

DIGITAL AND PERFORMANCE-BASED DIRECTIONS FOR IMPROVING THE EFFECTIVENESS OF FISCAL INSTRUMENTS IN SUPPORTING ECONOMIC SECTORS**Mardonov Kamoliddin Karamiddinovich**

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Abstract. This scientific thesis examines priority directions for improving the effectiveness of fiscal instruments used to support economic sectors. The focus is placed on the digitalization of fiscal policy, performance-based allocation of budget resources, KPI-oriented planning, targeted subsidies, tax incentives, special funds, and automated monitoring of fiscal results. The study argues that fiscal support can generate stronger economic effects when tax and budget instruments are linked to measurable sectoral outcomes, including export growth, investment activity, job creation, technological modernization, and expansion of value-added production. The paper also substantiates the need to transform traditional fiscal support into a transparent, accountable and data-driven mechanism of sectoral development.

Keywords: fiscal instruments; sectoral support; fiscal digitalization; KPI-based financing; tax incentives; subsidies; budget expenditures; special funds; public finance; economic growth; performance monitoring.

In the modern stage of economic reforms, the effectiveness of fiscal instruments is determined not only by the amount of tax benefits, subsidies or budget expenditures, but also by their ability to produce measurable economic results. The support of economic sectors requires a transition from broad and fragmented assistance to targeted mechanisms based on digital monitoring, transparent criteria and performance indicators. This issue is especially relevant for sectors that create high added value, increase exports, deepen processing, expand employment and strengthen the competitiveness of the national economy.

The methodological basis of this thesis is formed by a systemic approach to public finance, according to which fiscal instruments should be evaluated as an integrated mechanism of economic regulation. Tax incentives, subsidies, interest compensation, budget transfers, special funds and concessional financing are not isolated tools; they operate through a common chain that includes selection of beneficiaries, allocation of resources, implementation of projects, monitoring of outcomes and assessment of fiscal return. Therefore, the quality of fiscal policy depends on the coherence of this chain.

The analysis also relies on the principle of result-oriented budgeting. This principle requires linking public expenditures and tax preferences with indicators such as production volume, export revenue, localization, processing capacity, investment attraction, employment and tax base expansion. In this regard, KPI-based planning becomes a key condition for improving the effectiveness of fiscal instruments. It allows the state to move from the logic of financing expenditures to the logic of financing results.

The proposed directions show that the modernization of fiscal support requires a combination of technological, institutional and economic measures. Digital platforms provide the informational basis for monitoring; KPI indicators transform the logic of financing; targeted incentives reduce the fiscal

burden for priority activities; special funds improve resource concentration; and fiscal risk control protects budget sustainability. The interaction of these elements creates a more disciplined and predictable system of state support for economic sectors.

Digitalization of fiscal policy is one of the most important conditions for increasing the effectiveness of tax and budget instruments. In traditional fiscal support systems, the main weakness is often the limited ability to track how benefits and subsidies affect real economic indicators. Digital fiscal platforms reduce this problem by accumulating information on beneficiaries, project objectives, allocated resources, achieved results and tax returns. As a result, fiscal policy becomes more transparent and analytically grounded.

The use of electronic budget systems, automated tax administration, digital subsidy registers and interagency data exchange makes it possible to identify ineffective preferences, prevent duplication of support and compare the cost of fiscal instruments with their economic output. This is especially important for sectors where public support is linked with export expansion, infrastructure development, processing capacity and technological renewal. Digitalization also reduces administrative discretion and strengthens trust between the state and business entities.

Improving tax-budget mechanisms requires a transition from formal support to performance-based support. Under this approach, each fiscal instrument should have a clearly defined purpose, target group, expected result and evaluation indicator. For example, a subsidy for agro-industrial processing should be connected with indicators of packaging capacity, export volume and job creation; interest compensation in the construction materials industry should be linked with production expansion, localization and investment activity; long-term tax preferences for export-oriented digital services should be assessed through export share, foreign currency revenues and high value-added employment.

Such an approach reduces the risk that fiscal incentives will become passive privileges. Instead, they become contractual and measurable instruments of development policy. The state receives an opportunity to compare alternative support measures and prioritize those that generate stronger social and economic returns. Enterprises, in turn, receive clearer rules and predictable conditions for investment planning.

The use of performance criteria helps distinguish productive fiscal support from inefficient fiscal concessions. If support measures are tied to export growth, value added, investment and employment, they can expand the future tax base and compensate for current fiscal costs. Therefore, the effectiveness of fiscal instruments should be assessed not only through immediate budget losses or expenditures, but also through medium-term economic and fiscal returns.

The institutional model of digital fiscal support should be built around a unified information environment where tax authorities, budget institutions, sectoral ministries, banks and beneficiary enterprises exchange data in a standardized format. Such a model reduces fragmentation of support programs and creates a single analytical base for decision-making. The first element of this model is the digital identification of support recipients; the second element is registration of the type and amount of support; the third element is monitoring of the implementation process; and the fourth element is evaluation of achieved outcomes. When these elements function together, fiscal support becomes more transparent and controllable.

An important feature of this model is the use of risk-based monitoring. Not all beneficiaries require the same level of control. Enterprises with stable tax discipline, transparent reporting and verified investment activity can receive simplified administrative procedures, while high-risk recipients should be subject to deeper analysis. This approach allows public authorities to reduce the

administrative burden for disciplined businesses and concentrate control resources on cases where the probability of misuse or low efficiency is higher.

