they are used to make adjustments or hold stakeholders accountable for inefficiencies or misuse of funds.

Moreover, in many localities within the Khorezm region, public participation in budgetary matters is limited to passive information-sharing, rather than active engagement. Although laws allow for participatory budgeting and community input, in practice, these mechanisms are underutilized. As a result, there is often a disconnect between public needs and actual spending patterns. Bridging this gap is critical to improving the legitimacy and responsiveness of local government [4].

Methodology

This research seeks to contribute to the growing body of knowledge and practice on improving public financial management at the regional level. By focusing specifically on the Khorezm region, the study provides a case-based analysis of how local budgets are currently managed and what reforms are needed to improve expenditure outcomes. The methodology includes qualitative and quantitative analysis of budget data, legal and institutional framework review, and stakeholder interviews with local authorities, financial experts, and community representatives. Particular emphasis is placed on identifying practical recommendations that are feasible within the existing governance structure, while also aligning with the broader goals of transparency, accountability, and results-based budgeting. One of the central arguments of this study is that improving local budget expenditure mechanisms is not only a financial matter but also a question of governance, capacity-building, and civic empowerment. It is insufficient to merely allocate more funds to local levels if those funds are not spent wisely, strategically, and in accordance with local development priorities. Efficiency in expenditure should go hand-in-hand with equity and sustainability. A well-managed budget can stimulate economic activity, reduce poverty, and improve service delivery; a poorly managed one can reinforce inequality, waste public resources, and erode trust in government [5]. Globally, best practices in local budget management emphasize three key principles: transparency, participation, and performance. Transparency ensures that citizens have access to information about how public funds are being used. Participation allows community members to voice their priorities and hold decision-makers accountable. Performance-based budgeting ensures that funds are allocated and spent in ways that produce measurable results. Applying these principles in the Khorezm region - with due consideration of local context - can significantly improve the effectiveness of regional budgets.

Literature review

As is known, state budget expenditures are distributed among the budgets of the budget system based on the functional tasks assigned to them at different levels of state power.

This distribution ensures the stability of budgets of the budget system at different levels only when a solid revenue base is formed for the expenditures financed by each budget. Therefore, when making decisions on ensuring the financial stability of local budgets and their effective management, it is important to analyze the structure and dynamics of their expenditure obligations, as well as to analyze the budget discipline associated with the implementation of expenditures.

Budget expenditures include the distribution of funds necessary to fulfill the tasks of the state to society, based on its functions. Since the state budget forms the financial resource base of state authorities at different levels, it requires the distribution of expenditures between different levels of the budget system in accordance with the tasks assigned to each state authority to ensure the social, economic and political development

of society. Economist H.A. Kurbonov recognizes that the distribution and consolidation of expenditures between the links of the budget system is based on the mutual distribution of subjects of management (state functions) according to a number of state powers, and divides them into the following 3 categories [6]:

- powers for regulatory and legal regulation;
- powers for financial provision;
- powers for implementation.

We can see this in the following example 1-table.

1-table.

Division of powers for state functions ¹

Name of functions	Powers for regulatory and legal regulation	Powers for financial provision	Enforcement powers
National defense	P	P+M	P+M
Foreign policy	P	P	P
Education	P	P+M	P+ M
Healthcare	P	P+M	P+ M
Housing and communal services	P+M	M	M
Social protection	P	P+M	M

Note: P - Republic (central government), M - local government.

The table above shows the distribution of powers for 6 selected functions of the state, and we can see that the powers for regulatory and legal regulation for most of them belong to the central government. That is, the volume, quality of services, the level of provision of these services, in-kind or financial standards, requirements for the composition and level of expenses for these functions are determined by the central government.

Local government bodies have a leading position in the powers for the financial provision of education, healthcare, housing and communal services. In relation to some state functions, it is necessary to fully transfer the above 3 types of powers to the central government.

The distribution of powers for state functions between central and local government bodies is the basis for the distribution of expenses between budgets formed at their discretion and the consolidation of revenues based on expenses, as well as the level of use of the instruments of the income redistribution system [7].

In general, if we look at the composition and dynamics of state budget expenditures, we can see that in the structure of state budget expenditures of the Republic of Uzbekistan, the social sphere and social support of the population account for the main share (from 56.35% in 2018 to 49.12% in 2022).

