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Economic Efficiency of Public Participation and Oversight in the Budget Process

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Abstract: This article theoretically and empirically examines the impact of public participation and oversight in the budget process on the economic efficiency of public spending. Public participation is assessed as a mechanism for aligning budget allocations with citizens' actual needs, reducing information asymmetry, improving the targeting of public expenditure, and strengthening public oversight over project implementation. Drawing on studies by Uzbek, Russian, European, and American scholars, the article systematizes the effects of public participation on allocative efficiency, the quality of public services, social welfare, and budget accountability. The study proposes the introduction of a Public Participation Budget Efficiency Index (JIBSI), stronger public acceptance procedures after project completion, a "Budget Outcome Passport" for participatory-budgeting projects, assessment of territorial participation efficiency, and calculation of a budget multiplier for partnership-based co-financing. These proposals shift the evaluation focus from participation volume to measurable public value and fiscal outcomes.

Keywords: budget process, public participation, public oversight, participatory budgeting, OpenBudget, budget efficiency, allocative efficiency, transparency, accountability, partnership-based co-financing, local budget, public opinion.

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1. Introduction

In modern public financial management, ensuring the efficient use of budgetary resources is not limited to spending funds for their intended purposes or complying with financial discipline. The actual economic and social performance of public expenditure is also determined by the extent to which allocations correspond to citizens' needs, improve the quality of public services, and are positively assessed by the public.

Under traditional budgeting arrangements, public authorities may not possess complete information about local-level needs. Public participation can reduce this information asymmetry, identify the most pressing problems directly from citizens, and redirect budget resources toward them. In this sense, participatory budgeting is not only a democratic institution but also an economic mechanism for allocating scarce public resources.

In Uzbekistan, this mechanism has been institutionalized through the Open Budget information portal. The current regulatory framework defines Participatory Budgeting (Tashabbusli budget) as a process through which citizens formulate projects addressing socially significant problems, projects are screened, winners are selected by public voting, and winning initiatives are financed from budgetary resources. The regulation also establishes specific mechanisms for tracking the chronology of project implementation through the portal, ensuring accountability, transparency, and public oversight [1].

Since 2024, the principle of “one citizen — one vote” has been introduced. In the first season of 2024, 34 percent of the country’s population participated in voting. As a result of that season, the procurement of 4,646 interactive boards, 68 thousand school desks, and 2.7 thousand computers for general education schools was planned, thereby improving educational conditions for approximately 130 thousand pupils. At the same time, the share of district and city budget expenditures allocated to participatory budgeting was increased from 5 percent to 10 percent [2].

These figures indicate that public participation should no longer be viewed as a small-scale experimental mechanism. It has become an institution capable of shaping a significant share of local budget expenditure in accordance with citizens’ preferences.

At the same time, an increase in the number of participants or votes does not, by itself, demonstrate economic efficiency. The central question is whether projects selected through public participation improve the targeting of budget expenditure, the quality of public services, timeliness of project implementation, and citizens’ satisfaction.

The purpose of this study is to assess the economic efficiency of public participation and oversight in Uzbekistan’s budget process using official OpenBudget.uz statistics and international empirical evidence, and to develop scientific and practical proposals for further improving that efficiency.

The institutional literature first describes how citizens enter the budget process. O’roqov systematizes proposal submission, project screening, voting, and the financing of winning projects [3]. Abdullayeva and Akhmedova link participation in budget formation to transparency, financial literacy, trust, and fiscal responsibility [4]. Voronin, Avliyakulova, and Amonov examine the prospects for participatory budgeting in Uzbekistan and emphasize cooperation between the state and citizens [5]. Taken together, these studies treat participation as a process extending from the identification of local needs to project financing and accountability.

Research on economic and digital performance develops this institutional perspective. Vagin and Petrova examine the relationship between civic participation and the efficiency of public expenditure and recommend indicators that capture its effects [6]. This directs attention to allocative efficiency: participation may improve the targeting of existing resources even when it does not increase their total volume. Titov and Paksivatkina assess digital participation platforms through institutional, content, service, participation, and technology indicators [7]. Their findings suggest that OpenBudget.uz should be evaluated across the full sequence of feedback, project tracking, implementation, and outcome assessment, rather than electronic voting alone.

