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Comparative Analysis of State Budget Structures in Central Asian Countries

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Abstract: This article presents a comparative analysis of the state budget structures of Central Asian countries, including Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan. The study examines the composition of revenues and expenditures, fiscal policies, and budgetary priorities in these nations over the past decade. By analyzing statistical data and budget reports, the article identifies similarities and differences in budget frameworks and highlights the impact of economic and political factors on fiscal management. The findings demonstrate how each country addresses challenges such as budget deficits, public investment, and social spending. The research contributes to a better understanding of regional fiscal dynamics and offers recommendations for enhancing budget efficiency and transparency in Central Asia.

Keywords: state budget, fiscal policy, budget structure, Central Asia, public finance, budget revenues, budget expenditures, budget deficit, economic development, transparency

Introduction.

In recent decades, Central Asian countries have undergone significant economic and political transformations, leading to substantial shifts in public financial management. Among the key components of economic governance in these countries is the state budget — a vital tool for allocating resources, implementing fiscal policy, and promoting sustainable development. The structure and composition of the state budget reflect not only a government's development priorities but also its ability to respond to macroeconomic challenges and social demands.

The Central Asian region, consisting of Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan, shares a common Soviet legacy in terms of economic planning and public administration. However, since gaining independence in the early 1990s, each country has followed a distinct trajectory in reforming its budget system and fiscal institutions. While some nations, such as Kazakhstan and Uzbekistan, have made strides in introducing program-based budgeting and improving transparency, others continue to operate under centralized and less transparent fiscal frameworks.

A well-structured state budget ensures that public resources are allocated efficiently and

equitably, targeting sectors that stimulate economic growth, reduce poverty, and improve public welfare. Therefore, analyzing how different countries in Central Asia design and implement their budgets provides critical insights into their governance models, fiscal capacity, and development strategies. Key elements to be considered include revenue sources (e.g., tax vs. non-tax), expenditure allocation (e.g., capital vs. current spending), the role of social sector funding, fiscal decentralization, and the management of budget deficits.

Moreover, the region's exposure to external shocks — such as global commodity price fluctuations, remittance volatility, and geopolitical tensions — has tested the resilience of state budgets. Governments have had to adapt their fiscal policies to maintain macroeconomic stability while pursuing national development goals. At the same time, there is increasing demand for public accountability, efficiency, and performance-based budgeting, particularly in the wake of the COVID-19 pandemic, which highlighted the importance of responsive and flexible budgetary systems. [1]

Despite some shared challenges, the institutional capacity, political will, and economic resources available to each country differ significantly, leading to varied budgetary outcomes. For instance, Kazakhstan benefits from oil revenues that enable it to maintain relatively high levels of public spending, while Tajikistan and Kyrgyzstan face more limited fiscal space and rely heavily on external aid and remittances. Uzbekistan, positioned between market reforms and a social-oriented model, is currently undergoing active budget reforms aimed at improving fiscal discipline and increasing public investment.

This thesis aims to conduct a comparative analysis of the state budget structures in the five Central Asian countries. By examining official statistics, budget laws, and international assessments (e.g., IMF, World Bank, Open Budget Index), the research explores how revenues and expenditures are structured, what fiscal policy priorities are pursued, and how effectively public funds are managed. The study also assesses progress in budget transparency, public participation, and alignment with sustainable development goals.[2]

Through this comparative approach, the article seeks to identify best practices and common bottlenecks in budget formulation and execution. Ultimately, it provides policy recommendations tailored to the region's unique socio-economic context, with the aim of enhancing budgetary governance and fiscal resilience across Central Asia.

Literature Review.

The structure and effectiveness of state budgets have long been central topics in the field of public finance and fiscal policy. Numerous studies emphasize the critical role of budget systems in resource allocation, macroeconomic stability, and public accountability. In the context of developing and transition economies, including those in Central Asia, the literature reflects a growing body of work that seeks to evaluate budgetary frameworks in terms of their transparency, responsiveness, and alignment with development goals.

A foundational contribution to the understanding of public budgeting is made by Musgrave and Musgrave (1989), who conceptualized the budget as serving three main functions: allocation, distribution, and stabilization. This framework remains influential in analyzing the extent to which state budgets in Central Asia fulfill these roles. Allen and Tommasi (2001) further discuss modern budget reform strategies, including program budgeting, performance measurement, and fiscal decentralization — themes that have gradually entered fiscal discourse in the region.[3]

The International Monetary Fund (IMF) and the World Bank have published extensive reports on fiscal policy and budgetary reforms in Central Asia. For instance, the IMF's Fiscal

