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THE STATE FINANCIAL SUPPORT FOR AGRICULTURE IN UZBEKISTAN: ISSUES AND SOLUTIONS

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O'ZBEKISTONDA QISHLOQ XO'JALIGINI DAVLAT TOMONIDAN MOLIYAVIY QO'LLAB-QUVVATLASH: MUAMMO VA ECHIMLAR

Qishloq xo’jaligini tartibga solish hamda moliyaviy qo’llab-quvvatlashning eng maqbul va samarali uslubiyotini joriy etish har bir mamlakat oldida turgan muhim vazifalardan biri hisoblanadi. Bu yo’lda to’g’ri tanlangan uslubiyot esa, birinchi navbatda xo’jaliklarning moliyaviy natijalariga ijobil burilish yasab, ularning barqaror rivojlanishi uchun tayanch bo’ladi. Qolaversa, qishloq xo’jaligi bozorida barqarorlikning eng maqbul va samarali uslubiyotini joriy etish har bir mamlakat oldida turgan muhim vazifalardan biri hisoblanadi.

Tayanch so’zlар: fermer xo’jaligi, moliyaviy qo’llab-quvvatlash, paxta subsidiyalari, fermer xo’jaligi foydasi, tuproq boniteti, qishloq xo’jaligi bozori.

Bizga ma’lumki, bugun respublikada qishloq xo’jaligini davlat tomonidan moliyalash asosan quyidagi yo’nalishlarda amalga oshirilmoqda:
- paxta ishlab chiqarishga subsidiyalar ajratish;
- erlarning meliorativ holatini yaxshilash bo’yicha investitsiyalar ajratish;
- ishlab chiqaruvchilarni past foizda imtiyozli shartlarda kreditlash.

Paxta ishlab chiqarishini subsidialashning Buxoro viloyati fermer xo’jaliklar bo’yicha obid borilgan tahlillari shuni ko’rsatdi, 2009-2015 yillarda viloyatda erlarning meliorativ holatini yaxshilashning qarorlarni qator chora-tadbir va barqarorlikning eng maqbul va samarali uslubiyotini joriy etishga o‘zgarish qiladi. Bu yo’lda to’g’ri tanlangan uslubiyot esa, birinchi navbatda xo’jaliklarning moliyaviy natijalariga ijobil burilish yasab, ularning barqaror rivojlanishi uchun tayanch bo’ladi. Qolaversa, qishloq xo’jaligini rivojlanishning moliyaviy jihatlari, bu boradagi mavjud muammolar va ularning echimlari xususida gap boradi.

Shuningdek, qishloq xo’jaligi ishlab chiqaruvchilarni, ayniqsa fermer xo’jaliklarni daromadlarini oshirishga qarorlarga moliyaviy ma’lumotlar oshirish uchun tayanch bo’lgan bo’lsa, uning moddiy texnik tarmenining yaxshilashiga muhim turtki bo’ldi.


Agar viloyatda fermer xo’jaliklarning 99 foizdan ortiq paxta ekin maydonlari 60 ball bo’lib borishadi, bu borada qishloq xo’jaligini davlat tomonidan moliyalash asosan quyidagi yo’nalishlarda amalga oshirilmoqda:

- paxta ishlab chiqarishga subsidiyalar ajratish;
- erlarning meliorativ holatini yaxshilash bo’yicha investitsiyalar ajratish;
- ishlab chiqaruvchilarni past foizda imtiyozli shartlarda kreditlash.


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- paxta ishlab chiqarishga subsidiyalar ajratish;
- erlarning meliorativ holatini yaxshilash bo’yicha investitsiyalar ajratish;
- ishlab chiqaruvchilarni past foizda imtiyozli shartlarda kreditlash.
Проверяется ли, как это сделано в французских изданиях, то здесь не всегда очевидно, что в этом понятии участвуют разные стороны. Однако, если брать во внимание соотношение между этими двумя сторонами, то применение патча с лихвой дошло до уровня. К тому же, анализируем картину в целом показывает, что на это влияние идут все стороны. Брох, как известно, в французском издании это не всегда очевидно, и тогда мы можем говорить об этом. Брох, как известно, в французском издании это не всегда очевидно, и тогда мы можем говорить об этом.
THE STATE FINANCIAL SUPPORT FOR AGRICULTURE IN UZBEKISTAN: ISSUES AND SOLUTIONS

Introducing the most appropriate and effective methodology for agricultural regulation and financial support is one of the leading tasks facing each country. And the properly chosen method on this path will be the groundwork for sustainable development of farms, having a positive impact on their financial results. In addition, it serves the interests of consumers by strengthening steadiness in the agricultural market. Therefore, this article discusses the financial aspects of agricultural development of Uzbekistan, its current problems, and their solutions.

