



UNLOCKING LOCAL POTENTIAL: RESULTS-BASED BUDGETING AS A CATALYST FOR FISCAL DECENTRALIZATION IN UZBEKISTAN

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Abstract: *This article analyzes the concept of results-based budgeting (RBB) as a key instrument for advancing fiscal decentralization in Uzbekistan. It outlines the theoretical and methodological foundations of RBB and explores its connection to current reforms in local governance. Institutional challenges are identified, and policy recommendations are proposed. The article includes national-level data on changes in the structure of local revenues and expenditures.*

Keywords: *fiscal decentralization, local budgets, results-based budgeting, performance management, Uzbekistan.*

Results-based budgeting (RBB) is a system where public expenditures are linked to pre-defined measurable outcomes. Unlike traditional budgeting, which focuses on line-item expenditures, RBB emphasizes achieving clearly defined policy goals. This approach improves transparency, accountability, and the effectiveness of public resource use, particularly at the local level.

The Results-Based Budgeting (RBB) methodology is a strategic approach to public financial management that aligns budget allocations with clearly defined outcomes. It begins with **setting measurable objectives**, which are specific and results-oriented goals that public institutions aim to achieve. These objectives guide the planning process and ensure that budgeting decisions are aligned with policy priorities.

Next, **developing indicators** is crucial for quantifying progress. These performance indicators serve as benchmarks for tracking whether programs are

achieving their intended results and provide a basis for transparency and accountability in government operations.

Another key component is **program-based budget planning**, which organizes expenditures around functional programs rather than administrative structures. This approach enhances clarity in how resources are allocated and encourages interdepartmental coordination. Finally, **performance monitoring and evaluation** ensure that ongoing activities are systematically assessed against established indicators. This step is vital for identifying successes, adjusting underperforming initiatives, and informing future budget cycles. Together, these elements foster a culture of accountability, improve the efficiency of public spending, and ultimately enhance the quality of services delivered to citizens.

2. Theoretical and Methodological Framework

Globally, RBB has been implemented as part of New Public Management reforms. OECD (2019), Schick (2003), and the Asian Development Bank (2021) highlight the importance of supporting infrastructure—such as audit, evaluation systems, digital tools, and citizen engagement—for successful implementation. In Uzbekistan, reforms since 2017 have emphasized fiscal decentralization under the “Uzbekistan–2030” strategy. A milestone was the 2020 adoption of the State Budget Law by Parliament, which expanded the fiscal powers of local authorities. National scholars like T. Ishmetov, A. Umarov, and Ya. Kvitkov emphasize the importance of transitioning to RBB as part of strengthening local fiscal autonomy.

The relationship between RBB and decentralization is clear: transferring financial powers to the local level requires performance-oriented planning and oversight mechanisms aligned with national development goals.

3. Dynamics of Fiscal Decentralization

Diagram 1. Growth in the Share of Local Budgets in the National Budget (visualization attached).

Table 1. Devolution of Tax Revenues:

Year	Type of Tax	Share Allocated to Local Budgets	Notes
2018	Land tax and property tax on individuals	100%	Fully devolved
2020	Water tax	95%	Nearly fully devolved
2023	Personal income tax (PIT)	50%	Assigned to regional budgets

Reduction in transfer dependency: in 2017 - 63%; in 2023 - 48%.

4. Changing Budget Structures

Between 2017 and 2023, the composition of local budget revenues in Uzbekistan has shifted toward greater diversification. The share of land tax increased slightly from 11% to 13%, property tax rose from 14% to 18%, and rental income nearly doubled from 4% to 7%. These changes suggest a gradual move toward enhancing local revenue generation capacity. At the same time, the share of intergovernmental transfers declined significantly—from 63% in 2017 to 48% in 2023—indicating a trend toward fiscal decentralization and reduced dependence on central government support. This shift aligns with the principles of results-based budgeting, which emphasize financial autonomy and accountability at the local level.

