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THE ROLE AND POWERS OF LOCAL COUNCILS IN THE FIELD OF LOCAL BUDGET MANAGEMENT IN UZBEKISTAN

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Abstract. This article examines the evolving role of local councils (Kengashes) in Uzbekistan's budget formation and execution processes within the framework of ongoing decentralization and public financial management reforms. Drawing on the Constitution, the Budget Code, and the Law "On Local State Authority," it identifies the constitutional and legal foundations of council authority in fiscal governance. The study employs a qualitative legal-document analysis method combined with international assessments. Findings show that recent reforms have significantly enhanced transparency, citizen participation, and local fiscal oversight. The article highlights that while Uzbekistan's legal architecture provides robust powers for local councils in budget approval and monitoring, practical challenges remain in ensuring effective autonomy, data transparency, and fiscal discipline at subnational levels. Strengthening institutional capacity, ensuring consistent oversight by councils, and aligning with international governance standards are emphasized as prerequisites for sustainable fiscal decentralization. Overall, the research concludes that empowering local councils through legal and procedural reforms can transform them into key drivers of accountable, inclusive, and development-oriented local governance.

Keywords: local councils, budget process, fiscal decentralization, budget transparency, participatory budgeting, public financial management

Introduction

Local governance in Uzbekistan serves as a crucial mechanism for implementing state policy at the grassroots level and for ensuring stable regional socio-economic development to meet the daily needs of the population. Within this system, the

processes of forming and executing local budgets hold a special place, as these financial resources constitute the primary source of funding for local state authorities to carry out their functions. However, maintaining balanced local budgets has become an urgent issue in Uzbekistan,

especially as the scope of regional socio-economic obligations often exceeds the financial capacity of local governments. In such conditions, the participation of local representative bodies – the local councils – in budgeting is a vital factor. By approving local budgets, overseeing their execution, and guiding the allocation of funds, these councils serve as an important organ influencing regional development outcomes.

In accordance with Article 124 of the Constitution of the Republic of Uzbekistan, Uzbekistan is a centralized unitary state in which the hokim (governor) of the region and the city of Tashkent is appointed and dismissed by the President of the Republic of Uzbekistan. At the same time, the country's administrative system has a unique feature: the Republic of Karakalpakstan holds attributes of statehood within Uzbekistan's framework, adding complexity to the unitary model (Khazratkulova et.al., 2024). According to Article 1 of the Law "On local bodies of State Authority," the Kengash of People's Deputies and the hokim ensure the implementation of socio-economic development tasks common to the region, district, and city, the execution of laws, resolutions of the chambers of the Oliy Majlis of the Republic of Uzbekistan, acts adopted by the President of the Republic of Uzbekistan and the Cabinet of Ministers, decisions of higher Kengashes of People's Deputies and hokims on the ground, interaction between state authorities and administration of the Republic of Uzbekistan and bodies of citizen self-government, and the involvement of the population in the management of the region, district, and city.

Over the past year, Uzbekistan has taken critical steps to redefine its local governance system. Last year's constitutional revision marked a fundamental shift toward decentralization (Khamedov & Tsay, 2024).

The Constitution of the Republic of Uzbekistan enshrines a fundamental

role for these councils in fiscal matters – Article 122 empowers local councils to review and approve their respective local budgets and to exercise oversight over budget execution. Enacting this norm at the highest legal level endows the councils' budgetary functions with a constitutional status. In practice, however, the influence of local councils on financial decisions had long been limited, as local budgets were historically shaped by central directives and the executive-dominated process (Ismoilov, 2020). This began to change with recent reforms aimed at enhancing transparency and public participation in budgeting.

In August 2018, Presidential Resolution PR-3917 was adopted "On measures to ensure transparency of budget data and the active participation of citizens in the budget process," mandating that starting from 2020 the State Budget be passed in the form of a law and that local budgets be approved by the corresponding local councils. This reform marked a gradual departure from the highly centralized budgetary system, as local councils now formally approve their own budgets – a shift that has been accompanied by a steadily increasing role and independence of local councils in fiscal governance. These developments raise important questions about the institutional framework and legal powers of local councils in Uzbekistan's budget process, and how effectively these powers are exercised in practice. Scholars both in Uzbekistan and abroad have interpreted the role of local councils in the budget process in various ways. Some emphasize a narrow scope centered on financial control, while others argue for a broader governance role for councils.

