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Current Condition of Financing Agriculture Sector in Uzbekistan

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ABSTRACT: Agriculture is an industry that lacks financial independence and self-sufficiency. This quality of the industry is due to various reasons, among which the following stand out. First, there is a high risk dependence of the resources used and the products produced on production and climatic conditions. Second, the industry has an extremely high degree of "subordination" to the technological development of the industry, which affects the functioning of various production structures, i.e. farms producing products. This paper studies the current condition and further measures to improve the financing agriculture sector in Uzbekistan

KEYWORDS: Agriculture, financing, Uzbekistan, loan, investment.

I. INTRODUCTION

The Republic of Uzbekistan is consistently implementing a deeply thought-out strategy for the development of agriculture, aimed at ensuring the country's food security. This approach to the production of fruits and vegetables as an important component of the entire life support system of the population, maintaining their health, as well as creating employment conditions has become one of the main vectors of the state's economic and social policy.

Thus, one of the first measures that radically changed the approach to achieving food independence in Uzbekistan was the unprecedented decision made back in 1989 to allocate more than 400 thousand hectares of irrigated land for household plots in the regions of the Republic of Uzbekistan. From the late 1980s Uzbekistan like other republics of the former Soviet Union, began the transition to a market economy, including in the agrarian sector. Significant areas of agricultural land were transferred from former collective and state farms for the development of private farms of the rural population in 1989. By 1994, all collective and state farms were transformed into cooperative farms — shirkats. In the early 2000s, private farms replaced the shirkats as the main subjects of farm-market agriculture. At the same time, most of the agricultural products are not produced by them, but by small dehqan (personal subsidiary) farms.

The farms, possessing 85.2% of land allocated for cultivation area, orchards and vineyards (data of 2017), produced only 27.3% of agricultural products in 2018. 70.0% of the total agricultural output in 2018 was accounted for dehqan farms owning only 11.3% of the land allocated for cultivation area, orchards and vineyards. The situation is associable with the Soviet past, when the majority of main types of agricultural products were produced not on large farms (collective and state farms), but on personal household plots of land.

However, there are big doubts about the reliability of data on the volumes of agricultural products of dehqan farms, as they are obtained from the results of sociological surveys. And some of these indicators for example, milk-yields were systematically falsified

II. ANALYSIS AND RESULTS

Further steps to implement market and institutional reforms in the agricultural sector included a change in the structure of sown areas, a reduction of almost 48.5 thousand hectares of cotton in favor of grain crops. As a result, Uzbekistan, which previously imported more than 80% of its grain needs, gained grain independence. More than 7 million tons of grain are produced annually in the country, and there is also a potential to increase this indicator several times, through advanced technologies.

Since 1997, the agriculture of our country has been demonstrating stable positive growth rates, which amount to 6-7% per year. This made it possible to increase per capita consumption of meat by 1.3 times, milk and dairy products - 1.6 times, potatoes - 7 times, vegetables - more than 2 times, fruits - almost 4 times.

The share of Uzbekistan's agriculture in GDP was 17.3% of GDP in 2017. The industry demonstrates sustainable growth rates of 6-7% per year. These indicators make Uzbekistan one of the leading states in the CIS in the

production of fruits and vegetables, fruits, grapes, since the soil and climatic conditions allow growing almost all types of agricultural crops.

In 2017, the republic, for the first time in its practice, introduced year-round sowing of various agricultural crops. Another solution aimed at increasing the production of fresh vegetables and fruits in the country, growing them using hydroponics. In 2018 alone, it is planned to build 352 hectares of greenhouses using this method. Moreover, the corresponding technologies will be imported from South Korea, Iran and Japan. This will allow to bring the production of fruits and vegetables to 32 million tons by the end of 2020.

The main grain crops of Uzbekistan: wheat, barley, corn, and rice, which are grown in intensively irrigated oases, but at the same time do not have adequate funding for further development by attracting advanced technologies. There is also a great demand, but small quantities are grown - sesame, onion, flax, and tobacco. Fresh fruits are mainly consumed in the domestic market of the country, while dried fruits are exported. Uzbek watermelons, known for their long life and unique taste, are widely demanded in large cities of the CIS.

In Bukhara and its environs, the skin of the Karakul breed of sheep is bred, which is a traditional export product, but their contribution to the total volume of exports today is insignificant. The production of skins of the Karakul sheep breed fell from 1.4 million pieces to 700 thousand pieces. Cattle, sheep and chickens are mainly raised for meat. In Uzbekistan, about 3 million cows are bred, which produce 5 million liters of milk annually. According to statistics, one cow produces 1600 liters of milk, which is one of the lowest in the CIS (compared to 2500 liters per cow per year in Russia, Ukraine and Moldova). In this regard, there is the possibility of developing animal husbandry, incl. increasing the efficiency of milk production.

Uzbekistan received a loan for the development of the agricultural sector

The International Fund for Agricultural Development issued a loan in the amount of \$ 46.2 million and a grant - \$ 800 thousand. The funds will be used to implement the project "Diversification and modernization of agriculture." This follows from the presidential decree of September 15.

The loan agreement was signed on August 4, 2020. The total cost of the project, we recall, is \$ 84.78 million. Uzbekistan's contribution is \$ 38.28 million, including in the form of tax and customs benefits. So within the project:

goods (works, services) and vehicles purchased with a loan are exempt from customs payments (except for customs clearance fees), VAT and fees;

income of individuals - non-residents participating in its implementation - from personal income tax.

