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STATE REGULATION OF STRUCTURAL CHANGES IN THE ECONOMY OF UZBEKISTAN

Abstract: *at the current stage of socio-economic transformations in the economy of Uzbekistan, the relevance of improving the structure of the national economy. This is due to the fact that the economy acts as an independent factor, not only directly affects economic growth, but also determines the nature of economic development. The future of a country in a globalized world is determined by which industries dominate the structure of the economy, what resources and factors are used in production, what role a person plays in economic relations, the stability of the role in the world community, the impact on economic growth, and the improvement of the standard and quality of life of the population.*

Key words: governmental support, budget resources, institutional factors, market mechanisms, transformation.

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Introduction

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In recent years, the economy of Uzbekistan has been undergoing deep structural transformations aimed at liberalizing foreign trade, tax and financial policies, supporting entrepreneurship and guaranteeing the inviolability of private property. At the new stage of reforms based on the wide implementation of market mechanisms, increasing the effectiveness of work to reduce the role of the state and increasing the participation of the private sector in the economy, the introduction of an effective economic management mechanism aimed at achieving the final result is required.

The solution to this problem requires ensuring consistency in the activities of ministries and departments involved in structural reforms, the introduction of a modern and inclusive institutional

system that ensures the overcoming of certain problems, in particular:

- delay in the process of ensuring compliance between macroeconomic stability, economic growth goals and structural changes, the introduction of an effective system and mechanisms for regulating the economy;
- specific approaches and principles of socio-economic development of the regions are not fully formed, and the relationship between regional and sectoral development of the economy is not ensured;
- have not developed a unified industrial policy and strategy based on increasing labor productivity in industries that are fundamental drivers of the country's industry development, specific mechanisms and tools for strengthening the competitiveness of the industry.[1]

In order to determine the priority directions of reforms aimed at further improving the well-being of the people, transformation of sectors of the economy,

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accelerated development of entrepreneurship, unconditional provision of human rights and interests, the formation of an active civil society in subsequent years on the basis of the principle "In the name of honor and dignity of man" with a deep analysis of the complex world processes and the results of the country's development stages passed, the Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022-2026" was adopted. The development strategy of New Uzbekistan for 2022-2026 set an ambitious task - to increase the volume of gross domestic product per capita in the next five years by 1.6 times due to ensuring consistently high growth rates in the sectors of the economy with the its size by 2030 up to 4 thousand US dollars per capita and create the prerequisites for the country to enter category of "upper middle income states" (Goal 21 of the Development Strategy).[2]

Uzbekistan, which in 2026 will celebrate the 35th anniversary of its independence, has set goals for 2026 and adopted a Development Strategy for 2022-2026, based on its 30-year experience as of 2022. Undoubtedly, this strategy represents a powerful road map for achieving the goals set in the process of building a New Uzbekistan, carried out under the visionary leadership of Mr. Shavkat Mirziyoyev, who became president in 2016.

Presidential Decree No. 60 of 28.01.2022 "On the Development Strategy of New Uzbekistan for 2022-2026" laid the foundation for the further development of the country, in particular providing for:

- radically increasing the role of the private sector in the economy, supporting entrepreneurship, improving investment, creating a healthy competitive environment;
- reducing the tax burden on business and providing financial resources based on the conditions, characteristics and capabilities of the regions;
- the development and implementation of measures to ensure macroeconomic stability and contain inflation rates;
- the creation of sustainable production and food security systems with the introduction of agricultural, resource-saving and smart technologies;
- expansion of trade, economic and investment cooperation with partner countries, promotion of competitive products to foreign markets, ensuring interconnectedness through the development of transport and logistics systems.

The main goal of the New Uzbekistan Development Strategy for 2022-2026:

1. Building a humane state by elevating the part and dignity of the person and further developing a free civil society.

2. The transformation of the principles of justice and the rule of law and the fundamental and essential condition for the development of the country.