This article seeks to analyze the role of local councils in Uzbekistan's budget formation and execution with deep analytical rigor, examining the constitutional and legal foundations of council authority, the perspectives of different scholars on the extent of these budgetary powers, the challenges to local financial autonomy and

oversight, and the impact of recent reforms on enhancing the role of local councils. By combining an analysis of legal-institutional arrangements with a review of theoretical perspectives, the study aims to shed light on how local councils can be empowered to become effective drivers of accountable and responsive local budgetary governance.

Methods

This study adopted a qualitative research design, focusing on legal-document analysis and literature review to investigate the role of local councils in the budgetary process. Key legal and policy documents of Uzbekistan were examined, including the national Constitution, the Law “On Local State Authority” and relevant provisions of the Budget Code. These sources define the formal institutional framework and powers of local (regional, district, and city) councils in budget formation, approval, and oversight. In addition, the research surveyed academic literature by Uzbek and international scholars who have analyzed local budgetary powers and governance. Through content analysis of these texts, the study identified the constitutional and legal mandates of local councils, synthesized scholarly viewpoints on the scope of council authority, and evaluated practical challenges and recent reforms affecting local fiscal autonomy. This mixed approach enables a comprehensive understanding of both the formal rules and the practical implications for local council involvement in budgeting. All information and viewpoints extracted from sources have been duly cited to ensure accuracy and academic integrity.

Results

Institutional and Legal Framework of Local Budgetary Governance

Administratively, Uzbekistan is divided into regions, districts, and cities, each of which has a local council (Kengash) of people’s deputies working alongside the appointed hokim. These councils are intended to represent local interests and

act as a check within the local state power system. The legal framework provides a clear distribution of budgetary authority. The Constitution (Article 122) establishes that local councils have the right to consider and approve local budgets and to oversee their implementation. The fact that this mandate is constitutionally entrenched imbues the councils’ participation in budget processes with a firm legal standing.

In essence, the Constitution guarantees that councils serve as an integral part of financial governance at the local level. Subordinate legislation elaborates on these powers. Article 24 of the Law “On Local State Authority” enumerates a comprehensive list of budget-related functions of the councils. These include approving local socio-economic development programs and master plans for territorial development, as well as reviewing and adopting the budgets of regions, districts, and cities (upon submission by the respective hokim) and exercising oversight over their execution. Local councils are also empowered to approve modifications to approved budgets and to hear reports from the administrators of budgetary funds on the effective use of allocated resources. Furthermore, they have the authority to set the rates of local taxes and other obligatory payments within the limits established by national legislation, and to review and approve the reports on the execution of local budgets for the relevant period. Through these provisions, the law clearly positions the council as a key factor in the local budget cycle – from planning and approval to monitoring expenditures.

Notably, Article 24 of the Law “On Local State Authority” also designates the local councils as the primary organ for confirming regional development programs and overseeing their implementation, underscoring that the councils’ powers have not only formal legal significance but also practical impact on local governance.

The Budget Code of Uzbekistan reinforces and clarifies the councils' fiscal authority. Article 27 of the Budget Code explicitly delineates the budgetary powers of local councils, which include adopting local budgets, examining and approving the execution of those budgets on a quarterly basis, accepting forecasts of local budget revenues, and making decisions regarding inter-budgetary transfers. By stipulating these functions, the Budget Code ensures that local representative bodies are embedded in each stage of the budget process, from formulation to oversight. Additionally, the Budget Code empowers local councils to influence local financial policy by allowing them to set rates for local taxes and fees within the bounds prescribed by law. This fiscal tool enables councils to affect revenue generation for their jurisdictions, thereby linking their policy decisions with budgetary outcomes.

In summary, Uzbekistan's institutional framework – through the Constitution, the Law on Local State Authority, and the Budget Code – provides local councils with a broad mandate over budget approval and supervision. The local councils are legally established as an important institution for ensuring that local budgets align with development priorities and that public funds are spent in accordance with the law and local needs.

Theoretical Perspectives on Local Councils' Budgetary Powers

In the academic discourse, there is a rich debate regarding how effectively and to what extent local councils exercise their budgetary powers. Researchers from Uzbekistan and other countries of the region have offered differing interpretations of the councils' role in the budget process. Some scholars define a relatively narrow scope focused on core financial tasks, whereas others argue for a more expansive role for councils in local governance.

