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# PROGRAM-BASED BUDGETING AND ITS APPLICATION POTENTIAL IN UZBEKISTAN



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**Abstract:** The article analyzes the main results, effectiveness, and prospects of program budgeting, as well as the possibilities and challenges of its implementation in Uzbekistan. It addresses issues of increasing transparency and accountability in public financial management, optimizing the use of budget funds, improving coordination among government agencies, and enhancing the quality of public services.

**Key words:** program-based budgeting, accountability, budget programs, transparency, efficiency, implementation, improvement, international experience.

## INTRODUCTION

Effective budget policy should aim to ensure the sustainable development of the state, improve the efficiency of public expenditures, and enhance the quality of public services. Currently, one of the most promising tools for achieving these goals is program-based budgeting, which is viewed as a priority direction in the reform of budget systems.

One of the key objectives of the strategy for improving the public finance management system in the Republic of Uzbekistan is the implementation of the “program-based budgeting” system. The introduction of this new system allows for planning based on the outcomes of budget funds utilization, taking into account the country’s strategic priority goals.

Program-based budgeting is a method aimed at increasing the efficiency of public finance management by directing budget funds toward specific goals and ensuring their effective use. This approach ensures transparency and accountability in the utilization of budget funds and enables the allocation of resources toward strategically significant objectives of socio-economic development.

## REVIEW OF LITERATURE ON THE SUBJECT

Program-based budgeting is regarded as one of the critical tools for enhancing the efficiency of public finance management in modern economies. International research highlights its role in aligning financial resources with public policy, with numerous scholars studying its impact. For instance, Schick’s studies emphasize the advantages of a program-based approach in modernizing budget processes, particularly in improving the efficient allocation and utilization of resources.

Allen and Tommasi analyzed international experiences with program-based budgeting as a successful model of public financial management. They shed light on the challenges of implementing this system, particularly in developing countries, and proposed mechanisms to address these issues.

Ljungman, in his research, explored the impact of program-based budgeting on public sector efficiency, emphasizing the need to structure budgets around functional programs to increase adaptability to changes.

Both local and international researchers have examined the opportunities for implementing program-based budgeting in Uzbekistan. A.A. Egamberdiyev analyzed critical aspects of optimizing the budget system within the context of the country’s economic reforms. He argued that forming budgets based on programs facilitates aligning financial plans with strategic goals.

Local economist Ibragimov’s research illustrates the outcomes of public finance reforms in the country. He highlighted the importance of considering the unique characteristics of each sector and region when implementing program-based budgeting.

While the advantages of program-based budgeting are well-documented, numerous studies have also addressed the challenges associated with its implementation. Russian researcher Aksenov emphasized the significance of institutional constraints and political conditions when constructing program-based budget models. He also provided recommendations for adapting lessons learned from international practices.

Experiences aimed at improving the economic efficiency of program-based budgeting hold substantial importance for Uzbekistan. Consequently, a comprehensive study of international practices and local conditions remains a pressing need in this area.

## RESEARCH METHODOLOGY

During the preparation of the article, international experience was analyzed to introduce the program-based budgeting system into the Budget Code of the Republic of Uzbekistan. This involved examining the procedures for the development, monitoring, and evaluation of the efficiency of budget programs by budget fund allocators, as well as relevant articles and regulatory frameworks. Analytical methods were applied throughout this process.

## ANALYSIS AND RESULTS

Program-based budgeting is a methodology for forming, executing, and monitoring budgets that ensures the alignment of public expenditures with strategic goals by considering prospective state programs and their outcomes.

Budget programs are developed by budget fund allocating authorities for the medium term, based on sectoral development programs (concepts and strategies), the laws of the Republic of Uzbekistan, decisions of the chambers of the Oliy Majlis of the Republic of Uzbekistan, decrees and resolutions of the President of the Republic of Uzbekistan, resolutions of the Cabinet of Ministers, and the objectives and tasks defined within the national sustainable development goals.

The primary objectives of transitioning to a program-based budgeting system are as follows:

Enhancing the quality of budget legislation, improving the efficiency of public expenditures, strengthening public and governmental oversight, and further solidifying citizens' trust in the government.

Strengthening the accountability of ministries and agencies for achieving the goals set based on their priority tasks.