*Key words:* private farms, financial support, cotton subsidies, farm income, soil bonitet, agricultural market.

Introduction

After the declaration of independence in 1991, a set of economic reforms have been carrying out designed at improving the agricultural sector in Uzbekistan. Implemented reforms such as land and water, property, finance-credit, price liberalization, and abolition cotton monopoly are among them. As a result, recently, a number of alterations have observed in agricultural production. The production volume and labor productivity have significantly increased over the years, achieved to wheat independence, etc. Another important thing a new producer group - private farms based
on private property have formed in the sector. Despite implemented measures, still the financial situation of agricultural enterprises does not satisfy the current market conditions. By reason of lacking financial resources in farms, the processes of mechanization and automation are going slowly in the sector and a low level of agro-industrial integration is remaining in the country. This is requiring a new approach to financial relationship management in the sector based on modern requirements. Considering the importance of the financial relations of agricultural enterprises with the state budget, in this article, we discuss issues related to improve financial support system of Uzbekistan for agriculture and will develop scientific recommendations on strengthening the Republic’s current methodology for the sector's state regulation and financial support system.

**Literature review**

Many local and foreign authors have discussed the system of state regulation and financial support of Uzbekistan for agriculture. Their debates are mainly related to improve agricultural taxation and overcome financial issues of cotton production. Most of them estimated the republic's current tax and subsidization system for agriculture as an implicit form and recommended to liberalize the cotton market of the country. For instance, Guadagni, Rudenko I, Khan and Müller consider state procurement prices for cotton as implicit taxation assessing them at a low level, and recommend liberalizing the country's agricultural market, namely the cotton market.

According to Guadagni et al. [1], a shift from implicit taxation of cotton producers to direct taxation - for example, through water charges and increased land tax-together with reforms of the procurement and input supply systems can guarantee an overall increase in the direct tax flows to the state budget. Djanibekov N, Rudenko I. et al. [2] cited that, possible losses of export revenue from a liberalized cotton market can be prevented if the government imposes export taxes in dollars on Uzbek companies involved in exporting agricultural commodities. Müller [3] notes further liberalization of agricultural markets, particularly the cotton market, is needed to increase production incentives as well as to raise agricultural productivity and producer incomes.

Unlike them, A.M. Amanov [4] recommends introducing a single income tax for private farms in order to link the taxable object with the financial-economic activity of farms. He emphasizes that in this situation, the income which gained at the end of the reporting period as a source of this tax should be a tax object. By this way, farmers pay attention to the increase in their income.

But, in our opinion, it is difficult to increase farm income solely by reforming state procurement policy or changing the taxable object. For this, the government needs to develop multilateral financial measures based on the experience of developed countries, which cover all aspects of agricultural production and serve its own interests along with producers and consumers. The following analysis also confirms our opinion.

**Analysis and Results**
In Uzbekistan, today, agriculture is financing from the budget through allocating cotton subsidies, investments to land reclamation, and preferential loans. These financial supports are aimed at improving land productivity, increasing income and accelerating current assets' turnover in farms. This can be seen in an example of cotton subsidization, and allocations for land reclamation. Cotton subsidies involve allocating payments for a harvest that is lost due to adverse land conditions if they sow cotton on acreages that is a ball bonitet less than 60 balls and refunding a part of the revenue that earned from the positive difference between internal and current prices of cotton fiber. Both of these subsidies are directed at discharging the debts of private farms.