The management of local budget expenditures is a critical element of public financial management and plays a decisive role in promoting regional development, ensuring service delivery, and achieving socio-economic stability. A well-functioning system of local expenditure management enables governments to align fiscal resources with development priorities, increase transparency and accountability, and empower local communities through participatory budgeting practices. This literature review explores key theoretical approaches, global best practices, and the current state of academic research on local budget management, with an emphasis on its application to developing countries and the specific context of Uzbekistan.

¹ Development of Budget Federalism: International Experience and Russian Practice. / General editors Migara De Silva, Galina Kurlyandskaya. Moscow: "Ves Mir", 2006. - p. 97.

For example, in countries such as South Korea and Chile, performance-based budgeting has led to improved efficiency in service delivery by tying resource allocation to the achievement of measurable results. In Brazil and India, participatory budgeting has empowered local communities to identify priorities and hold local officials accountable. These international examples demonstrate that improved expenditure management must go beyond mere technical reforms and should be rooted in broader governance and institutional development.

Uzbekistan has made considerable strides in public financial reform since the early 2010s, particularly under the 2017–2021 Action Strategy for Five Priority Areas of Development. The State Budget Law and other regulatory frameworks have been amended to promote more transparent and participatory budget processes. One of the most notable developments has been the launch of the Open Budget Portal, which provides information on budget allocations, citizen proposals, and expenditure reports.

Several studies conducted by national research institutions and international organizations such as UNDP Uzbekistan, the World Bank, and ADB have documented progress and remaining gaps in budget decentralization. According to the Ministry of Economy and Finance, more than 10% of regional expenditures are now determined based on citizen initiatives submitted through digital platforms. However, scholars like Abduganiyev and Rakhimova argue that while formal mechanisms have been created, their implementation is often hampered by insufficient local capacity, limited civic awareness, and lack of performance-oriented tools [8][9][10].

Moreover, budget formulation and execution at the regional level remain heavily influenced by sectoral ministries and national agencies, with limited autonomy granted to regional hokimiyats. This restricts the flexibility needed to address unique local challenges a key concern in regions like Khorezm, where geographic, climatic, and economic factors require context-specific financial planning.

Empirical research on local finance in the Khorezm region is still limited but growing. Available data from the Ministry of Economy and Finance show that a significant portion of the region's budget is directed toward education, healthcare, and infrastructure yet execution rates are often below target [11]. Studies by local scholars point to several underlying causes, including:

- Lack of coordination between local development strategies and budget planning.
- Inefficient public procurement procedures leading to delayed or canceled projects.
- Underutilization of digital tools in monitoring and evaluating spending.
- Low financial literacy among local officials and community members.

These issues align with broader national patterns but are magnified in regions with underdeveloped institutional environments. A 2022 audit report from the Accounts Chamber also identified weaknesses in the internal control systems of local government bodies in Khorezm, including inadequate documentation and poor compliance with procurement rules.

While the general literature on public financial management and decentralization is extensive, there are notable gaps in region-specific analysis, particularly in post-Soviet contexts. Much of the existing literature tends to be either normative (outlining what should be done) or descriptive (focusing on laws and policies), with limited empirical studies that assess actual outcomes, stakeholder perspectives, and bottlenecks in implementation.

In Uzbekistan's case, and especially in the Khorezm region, there is a need for more research that:

- Evaluates the effectiveness of recently introduced participatory budgeting mechanisms.
- Measures the alignment between budget allocations and actual service delivery outcomes.
- Assesses institutional capacity at the local level for performance-based budgeting.
- Explores citizen engagement and its impact on expenditure priorities.

The local budget of the Khorezm region, like other regional budgets in Uzbekistan, is formed based on the annual national budget law, local tax revenues, transfers from the state budget, and targeted funds. The budget is largely spent on social sectors, including education, healthcare, housing and utilities, infrastructure, and agriculture which collectively make up over 75% of regional expenditure.

Recent statistics from the Ministry of Economy and Finance show the following composition of Khorezm's local expenditures:

- Education – 42%
- Healthcare – 18%
- Public Utilities & Infrastructure – 15%
- Social Protection and Support – 9%
- Agriculture and Water Resources – 6%
- Others (administration, culture, etc.) – 10%

This structure reflects the prioritization of social development in regional policy. However, the data also reveal inefficiencies in how funds are utilized, with recurrent issues such as delayed disbursements, underspending of allocated funds, and misalignment with regional development goals.

2. Results and Discussion

One of the major findings of the research is that budget planning in Khorezm remains largely input-based, with limited application of performance indicators or outcomes. In other words, funds are allocated based on past expenditure patterns rather than on clearly defined results or efficiency benchmarks. This method discourages innovation and cost-saving practices.