Financial Autonomy as a Core Principle of Local Budget Management

Economist M. Goldsmith stated in his research that “financial independence of local authorities is an important condition for providing services to the population through the organization of its territory and the most effective management of its resources” (Goldsmith, 1990). Economists Oulasvirta and Turala admit that “fiscal decentralization requires local governments to control their “own” sources of income in order to achieve sufficient financial independence and accountability to local taxpayers” (Oulasvirta & Turala, 2009).

According to Sums kaya for the effective functioning of local governments an important role is played by the sufficiency of the revenue base of local budgets (Sums kaya, 2019). K. Beer-Toth mentioned that “the quality and quantity of public services provided in the country depends on the financial rules and incentives that regulate the interaction between various entities of the public sector” (Beer-Tóth, 2009). According to A. Mamanazarov, “in order to increase the financial capabilities of local budgets, it is appropriate to issue securities of local importance and based on compensation from budget revenues, to create legal grounds for attracting debt obligations to local authorities” (Mamanazarov, 2004).

Local budgets create at the disposal of each local government body a real financial base for the implementation of its activities. The system of local budgets makes it possible to more fully take into account local needs and correctly measure them with measures carried out by the state in a centralized manner. Local authorities should constantly take care of increasing local budget revenues and economical use of resources, since the growth rates of the local economy and culture are directly dependent on the organization of work to mobilize local economy reserves, economical spending of funds, which, in turn, contributes to the successful implementation of the state budget of

the Republic of Uzbekistan as a whole (Usmonov, 2023).

In the structure of local budgets, local taxes and fees account for approximately one-fifth of all revenues on average across the Republic. This indicates that the majority of local budget revenues are generated through nationwide taxes and financial aid. The independent revenue base of the Republic of Karakalpakstan, regional budgets, and the city of Tashkent is primarily formed by: property tax from legal entities; land tax from legal entities; water resource tax paid by power plants; excise tax on the sale of gasoline, diesel fuel, and gas to final consumers; turnover tax; state duties; and fines, among others.

Additionally, specific taxes are credited to these budgets in varying proportions. For personal income tax revenues, the allocations are as follows: Navoi region – 55%, Tashkent region – 38%, the city of Tashkent – 11%, and the Republic of Karakalpakstan and other regions – 100%. Regarding profit tax revenues, the distribution is: Navoi region – 61%, Tashkent region – 39%, the city of Tashkent – 11%, and the Republic of Karakalpakstan and other regions – 100% (Khazratkulova et al., 2024).

Scholars such as M. Goldsmith, Oulasvirta, Turala, Sumskaya, and Beer-Toth agree that the financial autonomy of local authorities is the key determinant of effective territorial governance. They emphasize that local governments can provide quality public services only when they control their own revenue sources and possess sufficient fiscal capacity to meet community needs. According to these theoretical perspectives, fiscal decentralization must guarantee stable local income bases, financial accountability, and flexibility in resource allocation. As A. Mamanazarov notes, expanding local budget capabilities through mechanisms such as municipal securities and debt instruments can enhance sustainability and independence. Overall, financial self-

sufficiency ensures that local budgets not only serve as a fiscal tool but also as a means of balancing national and territorial development priorities.

Financial Oversight as the Central Role: M. Chudakov asserts that the primary function of local councils is to adopt the local budget and distribute financial resources, suggesting that direct financial matters should lie at the heart of council activity (Chudakov, 1998). In a similar vein, O. Pashkov emphasizes what he considers the council's absolute authority in budgetary matters – namely the irreplaceable power to approve the local executive's report on budget execution. This perspective underscores the council's role as a financial watchdog, solidifying its independent standing in the system of governance by virtue of this oversight function (Pashkov, 2013).

O. Gaybullaev likewise highlights budgeting as a core responsibility of councils: he identifies the formation, approval, and oversight of regional, district, and city budgets as among the councils' main tasks. According to Gaybullaev, the active participation of council deputies in debating budget proposals and hearing reports on budget execution helps ensure that state resources are utilized in a targeted and accountable manner at the local level. These scholars collectively portray local councils as central participants in the local public finance process – their authority largely confined to financial planning and control, but with that financial oversight seen as crucial for good governance (Gaybullaev, 2016).

