

**STATE BUDGET AND PUBLIC DEBT EXECUTION OF THE STATE
BUDGET OF UZBEKISTAN**

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INTRODUCTION

The state budget is a key element of any country's economic system. It shows how the government collects revenues and spends them for the development of the country. Public debt is also an important part of the economy, as it helps the government finance its expenditures when revenues are not enough. In Uzbekistan, effective management of the state budget and public debt plays a significant role in ensuring economic growth and stability.

KEYWORDS

state budget, public debt, Uzbekistan, fiscal policy, budget execution, revenue, expenditure, deficit, economic development, transparency

MAIN PART

The state budget of Uzbekistan is one of the central instruments of economic management and fiscal policy. It reflects the priorities of the government and serves as a mechanism for redistributing national income in order to ensure economic stability, sustainable development, and social welfare. The formation of the state budget is primarily based on tax revenues, which include income tax, value-added tax (VAT), excise taxes, and customs duties. Among these, VAT plays a particularly significant role due to its broad base and stable inflow. Income tax collected from individuals and corporate profit tax from businesses also constitute an essential part of budget revenues. In addition to tax revenues, non-tax revenues such as dividends from state-owned enterprises, administrative fees, fines, and income from the use of state property contribute to the overall budget structure.

In recent years, Uzbekistan has been actively reforming its tax system in order to simplify tax administration, reduce the tax burden on businesses, and improve compliance. These reforms aim to expand the tax base and reduce the size of the informal economy. As a result, the efficiency of revenue collection has improved, and the government has been able to generate more stable financial resources for public needs. Digital technologies have also been introduced into the tax system, allowing for better monitoring, reduced corruption, and increased transparency.

Government expenditures in Uzbekistan are directed toward key sectors that are crucial for long-term development. A significant portion of the state budget is allocated to education, healthcare, infrastructure, and social protection. Investment in education includes the construction and modernization of schools, universities, and vocational training centers, as well as increasing salaries for teachers and improving educational quality. Healthcare

spending focuses on building hospitals, improving medical equipment, and expanding access to healthcare services, particularly in rural areas.

□ Infrastructure development is another major priority of government spending. Large-scale projects such as road construction, railway modernization, energy supply systems, and urban development are financed through the state budget. These investments not only improve living standards but also stimulate economic growth by creating jobs and enhancing connectivity within the country and with international markets. Social protection programs, including pensions, allowances, and support for low-income families, are also funded through the budget, ensuring social stability and reducing inequality.

□ The concept of budget execution is critical in evaluating the effectiveness of fiscal policy. Budget execution refers to how accurately and efficiently the planned revenues and expenditures are implemented during a fiscal year. In Uzbekistan, the government closely monitors budget execution through various financial control mechanisms. Ministries and government agencies are responsible for ensuring that allocated funds are used according to approved plans. The introduction of modern financial management systems and digital platforms has significantly improved the monitoring process. These systems allow real-time tracking of budget spending and help prevent misuse of public funds.

□ A well-executed budget indicates that the government has successfully achieved its fiscal objectives. This includes collecting revenues as planned, avoiding unnecessary expenditures, and ensuring that funds are used effectively. However, challenges still remain in achieving full efficiency. In some cases, delays in project implementation or misallocation of resources can reduce the overall effectiveness of budget execution.

□ One of the key challenges in managing the state budget is the occurrence of a budget deficit. A budget deficit arises when government expenditures exceed revenues within a given fiscal period. This situation is not uncommon, especially in developing economies where there is a strong need for investment in infrastructure and social programs. In Uzbekistan, budget deficits are often associated with increased public spending aimed at accelerating economic development.

□ To finance the deficit, the government resorts to borrowing, which leads to the accumulation of public debt. Public debt in Uzbekistan consists of both domestic (internal) and external components. Domestic debt refers to funds borrowed from within the country, such as government bonds issued to local investors and financial institutions. External debt, on the other hand, includes loans obtained from foreign governments, international financial institutions, and global capital markets.

