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WAYS TO ENSURING ECONOMIC STABILITY BASED ON INCREASING THE EFFICIENCY OF USING STATE BUDGET EXPENDITURES

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Abstract

The efficiency of public spending is a critical component of sustainable economic development and macroeconomic stability. This paper explores strategies for ensuring economic stability through the rational and efficient use of state budget expenditures, focusing on the case of Uzbekistan. The study includes a statistical analysis of Uzbekistan's budget execution trends between 2015 and 2023, a comparative assessment of global practices in public finance management, and recommendations for enhancing expenditure efficiency. The results demonstrate that increasing transparency, applying performance-based budgeting, and strengthening fiscal discipline can significantly improve economic outcomes.

Keywords: *economic stability, budget efficiency, fiscal discipline, public finance, expenditure management, Uzbekistan*

Introduction

One of the key challenges faced by many developing economies is how to allocate limited public resources efficiently in order to achieve maximum social and economic returns. The effectiveness of state budget expenditures not only affects the quality of public services but also serves as a stabilizing force in the face of economic shocks.

Uzbekistan, undergoing structural economic reforms, has increased its public investments and social sector funding significantly over the past decade. However, there remain substantial inefficiencies in expenditure planning and execution. In this context, improving the efficiency of

state budget spending is imperative to ensuring economic resilience and sustainable growth.

This article aims to investigate the role of efficient budget expenditure in achieving economic stability, analyze existing problems in the budget system of Uzbekistan, and propose measures grounded in international experience.

Methodology

The research methodology incorporates the following approaches:

Descriptive analysis of the structure and dynamics of Uzbekistan's budget expenditures from 2015 to 2023.

Comparative analysis of best practices in OECD countries and select emerging economies in terms of budget efficiency.

Efficiency indicators such as budget deficit to GDP ratio, social return on investment (SROI), and sectoral output relative to government expenditure.

Expert opinion polling of 12 professionals in budget policy and public administration in Uzbekistan to identify key bottlenecks and opportunities.

The study relies on official statistics from the Ministry of Economy and Finance of the Republic of Uzbekistan, the State Statistics Committee, IMF and World Bank reports, and relevant academic literature.

Literature Review

The concept of efficient public expenditure dates back to classical economic theories. Musgrave (1959) introduced the idea of the three fundamental roles of government: allocation, distribution, and stabilization. Efficient budget expenditure falls under the allocation function, ensuring optimal resource distribution to maximize social welfare.

Keynesian economics further emphasized the role of government spending in stabilizing economies during recessions (Keynes, 1936). However, inefficient spending can lead to fiscal deficits without achieving desired economic outcomes, necessitating better expenditure control mechanisms.

Several studies have examined the link between efficient budget spending and economic growth:

Gupta and Verhoeven (2001) analyzed public spending efficiency in African countries, finding that better allocation in education and healthcare correlates with higher GDP growth.

Haque and Kneller (2015) studied OECD countries and concluded that performance-based budgeting (PBB) improves fiscal discipline by linking expenditures to measurable outcomes.

A study by the IMF (2018) found that medium-term expenditure frameworks (MTEFs) help governments plan budgets more effectively, reducing wasteful spending.

PBB shifts focus from input-based budgeting (how much is spent) to output/outcome-based budgeting (what results are achieved).

New Zealand's reforms (1989–1994) introduced PBB, leading to greater accountability in public spending (Schick, 1998).

South Korea's National Fiscal Management Plan (2004) integrated PBB, improving efficiency in social welfare programs (Kim & Park, 2016).

Technological advancements have transformed budget monitoring:

Estonia's e-governance model uses blockchain for real-time expenditure tracking, reducing corruption (Kalvet, 2012).

Brazil's "Transparency Portal" increased fiscal accountability by publishing real-time budget data (Ferraz & Finan, 2011).

Independent audits prevent misallocation of funds:

The role of Supreme Audit Institutions (SAIs)—such as the U.S. GAO and the UK's NAO – has been crucial in detecting inefficiencies (Blume & Voigt, 2011).

Botswana's Directorate on Corruption and Economic Crime (DCEC) reduced leakages in public procurement (Hope, 2020).

Some sectors yield higher economic returns when funded efficiently:

Infrastructure: The World Bank (2017) found that efficient infrastructure spending in China contributed to rapid industrialization.

Education & Healthcare: Rwanda's targeted health investments led to a 70% reduction in child mortality (WHO, 2019).

While many studies focus on developed economies, fewer examine low-income countries where budget inefficiencies are more severe. Additionally, most research on digitalization emphasizes AI-driven solutions, whereas this study focuses on simpler, non-AI reforms for broader applicability.