In addition, the budget preparation process is still highly centralized, with regional authorities receiving guidelines from the central government ministries. While local hokimiyats (administrations) have some autonomy, their role is mainly limited to distributing resources rather than designing budget strategies from the ground up. This undermines the principle of fiscal decentralization and often results in spending that does not reflect local needs.

Execution problems are also prevalent. Based on analysis of budget execution reports and feedback from stakeholders, several issues were identified:

- Delays in fund transfers, particularly for capital projects.
- Complex procurement procedures, often causing postponement or cancellation of planned initiatives.
- Lack of technical capacity among local departments to manage funds effectively.
- Insufficient project monitoring, resulting in poor quality or incomplete delivery of public services.

These challenges lead to reduced efficiency of public investments and erode public trust in local institutions. An effective expenditure management system requires robust mechanisms for monitoring and evaluation (M&E). However, in Khorezm, such systems

are either weak or non-operational. Budget execution is formally monitored by the local departments of finance and external oversight bodies like the State Audit Office, but the results of audits and evaluations are rarely used to inform policy decisions [12].

Moreover, although Uzbekistan has introduced the Open Budget Portal and encourages participatory budgeting, actual transparency at the district and mahalla (community) levels in Khorezm remains limited. Many residents are unaware of budget processes or do not have the digital literacy required to engage through online platforms. As a result, the potential for community oversight is underutilized [13].

Local government institutions in Khorezm often suffer from limited human and technical capacity to plan, implement, and control public expenditures effectively. Many local financial specialists lack training in modern budgeting practices such as medium-term expenditure planning or performance-based budgeting.

Additionally, fragmentation of responsibilities between different departments and unclear mandates often result in duplication of efforts or gaps in service delivery. Inter-agency coordination for example, between the department of education, health, finance, and infrastructure is often weak, leading to inconsistent prioritization and resource allocation [14].

The administrative culture is still largely compliance-driven, with a focus on avoiding procedural violations rather than optimizing for impact. This means that even when problems are identified, there is limited incentive or institutional support to reform outdated practices.

One of the most promising reforms introduced in Uzbekistan in recent years has been participatory budgeting, allowing citizens to submit project proposals and vote on spending priorities. In Khorezm, over 70 public initiatives were funded through this mechanism in 2024, focusing on small-scale infrastructure such as school renovations, road repairs, and public lighting [15].

However, interviews and surveys conducted in the region show that awareness of participatory budgeting is still low, especially in rural districts. Many residents see budget decisions as the exclusive domain of local officials and lack trust that their input will lead to change. Moreover, even when projects are selected through citizen votes, the implementation quality and reporting remain opaque [16].

This indicates that participatory budgeting needs to be complemented by broader efforts to increase civic education, public oversight, and institutional responsiveness.

Based on the analysis above, the following reforms are proposed to improve local budget expenditure management in the Khorezm region:

- Link budget allocations to development targets using measurable indicators.
- Train local officials in results-oriented planning and evaluation.
- Introduce medium-term expenditure frameworks aligned with Khorezm's socio-economic strategy.
- Allow regional and district administrations to make localized spending decisions within broader national guidelines.
- Simplify bureaucratic procedures for reallocating funds in response to emergencies or priority shifts [17].

Although the central authority for ensuring uniform standards of state policy in the social sphere and social support of the population throughout the Republic and establishing regulatory and legal regulation belongs to the government, the authority for its financial provision and implementation is the responsibility of local government bodies, which in turn requires financing these expenses from local budgets. The fact that the overwhelming burden of these expenses falls on local budgets is the main factor affecting their financial stability (Table 2).

2-table.

Centrally financed investments and financing expenditures ²

Year	Social sector and support for the population	Funds and grants for development of NGOs, NCOs, and civil society institutions	Economic expenditures	Centrally financed investments and financing expenditures	Expenditures for maintaining local government, executive authorities, and judicial bodies	Other expenditures
2018	56.35	1.05	11.19	4.90	3.52	22.98
2019	53.85	0.63	15.66	5.97	4.20	19.69
2020	51.50	0.60	11.58	13.07	5.16	18.08
2021	52.22	0.96	8.45	10.67	2.96	24.72
2022	49.12	0.66	11.29	12.47	4.24	22.22

Although, due to the dynamic growth of expenses for financing centralized investments in the period under analysis (see Appendix 5), their share in the structure of state budget expenses is increasing, the high share of expenses in the social sphere requires further deepening of reforms aimed at ensuring their financial stability by strengthening the revenue base of local budgets.

