

**EFFICIENT MECHANISMS FOR INCREASING LOCAL BUDGET REVENUES:
LESSONS FROM UZBEKISTAN AND INTERNATIONAL EXPERIENCE**

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ABSTRACT

Fiscal decentralization and stronger local revenue bases are vital for sustainable local service delivery. This paper synthesizes regional case studies and international evidence to propose mechanisms for increasing local budget revenues. Using a mixed-methods approach, it examines reforms in tax assignment, property and land taxation, digital administration, participatory and performance-based budgeting, and local borrowing. Key recommendations include: (1) cadastral and market-based tax reform; (2) expansion of local revenue instruments with equity safeguards; (3) digital integration of cadastre-tax-payment systems; (4) participatory budgeting to enhance compliance; and (5) prudent development of municipal borrowing tools. Sequenced implementation, legal clarity, and institutional capacity are essential. The findings suggest these measures can significantly raise local revenues and strengthen fiscal accountability.

Keywords: local budgets; fiscal decentralization; property tax; cadastral reform; tax administration; participatory budgeting; Uzbekistan; revenue mobilization; performance-based budgeting.

1. INTRODUCTION

Designing efficient mechanisms for increasing local budget revenues has re-emerged as a core issue in public finance, particularly in jurisdictions undergoing fiscal decentralization and structural economic reforms. Local governments are increasingly expected to deliver essential public services and infrastructure, yet in many cases their fiscal mandates remain only weakly supported by autonomous and elastic revenue sources. This structural asymmetry generates two systemic risks: persistent vertical dependence on central transfers and reduced accountability of local authorities to their own taxpayers. Extensive empirical literature demonstrates that stable, broad-based, and transparently administered local revenues are a necessary condition for credible decentralization, territorial competitiveness, and long-horizon planning (Oates, 1972; Ebel & Yilmaz, 2002; IMF, 2024; OECD, 2023).

In developing and transition economies, the problem is amplified by low cadastral accuracy, narrow tax bases, valuation distortions, weak collection efficiency, limited digitalization, and institutional fragmentation across government tiers (Bahl & Bird, 2018; World Bank, 2022). Evidence across regions shows that statutory increases in local tax rates, in isolation, rarely produce durable gains when administrative frictions, informational asymmetries, and low perceptions of fiscal fairness remain unaddressed. By contrast, reforms that expand the tax base, modernize valuation systems, reduce compliance and enforcement frictions, and visibly connect taxation with the quality of public services tend to yield more persistent increases in local fiscal capacity and social acceptability (Brosio & Ahmad, 2022; IMF, 2024; OECD, 2023).

Uzbekistan offers a salient empirical setting for examining these dynamics. Since 2017 the country has undertaken major tax and budgetary reforms, including the modernization of local taxes, expansion of the digital tax infrastructure, revision of property and land valuation frameworks, and the introduction of participatory elements into budgeting. Despite observable improvements, a number of domestic studies and official assessments identify persistent bottlenecks: incomplete real-estate registration, normative valuation practices misaligned with market conditions, limited discretionary authority at the subnational level, overreliance on upper-tier transfers, and uneven administrative capacity across regions (World Bank, 2022; IMF, 2024; Parmanov & Usmonov, 2022; Abdunazarova, 2024; Davlatov, 2025).

The objective of this study is twofold: (i) to synthesize international and national evidence on the mechanisms that most effectively increase local budget revenues in a sustainable and efficiency-consistent manner, and (ii) to develop a context-adapted reform framework for Uzbekistan and similar transition economies, prioritizing those measures that enlarge the tax base, strengthen institutional and technological capacity, and restore the incentive and accountability structure underpinning local public finance. The results of this inquiry contribute to the broader discourse on fiscal decentralization by articulating an analytically grounded and operationally implementable pathway for strengthening local revenue autonomy — a prerequisite for resilient and growth-compatible territorial governance.