Analysis and Results

The study of Uzbekistan's budgetary trends from 2015 to 2023 reveals a gradual yet consistent increase in state budget expenditures relative to GDP. Specifically, government spending rose from 29.5% of GDP in 2015 to 32.4% in 2023. This upward trend reflects the government's proactive fiscal approach, particularly aimed at stimulating economic development and supporting social welfare sectors. Notably, spending on education increased from 21% to 24% of total expenditures, while healthcare expen-

ditures grew from 9.5% to 11% during the same period. Capital expenditures, representing government investments in infrastructure and long-term assets, experienced a more pronounced growth, rising from 19% to 26.1% of the total budget over the eight-year period.

Despite the growing volume of budget allocations, empirical evidence and audit reports suggest that the efficiency of public spending remains moderate. On average,

8–10% of allocated funds were either not fully utilized or misallocated, indicating systemic inefficiencies within the planning and execution mechanisms. In many instances, delays in project implementation and cost overruns were reported, particularly in infrastructure development. Moreover, several budget lines were found to be duplicated across ministries and regional authorities, reflecting a lack of coordination and strategic alignment in fiscal policy implementation.

Table 1. Indicators of Fiscal Efficiency (State Statistics Committee of Uzbekistan, 2024)

Indicator	2015	2018	2020	2023
Budget expenditures (% of GDP)	29.5	30.8	31.1	32.4
Budget deficit (% of GDP)	–0.5	–1.9	–3.5	–2.8
Capital expenditures (% of budget)	19.0	21.2	24.0	26.1
Efficiency score (1–5 expert rating)	2.8	3.0	3.2	3.5

The situation at the regional level demonstrates additional challenges. Local governments often experience limitations in institutional capacity, resulting in poor implementation of budgetary programs. Furthermore, the absence of real-time monitoring and digital financial control systems contributes to inefficiencies and resource mismanagement. In some regions, unspent funds accumulated despite pressing needs for socio-economic infrastructure, thereby highlighting the misalignment between budget planning and actual local development priorities.

The effectiveness of state expenditures was assessed through a set of efficiency indicators, combining financial ratios and expert evaluations. While the overall efficiency score improved marginally – from 2.8 in 2015 to 3.5 in 2023 on a five-point scale – it remains insufficient to fully justify the scale of expenditure growth. The widening fiscal deficit, peaking at –3.5% of GDP in 2020 before declining to –2.8% in 2023, further reflects pressures on budget sustainability and the need for tighter expenditure control.

An international benchmarking exercise reveals that countries such as Estonia, Chile, and South Korea have successfully enhanced budget efficiency through institutional reforms and digital innovations. Estonia's implementation of digital public finance systems enabled real-time monitoring and reduced administrative overhead, resulting

in cost savings and increased transparency. Chile has established an independent agency to evaluate the effectiveness of public spending, thereby strengthening accountability. South Korea's shift to performance-based budgeting has linked each budget allocation to measurable outcomes, leading to improved service delivery and fiscal discipline (International Monetary Fund, 2022).

Several countries offer models that Uzbekistan can learn from:

Estonia: Digital budgeting systems reduced administrative costs by 14% between 2016–2022 and improved transparency.

Chile: Established an independent agency for evaluating the efficiency of public spending, improving accountability.

South Korea: Uses performance-based budgeting where each expenditure is linked to outcome indicators, leading to improved fiscal outcomes.

These experiences provide valuable lessons for Uzbekistan. While increasing budget allocations is essential for socio-economic development, the key to achieving macroeconomic stability lies in the efficient use of these resources. The analysis indicates that inefficiencies in Uzbekistan's budget management stem primarily from gaps in strategic planning, weak financial discipline, insufficient oversight, and low levels of digitalization. Current budget planning often lacks evidence-based assessments and

performance metrics, leading to suboptimal resource allocation. Furthermore, financial control mechanisms and audit institutions are yet to reach the level of independence and capacity necessary to prevent misuse or inefficiency.

Systemic Challenges in Budget Management

Planning gaps: Budget allocations are not always based on evidence or strategic need assessments.

Weak financial discipline: Delays in fund disbursement and lack of accountability reduce the efficiency of implementation.

Limited oversight: Internal and external audit mechanisms lack the authority or capacity to enforce corrective actions.

Technological lag: Budget tracking remains largely manual, making it difficult to identify and prevent misuse of funds in real time.

The findings demonstrate that while Uzbekistan has made progress in expanding the volume and scope of public spending, the ef-

ficiency of these expenditures remains a key challenge. Addressing this issue through institutional reforms, digital tools, and evidence-based budget planning is essential not only for optimizing the use of public resources but also for ensuring long-term economic stability.

Conclusion

Ensuring economic stability in a transitioning economy like Uzbekistan requires a fundamental shift in the management of public finances. The effectiveness of budget expenditures plays a crucial role in supporting long-term development, reducing inequality, and enhancing institutional credibility. By adopting evidence-based budgeting practices, increasing transparency, and introducing performance metrics, Uzbekistan can substantially improve its fiscal outcomes. These reforms, supported by digital technologies and capacity building, will help lay the foundation for sustained macroeconomic stability and inclusive growth.

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