



INTEGRATING FISCAL RISKS OF STATE ENTERPRISES AND PUBLIC PARTNERSHIPS INTO PERFORMANCE BUDGETING FRAMEWORKS

Akmal Baltayevich Allakuliyev

PhD, Acting Professor, Rector of Kimyo International University in Tashkent

a.allakuliyev@kiut.uz

Abstract

This paper examines why performance budgeting misstates the cost of public services when the fiscal risks of state-owned enterprises (SOEs) and public-private partnerships (PPPs) are left outside it, and how these risks can be integrated. Drawing on International Monetary Fund (IMF) and OECD standards, cross-country evidence on contingent liabilities and official documents on Uzbekistan, it shows that the omitted exposures are large, overlap with budget programs and bias program cost and performance information. The paper proposes a three-step framework of perimeter mapping, risk-adjusted program costing and risk-linked performance indicators, and formulates a testable hypothesis on deviations between budgeted and realized fiscal costs.

Keywords

fiscal risks, state-owned enterprises, public-private partnerships, performance budgeting, contingent liabilities, quasi-fiscal activities, public financial management.

INTRODUCTION

Performance budgeting rests on a simple promise: appropriations should be linked to the results they buy. It originated in the United States over six decades ago and keeps returning under new names [A.Schick 2014: 49], and the OECD now makes performance, evaluation and value for money integral to the budget process [OECD 2015]. A budget, however, can report results only for what it contains. In 2018 the assets



**"ZAMONAVIY ILMIY YONDASHUVLAR VA TEXNOLOGIK
TARAQQIYOTNING USTUVOR YO'NALISHLARI" nomli Respublika
ilmiy-amaliy masofaviy konferensiyasi
VOLUME-1, ISSUE-7, 2026**

of the world's largest state-owned enterprises (SOEs) reached USD 45 trillion, about half of global GDP, and in emerging and low-income developing countries SOEs accounted for more than half of infrastructure project commitments in 2017 [IMF 2020: 48–49].

These exposures return to the budget when risks materialize. Across advanced and emerging economies in 1990–2014 the average realization of a contingent liability cost 6% of GDP, and the largest financial-sector bailouts up to 40% [E.Bova et al. 2016]; annual government support to SOEs has reached 16% of GDP for non-financial and 18% for financial enterprises [IMF 2020: 58]. Public-private partnerships (PPPs) are a second channel. Engel, Fischer and Galetovic argue that PPPs do not liberate public funds and that faulty fiscal accounting threatens the model [E.Engel et al. 2014], and IMF staff note the critics' view that some governments use PPPs to circumvent budget constraints by postponing the recording of costs [M.Queyranne et al. 2016].

Here standards and practice diverge. The IMF Fiscal Transparency Code places budgeting (Pillar II) and fiscal risk analysis and management (Pillar III) in different pillars [IMF 2019], and the OECD Recommendation treats performance (Principle 8) and fiscal risks (Principle 9) separately [OECD 2015]. Polackova's fiscal risk matrix shows the cost of this separation: contingent liabilities stay off the budget until they are called, and implicit ones are by definition not officially recognized in advance [H.Polackova 1998]. For performance budgeting this is a measurement problem, since cost-per-output indicators built on appropriations alone understate the cost of services delivered through enterprises and partnerships.

Uzbekistan illustrates the divergence. Performance indicators were piloted in four ministries and agencies in 2021 and approved for 37 in 2022–2023, and a program-based budgeting regulation followed in January 2024 [PEMPAL 2025]. The 2024 Public Expenditure and Financial Accountability (PEFA) assessment still finds that these





indicators are not yet substantively linked to budget processes [PEFA 2024]. Meanwhile SOE assets stood at 101% of GDP at end-2024 and only 46% of the 2,148 SOEs in the State Assets Management Agency database were reported profitable [A.Simone et al. 2026: paras 4, 14]. Signed PPP contracts reached 27% of GDP and the authorities estimate direct and contingent PPP liabilities at 15% of GDP, yet these are included neither in the budget nor in public and publicly guaranteed debt [L.Dwight 2025: paras 1, 20].

The aim of this study is to substantiate why the fiscal risks of SOEs and PPPs must enter the cost and performance information of the budget, to propose a framework for doing so, and to specify how it can be tested. The study synthesizes international standards, cross-country evidence and official country documents and reports no new primary data.

First, the omitted exposures overlap with the budget's program structure. SOEs and PPPs are another financing route to the services that programs report on: energy made up 93% of Uzbekistan's PPP contract value in 2019–2024, and mining, oil and gas, and electricity hold 69% of non-financial SOE assets [L.Dwight 2025: para 5; A.Simone et al. 2026: para 4]. An indicator that ignores the off-budget share of cost captures only part of the resources behind a result.

Second, the omission understates program cost, most of all where liabilities are implicit. Uzbekistan gives PPPs no explicit guarantees but may step in if a project becomes insolvent [L.Dwight 2025: para 26], an implicit contingent liability in Polackova's terms [H.Polackova 1998], and SOEs likewise receive preferential finance, guarantees and non-financial support [A.Simone et al. 2026: para 28]. Indicators based on appropriations alone would reward programs that shift cost to these channels.

