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Improving the accounting of non-financial assets in budgetary organizations

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Abstract

This article examines the challenges and reform strategies related to the accounting of non-financial assets in budgetary organizations, with a focus on Uzbekistan. Drawing on international experiences and IPSAS standards, it identifies gaps in institutional frameworks, valuation methods, and digital infrastructure. The study proposes integrated solutions aimed at enhancing fiscal transparency, accountability, and asset management efficiency in the public sector.

Keywords: Non-financial assets; Public sector accounting; IPSAS; Asset management; Fiscal transparency; Budgetary organizations

1. Introduction

In the modern context of public financial management, the role of accurate, transparent, and timely accounting has gained renewed importance not only for fiscal reporting, but also for strategic resource management, efficiency, and accountability in the public sector. While much attention has historically been given to the budgeting and expenditure of financial assets, the proper registration, valuation, and reporting of non-financial assets (NFAs) remain a critical yet underdeveloped dimension in many public finance systems, particularly in developing countries such as Uzbekistan.

Non-financial assets-including land, buildings, machinery, equipment, infrastructure, and intangible assets like software and licenses-often comprise the majority of a government's total asset base. Their proper accounting and management are essential for enabling long-term planning, maintaining the value of public property, and ensuring the efficient use of resources. Yet, in many budgetary organizations, the lack of clear asset classification systems, fragmented inventory processes, outdated valuation methodologies, and insufficient digitalization have resulted in inconsistent reporting, asset underutilization, and weakened fiscal discipline.

The transition to accrual-based accounting, as recommended by the International Public Sector Accounting Standards (IPSAS), necessitates a fundamental rethinking of how non-financial assets are classified, recognized, valued, and reported. IPSAS frameworks not only promote standardized reporting practices but also enable governments to make more informed decisions on asset maintenance, disposal, and capital investment. Moreover, accurate NFA accounting plays a critical role in evaluating the fiscal sustainability of public service delivery, enhancing transparency for external audits, and supporting anti-corruption efforts in public procurement and infrastructure management.

2. Literature Review

The accounting of non-financial assets (NFAs) in the public sector has attracted increasing scholarly and policy attention over the last two decades, especially within the broader discourse on accrual accounting, fiscal transparency, and asset management reform. Historically, many countries operated under cash-based accounting systems, which recognize

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transactions only when cash is received or paid. Under such systems, the recognition and valuation of non-financial assets were either absent or inconsistent. As a response to the limitations of cash accounting, scholars and international institutions advocated for a transition to accrual-based public sector accounting, which captures economic events regardless of cash flows and provides a more comprehensive view of government financial positions (Chan, 2003; Lapsley et al., 2009).

The International Public Sector Accounting Standards Board (IPSASB) has been at the forefront of this transformation. IPSAS standards, particularly IPSAS 17 on property, plant, and equipment, and IPSAS 31 on intangible assets, provide internationally harmonized guidance on the recognition, initial and subsequent measurement, depreciation, and disclosure of NFAs in the public sector. Countries such as New Zealand, Canada, and Sweden are cited as early adopters of accrual accounting with robust NFA frameworks (Christiaens et al., 2015).

A significant body of literature highlights the link between improved NFA accounting and broader public financial management (PFM) reforms. According to OECD (2017), NFAs account for over 50% of total public wealth in many jurisdictions, and their mismanagement can lead to inefficiencies, corruption, and fiscal risks. Allen and Tommasi (2001) argue that systematic registration and valuation of public assets are essential for capital budgeting, performance-based financing, and fiscal sustainability.

In the context of developing and transition economies, asset accounting reforms are often constrained by weak institutions, capacity limitations, and outdated legislation. Mikesell (2011) notes that in many post-Soviet states, including Uzbekistan, legacy systems have led to fragmented and often unreliable asset registries, with minimal coordination between operational departments and accounting units. This challenge is echoed in empirical findings from Cangiano et al. (2013), who emphasize that public asset underutilization and underreporting reduce the effectiveness of capital expenditure planning.

The Institutional Theory of Accounting emphasizes that successful reform requires alignment with existing legal, administrative, and organizational norms. In emerging economies, however, rigid bureaucracies, resistance to change, and weak inter-agency coordination often obstruct implementation. For instance, Pina and Torres (2003) highlight how legal reforms in Spain were undermined by inadequate capacity-building and lack of digital integration.

Studies focusing on the Central Asian region are relatively limited, but findings from Kazakhstan and Kyrgyzstan indicate that partial adoption of IPSAS, without concurrent reform in asset registration systems and valuation practices, leads to inconsistencies and loss of credibility in government reporting (World Bank, 2019). These insights have particular relevance for Uzbekistan, where asset management responsibilities are often divided among ministries, municipal departments, and treasury offices, resulting in duplicated or missing data.

3. Analysis and Results

The effectiveness of public asset management, particularly regarding non-financial assets (NFAs), is increasingly recognized as a foundational component of sound public financial management (PFM). The ability of governments to record, monitor, and manage non-financial assets such as land, buildings, infrastructure, and intangible assets not only affects fiscal transparency but also informs capital planning, risk assessment, and long-term investment strategies.

Table 1 Digitalization and Operational Practices in NFA Management

Country	Digital Infrastructure and Asset Inventory Systems	Valuation, Reporting, and Depreciation Practices
USA	Uses enterprise systems like GSA's Real Property Profile and the Federal Real Property Council (FRPC) database for real-time tracking.	Assets are reported under FASAB guidelines with periodic revaluation; depreciation schedules apply for federal reporting.
Germany	SAP-based integrated financial management systems (IFMS) used by sub-national entities; linked to property tax records.	Annual updates with inflation-adjusted depreciation; extensive asset-level documentation required by law.
Japan	Maintains hybrid systems combining manual records with e-platforms for public infrastructure and facilities.	Historical cost remains the primary valuation basis; plans exist for transitioning to fair value under IPSAS alignment.