3. Accelerated development of the national economy and ensuring high growth rates.

4. Pursuing a fair social policy, developing human capital.

5. Ensuring spiritual development and raising this area to a new level.

6. Approach to global problems based on national interests.

7. Strengthening the country's security and defense potential, conducting an open, pragmatic and active foreign policy.

As the whole world assesses, New Uzbekistan, which has accelerated its integration into the international community under the leadership of Mr. Mirziyoyev and has come to the fore with its peace-loving rhetoric, seeks to crown the advantages of its balanced foreign policy in the context of the goals for 2026. At the heart of these goals is the creation of a strong and stable state and ensuring a prosperous future for the people of the country. Therefore, the administration of Tashkent is determined to successfully spend the period of the "Third Renaissance." [3]

The 2022-2026 development strategy, which was billed as a reflection of this strong will, emerged from comprehensive population surveys conducted to identify people's needs. Thus, it can be argued that the people of Uzbekistan personally outlined the set course for the future of the country.

The strategic document provides for attracting foreign investment to Uzbekistan in order to support small and medium-sized businesses, create jobs to eliminate unemployment problems, combat monopolization, accelerate privatization processes to adapt to a free market economy and, ultimately, increase the standard of living of the population due to lower inflation.

In this sense, Uzbekistan has already achieved significant economic success since Mirziyoyev became president. Inflation, which amounted to 18.8% in December 2017, decreased to 10% in December 2021. Thus, over the past three years, Tashkent has achieved significant economic success. Of course, this situation is a concrete result of the decisive steps taken under the leadership of Mirziyoyev. Now, as a result of the policy, the goal has been set to reduce inflation to 5% by December 2023.

To achieve the goals set in this direction in the Development Strategy for 2022-2026, the leadership of Tashkent plans to support the chemical industry, the pharmaceutical sector, energy projects, work on the transition to renewable energy sources, as well as such industries as furniture production and tourism. In addition, digitalization and the transition to a digital economy are among the issues to which the Tashkent administration attaches great importance. Because Uzbekistan does not accept remaining outside the era of technology. [4]

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On the other hand, one of Uzbekistan's goals is to be a self-sufficient country and ensure "food security." In this context, the Tashkent administration is preparing to create serious incentives and support for agriculture and animal husbandry.

To this end, it is envisaged to continue the implementation of industrial policies aimed at ensuring the stability of the national economy, an increase in the share of industry in gross domestic product and an increase in the volume of industrial production by 1.4 times, further liberalization of leading industries and economies, liberalization of the energy resources and natural gas market, widespread private investment in this area, the introduction of social consumption standards in order to protect vulnerable segments of the population.[5]

As a result of all these initiatives, Uzbekistan expects an increase in its gross domestic product (GDP) by 1.6 times. That would mean the national per capita income in the country would reach \$4,000. [4] Therefore, if Uzbekistan achieves its development goals, the country's annual GDP growth rate will be 6.5%.

Seeking to become one of the leading players in the global economy in line with its goals until 2026, Uzbekistan also wants to be admitted to the World Trade Organization (WTO). In this direction, the leadership of Tashkent also supports policies pursued to achieve the country's economic goals through political reforms. Indeed, having managed to make his country one of the respected states of the world and focusing on new breakthroughs, Mr. Mirziyoyev, in accordance with the spirit of the Third Renaissance, takes an approach that makes the rule of law a top priority and takes transparency and justice as the main principle in the management of the state. In this regard, Uzbekistan clearly declares that it will continue the processes of political and legal reforms in accordance with the goals of 2026.

Experience gained from the negative situations caused by the corona virus pandemic and climate change indicates the need to choose more sustainable approaches to ensure economic growth, in particular, the formation of an effective organization for the implementation of strategic goals on a "green" economy. In this regard, on December 2, 2022, the Decree of the President of the Republic of Uzbekistan approved the Program for the country's transition to a "green" economy and ensuring "green" growth until 2030. The program defines priority areas for ensuring "green" economic growth in the Republic of Uzbekistan, including:[6]

- sustainable and efficient use of natural resources;
- strengthening the resilience of the national economy to natural disasters and climate change;
- ensuring green and low-carbon development of the national economy, in particular industry;
- innovation and effective green investments;

- development of sustainable and inclusive green urbanization;

- support of the population and their places of residence, most susceptible to strong influence during the transition to a "green" economy.