Transparency Evaluations (2022–2023) provide detailed assessments of how well countries like Uzbekistan and Kazakhstan comply with international standards of openness and fiscal responsibility. These reports highlight advances in digitalization and program budgeting while also pointing out persistent weaknesses in public investment management and off-budget expenditures.[4]

In the case of Uzbekistan, a study by the World Bank (2021) on public finance reviews recent reforms aimed at strengthening fiscal rules, improving the efficiency of social expenditures, and enhancing intergovernmental transfers. It notes the country's progress toward medium-term expenditure frameworks but emphasizes the need for stronger monitoring mechanisms and better alignment between policy planning and budget execution. Similar conclusions are drawn by OECD (2022), which explores Uzbekistan's budgeting institutions and calls for increased citizen engagement in the budget process.[5]

For Kazakhstan, literature from national sources and international organizations shows a relatively mature fiscal system, supported by natural resource revenues. Researchers such as Kuralbayev (2018) analyze Kazakhstan's shift toward results-oriented budgeting and emphasize the role of oil revenues in shaping expenditure priorities. However, challenges remain in diversifying revenue sources and reducing dependence on volatile energy markets.[6]

In contrast, Kyrgyzstan and Tajikistan are characterized by narrower revenue bases and a higher dependency on external grants and remittances. Literature by GIZ and the UNDP (2019–2021) underlines the need for these countries to strengthen domestic revenue mobilization and improve expenditure quality. These reports also stress the importance of combating inefficiencies in social sector budgeting, especially in health and education.

Academic contributions in peer-reviewed journals have also addressed comparative fiscal governance in Central Asia. For example, Martinez-Vazquez and Timofeev (2008) compare intergovernmental fiscal relations across the region and highlight the tensions between centralization and local autonomy. Their findings suggest that while some countries have made strides in devolving fiscal authority, others maintain highly centralized systems that limit responsiveness to local needs.

Moreover, Open Budget Survey (IBP, 2023) provides a valuable dataset for comparing budget transparency across Central Asia. According to this index, Kazakhstan and Kyrgyzstan have achieved moderate transparency scores, while Turkmenistan continues to rank among the lowest globally. This disparity reflects differences in political will, institutional capacity, and public financial management systems.

While significant progress has been made in reforming state budgets in the region, the literature indicates that challenges such as weak oversight institutions, limited citizen participation, and inconsistent implementation of reforms remain widespread. Nonetheless, emerging studies suggest a growing interest in performance-based budgeting, gender-responsive budgeting, and the integration of climate priorities into fiscal planning.

Methodology.

This study employs a comparative qualitative and quantitative analysis of the state budget structures of Central Asian countries—Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan. Data were collected from official statistical reports, IMF and World Bank databases, and national finance ministries. Key budget indicators such as revenue composition, expenditure allocation, and fiscal balance were analyzed. Descriptive statistics and comparative tables were used to highlight similarities and differences. The research period spans from 2018 to

2023 for consistency and relevance.

Analysis and Results

The state budget structures of Central Asian countries—Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan—reflect both shared historical legacies and diverse approaches to economic management in the post-Soviet era. This analysis focuses on key components of their budgetary frameworks, including revenue sources, expenditure priorities, fiscal balances, and dependency on external funding. Data from 2018 to 2023 were used to ensure relevance and account for recent macroeconomic developments.

Kazakhstan and Uzbekistan have more diversified revenue bases compared to the other three countries. In 2023, Kazakhstan’s state budget revenues amounted to approximately \$50 billion, with 42% generated from oil and gas exports, 28% from taxes on goods and services, and the rest from income taxes and other sources. Uzbekistan, on the other hand, generated about \$19 billion, with 45% coming from VAT and corporate income taxes, showing a shift towards industrial and private sector taxation.

Table 1. Key Budget Indicators of Central Asian Countries (2023)[7]

Country	Total Budget Revenue (USD)	Main Revenue Sources	Budget Deficit (% of GDP)	Social Spending (% of Budget)	Transparency Level*
Kazakhstan	\$50 billion	Oil, VAT, Corporate Income Tax	-1.5%	28%	Moderate to High
Uzbekistan	\$19 billion	VAT, Corporate Tax, Income Tax	-3.0%	34%	Moderate, Improving
Kyrgyzstan	\$3.2 billion	VAT, Foreign Aid	-6.5%	30%	Low to Moderate
Tajikistan	\$2.8 billion	Customs, VAT, Remittances	-7.0%	27%	Low
Turkmenistan	(Est.) \$12 billion	Oil & Gas Exports	(Est.) - 2.5%	Unknown (Est. ~20%)	Very Low / Opaque

The comparative analysis of Central Asian countries’ budget structures in 2023 reveals distinct fiscal profiles shaped by natural resources, tax systems, and governance practices. Kazakhstan holds the most robust budget, driven by oil revenues and relatively strong tax collection, allowing it to maintain low deficits and consistent social spending. Uzbekistan, while not as resource-rich, has been expanding its tax base and increasing transparency, making strides toward sustainable public finance.