2. LITERATURE REVIEW

2.1 *Fiscal decentralization and local revenue assignment*

The modern theory of fiscal federalism emphasizes that aligning revenue authority with expenditure responsibilities strengthens accountability and reduces soft-budget expectations (Bird & Smart, 2002). Empirical work confirms that while decentralization often begins on the expenditure side, sustainable autonomy emerges only when local governments receive stable, predictable, and sufficiently elastic own-revenue sources (Shah, 2007). A cross-country evidence shows that tax autonomy, clarity of statutory assignments and well-designed intergovernmental transfers are statistically associated with stronger subnational revenue effort and better public service outcomes (World Bank, 2019).

Recent assessments of decentralization in Uzbekistan echo this pattern: expenditure devolution has outpaced own-revenue empowerment, producing persistence of vertical imbalances and administrative dependence despite formal reforms (Kim & Lotz, 2021; Ministry of Finance of Uzbekistan, 2024). The literature therefore converges on a consistent premise: transfer-financed decentralization is fiscally and politically weaker than revenue-based decentralization.

2.2 *Property and land taxation: large potential, high frictions*

Recurrent property taxation is widely seen as the most suitable local tax — immobile, visible, and normatively linked to local services (Norregaard, 2013; Haveman & Sexton, 2018). Yet developing and post-Soviet countries underperform due to cadastre incompleteness, outdated valuations, fragmented administration and political resistance (IMF, 2022). Empirical cases from Georgia, Indonesia and Poland show that yield grows only when cadastres are complete and mass valuation is market-anchored (Kelly, 2020).

Study by Niyazmetov (2018) document progress in cadastral reform, digital registration and simplified procedures, but note ongoing deficits, unregistered properties, partial digitization, and

valuation lags, that structurally cap the yield of local property taxation. The implementation constraint, rather than statutory absence, is central in this strand of literature.

2.3 Digitalization and modern tax administration

Digital administration — integrated registers, e-filing, e-payment, automated cross-matching — lowers compliance costs and simultaneously increases enforcement precision (OECD, 2022). Identification-based field studies in Latin America and Eastern Europe show measurable revenue gains from end-to-end digitalization, especially when digital records are legally enforceable (Pomeranz, 2015; Naritomi, 2019).

Ergashev (2023) and Parmanov & Usmonov (2022) document that Uzbekistan's digital reforms (e-cabinets, procedural compression, online invoicing) improved compliance metrics and collection reliability. However, their findings converge with international reports in stressing that cross-system data integration (tax–cadastre–treasury–municipal) is the binding constraint for sustained local revenue growth.

2.4 Participatory budgeting, transparency and compliance behaviour

A complementary strand links local revenue effort not to tax bases or rates, but to tax morale and perceived fiscal fairness. When taxpayers see a credible feedback loop — revenues financing visible, co-decided local goods — compliance and willingness-to-pay rise (Frey & Torgler, 2007; De Mello, 2022). Participatory budgeting in Brazil, Korea and selected EU cities demonstrates durable improvements in allocative legitimacy and citizen trust (Wampler, 2012).

Research by Davlatov (2025) and independent civic-governance assessments report that Uzbekistan's participatory budgeting rollout generated large civic uptake and locally funded micro-projects, but note binding constraints in rural participation due to digital-literacy gaps and transparency of project execution — limiting the tax-morale channel through which participation translates into revenue.

3.5 Performance-based budgeting and medium-term fiscal frameworks

International practice shows that medium-term expenditure frameworks and performance-based budgeting increase predictability, dampen political cycles and discipline recurrent commitments (Allen et al., 2019; UNDP, 2021). Empirical reforms in Chile, Estonia and Morocco demonstrate that subnational PBB raises the quality of spending and interacts positively with revenue reforms when incentives reward mobilization rather than historical baselines.

Pilot implementations in Uzbekistan under joint UNDP–MoF initiatives underline both feasibility and capacity constraints: without reliable metrics, administrative capability and sanction credibility, PBB risks becoming procedural rather than binding.

3. METHODOLOGY AND DATA

This study uses a mixed-methods comparative synthesis to ground reform proposals on local revenue strengthening. First, region-level analytical materials on Uzbekistan were thematically coded to identify recurring fiscal constraints and implementation lessons. Second, international sources (IMF, World Bank, OECD, peer-reviewed literature, and country reports) were reviewed to validate and enrich reform options. Third, Uzbekistan-specific insights were mapped against documented global practice, including market-based property valuation, cadastre–tax integration, rules-based subnational borrowing, and participatory/performance budgeting, to assemble a coherent, context-feasible reform package.