Providing ministries and agencies with the ability to ensure the efficiency and effectiveness of the funds allocated from the State Budget and to evaluate the outcomes (target indicators) achieved through these allocations.

Improving state governance at central and local levels.

Developing program objectives, assessing the social and economic efficiency of program implementation, and improving reporting procedures for their execution.

Uzbekistan is actively in the phase of implementing and refining the program-based budgeting system. Currently, several significant outcomes of this process can be highlighted.

**Increasing Budget Transparency and Accountability:** Program-based budgeting ensures transparency in the use of public funds, enhancing the accountability of executive bodies to legislative institutions and the public. This improves expenditure oversight and boosts public trust in government institutions. For instance, information is provided on the allocation and utilization of budgetary expenditures, ensuring clarity in spending directions.

**Optimizing the Use of Budget Funds:** Program-based budgeting enables the allocation of resources to priority programs and projects. This improves the efficiency of public expenditures and ensures the achievement of established goals. For example, the effectiveness of funds directed toward the social sector has significantly increased.

**Enhancing Coordination Among Government Bodies:** Program-based budgeting strengthens coordination between various government agencies, facilitating the effective implementation of state programs and projects. This approach fosters improved collaboration among government institutions.

**Improving the Quality of Public Services:** By directing resources toward the most critical and effective programs, this system improves the quality of public services. As a result, the services provided to the population become more efficient and meet higher standards.

**Advancing Strategic Planning and Policy Decision-Making:** The process supports the redistribution of budgetary funds, increases the accountability of sectoral ministries to the Ministry of Finance, and fosters the development of strategic planning. It also enhances the quality of political decision-making by linking expenditures with long-term objectives.

However, the implementation of program-based budgeting is associated with several challenges. These include the necessity of training personnel, adapting new information systems, and ensuring consistent

monitoring and evaluation of results. Additionally, utilizing advanced information technologies in program and project evaluations is of critical importance. In Uzbekistan, the opportunities for implementing program-based budgeting include:

**Development of Technology and Infrastructure:** The advancement of digital technologies and infrastructure in Uzbekistan facilitates the introduction of program-based budgeting. E-government systems and information and communication technologies significantly enhance the efficiency of this process.

**Economic Reforms and Modernization:** The ongoing economic reforms and modernization of the financial system in the country create essential conditions for the successful application of program-based budgeting.

**Education and Workforce Training:** The effective implementation of program-based budgeting relies on the availability of qualified personnel. Special attention must be given to training specialists and enhancing their skills through educational institutions and professional training centers.

**External Cooperation and Knowledge Exchange:** Uzbekistan's participation in international cooperation programs and the study of advanced external experiences contribute significantly to the successful implementation of program-based budgeting.

**Strengthening Monitoring and Evaluation Systems:** Regular monitoring and analysis of results can ensure the efficient utilization of budgetary funds. This contributes to achieving precision and efficiency in the use of public resources.

**Ensuring Accountability and Transparency:** Introducing clear and regular reporting mechanisms within state bodies is essential for enhancing accountability and transparency. Moreover, developing open data platforms plays a significant role in increasing public trust in government activities.

## CONCLUSION AND SUGGESTIONS

The research highlights the importance and relevance of implementing program-based budgeting in Uzbekistan as a key tool for modernizing public administration and improving the efficient use of budget funds. Program-based budgeting contributes to ensuring transparency, strengthening reporting systems, and improving the quality of public services, thereby supporting the country's sustainable development.

Despite existing challenges, it is possible to achieve objectives and contribute to Uzbekistan's successful development by enhancing program-based budgeting methods and leveraging international experience.

Sherkhon Sayfutdinov, Head of the Department for the Efficiency of Budget Fund Utilization and the Implementation of Program-Based Methods under the State Budget Department of the Ministry of Economy and Finance of the Republic of Uzbekistan, stated that pilot projects on program-based budgeting will be implemented in 2025 within the Ministry of Economy and Finance and the Ministry of Agriculture. After the budget programs developed by these pilot ministries are reviewed and approved, the plan is to extend this experience to other ministries.

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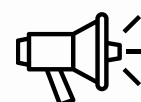
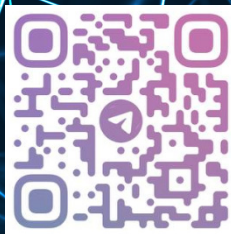
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