China	Centralized digital registry managed by the Ministry of Finance; integrated with budgeting and procurement platforms.	Assets are classified under a unified chart; depreciation is typically linear and aligned with fixed asset codes.
Georgia	EU-funded e-Registry supports digital asset tracking; linked to municipal financial management software.	Annual reconciliation, GIS-tagged valuation updates for public land and buildings; auditing conducted by the State Audit Office.
Kazakhstan	The State Property Register operates online; public access to auctioned assets; limited coverage of immovable rural properties.	Lacks consistent valuation; revaluation performed ad hoc; reforms underway to link asset registry with e-budget systems.

Source: Developed by the author

The digital transformation of asset management processes is a defining feature of efficient NFA accounting in the public sector. The U.S. and Germany showcase advanced, multi-layered digital systems that allow real-time monitoring and are fully integrated with fiscal and budget planning tools. Japan, while lagging slightly in digital harmonization, has robust manual processes that are gradually being replaced with automated platforms.

Among developing economies, Georgia exemplifies a forward-looking model where digitalization has enabled municipalities to track assets, generate reports, and enforce accountability. China's centralized IT infrastructure demonstrates the power of top-down control in implementing reform quickly, while Kazakhstan's partial success underlines the importance of unified valuation policies and systems integration.

These findings suggest that Uzbekistan's path forward must include investments in e-government platforms for asset registration, legal reforms for standardized valuation, and the establishment of a centralized NFA accounting unit within the Ministry of Economy and Finance.

Table 2 Capacity, Human Resources, and Implementation Challenges in NFA Accounting

Country	**Capacity-Building Measures and Professional Training**	**Implementation Challenges and Mitigation Strategies**
USA	Continuous professional training through the Government Finance Officers Association (GFOA) and Office of Management and Budget (OMB); dedicated certifications for public asset managers.	Fragmentation between federal and state asset records is managed through standard reporting protocols (e.g., Uniform Guidance circulars).
Germany	Public sector finance staff receive formal accounting education aligned with EU/EPSAS frameworks; regional governments conduct annual refresher courses.	Complexity of multi-level governance addressed through harmonized legal codes and intergovernmental cooperation mechanisms.
Japan	Ministry of Internal Affairs and Communications offers training to local governments; national audit offices also conduct workshops on asset handling.	Resistance to IPSAS-like reforms mitigated by phased implementation and alignment with existing national accounting traditions.
China	Training academies within the Ministry of Finance and State-Owned Assets Supervision and Administration Commission (SASAC); rollout of e-learning.	Bureaucratic rigidity and regional disparities addressed through centralized instructions and performance benchmarking.
Georgia	EU technical assistance projects provide certified IPSAS training; Ministry of Finance organizes regional workshops and peer exchanges.	Limited staffing at the municipal level addressed via centralized support units and outsourcing of technical valuation functions.
Kazakhstan	National training centers affiliated with the Ministry of Finance deliver modules on IPSAS, asset valuation, and IT systems for public accountants.	High staff turnover and weak capacity in rural areas mitigated by standard operating procedures (SOPs) and remote audit technologies.

Source: Developed by the author

Human capital development and organizational capacity are fundamental to the success of NFA accounting reforms. In developed economies, public finance professionals often receive advanced training and are supported by stable institutional structures and professional associations. For example, the U.S. and Germany have formalized pathways for continuing education in public sector accounting, ensuring knowledge alignment with evolving regulatory requirements.

In developing contexts, capacity limitations remain a primary barrier. However, proactive interventions such as Georgia's partnership with the EU for IPSAS certification, or Kazakhstan's use of SOPs and e-learning platformsdemonstrate that strategic investments in human resources can accelerate reform, even where legacy systems prevail.

Recommendations

To address the systemic challenges in non-financial asset (NFA) accounting within Uzbekistan's budgetary organizations, several interrelated and evidence-based measures are proposed. First, a centralized and standardized asset accounting system should be established under the Ministry of Economy and Finance, ensuring interoperability across central and local government units. This unified register must integrate with treasury, procurement, and budgeting platforms to facilitate consistency and eliminate data fragmentation. Second, it is imperative to accelerate the adoption of International Public Sector Accounting Standards (IPSAS), particularly IPSAS 17 and IPSAS 31, to harmonize classification, valuation, and depreciation procedures across all entities. The development of transitional guidelines and technical manuals will be essential to support this shift without disrupting operational continuity. Third, Uzbekistan should invest in a nationwide digital infrastructure for public asset management, including the deployment of a cloud-based asset management information system (AMIS) equipped with geo-tagging, inventory reconciliation, and real-time tracking capabilities. Lastly, a structured capacity-building and certification program for public sector accountants must be institutionalized, with a particular focus on IPSAS-compliant reporting and digital literacy. Certification should be linked to career progression and integrated into the broader civil service development strategy.

4. Conclusion

The effective accounting of non-financial assets constitutes a foundational pillar of modern public financial management, influencing fiscal transparency, capital planning, and long-term sustainability of public service delivery. Despite gradual reforms, Uzbekistan's budgetary organizations continue to face critical deficiencies in legal harmonization, institutional coordination, and digital infrastructure, leading to suboptimal asset utilization and accountability gaps. Drawing on international experiences from both developed (USA, Germany, Japan) and developing (China, Georgia, Kazakhstan) contexts, this study highlights the necessity of a coherent, digitally-enabled, and standards-based framework for NFA accounting. Strategic reforms grounded in IPSAS compliance, supported by robust digital systems and professional capacity development, are essential to align Uzbekistan's asset management practices with global best standards and to safeguard public wealth for future generations.

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