In addition, the significant share of expenditures related to the formation of reserve funds of executive central and local government bodies in the structure of other expenditures constitutes a solid financial foundation for the financial stability of local budgets. Although the increase in the share of social transfers for local budgets in the structure of other expenditures is also an important factor in ensuring financial stability for local budgets, the formation of a stable consolidated revenue base is a solid foundation for stability in real terms (Figure 2).

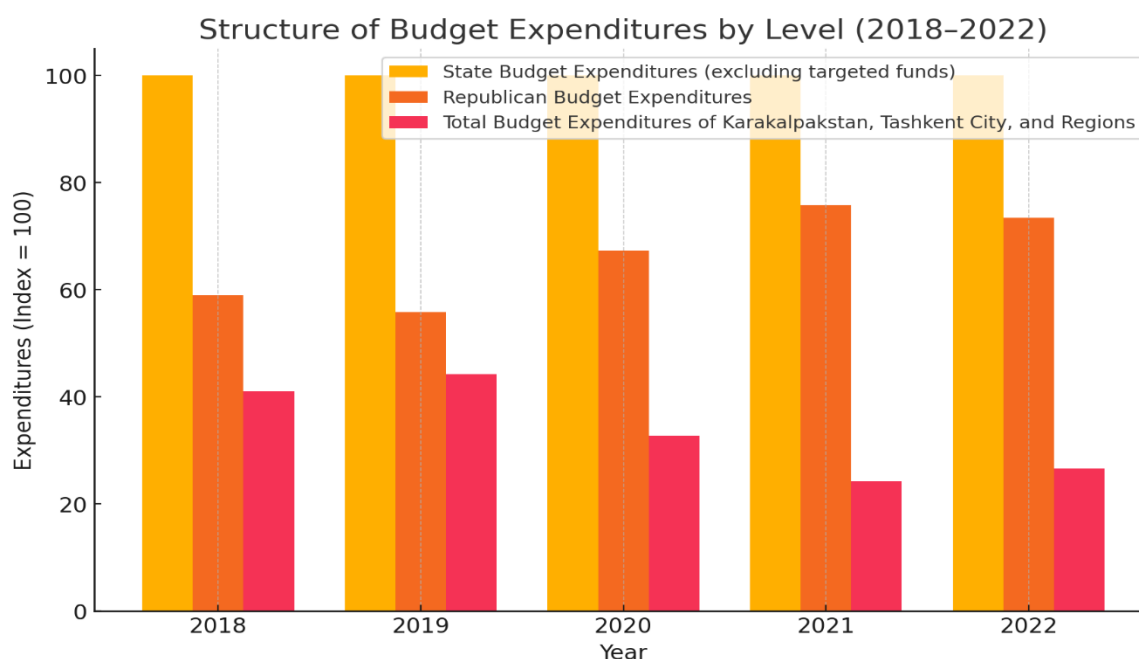


Figure 2. Structure of Budget Expenditures by Level (2018-2022)

² Development of Budget Federalism: International Experience and Russian Practice. / General editors Migara De Silva, Galina Kurlyandskaya. Moscow: "Ves Mir", 2006. - p. 97.

2-figure: Share of republican and local budget expenditures (excluding transfers) in total state budget expenditures (excluding earmarked funds), as a percentage of the total³.

Figure 2 also shows that while 59 percent of the total state budget expenditures in 2018 fell on the republican budget, by 2022 this figure had reached 73.4 percent. However, it should be noted that these expenditures also include the formation of reserve funds, which are a kind of "protective cushion" of the financial stability of local government bodies, and social transfers. Although social transfers, which serve to equalize the standard volume of social services, are considered expenses for the republican budget, for local budgets they are considered as financial assistance allocated from the higher budget to finance the corresponding expenses. Thus, we can see that this financial assistance allocated from the higher budget to cover expenditure obligations naturally performs a kind of revenue function for local budgets. If we take into account the allocation of social transfers to targeted and targeted expenses, then it can be seen that local government bodies fulfill the task of "transit" from the point of view of social transfers allocated to them in the financing of specific targeted expenses in the regions.

As confirmed by the actions of developed countries, while ensuring the implementation of state expenditures at the local level, such expenditure obligations remain that are not given to local government bodies as expenditure obligations. Such expenses are financed by central authorities. The implementation of these costs at the central level is also determined by the establishment of minimum national standards and measures for certain areas by the central authorities. Local authorities are responsible for forming and financing the territorial provision of these standards and measures [18].