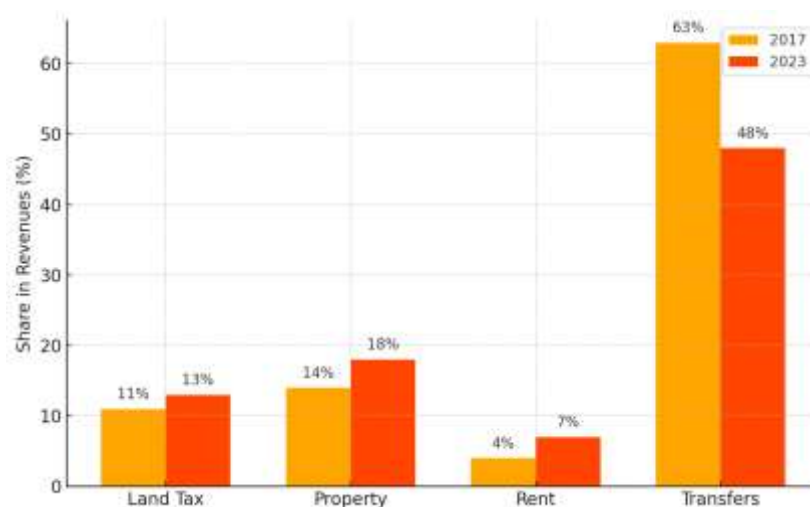
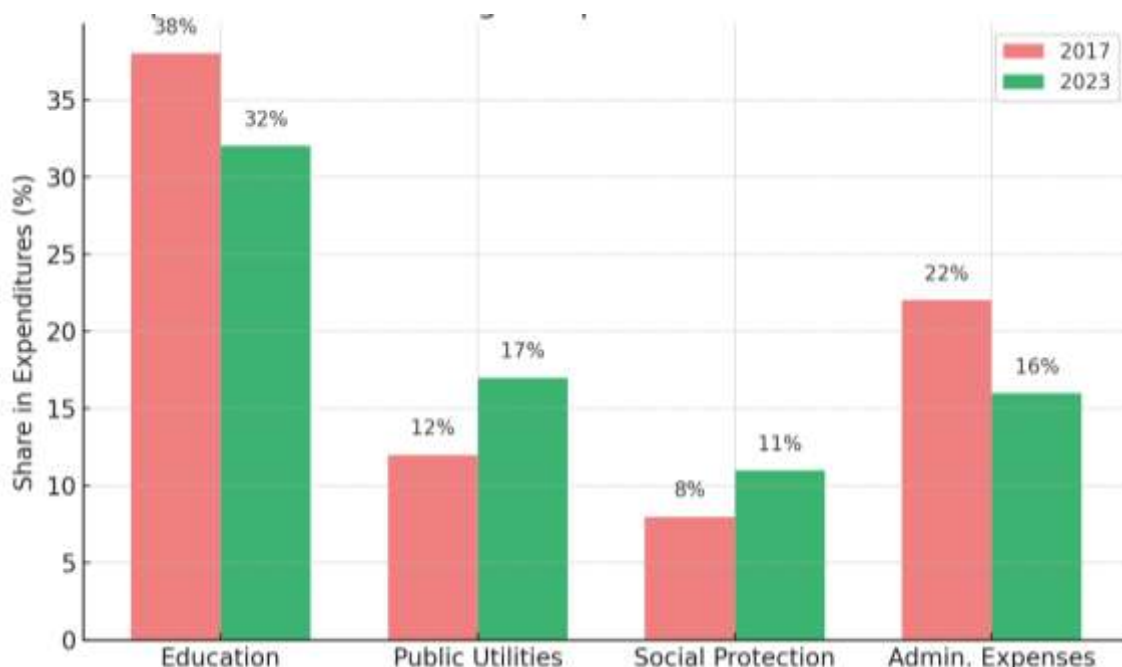


Diagram 2. Comparison of Local Budget Revenues: 2017 vs. 2023

On the expenditure side, notable shifts also occurred. The share of spending on education, although still dominant, declined from 38% in 2017 to 32% in 2023. Meanwhile, allocations to public utilities increased from 12% to 17%, and spending on social protection rose from 8% to 11%, reflecting a broader focus on service delivery and social support. Administrative expenditures decreased from 22% to 16%, pointing to efforts aimed at improving operational efficiency. These adjustments in spending patterns suggest an emerging alignment with strategic priorities under results-based budgeting, where resources are increasingly directed toward sectors with measurable outcomes and direct impact on citizens' well-being.

Diagram 3. Comparison of Local Budget Expenditures: 2017 vs. 2023



5. Challenges and Policy Recommendations

Despite the positive momentum, the implementation of results-based budgeting within the framework of fiscal decentralization in Uzbekistan faces several systemic challenges. One of the primary issues is the absence of unified national standards for designing and implementing RBB practices. Without clear methodologies, local authorities often rely on ad hoc approaches, limiting consistency and comparability across regions.

Another significant barrier is the insufficient capacity of personnel within local governments and sectoral agencies. Many local budget officers lack specialized training in performance-based planning, data analysis, and evaluation tools—skills that are essential for effective results-oriented governance.

Moreover, the role of local councils (Kengashes) remains limited in the budgeting process. Their participation in planning, oversight, and evaluation is often formalistic rather than substantive, which undermines accountability and citizen representation.

Monitoring and evaluation mechanisms also remain underdeveloped. The absence of digital performance dashboards and real-time data collection tools hinders the ability to track progress and make timely adjustments to budget execution.

To address these challenges, a set of comprehensive policy actions is required. These include the development and formal adoption of national RBB standards, systematic training of local government staff, and the introduction of digital platforms for performance monitoring. It is also essential to enhance the role of local councils by granting them real participatory powers and to establish a system of regional performance incentives to encourage innovation and accountability in local governance.

6. Conclusion

Results-based budgeting enhances accountability and the efficiency of decentralized public administration. For long-term sustainability, a comprehensive approach is required—combining regulatory measures, digital solutions, and institutional capacity-building.

International experience shows that decentralization without continuous evaluation, performance-based planning, and vertical coordination remains symbolic. Uzbekistan should establish a unified digital framework for monitoring and supporting delegated powers to ensure effectiveness and resilience.

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