Comparative research shows why institutional design matters. Sintomer, Herzberg, and Röcke describe the diverse forms of participatory budgeting in Europe and the importance of citizens’ actual influence over decisions [8]. Cabannes examines municipal experiences in Latin America and Europe and highlights the transfer of meaningful financial decision-making authority to citizens [9]. These accounts support evaluating the institutional conditions under which participation translates into spending priorities.

Empirical studies also examine public outcomes. Gonçalves associates participatory budgeting in Brazilian municipalities with expenditure shifts toward health and sanitation and lower infant mortality [10]. Touchton and Wampler find an association between participatory institutions and social well-being in large Brazilian cities [11]. In New York City, Sihotang reports a reduction in overall public-service complaints following adoption, although effects vary across service categories [12]. These findings indicate that expenditure totals and vote counts alone cannot establish the social value of funded projects.

The literature therefore points to a gap between measuring participation and measuring its economic results. This study brings together budget allocation, project implementation, public oversight, and final socioeconomic outcomes in an integrated assessment of participatory budgeting in Uzbekistan.

2. Materials and Methods

The study applies systemic, comparative, dynamic, institutional, and economic-statistical methods of analysis.

The empirical base consists of OpenBudget.uz statistics on Participatory Budgeting for 2024–2026, open data of the Ministry of Economy and Finance of the Republic of Uzbekistan, and current regulatory legal acts. Seasonal statistics on the OpenBudget portal allow comparison of the number of winning projects, financing volumes, votes, and satisfaction levels [2].

The average amount of budget financing per winning project was calculated as follows:

$$O'LQ = BM / GL,$$

where:

O'LQ — average financing per winning project;

BM — total financing allocated to winning projects;

GL — number of winning projects.

The economic efficiency of public participation was assessed across five dimensions:

1. Allocative efficiency — the degree to which budget resources correspond to citizens' preferences;
2. Outcome efficiency — the tangible goods, services, or infrastructure outputs produced by a financed project;
3. Implementation efficiency — timely and high-quality completion of projects;
4. Oversight efficiency — the ability of the public to track financial flows and implementation progress;
5. Financial multiplier effect — mobilization of additional community resources alongside public budget financing.

A limitation of the study is that OpenBudget.uz provides detailed information on the scale of participation and financing, but a unified panel dataset covering the long-term economic outcomes of all projects is not yet available. Accordingly, the Uzbekistan-specific analysis focuses primarily on descriptive and institutional efficiency rather than causal inference; conclusions regarding causal effects are compared with evidence from international empirical studies.

3. Result

3.1 Transformation of Participation into Tangible Social Outcomes

Data from the first season of 2024 indicate growing possibilities for measuring the results of public voting in tangible physical indicators. The digitalization of project formulation and the introduction of a goods-and-services classifier have created opportunities to calculate expected outputs for each winning project.

For example, within the first season of 2024, the planned procurement of 4,646 interactive boards, 68 thousand school desks, and 2.7 thousand computers was expected to improve access to modern learning conditions for approximately 130 thousand pupils. This requires a broader approach to assessing the economic efficiency of public participation: "allocated funds" → "procured resource" → "population covered" → "change in public-service quality." Such an approach makes it possible to assess not merely budget execution but also the public value generated by each unit of budget expenditure.

3.2 Institutional Strengthening of Public Oversight

The current participatory-budgeting regulation includes a separate framework for public oversight alongside accountability and transparency. Citizens can directly track the stages of financing and implementation of winning projects through the portal's "project implementation chronology" mechanism.

From an economic perspective, this mechanism can mitigate the principal-agent problem by reducing the information gap between citizens who select a project and the public organization and contractor responsible for implementing it.

The International Budget Partnership's 2025 global study likewise shows that budget openness alone is insufficient. Across 82 countries covered by the study, many

governments solicit citizens' views, yet only seven countries publish comprehensive information on the feedback received and how it was incorporated. The IBP emphasizes that when citizens monitor budget implementation, governments face stronger incentives to disclose information, justify decisions, and correct deficiencies [13].

Therefore, to generate economic efficiency, participation should not end at the voting stage. It should continue through project acceptance and the subsequent evaluation of operational results.