One of the special features of the republican budget expenditures is that, on the one hand, a certain part of the state budget expenditures is charged to the republican budget as an expenditure obligation, and the second largest group of expenditures are expenditures on financial equalization of local budgets in the regions.

At least 3 main parameters are taken into account in ensuring the effectiveness of state and local budget expenditures, which make up the general budget strategy of the state:

- the amount of financial provisions for certain items of expenses;
- the period of return from the expenditure items (the period of social or economic efficiency);
- the amount of social or economic benefit that society receives as a result of the distribution of budget funds.

Naturally, the main part of the budget expenses is directed to the financing of the so-called "non-essential" services, and the direct financial return from the areas where these expenses are directed is not always observed. But they can directly affect the growth of the GNP of the regions of the country. That's why the degree to which these expenses are carried out in the region determines the degree of orientation of the state policy to ensure the development of the socio-economic complex of the region [19].

If we consider the analysis of the composition and dynamics of local budget expenditures in the general context, we can witness the following picture. The nominal value of total local budget expenditures in 2018 was 25,485.5 billion soums, and by 2022 this indicator will reach 57,149.2 billion soums. increased to soums. Compared to the comparison periods, the growth of total expenses was 224.2%, while the growth rate of expenses was the leading in Bukhara (229.5%), Kashkadarya (248.9%), Namangan (235.9%), Surkhondarya (236.9%) and Tashkent (254.1%)(Table 3).

³ www.mf.uz-расмий Created by the author based on information from the website.

3-table.

Information on local budget expenditures, billion soums⁴

Regions/years	2018	2019	2020	2021	2022	Growth in 2022 compared to 2018, in %
Republic of Korkalpakstan	1740	3897,9	3542	2915,6	3874,2	222,7
Andijan region	2162,1	4510,4	3708	3228,8	4741,6	219,3
Bukhara region	1458,4	3107,5	3103,5	2375,4	3347,3	229,5
Jizzakh region	1153,8	2534,6	2057,7	1702,9	2551,8	221,2
Kashkadarya region	2223,5	4415,2	4603,2	4147,6	5534,2	248,9
Navoi region	999,2	2280,3	1818,2	1535,8	2186,3	218,8
Namangan region	1953,7	3921,5	3776,9	3254,5	4607,9	235,9
Samarkand region	2629,9	5147,3	3811,6	3759,7	4963,7	188,7
Surkhandarya region	1879,9	3721,2	3246,6	3048,3	4453,9	236,9
Syrdarya region	806,3	1725,4	2375,6	1279,9	1777,7	220,5
Tashkent region	2066,8	4225,8	3387	3009,8	4378,9	211,9
Fergana region	2621,3	4962,7	4132,1	3815,1	5619,9	214,4
Khorezm region	1411,7	2727,6	2278,9	2075,6	3067,2	217,3
Tashkent city	2378,9	4976,5	5350	4068,6	6044,6	254,1
Total	25485,5	52154	47190,75	40217,5	57149,2	224,2

This dynamic growth of local budget expenditures requires the formation of a solid revenue base to ensure their financial sustainability.

The policy of strengthening the revenue base aimed at ensuring their financial sustainability in the “Center-Region” horizon at the rate of growth of local budget expenditures is envisaged to be implemented in the following directions from the point of view of ensuring the financial independence of local government bodies:

Firstly, in order to fully and timely finance the growing local budget expenditures, increasing the number of local taxes and fees and the volume of revenues. This is mainly due to the designation of certain types of general state taxes as permanent attached income to local budgets and increasing the level of collection on them, increasing the amount of annual revenues by expanding the tax base.

Secondly, distributing general state taxes formed at the expense of the economic potential of the region through standard deductions, and forming additional revenues at the expense of transferred revenues.

Third, organize full and timely financing of expenditure obligations of local budgets through the transfer of regulatory revenues (social transfers, budget loans).

Most economists confirm that the first direction among the above-mentioned set of measures has the potential to create a solid foundation for ensuring the financial independence of local budgets.

⁴ www.mf.uz-расмий Created by the author based on information from the website.

The study analyzed local budget expenditure trends in the Khorezm region over a three-year period (2022–2024), with a focus on sectoral allocations, structural dynamics, and patterns of change. The quantitative findings, supported by official statistics and visualized in both tabular and graphical formats, reveal several important trends and insights into the structure and direction of public spending in the region [20].