The funds raised will be directed to:

a) the allocation of loans to finance the diversification of agriculture - \$ 39.8 million, of which:

to support clusters and cooperatives and their members - business entities - \$ 30.3 million;

to support youth and women - \$ 5 million;

State Fund for the Support of Entrepreneurship - \$ 4.5 million;

b) modernization of irrigation systems - \$ 3.1 million, of which \$ 2 million is spent on water supply by drilling vertical wells and installing pumps on forest lands;

c) development of a system of knowledge, innovation and agricultural services in agriculture - \$ 4.1 million.

The loan will be repaid in part by returning the refinanced funds to commercial banks (\$ 35,325 thousand), the rest (\$ 10,875 thousand) - from the state budget of the country.

The Ministry of Agriculture will ensure the timely and complete implementation, the effectiveness of the project. The commercial banks participating in the project will manage the credit line, the development and targeted use of the loan, reporting and monitoring of the implementation of subprojects. The Accounts Chamber will control the targeted allocation and spending of funds and submit relevant information to the Presidential Administration every six months.

All foreign specialists involved in the project will be issued entry visas as well as multiple-entry visas and temporary registration (with subsequent renewal) as soon as possible.

For obvious reasons, tax officials do not want to recognize the "unjustified" expenses of a business and seek to include them in the taxable base, while the business has exactly the opposite tasks - to withdraw as much money as possible (by increasing expenses) from taxable income

III. MEASURES TO IMPLEMENT IN 2020 THE TASKS IDENTIFIED IN THE STRATEGY FOR THE DEVELOPMENT OF AGRICULTURE OF THE REPUBLIC OF UZBEKISTAN FOR 2020-2030

In pursuance of the Decree of the President of the Republic of Uzbekistan dated October 23, 2019 No. UP-5853 "On approval of the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020 - 2030":

1. To approve the Program of measures for the implementation in 2020 of the tasks defined in the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020 - 2030 (hereinafter - the Program), in accordance with Appendix No. 1.

2. To establish that within the framework of the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020 - 2030 in 2020:

1) in the direction of "development and implementation of the state policy on food security", starting from October 1, 2020, in order to ensure uninterrupted provision of the population with grain products and prevent sharp price fluctuations, a system of intervention purchases is gradually being introduced. This provides for:

starting from the harvest of 2021, a gradual reduction in the volume of state orders for cereals, including the introduction of market mechanisms that ensure free competition in the purchase and sale of grain crops;

development of a mechanism for the transition from the state order system to the use of the state reserve to ensure food security;

2) in the direction of "creating a favorable agribusiness climate and value added chains", the Ministry of Agriculture, together with the Ministry of Economy and Industry, the Ministry of Finance of the Republic of Uzbekistan, as well as other interested ministries and departments, by October 1, 2020, submit a draft resolution to the Cabinet of Ministers, providing for the transition, starting from the harvest of 2021, to market principles of pricing, purchase and sale of raw cotton by setting minimum prices when determining the terms of contracts for the supply of raw cotton produced by farms for cotton-textile clusters, based on an analysis of the market situation and predictive calculation of costs for carrying out agrotechnical measures;

3) in the direction of "reducing the role of the state, increasing the investment attractiveness of the industry":

a) starting from March 1, 2020, in areas not involved in the production of raw cotton and grain crops, a system of stage-by-stage specialization of districts is being introduced, based on their soil and climatic conditions and market conditions;

b) The Central Bank, the Ministry of Finance, the Ministry of Economy and Industry, the State Committee for Land Geodesy and the Ministry of Agriculture of the Republic of Uzbekistan shall, within three months, develop a draft regulatory act to improve the mechanism of lending and insurance in accordance with the strategic priorities and needs of the agri-food sector.

In this case, provide:

the use of "warehouse receipts", other financial instruments and the right to lease a land plot as collateral when granting loans;

introduction of new types of risk insurance in agriculture;

c) The Agency for State Assets Management of the Republic of Uzbekistan, by April 1, 2020, submit to the Cabinet of Ministers proposals on the privatization of enterprises with a state share in the processing of grain crops and raw cotton, resource provision and provision of services;

4) in the direction of "improving the system for ensuring the rational use of natural resources and environmental protection":

a) starting from April 1, 2020 as an experiment in Kibray and Tashkent districts of Tashkent region, Fergana and Altyaryk districts of Fergana region, as well as Kitab and Nishan districts of Kashkadarya region:

a mechanism is being introduced to allocate land plots to individuals and legal entities for agricultural purposes through a transparent and open tender;

individuals and legal entities are granted the right to post information about land plots through a special geoportals with the subsequent granting of the right to initiate their placement at the tender;

a mechanism is being introduced to assess the market value of the right to use agricultural land and its use in taxation.

IV. CONCLUSION

It should be especially emphasized that the stimulation of overcoming financial insufficiency and the provision of agricultural enterprises, naturally, occurs with the development of market relations in the industry. Such a quality of the activity of agricultural producers contradicts their state support, but does not exclude its inevitability. As we see it, it should be about the acceptability of the support mechanism, its volumes, directions and methods. Yes, market relations - if they are real, radically change the nature of the formation and the conditions for the functioning of agriculture. At the same time, during the development of the market, and this is a long process, the problems of the macroeconomic situation of agriculture and its economy arise, the possibilities of state support for the industry change. The regularity is such that the production activity of agricultural producers becomes much more complicated in the conditions of market macroeconomic shifts, and the funds for its financing are even more limited



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