Conversely, Kyrgyzstan and Tajikistan exhibit high dependency on external aid and remittances, with persistent deficits exceeding 6% of GDP. These countries struggle with narrow tax bases and limited institutional capacity, which undermines long-term fiscal resilience. Social spending remains significant but constrained by limited fiscal space.

Turkmenistan, despite its vast hydrocarbon wealth, remains the least transparent, with minimal public data on revenue allocation and budgeting practices. The state-centric approach and lack of reform hinder its fiscal adaptability.

Overall, while Kazakhstan and Uzbekistan are making progress toward balanced and modern budget systems, the rest of the region faces serious structural challenges. Enhancing transparency, diversifying revenue, and improving spending efficiency are crucial steps for fiscal

sustainability and inclusive development across Central Asia.

In contrast, Kyrgyzstan and Tajikistan have narrower tax bases and rely heavily on external assistance and remittances. In Kyrgyzstan, nearly 30% of the state budget comes from international aid and loans. Tajikistan's budget revenue is highly dependent on VAT and customs duties, while Turkmenistan's data is less transparent but shows an overwhelming reliance on hydrocarbon exports, which constitute over 80% of revenue.

All five countries allocate significant portions of their budgets to social sectors such as education, healthcare, and pensions. In 2022, Uzbekistan spent 34% of its budget on social protection, reflecting reforms aimed at improving living standards. Kazakhstan devoted 28% to social services and 15% to infrastructure development.

Kyrgyzstan and Tajikistan allocate a high proportion of expenditures to debt servicing and subsidies, which limits investment in human capital and innovation. Turkmenistan's budget expenditures are less transparent but emphasize infrastructure projects and energy sector investments, often directed by presidential decree without parliamentary scrutiny.

From 2018 to 2023, Kazakhstan and Uzbekistan maintained relatively stable fiscal balances. Kazakhstan achieved a budget surplus in 2021 due to high oil prices, though the trend reversed slightly in 2023. Uzbekistan has maintained a moderate budget deficit, averaging -3% of GDP, with increasing public investment in infrastructure and digital economy development.[8]

Kyrgyzstan and Tajikistan continue to face persistent budget deficits, averaging -5% to -7% of GDP annually, resulting in growing public debt. These deficits are largely financed by external donors such as the IMF, World Bank, and China's Belt and Road Initiative (BRI). Turkmenistan, despite its energy wealth, does not regularly publish fiscal data, but expert analysis suggests structural deficits due to inefficient state enterprises and limited private sector development.

Uzbekistan and Kazakhstan have taken steps toward improving fiscal transparency. Uzbekistan's Ministry of Finance began publishing detailed budget reports online in recent years, and Kazakhstan adopted participatory budgeting pilots in some municipalities. However, in Kyrgyzstan and Tajikistan, budget formulation remains highly centralized, and public involvement is minimal. Turkmenistan ranks lowest in transparency due to the closed nature of its governance system.

The COVID-19 pandemic and the Russia-Ukraine conflict affected all Central Asian countries, particularly in terms of reduced remittance flows and disrupted trade. Uzbekistan and Kazakhstan showed higher resilience due to stronger economic buffers and diversified trade partners. In contrast, Tajikistan and Kyrgyzstan experienced more severe budgetary pressures, leading to emergency borrowing and additional external assistance.

Conclusion

The comparative analysis of state budget structures in Central Asian countries reveals significant disparities shaped by natural resource endowments, governance models, and institutional reform progress. Kazakhstan and Uzbekistan show relatively stable and well-managed fiscal systems, with efforts to diversify revenue sources, enhance budget transparency, and increase investment in social sectors. Their strategies reflect a shift toward long-term fiscal sustainability and inclusive development.

Conversely, Kyrgyzstan and Tajikistan struggle with narrow tax bases, high dependence on foreign aid, and persistent budget deficits, which hinder economic resilience. These countries face structural limitations that require targeted reforms in tax policy, public finance management, and debt sustainability. Turkmenistan, despite being resource-rich, suffers from a severe lack of transparency, making accurate assessments difficult. The heavy centralization and non-transparent governance structures prevent effective budget monitoring and accountability.

In summary, while the region shares common historical and geopolitical contexts, the fiscal paths taken by each state differ significantly. Moving forward, Central Asian countries must focus on improving budget transparency, expanding domestic revenue mobilization, and aligning expenditures with development goals. These reforms are vital for achieving macroeconomic

stability and ensuring sustainable growth in the region.

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