The data show that education consistently receives the highest share of the local budget, accounting for 40% in 2022 and increasing steadily to 43% by 2024. This upward trend reflects both national and regional priorities for strengthening human capital, improving access to quality education, and renovating school infrastructure. Similarly, healthcare expenditures remained stable, rising slightly from 17% in 2022 to 18% in both 2023 and 2024, indicating a sustained commitment to health system strengthening, especially in the post-pandemic recovery phase.

Expenditures on infrastructure and utilities increased from 14% in 2022 to 15% in 2023 and remained at that level in 2024. This trend suggests a focus on modernizing local infrastructure such as roads, water supply, and electricity networks which is consistent with the goals outlined in regional development plans and national strategic documents.

The share of expenditures allocated to agriculture and miscellaneous sectors ("Other") has seen a gradual decline. Agricultural spending fell from 7% in 2022 to 6% in 2023 and remained unchanged in 2024. This could be attributed to a shift in financing responsibilities toward private-public partnerships or external funding in the agricultural sector. The "Other" category, which includes administrative expenses, culture, and sport, also decreased from 12% in 2022 to 9% in 2024, potentially signaling an effort to streamline administrative overhead and improve fiscal efficiency.

The share of budget allocated to social protection remained relatively stable starting at 10% in 2022, slightly decreasing to 9% in 2023, and remaining unchanged in 2024. While this may suggest a consistent approach to welfare programs, it also raises concerns about whether the allocation is sufficient to meet the growing demand for social services, especially in rural areas and among vulnerable populations.

The line graph presented above clearly illustrates the relative stability in spending patterns across most sectors, with slight shifts indicating gradual reprioritization rather than major structural reforms. Education and healthcare dominate the fiscal landscape, while sectors such as agriculture and social protection receive a comparatively smaller and stagnant share of expenditures.

These patterns highlight a conservative budgeting approach, with limited reallocation of resources over the observed period. While stability in funding is important, the absence of bold shifts may also suggest a missed opportunity for addressing emerging regional challenges, such as youth unemployment, environmental issues, or digital transformation in public services.

Conclusion

The effective management of local budget expenditures is central to achieving sustainable and inclusive development at the regional level. This study has examined the budgeting practices of the Khorezm region, identifying key strengths, weaknesses, and areas in need of urgent reform. Through the analysis of expenditure data, institutional processes, and sectoral trends from 2022 to 2024, it is evident that while Uzbekistan, including Khorezm, has made progress in decentralizing public financial management, several systemic challenges continue to hinder the optimal utilization of local resources.

One of the key findings is the dominance of education and healthcare spending in the regional budget, which reflects the government's continued emphasis on social development. The increasing allocation to education rising from 40% in 2022 to 43% in

2024 demonstrates commitment to human capital investment. Similarly, steady spending in healthcare and infrastructure suggests gradual but consistent improvements in service provision.

However, these patterns also reveal a lack of strategic rebalancing in the budget structure. Sectors such as agriculture and social protection, which are essential for supporting rural livelihoods and vulnerable populations in Khorezm, have seen either stagnation or decline in financial support. This raises concerns about whether the budget truly reflects the region's evolving socio-economic needs, especially in the context of environmental risks, unemployment, and migration.

Furthermore, the study finds that budget planning and execution in Khorezm remain overly centralized and input-based, with limited use of performance indicators or impact assessments. Local authorities often lack both the financial autonomy and technical capacity needed to carry out results-based budgeting or to respond flexibly to changing priorities. The budgeting process is still driven more by compliance with national directives than by local strategic planning, which limits innovation and responsiveness.

Transparency and accountability, while formally improving through platforms like the Open Budget Portal, remain insufficient at the grassroots level. Public awareness of budget processes is low, and participatory budgeting, though introduced, is still underutilized in practice. Citizen involvement is often symbolic rather than substantive, and feedback mechanisms are either weak or non-functional. The study underscores the need to bridge this gap between digital reform and real-world engagement to ensure that budgeting processes become truly democratic.

In terms of monitoring and evaluation, the findings highlight the absence of robust, data-driven performance tracking systems. While audits are conducted, they primarily focus on legal compliance rather than outcome-based effectiveness. There is a clear need to modernize evaluation tools, introduce sector-specific key performance indicators, and build capacity in local institutions for analyzing and responding to audit results.

Despite these shortcomings, the research also identifies areas of potential. The participatory budgeting initiative, though in its early stages, has already supported dozens of small-scale community projects in Khorezm. If properly expanded and institutionalized — with training, outreach, and follow-up reporting this mechanism can enhance community trust and ensure more equitable allocation of public funds.

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