□ External borrowing plays a significant role in financing large-scale development projects in Uzbekistan. Loans from international organizations are often used to support infrastructure development, energy projects, and industrial modernization. These investments contribute to economic growth and improve the country's productive capacity. However, reliance on external debt also introduces certain risks, including exchange rate fluctuations and dependency on foreign creditors.

□ Effective management of public debt is essential to ensure long-term economic stability. If debt levels grow too rapidly, they can become a burden on the national

economy, leading to higher interest payments and reduced fiscal flexibility. Therefore, the government of Uzbekistan implements strategies to maintain debt sustainability. These strategies include setting limits on borrowing, prioritizing concessional loans with favorable terms, and ensuring that borrowed funds are used for productive investments that generate economic returns.

□ Another important aspect of budget management is transparency and accountability. The government has taken steps to improve openness by regularly publishing budget reports, statistical data, and financial statements. This allows citizens, researchers, and international organizations to evaluate the performance of public finances. Transparency not only increases public trust but also helps prevent corruption and inefficiency.

□ Despite these improvements, several challenges remain in the management of the state budget and public debt in Uzbekistan. One of the main issues is the persistence of budget deficits, which require continuous borrowing. Additionally, the efficiency of public spending is not always optimal, as some projects may not deliver the expected economic benefits. Dependence on external financing also makes the economy vulnerable to global economic changes.

□ At the same time, Uzbekistan has significant opportunities to strengthen its fiscal system. Continued tax reforms, expansion of the private sector, and diversification of the economy can increase domestic revenues and reduce reliance on borrowing. Improving the efficiency of public investment and strengthening institutional capacity will also contribute to better budget outcomes.

□ Opportunities:

□ Uzbekistan has several important opportunities to improve its state budget and public debt management. One key opportunity is the further development of the tax system. By reducing the shadow economy and improving tax collection through digital technologies, the government can increase stable revenues without raising tax rates.

□ Another opportunity is the growth of the private sector. Supporting small and medium-sized enterprises and attracting foreign investment can expand the economy and increase budget revenues. This will also reduce dependence on external borrowing.

□ Digitalization is also a major advantage. The use of modern financial systems and e-government platforms can improve transparency, reduce corruption, and ensure more efficient use of public funds.

□ In addition, effective use of public debt creates opportunities for economic growth. If borrowed funds are invested in infrastructure, energy, and industry, they can generate long-term benefits for the economy.

□ Finally, strengthening transparency and public control over the budget process can increase trust in government and improve accountability.

Public debt can support economic development if it is used effectively for investment projects such as infrastructure and industry. At the same time, it is important to control the level of debt to avoid financial risks.

□ Example of State Budget Revenue

The government of Uzbekistan collects money from taxes.

- For example, people pay income tax, and businesses pay VAT.

This money goes to the state budget

- Example of Government Spending

The government uses the budget to build schools and hospitals.

For instance, new roads and public transport systems are developed using state budget funds.

- Example of Budget Deficit

If the government spends more money than it collects, a deficit appears.

For example, if revenue is 100 million dollars but spending is 120 million dollars, the deficit is 20 million dollars.

- Example of Public Debt

To cover the deficit, the government borrows money.

For example, Uzbekistan may take a loan from international organizations like the World Bank.

- Example of Budget Execution

If the government plans to spend money on education and successfully builds schools during the year, it means the budget is executed properly.

- Real-life Style Example

The Uzbek government invests in infrastructure projects such as highways and energy systems.

These projects are sometimes financed by public debt, but they help improve the economy.

- Public Debt in Uzbekistan

Public debt in Uzbekistan includes:

- Domestic debt (borrowed within the country)

- External debt (borrowed from foreign sources)

External debt is mainly used to finance large infrastructure and development projects. This supports economic growth, but rising debt levels may become a burden in the future.