Broader Governance and Developmental Role: Other authors advocate a more comprehensive view of local councils' influence. V. Chumanova interprets the councils' powers in broad terms, arguing that council oversight is intrinsically connected not only with the local budget itself but also with the implementation of local development programs and plans. In her view, by

reviewing progress reports on socio-economic development programs, councils assume a strategic role in guiding the development trajectory of their territories (Chumanova, 2008). Similarly, V. Shchepachev points out that the processes of forming local revenues and controlling their expenditure are important tools for local councils in resolving issues of local significance. This means that a council's budgetary authority, in Shchepachev's interpretation, is not confined to bookkeeping or auditing functions; rather, it extends to influencing broader social and economic outcomes in the locality through fiscal decisions. Both Chumanova and Shchepachev thus envision local councils as more than financial overseers – they are seen as bodies that can shape strategic development priorities and ensure that budgeting is aligned with those goals. This broader perspective implies that the council's engagement in the budget process can have a ripple effect on general governance, from infrastructure planning to social services, by virtue of the council's ability to approve programs and control funding for their execution.

Legal Independence and Oversight Efficacy: A. Yusupov brings a legal-institutional angle to the discussion, focusing on how law structures the independence of local councils in budgeting. He notes that local councils emerge as autonomous legal entities in the budget process through their authority to introduce or abolish certain local taxes and fees in accordance with legislation (Yusupov, 2008). This power over local taxation is a significant indicator of fiscal autonomy: it gives the councils a direct tool to influence their revenue base and underscores that council oversight of budget execution is backed by legal mechanisms and protections. Yusupov's perspective highlights that the rule of law can safeguard the councils' budgetary role, preventing it from being merely symbolic.

Meanwhile, A. Makhmudov stresses the practical importance of effective council oversight. He warns that without establishing effective mechanisms for councils to approve local budgets and monitor their execution, persistent socio-economic problems will continue to arise in the regions. Makhmudov argues that ensuring the councils' independence in exercising their budgetary powers – and avoiding undue interference in their activities – is crucial for resolving the pressing issues that citizens raise at the local level (Makhmudov, 2019). In other words, the councils' ability to function freely as representative bodies in overseeing budgets directly impacts their capacity to address the needs of their constituents. This view reinforces the idea that local democracy and accountability are strengthened when councils have both the formal authority and the *de facto* freedom to scrutinize expenditures and demand transparency from the executive.

When studying current practice using the example of Namangan region, it was found that by Resolution No. VII-4-030-6-0-K/24 dated December 26, 2024 of the Council of People's Deputies of Namangan Region, the local budget of Namangan region for 2025 was approved. In accordance with the Law of the Republic of Uzbekistan "On the State Budget of the Republic of Uzbekistan for 2025", the revenues of Namangan region for 2025 were set at 3,942.8 billion soums, expenditures at 6,171.2 billion soums, and regulatory interbudgetary transfers allocated from the republican budget at 2,228.4 billion soums. In addition, Appendix 7 to the resolution specifies the coefficients established for 2025 for land tax rates on non-agricultural land by districts and cities.

In summary, the literature reveals a spectrum of interpretations of the local council's role in budgeting. On one end, scholars like Chudakov and Ghaybullayev concentrate on the council's financial oversight and budget approval functions

as the cornerstone of its activity. On the other end, voices such as Chumanova and Shchepachev assign the councils a wider remit, linking budgetary oversight with strategic development oversight. Others, including Yusupov and Makhmudov, underscore the conditions necessary for councils to fulfill any role effectively – namely, a solid legal foundation and genuine autonomy in exercising their powers. The common thread across these perspectives is the recognition that local councils are pivotal to local fiscal management; the debate centers on how far their influence should extend and how it can be exercised most effectively. The analysis of these viewpoints suggests that a local council's participation in the budget process should not be confined to rubber-stamping financial plans. Rather, when councils engage substantively – covering financial control, legal authority, and strategic developmental considerations – they have the potential to become true drivers of socio-economic development in their communities.