3.3 Economic Effect of Partnership-Based Co-Financing

By Resolution No. KQ-280-V of 17 December 2025, a mechanism for partnership-based financing of participatory-budgeting projects between citizens and the state was introduced. Under the general arrangement, 50 percent of project costs are financed by citizens and 50 percent from the budget. For mahallas included in the "Best Taxpayer Mahalla" list, the citizen contribution is 25 percent and the budget share is 75 percent [14]. Under the 50/50 model, every UZS 1 of budget financing mobilizes an additional UZS 1 from the community and finances UZS 2 of public assets. The resulting conditional budget multiplier is: [15].

$$BM = LQ / BQ = 2.0,$$

where

LQ — total project value,

BQ — budget contribution.

Under the 25/75 model, each UZS 1 of budget financing is supplemented by approximately UZS 0.33 of community financing, so the total project value is 1.33 times the budget contribution. In the first season of 2026, OpenBudget statistics recorded 16 partnership projects among the winners. In the second season of 2026, 693 initiatives were submitted for partnership-based financing, indicating emerging practical demand for this new mechanism.

4. Discussion

4.1 How Public Participation Generates Economic Efficiency

The findings suggest the following causal logic through which public participation can improve budget efficiency: public participation → more complete information on local needs → clearer budget priorities → reduced allocative error → projects generating higher public value → public oversight → stronger implementation discipline and quality → greater effectiveness of budget expenditure.

International empirical evidence supports this mechanism. Gonçalves' study of Brazil shows that expenditure was reallocated toward sanitation and health and that social outcomes improved, while Sihotang's New York findings associate participatory budgeting with a reduction in overall public-service complaints.

Accordingly, the economic efficiency of public participation should not be measured by the number of votes alone, but by the additional public value created for citizens as a result of those votes.

4.2 Why Vote Totals Alone Do Not Establish Economic Efficiency

Voting reveals citizens' preferences, but a project receiving the highest number of votes cannot automatically be assumed to generate the greatest socio-economic return.

A densely populated mahalla may collect more votes than a smaller community with substantially greater infrastructure needs. Likewise, an organization or community with stronger mobilization capacity may have an advantage in vote collection. Participatory budgeting should therefore maintain a balance among democratic choice, social equity, and economic effectiveness.

Under the regulatory framework in force at the end of 2025, district and city budgets are, as a rule, required to plan sufficient resources for at least 6 and no more than 30 projects, depending on the number of mahallas participating in the process. This may be regarded as an institutional measure aimed at limiting excessive concentration of opportunities across territories [16].

4.3 Scientific Novelty and Practical Proposals

In our view, the following mechanisms should be introduced to improve the economic efficiency of public participation and oversight in Uzbekistan's budget process.

1. Introduce a Public Participation Budget Efficiency Index (JIBSI). Current statistics primarily report projects, votes, and financing. We propose integrating these variables into a single composite assessment:

$$\text{JIBSI} = w_1P + w_2A + w_3E + w_4Q + w_5C + w_6L,$$

where:

P — coverage of public participation;

A — alignment of allocations with citizens' preferences;

E — timeliness of project implementation;

Q — citizens' satisfaction with project outcomes;

C — public oversight and information transparency;

L — degree of mobilization of non-budgetary community resources;

w_1 – w_6 — corresponding weighting coefficients.

By normalizing all components on a 0–100 scale, JIBSI can be calculated for each district, city, and region.

This would shift assessment from the question "Which territory collected more votes?" to "Which territory converted participation into tangible budget outcomes more efficiently?"

2. Develop a "Budget Outcome Passport" for every winning project. The passport should present the following chain: problem → allocated financing → procured goods/works → population covered → implementation period → savings achieved → citizen satisfaction → subsequent operational condition.

For example, instead of reporting only that "UZS 1 billion was allocated to equip a school," the portal could report: UZS 1 billion → 20 interactive boards + 300 school desks → 1,200 pupils → 91% satisfaction. This would convert financial reporting into an outcome-oriented format.

3. Make participation of the project initiator and the public a mandatory element of project acceptance. Once a contractor or public customer completes a project, the portal should apply a three-part mechanism: technical acceptance + confirmation by the initiator + public evaluation.