4. ANALYSIS AND DISCUSSION

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The efficient generation of local budget revenues represents a critical component of subnational fiscal sustainability, as emphasized in both Uzbek and international literature on public finance and fiscal decentralization (Bird, 2015; IMF, 2020). Empirical research suggests that regional disparities in revenue mobilization are influenced by structural economic factors, per-capita income, administrative efficiency, and targeted fiscal policy instruments. In this study, we adopt a quantitative approach using official regional budget data for 2020–2024 to examine trends in local revenue growth, per-capita revenue, and expenditure patterns across the Republic of Uzbekistan. This methodology allows a systematic assessment of temporal changes and interregional differences, providing a descriptive foundation for understanding effective mechanisms to enhance local fiscal capacity.

Table 1. Annual growth of local budget revenues by region, 2020–2024 (%)

Region	2020	2021	2022	2023	2024
Republic of Karakalpakstan	100.0	205.5	93.0	68.1	126.1
Andijan region	100.0	203.4	80.2	114.8	126.5
Bukhara region	100.0	196.5	74.0	133.2	122.3
Jizzakh region	100.0	167.3	85.3	138.0	118.3
Kashkadarya region	100.0	198.1	65.3	110.3	127.9
Navoi region	100.0	218.3	82.1	126.5	112.2
Namangan region	100.0	205.6	78.8	130.3	126.4
Samarkand region	100.0	156.7	93.0	132.2	125.4
Surkhandarya region	100.0	175.3	87.0	124.1	123.8
Syrdarya region	100.0	152.6	87.7	123.0	125.3
Tashkent region	100.0	220.0	64.3	155.9	117.3
Fergana region	100.0	241.5	69.8	136.9	115.8
Khorezm region	100.0	164.4	88.8	133.8	127.4
Tashkent city	100.0	159.8	83.0	155.6	123.1
Total (Republic)	100.0	191.9	78.7	127.0	122.3

Table 1 illustrates significant regional variation in annual revenue growth over 2020–2024. Fergana region recorded the highest growth in 2021 (241.5%), indicating a rapid post-pandemic recovery or increased revenue mobilization capacity. Tashkent region experienced the lowest growth in 2022 (64.3%), suggesting temporary stagnation or base effects from high previous-year revenues. The Republic of Karakalpakstan shows an irregular trajectory, with high growth in 2021 (205.5%) followed by a decline in 2023 (68.1%), which may reflect economic shocks or sector-specific revenue fluctuations. Tashkent city and Navoi region consistently demonstrate above-average growth, emphasizing their central role in national revenue generation. The aggregate growth of the Republic peaked in 2021 at 191.9%, followed by moderate but steady increases in subsequent years, reflecting both the effectiveness of fiscal stabilization measures and regional differences in economic activity. These patterns indicate that while overall revenue growth is positive, disparities across regions remain, highlighting the need for targeted fiscal policies to balance development and revenue mobilization.

Table 2. Local budget revenues per capita, 2020–2024 (thousands of soums)

Region	2020	2021	2022	2023	2024
Republic of Karakalpakstan	779.95	1578.72	1445.45	971.67	1209.24
Andijan region	428.36	855.75	673.31	758.60	940.31
Bukhara region	655.60	1271.53	926.71	1219.30	1468.99
Jizzakh region	559.77	917.33	765.50	1035.38	1196.55
Kashkadarya region	606.63	1177.52	752.59	816.12	1021.89
Navoi region	897.70	1916.90	1545.38	1922.75	2114.61
Namangan region	403.17	812.74	627.22	801.05	990.45
Samarkand region	440.20	675.59	615.26	799.12	981.25
Surkhandarya region	418.46	717.81	610.74	743.51	899.28
Syrdarya region	655.84	983.97	846.63	1024.04	1257.11
Tashkent region	591.54	1284.39	814.10	1254.78	1489.57
Fergana region	438.65	1041.35	713.54	959.45	1088.83
Khorezm region	494.52	799.26	697.88	920.67	1154.04
Tashkent city	965.11	1514.72	1227.20	1822.82	2111.72
Total (Republic)	561.29	1057.87	817.07	1017.78	1220.04