It is envisaged that the effective implementation of the tasks in these areas is carried out according to the following priorities: capacity-building and human capital development in the framework of "green" growth; creation of a favorable political environment, effective institutions for the transition to a green economy; Increased external and internal green funding flows. In accordance with the Concept of transition to a "green" economy and ensuring energy saving in the industries approved by this decree, measures are envisaged to improve competitiveness, financial stability, energy and environmental security of the economy of the Republic, as well as improve the standard of living of the population and the quality of services provided on the basis of capacity expansion, modernization, technological development of energy saving and rational use of fuel energy resources, increasing energy efficiency.[7]

In order to maintain fiscal stability, the government plans to introduce additional budget rules setting a limit on the annual budget deficit. Given the government's commitment to limit the budget deficit to 3% of GDP in the coming years, Uzbekistan remains at low risk of a debt crisis.

In turn, the Central Bank raised the main rate in mid-March 2022 from 14 to 17% in order to consolidate expectations and contain pressure on the exchange rate. This policy is aimed at curbing price pressures and gradually reducing inflation. However, the transfer of the impact of economic policy is constrained by a low level of financial mediation, a high degree of dollarization and the implementation of lending programs at preferential rates.[8]

The pandemic has slowed down the process of privatization and reform of the energy sector. However, progress has been made in other areas, in particular in agriculture and in improving corporate governance. The continued liberalization of cotton and wheat prices, the easing of the requirements for sowing areas for crops contributed to the diversification and expansion of agricultural production. In recent years, large-scale work has been carried out in the Republic to reduce state participation in the economy. At the same time, about 50% of the country's GDP and a fifth of the volume of foreign trade is still created by state enterprises, which provide more than half of the state budget revenues when hiring less than 10% of the employed population.[9]

By the Decree of the Cabinet of Ministers of March 29, 2021 No. 166, the Strategy for Management and Reform of Enterprises with the Participation of the State and its Implementation Targets in 2021-2025 were approved. The number of

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enterprises with state participation will be reduced by 75%, and shares of at least 20 enterprises will be offered on primary and secondary placement.

The main goal of the ongoing transformations is to transform large enterprises into internationally recognized companies with the placement of part of the shares on the international stock exchange (IPO). These measures are carried out in accordance with the Decree of the President of RUz No. UP-6096 of October 27, 2020 "On Measures for the Accelerated Reform of Enterprises with the Participation of the State and the Privatization of State Assets." This regulatory act provides for the transformation of 32 large state enterprises in the field of fuel energy, mining, transport, telecommunications and the chemical industry, as well as the sale of 556 state assets.[10]

As a result of the transformation of state-owned enterprises and companies, the following results have been achieved:

- developed plans to improve financial stability and operational efficiency for 21 state-owned companies based on the recommendations of international consultants;
- developed development strategies for 21 state-owned companies for the long term;
- credit ratings
- received from international agencies for 6 state-owned companies;
- Eurobonds issued on the international stock market totaling \$1 billion. (Uzavtomotors \$700 million and Uzavtomotors \$300 million).

In accordance with Presidential Decree No. UP-101 of April 9, 2022 "On the next reforms to create conditions for stable economic growth by improving the business environment and the development of the private sector," the main directions for increasing the role of the private sector in ensuring economic growth of the Republic are determined:

- liberalization of the market for goods and services, in which public participation remains, creating conditions for the promotion of the private sector in these areas;
- acceleration of transformation and privatization of enterprises and commercial banks with the participation of the state, stimulation of the increase in qualitatively new, in particular based on the principles of environmental, social and corporate governance (ESG), investments and highly efficient production technologies by reducing the share of inefficient enterprises in the economy;
- giving impetus to the development of different segments of the financial market through further liberalization of the tender market and capital market;
- attracting foreign investors to geological exploration, production and processing processes in

order to provide industries with a guaranteed raw material base;

- development of the energy resources, transport, communications market and creation of conditions for attracting private investment in these areas.