If the initiator identifies deficiencies in the completed work, the project should not automatically move to "completed" status; it should be returned to the customer for corrective action. This would move oversight from ex post audit toward real-time public control.

4. Calculate the "cost per beneficiary" of participatory-budgeting projects. For comparable projects, the following indicator can be applied:

$$\text{BQC} = \text{LQ} / \text{BS},$$

where:

LQ — project value;

BS — number of direct beneficiaries.

For example, if a UZS 1.2 billion project serves 3,000 residents, the cost per beneficiary is UZS 400 thousand. This indicator should not be the sole criterion for selecting winners, but it can provide an economic basis for comparing projects of a similar type.

5. Introduce a "budget multiplier" indicator for partnership-based projects. For each territory, the following should be calculated: $\text{BM} = \text{total project value} / \text{budget financing}$.

Under a 50/50 partnership, $\text{BM} = 2.0$.

This indicates that every UZS 1 of budget funding mobilizes an additional UZS 1 of private/community resources. The indicator therefore captures the contribution of citizens to budget efficiency not only through voting but also through direct financial participation.

6. Introduce elements of a transition from “voting” to “deliberative budgeting.”

Before voting on large projects or projects receiving similar levels of support, the portal should disclose:

- a. A brief economic justification;
- b. Population coverage;
- c. Operating and maintenance costs;
- d. Alternative options;
- e. The social cost of not implementing the project;
- f. These data should be made visible to participants before voting.

This would shift citizen choice away from purely emotional or narrow individual preferences toward more informed decision-making. The International Budget Partnership likewise emphasizes that meaningful participation requires sufficient information before participation and subsequent reporting on how citizen feedback was taken into account.

7. Introduce a territorial “Public Oversight Dashboard” on OpenBudget.uz.

The dashboard should display in real time:

- a. Financed projects;
- b. Implementation rate;
- c. Projects experiencing delays;
- d. Contract value;
- e. Savings generated during implementation;
- f. Public complaints and objections;
- g. Citizen satisfaction;
- h. Contractor rating;
- i. These indicators should be publicly accessible and comparable across territories.

Russian and international studies of digital participation platforms show that interactivity, open data, online communication, and electronic participation functions are important determinants of the quality of civic engagement.

5. Conclusion

The findings indicate that public participation and oversight in the budget process can constitute an important institutional factor in improving the efficiency of public expenditure.

Participatory Budgeting in Uzbekistan has expanded rapidly. In the first season of 2024, 34 percent of the population participated in voting; in the first season of 2025, UZS 2,991.7 billion was allocated to 2,419 winning projects; and in the first season of 2026, UZS 3,138.7 billion was allocated to 2,192 projects. The portal also recorded an increase in satisfaction from 78 percent to 84 percent.

However, the economic efficiency of public participation cannot be adequately assessed solely through the number of voters, winning projects, or funds allocated. These are predominantly input and process indicators. A comprehensive efficiency assessment requires a transition toward output, outcome, and impact indicators — including infrastructure created, population coverage, public-service quality, and long-term social results.

International research supports this conclusion. In Brazil, participatory budgeting has been associated with the reallocation of expenditure toward citizen priorities and improved health outcomes, while the New York experience points to improvements in selected public-service performance indicators. European experience further demonstrates that the effects of participation depend on institutional design, the volume of resources placed under participatory decision-making, and the degree of citizens’ real influence over decisions.

The citizen–state partnership mechanism introduced in Uzbekistan during 2025–2026 represents a new economic stage in the development of public participation. Under the

50/50 model, partnership financing can generate a financial multiplier by mobilizing community resources alongside budget financing. The submission of 693 initiatives under this mechanism in the second season of 2026 demonstrates its practical potential.

In our view, the proposed Public Participation Budget Efficiency Index (JIBSI), Budget Outcome Passport, cost-per-beneficiary indicator, partnership budget multiplier, and digital Public Oversight Dashboard can provide a methodological foundation for this transformation.

As a result, public participation in the budget process can evolve from a democratic governance mechanism alone into an economic institution for directing scarce budget resources toward areas that generate the highest social and economic value for citizens, while ensuring continuous public oversight over their implementation.

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