Per-capita revenue analysis demonstrates substantial differences in regional fiscal capacity. Navoi region and Tashkent city consistently achieve the highest per-capita revenues, exceeding 2,000 thousand soums by 2024, reflecting both strong economic bases and efficient revenue collection. In contrast, Andijan and Kashkadarya regions show moderate growth, with per-capita revenues under 1,000 thousand soums in 2024. Temporal trends reveal that several regions experienced declines in per-capita revenue in 2022, possibly due to pandemic-related economic contraction or local shocks, followed by recovery in 2023–2024. These results underscore persistent disparities in revenue mobilization efficiency and suggest that per-capita measures are crucial for assessing equitable fiscal distribution across subnational units.

Table 3. Local budget expenditures, 2018–2022 (billion soums)

Region	2018	2019	2020	2021	2022	Growth 2022/2018, %
Republic of Karakalpakstan	1740.0	3897.9	3542.0	2915.6	3874.2	222.7
Andijan region	2162.1	4510.4	3708.0	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	3387.0	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	5350.0	4068.6	6044.6	254.1
Total	25485.5	52154.0	47190.8	40217.5	57149.2	224.2

Expenditure trends reveal consistent increases across all regions, with Kashkadarya and Tashkent city demonstrating the highest growth rates (248.9% and 254.1%, respectively). These data suggest targeted investment and capacity expansion in key economic hubs. Samarkand shows relatively moderate growth (188.7%), indicating more stable fiscal management. The total expenditure increase of 224.2% reflects strong subnational fiscal expansion over five years. Comparing expenditure trends with revenue growth, regions such as Fergana, Tashkent city, and Kashkadarya achieve both high revenue mobilization and expenditure increases, suggesting effective fiscal performance, whereas regions with lower growth in per-capita revenue (e.g., Andijan) may face constraints in public service financing or infrastructure investment.

The analysis highlights that regional disparities in Uzbekistan remain pronounced in both revenue mobilization and expenditure patterns. High-performing regions, including Tashkent city, Navoi, and Fergana, demonstrate consistent growth across all indicators, while other regions exhibit more volatile or moderate trends. These findings align with international evidence that fiscal decentralization can generate substantial local revenues but requires careful policy design to balance interregional equity. Overall, Uzbekistan's local fiscal landscape reflects both opportunities for efficient revenue generation and challenges in achieving balanced regional development.

CONCLUSION AND POLICY RECOMMENDATIONS

The analysis of local budget revenues, per-capita revenues, and expenditures across Uzbekistan's regions, combined with insights from the literature on fiscal decentralization, reveals notable trends and disparities. While overall revenues and expenditures have grown substantially, regions such as Tashkent city, Navoi, and Fergana consistently lead in both total and per-capita revenues, reflecting strong economic bases and efficient fiscal management. In contrast, regions like Andijan, Jizzakh, and Kashkadarya exhibit moderate or fluctuating growth, highlighting structural challenges and limited fiscal capacity. Annual revenue fluctuations further emphasize the need for resilient and adaptive fiscal management strategies.

Policy implications point to the importance of strengthening administrative capacity, improving tax compliance, and leveraging digital collection systems, particularly in lagging regions. Differentiated fiscal policies that account for regional economic structures, population density, and sectoral composition can reduce disparities while promoting sustainable development. Investment in infrastructure, human capital, and economic diversification can broaden the tax base and enhance fiscal stability. International experience suggests that combining performance-based intergovernmental transfers with robust local revenue instruments improves both efficiency and equity.

Academically, this study contributes empirical evidence on subnational fiscal dynamics in a transitioning economy, linking quantitative data to theories of fiscal decentralization. Practically, it provides actionable guidance for policymakers to enhance revenue mobilization, optimize expenditures, and reduce regional disparities. By addressing these challenges, Uzbekistan can

strengthen local budget resilience, improve public service delivery, and foster balanced regional economic growth in support of national development objectives.

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