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THE IMPORTANCE OF FOREIGN EXPERIENCE IN INCREASING LOCAL BUDGET REVENUES AND DIRECTIONS FOR ITS APPLICATION

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Abstract

This article examines the role of international experience in strengthening local budget revenues and identifies practical directions for its application in national conditions. The study analyzes global best practices in property taxation, intergovernmental fiscal transfers, digital tax administration, and public–private partnerships (PPP). Based on comparative data, the paper demonstrates that in many developed economies local taxes account for **60–75%** of local government revenues, while property tax alone contributes **25–45%**. In contrast, in many transition economies this indicator remains below **20%**, indicating significant untapped fiscal potential. The paper proposes a phased reform roadmap for improving revenue mobilization at the local level, enhancing fiscal autonomy, and ensuring equitable regional development. The findings may serve policymakers, local authorities, and public finance specialists in designing evidence-based reforms.

Keywords: Local budget, revenue mobilization, property tax, intergovernmental transfers, fiscal decentralization, digital tax administration, public–private partnership.

Introduction

Strengthening the financial independence of local governments has become a key priority in modern public finance management. Sustainable territorial development, improved public service delivery, and balanced regional growth largely depend on the stability and sufficiency of local budget revenues. In many countries, fiscal decentralization reforms have significantly expanded the revenue base of subnational governments.

For example, according to international financial statistics, local governments in OECD countries finance on average **40–50%** of total public investment, highlighting their growing fiscal importance. However, in transition economies, including Uzbekistan, local budgets remain highly dependent on central transfers, which in some regions exceed **50–60%** of total revenues.

International organizations such as the World Bank and the International Monetary Fund emphasize that expanding own-source revenues—especially property and land taxes—is the most sustainable path to strengthening local fiscal capacity. Therefore, studying and adapting foreign experience is both theoretically and practically important.

The objective of this article is to analyze successful international practices in increasing local budget revenues and to develop practical recommendations for their application in national conditions.

Main Part

International Experience in Local Revenue Mobilization. In developed economies, local budgets rely heavily on own-source revenues:

- United States — local taxes account for about **72%** of local revenues;
- United Kingdom — approximately **65%;**
- Germany — about **58%;**

- France — around **55%;**

By contrast, in many developing and transition countries this indicator ranges between **15–30%**, indicating strong dependence on intergovernmental transfers.

Property taxation is considered the most stable and efficient local tax worldwide.

International benchmarks:

- Share of property tax in local revenues: **25–45%** in OECD countries;
- Collection efficiency in advanced systems: **85–95%;**
- Typical annual revenue yield: **1–3% of GDP;**

Key success factors include: regular cadastral revaluation (every **3–5 years**), market-based valuation methods, integrated digital property registries and strong enforcement mechanisms.

Countries that modernized cadastral systems reported revenue increases of **30–70%** within 3–4 years.

Well-designed transfer systems reduce regional disparities while preserving local incentives.

Best practices include: population-based equalization formulas, fiscal capacity indicators, expenditure need assessments, performance-based grants.

For instance, equalization transfers in OECD countries typically account for **20–35%** of local revenues and significantly reduce horizontal fiscal imbalances.

Digital transformation has become a major driver of revenue growth. Empirical evidence shows: e-tax systems increase collection rates by **10–25%,** administrative costs fall by **15–30%,** tax compliance improves by **20%** or more.

Key digital tools: unified taxpayer databases, online payment platforms, GIS-based property mapping, automated risk analysis systems.

Public–Private Partnerships (PPP) mechanisms help expand the local revenue base indirectly through economic growth and infrastructure development.

Globally: PPP investment averages **15–20%** of infrastructure financing in emerging markets, well-structured PPP projects can reduce public capital expenditure by **20–30%,** local tax bases may expand by **5–10%** in high-growth municipalities.

Applicability to National Conditions. Key constraints typical for transition economies include:

- high dependence on transfers (**50%**+ in some regions)
- outdated property valuation systems
- incomplete land and property registries
- limited fiscal autonomy of local governments
- weak digital integration of tax administration

Priority Reform Directions. Modernization of Property and Land Taxation**.**

Recommended measures: nationwide cadastral update within **3 years,** gradual transition to market-value assessment, differentiated tax rates based on property use, protection mechanisms for vulnerable households.

Expected impact:local revenue growth by **20–40%** in the medium term.

Strengthening Formula-Based Transfers. Policy steps: introduce transparent equalization formula, include fiscal effort indicators, link part of transfers to performance metrics, publish annual transfer calculations.

Expected outcomes: reduced regional disparities, stronger local revenue incentives, improved fiscal discipline.

Full Digitalization of Local Tax Administration. Priority actions: integrate tax, cadastre, and civil registry databases, introduce mandatory e-payments, deploy GIS-based property monitoring, implement AI-based compliance risk scoring.

Potential gains: collection efficiency +**15–25%,** shadow property reduction up to **20%,** administrative cost savings **20%.**

Expansion of PPP at the Local Level. Recommended sectors: municipal infrastructure, waste management, urban transport, energy efficiency projects.
Projected effects: infrastructure gap reduction, expanded local tax base, private investment inflows.
Phase 1 (Year 1): Diagnostic and Legal Reform: comprehensive revenue audit, cadastre gap analysis, legal amendments, pilot region selection.
Phase 2 (Years 2–3): Pilot Implementation: cadastral revaluation pilots, digital tax platform launch, new transfer formula testing, PPP project pipeline development.
Phase 3 (Years 4–5): Nationwide Scaling: full system rollout, performance monitoring, fiscal autonomy expansion, continuous digital upgrades.

Conclusions

International experience demonstrates that strengthening own-source revenues is the most sustainable way to enhance local fiscal capacity.
Property and land taxes remain the cornerstone of local finance and can generate **20–40%** additional revenues if modernized.
Formula-based transfers are essential for balancing regional disparities while preserving fiscal incentives.
Digital tax administration significantly improves collection efficiency and transparency.
PPP mechanisms complement fiscal reforms by expanding the local economic base.
For countries undergoing fiscal decentralization, including Uzbekistan, a phased and data-driven reform approach is critical to success.

Implementation of the proposed measures can substantially increase local budget revenues, reduce dependency on central transfers, and support sustainable regional development.

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