The institutional modernization of fiscal support also requires clear coordination between tax and budget instruments. For example, if a sector receives a subsidy for processing or packaging, tax data should be used to verify whether the recipient has expanded turnover, increased employment or improved export performance. If an enterprise receives an interest compensation mechanism, banking and tax information should be connected to evaluate whether credit resources were actually used for production expansion. Thus, digital integration strengthens the analytical value of fiscal policy.

The evaluation of fiscal instruments should include both direct and indirect effects. Direct effects include the immediate reduction of costs for enterprises, the volume of subsidies received, the value of tax benefits and the amount of compensated interest payments. Indirect effects are broader and include production growth, higher investment, improved export capacity, new jobs, technological modernization and future growth of the tax base. The methodological problem is that indirect effects often appear with a time lag; therefore, evaluation should cover not only the current fiscal year but also the medium-term development cycle.

A balanced evaluation framework may include three groups of indicators. The first group reflects fiscal discipline: budget cost, tax expenditure, compliance with eligibility criteria and timely reporting. The second group reflects economic output: growth of value added, production capacity, sales, exports and investment. The third group reflects institutional quality: transparency of procedures, speed of decision-making, digital traceability and reduction of administrative barriers. The combination of these indicators allows the state to assess not only how much support was provided, but also what economic and institutional changes were achieved.

Performance evaluation is especially important for long-term tax preferences. Such preferences may create significant fiscal costs in the short run; however, they may be justified if they attract investment, develop export-oriented services and expand high-productivity employment. Therefore, long-term incentives should be accompanied by periodic review mechanisms. If the expected indicators are not achieved, support conditions may be revised; if they are exceeded, the mechanism can be expanded to similar projects or sectors.

The modernization of fiscal instruments should be differentiated by sectoral needs. In the information technology sector, the key priority is to create long-term tax stability for export-oriented residents and to encourage high value-added digital services. In the agro-industrial complex, the main task is to deepen processing, improve packaging, expand cold storage infrastructure and reduce losses in the value chain. In the construction materials industry, the priority is to reduce the cost of capital and stimulate localized production. In logistics and processing infrastructure, public financing should be strictly linked to measurable capacity indicators.

This sectoral differentiation is necessary because a universal fiscal instrument cannot solve all development problems. Tax preferences are more effective where enterprises need predictable long-term conditions; subsidies are more useful when temporary cost barriers prevent modernization; interest compensation is appropriate when credit costs limit investment; and KPI-based budget financing is most suitable for infrastructure projects. Therefore, the effectiveness of fiscal policy depends on the correct matching of the instrument with the economic problem of each sector.

In addition, sectoral support should be designed in a way that avoids permanent dependence on the state. Fiscal instruments should help enterprises overcome initial constraints, modernize production and enter competitive markets. Once these objectives are achieved, support should gradually shift from direct financial assistance to institutional services, digital platforms, export promotion and innovation

infrastructure. This approach preserves fiscal sustainability and encourages enterprises to improve their own efficiency.

The practical implication of the proposed approach is that fiscal support should be planned as a cycle rather than as a one-time administrative decision. At the planning stage, public authorities should identify the economic constraint, choose an appropriate fiscal instrument and define expected results. At the implementation stage, the beneficiary should provide digital evidence of resource use and project progress. At the evaluation stage, the achieved results should be compared with planned indicators. This cycle creates a feedback mechanism and allows ineffective instruments to be corrected in time.

Another practical implication is the need to classify support measures according to their fiscal risk. Instruments that create direct budget expenditures require strict annual control, while tax preferences require a separate tax expenditure assessment. Long-term benefits should be reviewed through medium-term indicators because their effect is not always visible immediately. The introduction of such classification increases the quality of fiscal planning and reduces the probability of hidden budget losses.

The development of digital fiscal governance also strengthens public accountability. If information on support measures, eligibility criteria, planned indicators and achieved results is systematized, it becomes easier to evaluate the effectiveness of state programs. This does not mean that all commercial information should be publicly disclosed; however, aggregated analytical indicators can improve trust, reduce rent-seeking behavior and support evidence-based policymaking.

The improvement of fiscal instruments in supporting economic sectors should be based on the balance between stimulation and responsibility. On the one hand, the state must create favorable conditions for sectors that face financial constraints or have high development potential. On the other hand, every support measure must be justified by clear economic outcomes. This balance is necessary because excessive and poorly controlled support may weaken fiscal discipline, distort competition and reduce the motivation of enterprises to improve efficiency.

A modern fiscal support system should include permanent monitoring, periodic evaluation and the possibility of revising ineffective instruments. Digital technologies make this process more accurate because they allow public authorities to work with large datasets, track beneficiary behavior and assess the relationship between support and output. Consequently, the role of fiscal policy changes: it becomes not only a financial support tool, but also a mechanism for strategic coordination of sectoral development.

Conclusion and recommendations:

The study concludes that the effectiveness of fiscal instruments used to support economic sectors can be significantly increased through digitalization, KPI-based financing, targeted incentives, special fund mechanisms and systematic fiscal risk control. These directions make it possible to connect tax and budget support with measurable development outcomes and to strengthen the accountability of public financial management. The modernization of fiscal policy should therefore focus on results rather than only on the volume of allocated resources.

It is recommended to introduce unified digital registers of fiscal support recipients, expand performance indicators for tax benefits and subsidies, strengthen monitoring of budget expenditures through electronic systems, and apply differentiated support based on sectoral priorities. Special attention should be paid to export-oriented digital services, agro-industrial processing, construction materials, agrolistics and other sectors capable of creating high added value. Such measures will support economic growth while preserving fiscal sustainability and improving the transparency of state support.

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