



# Strategy Of Uzbekistan For Reducing Poverty: Paths To Prosperity

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<p><b>ABSTRACT</b></p>	<p>The article examines the key measures undertaken by Uzbekistan to combat poverty and improve the living conditions of its citizens. Data indicates a significant reduction in the poverty rate from 17% in 2021 to 11% in 2023. Successful initiatives are described, such as the "Mahallabay" system, the implementation of preferential loans and subsidies for entrepreneurs, as well as programs for providing land plots to low-income families. The necessity of a comprehensive approach is emphasized, including education, employment, and infrastructure development. The "From Poverty to Prosperity" program focuses on individual support strategies for those in need and the creation of new jobs.</p>
<p><b>Keywords:</b></p>	<p>Uzbekistan, poverty, social protection, small business, "Mahallabay" system, employment programs, preferential loans, infrastructure development, education, cooperation.</p>

The priority of the domestic political agenda is to eradicate poverty as such, improve the social foundation, and enhance healthcare, education, and housing programs. In recent years, fundamentally new tools have been applied to address this issue. The head of state has defined all financial and organizational levers, establishing a cohesive system. Reforms in this area have led to significant progress, despite the challenging global situation and economic instability.

In 2021, the poverty rate in Uzbekistan was 17%. In just two years, this figure has decreased to 11%. Behind these statistics lies a concrete result: from 2021 to 2023, nearly 2 million people were lifted out of poverty. In the past year alone, 1 million Uzbeks exited this category. The president's initiatives have completely transformed the approach to

working with citizens living below the poverty line.

The primary focus has been on attracting individuals to small business by providing preferential loans, thereby securing financial resources for them. According to data from analytical centers, incomes in the private sector have increased by 1.7 times over the year, which has simultaneously caused a decrease in the proportion of income derived from wages. By the end of 2023, the ratio of income from wages and small business reached 62.7% and 2.9% compared to 70.2% and 0.7% in 2021.

The government supports people from the very beginning. The structure of key citizen self-governing bodies, particularly mahallas, allows for a detailed and individualized examination of issues, focusing on each family based on targeted directions. The implementation of the

experiences from Saykhunabad, Uychin, Gijduvan, and Zardor has become a catalyst for ensuring employment. More than 4,000 mahallas have been specialized in industry and agriculture, resulting in 1.6 million officially employed individuals. Based on the Saykhunabad experience, financial packages are provided to households. Under the Uychin experience, district hakims and bank leaders meet with entrepreneurs. The Gijduvan experience includes plans for the construction of multi-story industrial buildings to implement projects in industry, trade, services, and modern agro-technologies. The Zardor experience, initiated by the head of state, is aimed at developing these areas. Annual allocations from the government for poverty reduction have reached 14 trillion sums.

Undoubtedly, international experience is taken into account in the fight against poverty. The history of poverty eradication in China is particularly noteworthy. By adopting the best practices and adapting them to the realities of Uzbekistan, it has been possible to create a unique paradigm for addressing this issue, which increasingly serves as a basis for analysis and research by leading global economic centers. Thanks to the visionary policies of the president and his understanding of the importance of resolving this issue promptly, Uzbekistan has positioned itself at the forefront among countries also tackling poverty. For example, the Uzbek experience in combating this phenomenon was presented at the Paris School of Economics. The launch of the "Mahallabay" system has become an integral part of ensuring the targeting of reforms in recent years. The efforts made in our country in this direction have received high praise from Nobel Prize winners in economics, who, more than anyone else, can compare and analyze the changes, as well as assess the effectiveness and outcomes of comprehensive measures. *"There are many poor families in the world, but each poor family is poor in its own way. A key feature of Uzbekistan's approach to combating poverty is its high degree of targeting and individualized nature. The 'Mahallabay' system in Uzbekistan has its unique recipe for lifting each needy family*

*out of poverty,"* noted Abhijit Banerjee, Nobel Prize winner in economics.

Another important argument for the recognition of the work being carried out under the leadership of the President by the international community was the ninth meeting of the International Network of Cooperation on Multidimensional Poverty, which took place in Tashkent. This is evidence that Uzbekistan is a center of global dialogue, where expert assessments and conclusions from many organizations are collected in one place. In addition to discussing current issues, the best mechanisms for poverty reduction are also identified. At the video conference on the transition to a qualitatively new level of work on poverty reduction, it was noted that this work began in 2020 when the incomes of 7.5 million people, which constituted 23% of the population, did not reach the poverty line. Thanks to the efforts of the last years, 3.5 million people have been rescued from this state. By the end of 2023, the poverty rate has fallen to 11%. First, the coverage of social protection measures has been significantly expanded, with 12.3 trillion allocated last year. Pensions and benefits increased by 1.5 times. The projects on poverty reduction and entrepreneurship in makhallyas have been allocated 35 trillion of soft loans and 7 trillion of grants. 120 trillion is allocated to the improvement of makhallyas, kindergartens, schools, health facilities, as well as road infrastructure, water and electricity. In addition, 800,000 residents received 260,000 hectares of land for agriculture and income.