- Analysis

The execution of the state budget in Uzbekistan shows both strengths and weaknesses:

- Strengths:

- Strong focus on social sectors like education and healthcare

- Increasing investment in infrastructure

- Ongoing tax reforms to simplify the system

- Weaknesses:

- Budget deficit remains a challenge

- Growing public debt levels

- Inefficient use of funds in some sectors

- Dependence on external borrowing

- Main Problems

- The key problems related to the state budget and public debt in Uzbekistan include:
- Budget deficit – government spending exceeds revenues
- Rising external debt – increasing reliance on foreign loans
- Limited efficiency – not all funds are used effectively
- Transparency issues – although improving, still not perfect
- Economic dependence – vulnerability to external economic changes
- Suggestions
- To improve the execution of the state budget and manage public debt effectively,

the following measures are recommended:

- Strengthen control over government spending
- Reduce unnecessary expenditures
- Improve transparency and accountability
- Develop domestic revenue sources
- Limit excessive external borrowing
- Encourage private sector development
- Increase efficiency in public investment projects
- Analysis

The analysis of Uzbekistan’s state budget and public debt shows that the country is actively developing its fiscal system, but still faces several challenges. On the positive side, the government gives high priority to social sectors such as education, healthcare, and infrastructure. This supports long-term economic growth and improves the quality of life of the population. In addition, ongoing tax reforms and digitalization are helping to increase budget revenues and improve transparency.

However, there are also some weaknesses. The budget deficit remains a key issue, as government expenditures often exceed revenues. This leads to an increase in public debt, especially external debt. While borrowing helps finance important projects, excessive reliance on external loans may create financial risks in the future.

Another problem is the efficiency of public spending. Not all allocated funds are used effectively, and some projects may not bring the expected economic results. Despite improvements, transparency and accountability still need to be strengthened.

Overall, Uzbekistan has a stable foundation for budget management, but it is important to continue reforms, control public debt, and improve the efficiency of spending to ensure sustainable economic development.

□ **CONCLUSION**

In conclusion, the state budget and public debt play a crucial role in Uzbekistan’s economic development. While significant progress has been made in recent years, several challenges still remain. By improving budget management, increasing transparency, and controlling public debt, Uzbekistan can achieve sustainable economic growth and financial stability in the future.

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Exercise:

Part 1: Multiple Choice Questions

1. What is the main source of the state budget in Uzbekistan?
 - A) Foreign aid
 - B) Taxes such as income tax and VAT
 - C) Donations
 - D) Tourism only
2. Which of the following is a non-tax revenue source?
 - A) Income tax
 - B) VAT
 - C) Payments from state-owned enterprises
 - D) Customs duties
3. Government expenditures are mainly directed toward:
 - A) Entertainment
 - B) Military only
 - C) Education, healthcare, and infrastructure
 - D) Space exploration
4. What does budget execution mean?
 - A) Creating a new budget
 - B) Monitoring how planned revenues and expenditures are implemented
 - C) Printing money
 - D) Collecting taxes only
5. What happens when government spending exceeds revenues?
 - A) Budget surplus
 - B) Budget deficit
 - C) Inflation only
 - D) Economic growth

Part 2: True or False

6. The government of Uzbekistan does not publish budget reports.
(True / False)
7. External debt is borrowed from within the country.
(True / False)
8. Digital platforms are used to monitor budget spending.
(True / False)
9. Public debt includes both internal and external borrowing.
(True / False)
10. Budget transparency helps build trust between government and citizens.
(True / False)

Part 3: Short Answer Questions

11. Name two types of taxes that form the state budget.

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12. What sectors receive the largest share of government spending?
13. Why is debt management important for a country?
14. What is one benefit of digitalization in budget management?
15. How can the government reduce a budget deficit?

Part 4: Essay Question

16. Explain how effective budget management contributes to economic growth and social development in Uzbekistan.

Answer Key

- | | | | | |
|------|------|----------|----------|----------|
| 1. B | 3. C | 5. B | 7. False | 9. True |
| 2. C | 4. B | 6. False | 8. True | 10. True |
11. Income tax, VAT, customs duties (any two)
 12. Education, healthcare, infrastructure, social protection
 13. To avoid excessive financial burden and ensure economic stability
 14. Improves transparency, efficiency, and tracking of spending
 15. Increase revenues, reduce spending, or borrow responsibly