Third, corrective instruments exist but are not tied to performance information. The IMF recommends funding quasi-fiscal activities through the budget and limiting SOE



borrowing and contingent liabilities [IMF 2020: 65], the PPP Fiscal Risk Assessment Model (PFRAM) assesses the fiscal costs and risks of PPP projects [M. Queyranne et al. 2016], and Uzbekistan's 2025 budget caps new PPPs at USD 6.5 billion, about 6% of GDP, a ceiling the IMF calls relatively high [L. Dwight 2025: para 26]. These are limits on exposure, not measures of results. We combine them with performance budgeting in three steps: (i) perimeter mapping, assigning each SOE and PPP to the program whose outcome it serves; (ii) risk-adjusted program cost, equal to appropriations plus budgeted compensation for quasi-fiscal activities plus the expected annual cost of guarantees and contingent PPP payments; (iii) risk-linked indicators, so that each program reports its output indicator together with the share of its cost funded explicitly and the contingent liabilities outstanding against their ceiling.

Fourth, the integration claim can be tested. We hypothesize that where performance information and fiscal risk reporting are both strong, the realized fiscal cost of SOE and PPP exposures deviates less from the budgeted cost. The PEFA framework offers cross-country measures of both conditions: PI-8 on performance information for service delivery and PI-10 on fiscal risk reporting, which includes the monitoring of public corporations and of contingent liabilities [PEFA 2016]. Realized costs can come from the contingent liability dataset of Bova et al. [E. Bova et al. 2016]. It ends in 2014, before the recent growth of PPP portfolios such as Uzbekistan's [L. Dwight 2025: para 5], so we advance a hypothesis, not a finding.

CONCLUSION

In conclusion, we believe that the aim was achieved at the conceptual level. The evidence supports treating the fiscal risks of SOEs and PPPs as a component of program cost and performance information, not only as a separate disclosure exercise: the exposures are large, they overlap with budget programs, and the standards that govern



**“ZAMONAVIY ILMIY YONDASHUVLAR VA TEXNOLOGIK
TARAQQIYOTNING USTUVOR YO‘NALISHLARI” nomli Respublika
ilmiy-amaliy masofaviy konferensiyasi
VOLUME-1, ISSUE-7, 2026**

them sit in separate pillars [IMF 2019; OECD 2015]. The three-step framework gives the study a testable structure.

Two implications follow. For practice, we believe that countries introducing program budgeting should map each SOE and PPP to a program before indicators are approved, fund quasi-fiscal activities explicitly and report risk-adjusted cost beside the appropriation. In Uzbekistan the Public Financial Management (PFM) Strategy 2025–2030 already contains both result-oriented budgeting and improved fiscal risk assessment [PEMPAL 2025], so the two should be designed and sequenced together. For research, the next step is to test the hypothesis by linking PEFA scores for PI-8 and PI-10 with data on realized contingent liabilities. Until then, the integration hypothesis remains a hypothesis, not a finding.

REFERENCES

1. Bova, E., Ruiz-Arranz, M., Toscani, F., & Ture, H. E. (2016). The fiscal costs of contingent liabilities: A new dataset. IMF Working Paper No. 16/14. Washington, DC: IMF.
2. Dwight, L. (2025). Uzbekistan and public-private partnerships: Country lessons. IMF Selected Issues Paper No. 2025/087. Washington, DC: IMF.
3. Engel, E., Fischer, R., & Galetovic, A. (2014). The economics of public-private partnerships: A basic guide. Cambridge: Cambridge University Press.
4. IMF. (2019). Fiscal Transparency Code. Washington, DC: IMF.
5. IMF. (2020). Fiscal Monitor, April 2020, Chapter 3: State-owned enterprises: The other government. Washington, DC: IMF.
6. OECD. (2015). Recommendation of the Council on Budgetary Governance. OECD/LEGAL/0410. Paris: OECD.
7. PEFA. (2016). PEFA 2016 framework. Washington, DC: PEFA Secretariat.





**“ZAMONAVIY ILMIY YONDASHUVLAR VA TEXNOLOGIK
TARAQQIYOTNING USTUVOR YO‘NALISHLARI” nomli Respublika
ilmiy-amaliy masofaviy konferensiyasi
VOLUME-1, ISSUE-7, 2026**

8. PEFA. (2024). Uzbekistan 2024: PEFA assessment. Washington, DC: PEFA Secretariat.
9. PEMPAL. (2025). Uzbekistan: PFM reforms [Presentation]. Public Expenditure Management Peer Assisted Learning Network.
10. Polackova, H. (1998). Government contingent liabilities: A hidden risk to fiscal stability. Policy Research Working Paper No. 1989. Washington, DC: World Bank.
11. Queyranne, M., Rial, I., & Verdier, G. (2016, June 23). The new PPP Fiscal Risk Assessment Model (PFRAM). IMF PFM Blog.
12. Schick, A. (2014). The metamorphoses of performance budgeting. OECD Journal on Budgeting, 13(2), 49–79.
13. Simone, A., Ahmedov, S., Wang, S., & Ould-Brahim, A. (2026). State-owned enterprises in Uzbekistan: Issues and reform options. IMF Selected Issues Paper No. 2026/058. Washington, DC: IMF.