According to IMF forecasts, Uzbekistan's economic growth is expected to slow in 2022. Experts predict an increase in the current account deficit to about 9.5% of GDP. The decline in remittances will be partially offset by lower imports and higher commodity export revenues. This year, it is expected that increased inflation will remain at 12% due to spikes in world food and fuel prices.

According to the results of the IMF mission held in November 2022, forecasts on the development of the Uzbek economy have changed significantly. Contrary to expectations at the beginning of the year, remittances, including those of migrant workers, grew more than 2 times, which, combined with continued fiscal support and sustained trade, contributed to economic activity and growth in Uzbekistan. As a result, according to forecasts, in 2022, the economy of Uzbekistan will grow by almost 6%. Inflation has risen and taken on a broader footing, reflecting global price increases, particularly on food and energy. Due to decisive and timely actions of the Central Bank, it is expected that by the end of the year it will be possible to keep inflation at about 12% 1.[11]

A slowdown in the global economy is forecast in 2023, however, despite this, inflation may become more sustainable. As a result, despite the expected continuation of relatively active domestic demand, in 2023, according to forecasts, economic growth in Uzbekistan will slow down somewhat and will be slightly less than 5%. Inflation is expected to remain at an increased level (according to the country's Central Bank, by the end of 2022, Uzbekistan's GDP growth is expected within the forecast corridor of 5.2-5.8% (the previous forecast was 5 - 5.5%). In 2023, the economy is predicted to slow down - 4.5-5%, in 2024 - 5-6% and in 2025 - within 6-6.5%).[12]

In order to improve the situation, IMF experts advise the Government of Uzbekistan to take the following directions of economic policy and the necessary measures for the development of the economy:

- monetary policy should remain firmly focused on reducing inflation. It is necessary to further reduce concessional lending programs and replace them with subsidizing interest rates for critical economic activities;
- fiscal policy should be aimed at supporting efforts to reduce inflation. Work should continue to expand the tax base by eliminating benefits and improving compliance with tax laws;
- continued privatization of state-owned enterprises and state-owned banks. Further improvement of corporate governance and increased

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transparency in state-owned enterprises and state-owned banks should play a key role;

- increasing competition and creating a level playing field for business. This requires the further opening of domestic markets to private firms and the removal of privileges for state-owned enterprises, as well as the passage of a new competition law and ensuring the independence and sufficient powers of the antimonopoly committee;

- expansion of digitalization of public services, including tax and customs administration. It is proposed to improve the management system by strengthening the requirements for beneficial property, in particular, in large construction and infrastructure projects, in order to avoid opposition from stakeholders;

- improvement of the work of the markets of factors of production, in particular, the labor market, land, energy, water and financial markets, in order to increase their productivity. Land reform, including in agriculture, should be accelerated to ensure the protection of land rights and the possibility of its sale. Electricity and water rates are proposed to be gradually raised to cost recovery levels and then to market levels to improve efficiency and attract further investment, free up budgetary resources for more pressing needs, and facilitate a transition to a greener

economy. Tariff increases must be accompanied by adequate support for vulnerable households.

- strengthening of trade integration and regional cooperation. Despite the fact that the current geopolitical situation creates serious problems, it also creates opportunities for attracting business. Accelerating WTO accession negotiations and expanding cooperation with neighboring countries, including to improve existing and create new transport routes, will increase Uzbekistan's investment attractiveness.

In accordance with the Presidential Decree of October 30, 2020 No. UP-6098, Uzbekistan introduced measures to reduce the shadow economy and support business, which will be in effect from January 1, 2021, including:

- until January 1, 2022, the income of small businesses in the field of catering received from individuals using bank cards and contactless payments will not be included in the total income in order to mandatory transition to the payment of generally established taxes;

- construction organizations are allowed to hire employees on an urgent basis without concluding a cash payment agreement, the volume of which should not exceed 10 percent of the total wage fund for the reporting period (excluding the amount of social tax).

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