It is noteworthy that since 2020, the number of workers receiving between 3 and 5 million dollars a month has doubled, while those earning between 5 and 7 million dollars have tripled. As a result, poverty is falling by an average of 3% per year. However, progress in this direction has been uneven. In some regions, such as Navoyi, Surkhandarya, Fergana and Tashkent, there has been no change during the past six months, and in 15 districts the poverty rate remains above 20%. The President stressed that poverty cannot be overcome solely through cash payments and benefits. The main focus should be on people's employment. Today, there are 250,000 vacancies in enterprises, but 35%

of the working-age members of low-income families do not have the necessary knowledge and skills, and some cannot work due to chronic diseases. 83% of low-income families have plots of land, but there are problems with access to water, electricity and roads.

The meeting analysed current problems and identified new challenges. The Head of State announced the preparation of the program «From poverty to prosperity», based on the principle «seven opportunities and responsibilities». It will define new approaches of Uzbekistan to combat poverty. The National Agency for Social Protection will conduct a full inventory of all mahallas, create a «portrait» of low-income families and develop individual programs to support them. Economic complexes and local governments will be responsible for lifting families out of poverty. The development of mahallas infrastructure will be given special attention in the coming year. A total of 1.6 billion dollars will be allocated for this purpose. Part of this money will go to the installation of pumps and solar panels in 300 most problematic mahallas. Another 500 mahallas will be used to address water supply, electrification, road infrastructure and internet connectivity. Today, there are about 9,200 entrepreneurs in Uzbekistan, creating at least 50 jobs each. Supporting their plans will expand production and employ even more people. For example, 58 poultry enterprises of the Andijan region have taken the initiative to attract 10 thousand needy residents to produce eggs, and 660 fish farms - create as many jobs at the expense of cooperation. The head of state has instructed to create a new system for financing similar projects and expand it in other regions. Two years ago, the President issued a decree granting social tax benefits to entrepreneurs in the catering sector. As a result, several enterprises provided jobs for 2,000 people in Tashkent, Samarkand and Andijan. If this benefit is extended for another two years, entrepreneurs are ready to provide jobs for tens of thousands of needy citizens. Textiles are the largest employer in industry. Entrepreneurs in this field have also asked to extend the social tax benefit granted two years earlier for enterprises producing finished knitwear, dyed fabrics and

textiles. Given their importance in the employment of the population, responsible persons are instructed to make a proposal for extension of benefits in these areas. If businesses employ the poor, the social tax benefit for those workers will continue for another three years. This benefit will be granted not only to textile enterprises, but also to enterprises of all industries. This can provide hundreds of thousands of poor people in the textile, construction, leather, footwear, crafts, electrical, agricultural and livestock industries. Over the past years, 260,000 hectares of land have been allocated to agriculture for 800,000 inhabitants. Now another 50,000 hectares of land will be distributed among 100,000 low-income families. These lands will be used for agriculture and horticulture on the basis of "company, cooperative, dehqan". Based on the Chinese experience, a system is created that allows to generate income in three ways.

*First.* A large company producing and exporting agricultural products receives land in sub-lease from low-income families.

*The second.* Farmers are grouped into cooperatives as shareholders, receive orders from the company and the income is distributed among them.

*Third way.* In both cases, these families produce themselves on the land and receive a salary for it. Thus, the poor family, using the land given to them more efficiently, receives income from rent or dividends along with their salary. The company, in turn, benefits from growing one product on one plot, which improves its quality and reduces costs.

Microfinance services are also important for employment projects. Opportunities in this area are expanding. Thus, 10 trillion Sum will be allocated in 2024-2025 for micro-credit for self-employment and small and medium enterprises. In addition, low-income families will be provided with equipment worth up to 30 million Sumak, mobile shops, scooters, scooters with a term of payment of 5 years. For the purchase of computers, children from low-income families will be granted a interest-free loan for 5 years with a two-year grace period. The Chamber of Commerce and Industry will establish a centre for the placement and training

of workers for entrepreneurs. Members of low-income families will be trained in skills appropriate to the requirements of enterprises. Special attention will be paid to ensuring that each low-income family, especially among women, has people with higher education. They will receive interest-free educational loans, grants and other financial support.

In general, the head of state stressed that this goal is very large and everyone should contribute to its achievement. From now on, poverty reduction will be a national movement. The daily work of leaders at all levels - from government to district - should be to lift families out of poverty. The reports of the deputy prime minister, khakims of regions and districts were presented, tasks on improving the targeting and effectiveness of funds allocated to low-income families were defined, and the work of responsible persons in this direction and problem solving was discussed.

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