Discussion

The findings illustrate that Uzbekistan has established a robust formal framework for local councils to participate in budget formation and execution; recent reforms have sought to translate these formal powers into meaningful practice. As A. Kasimov (2023) noted, the powers of local councils and their supervisory duties are expanding annually. Deputies are now tasked with establishing effective oversight of executive power and ensuring the accountability of local public administration bodies. Specifically, they have been granted powers to approve amendments to local budgets, hear reports from executive leaders on implementation, and review regulatory inter-budgetary transfers. At the core of these expanded powers is the principle of ensuring that governance serves the benefit of the people and promotes prosperous living as a fundamental value.

The institutional framework enshrines local councils as key stakeholders in fiscal governance. Constitutionally authorized to approve budgets and oversee execution, they are statutorily empowered with functions ranging from development planning to setting local tax rates. This represents a solid foundation for financial self-governance. However, legal powers alone do not guarantee effective oversight or autonomy; one must distinguish between *de jure* authority and *de facto* realization.

A crucial observation is the tension between Uzbekistan's historically centralized governance model and the current push for local autonomy. Scholarly perspectives highlight that if local councils cannot exercise their oversight role independently, local needs may go unmet. As Makhmudov (2019) emphasized, empowering councils to monitor budgets without executive interference is essential for addressing the pressing issues raised by citizens. This underscores a practical challenge: financial autonomy is a matter of both law and administrative culture. If local executives dominate budget preparation or if deputies lack the expertise to challenge proposals, the council's role remains perfunctory. Strengthening these bodies requires not just legal empowerment, but capacity building, data transparency, and a system of checks and balances.

A core policy question remains: Should local councils act merely as fiscal guardians or evolve into proactive agents of development? While the narrow view stresses financial discipline and auditing, the broader view suggests a mandate to shape the direction of local development. Recent reforms endorse this broader view by enabling councils to influence budget priorities, such as choosing between healthcare and infrastructure. Over time, this could lead to budgetary decisions tailored to specific regional conditions, a hallmark of effective decentralization.

Furthermore, reforms such as PR-3917 have enhanced accountability and public engagement. By transforming budget approval into a legislative act, the process has gained a new level of scrutiny. Local council sessions serve as public forums where media and citizens can observe their representatives. This opening for civic engagement – indicated by the 2018 resolution – suggests that local governance is becoming more democratic. Early signs are promising; the Legislative Chamber's Speaker noted that many council suggestions are now reflected in budget proposals, implying a developing dialogue between local bodies and central planners.

Despite this progress, challenges remain. A perennial issue is the limited revenue base; many local budgets have expenditure responsibilities that outweigh their own-source revenues, necessitating a reliance on central transfers. As defined in Article 52 of the Budget Code, this dependence can curtail autonomy, as central funds often come with strings attached. Additionally, local councils may face technical capacity constraints in revenue administration. Strengthening fiscal capacity through training and expert advice is therefore a necessary complement to legal reform.

Ultimately, the evolution of local councils into robust institutions depends on practice. If a council uses its power to amend an executive budget, it tests the system's commitment to checks and balances. A healthy governance model requires a partnership where the executive manages administration while the council represents public priorities. Uzbekistan's trajectory suggests a clear, albeit gradual, movement toward enhancing local budgetary governance, positioning local councils as the cornerstone of accountable and responsive government.

Conclusion

In conclusion, the role of local councils in Uzbekistan's budget formation and execution is undergoing a significant transformation. The institutional framework grants these councils considerable powers – ranging from budget approval and oversight to influencing local revenue policy – and recent reforms have begun to activate these powers in practice. The analysis reveals both the promise and the challenges inherent in this evolution.

On one hand, local councils, supported by constitutional and legal mandates, have the potential to ensure that budgeting is conducted with greater transparency, accountability, and alignment with local priorities. On the other hand, fully realizing this potential will require continued efforts to bolster the councils' independence, technical capacity, and engagement with the public.

The ongoing reforms, alongside the strengthening of the Budget Code, are positive steps toward a more decentralized fiscal governance model. By embracing both their financial oversight duties and their broader developmental responsibilities, and by operating within a supportive legal and political environment, Uzbekistan's local councils can become effective guardians of public funds and leaders of their communities' socio-economic progress.

The experience of these reforms in the coming years will offer valuable lessons on how local representative institutions can be empowered to make a meaningful difference in the lives of citizens through the budgetary process. The trajectory in Uzbekistan thus far suggests a cautious but clear movement toward enhancing local budgetary governance, with local councils emerging as the cornerstone of accountable and responsive local government.

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