For instance, since 2008, the first type of cotton subsidies has been allocating in accordance with the Presidential Resolution N725 dated 5 November 2007 “On measures to support Private farms that grow agricultural products for state needs on low-yielding lands”. The sum of payments calculates on the basis of a harvest that is lost due to the cultivation of cotton on low-yielding acreages.

In 2009, 3153 farms applied for receiving this financial aid in the Bukhara region. 97.4 percent of the cotton sown areas of those farms or 90203.4 hectares of 92643.1 were low-yielding, with soil bonitet less than 60 balls. An average soil bonitet on low-yielding areas was 46.5. During 2009-2015, on average, 84 percent of cotton sown areas were in poor condition in the region. All aforementioned statistical data are summarized clearly in Table-1.

**The size of cotton sown areas and their average soil bonitet in Private farms that are growing cotton in low-yielding lands for state needs in Bukhara, 2009-2015**

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of subsidized PF</th>
<th>Total sown area of PF planted in cotton, ha</th>
<th>Sown area that are soil bonitet less than 60, ha*</th>
<th>Share of acreage that is soil bonitet less than 60 in total sown areas, %</th>
<th>Changes in the average soil bonitet in sown areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3153</td>
<td>92643.1</td>
<td>90203.4</td>
<td>97.4</td>
<td>46.5</td>
</tr>
<tr>
<td>2010</td>
<td>2501</td>
<td>86170.5</td>
<td>69127.3</td>
<td>80</td>
<td>48</td>
</tr>
<tr>
<td>2011</td>
<td>2110</td>
<td>109600</td>
<td>74342.8</td>
<td>68</td>
<td>47</td>
</tr>
<tr>
<td>2012</td>
<td>1765</td>
<td>68721.6</td>
<td>57375.3</td>
<td>83.5</td>
<td>50</td>
</tr>
<tr>
<td>2013</td>
<td>1678</td>
<td>64327.7</td>
<td>54721.4</td>
<td>85</td>
<td>49.5</td>
</tr>
<tr>
<td>2014</td>
<td>1706</td>
<td>62866.5</td>
<td>55488.6</td>
<td>88</td>
<td>49</td>
</tr>
<tr>
<td>2015</td>
<td>2053</td>
<td>68732.5</td>
<td>58747.3</td>
<td>85.5</td>
<td>49</td>
</tr>
<tr>
<td>In 2015 than 2009(+-)</td>
<td>- 1100</td>
<td>- 23910.6</td>
<td>- 31456</td>
<td>- 12</td>
<td>+2.6</td>
</tr>
</tbody>
</table>

1 Own compilation based on data of the Finance Department of the Bukhara Region
The table shows that the share of cotton sown areas that are soil bonitet less than 60 balls has sharply decreased since the second year of subsidizing. It fell to 12 percent in 2015 than in 2005 while an average soil bonitet had grown to 2.6 points in low-yielding lands. It should be noted that a downward trend in a share of low-yielding areas in cotton has occurred for two reasons.

First, the fairness of applications is provided through monitoring previous requests of farmers, and it prevented the accumulation of misleading information on low-yielding lands. The analyses show that on average 0.2 percent of the allocated payments were refunded to the budget through a critical review of the submitted applications of farmers during 2009-2015 (see table-2).

Secondly, land productivity increased due to public investments to land reclamation in accordance with the Presidential Decree PQ-817 “On the State Program for the Improvement of Irrigated Land Reclamation for 2008-2012” of which adopted on 19 March 2008. Within this State Program framework, the large-scale works have done in the region. Including, more than $ 9866 thousand was spent on construction and reconstruction of land reclamation facilities in 2008-2012. During these years, collectors in lengths of 65 km were constructed and reconstructed; also, 14 units of vertical drainages were reconstructed, and 43 observation wells were built, installation works were completed in the amount of $ 5778.1 thousand. Until today, land reclamation measures are ongoing. As a result, crop productivity increased along with the improvement of land productivity. It represented in figure 1.

![Graph showing crop productivity](image)

**Figure 1** Dynamics of crop productivity by main crops in Private farms of Bukhara, 2006-2015


We suppose that despite the growth in crop productivity, nowadays, cotton is grown in difficult environmental conditions in the region’s Private farms due to the fact that approximately 84 percent of sown areas in cotton were low-yielding lands during 2009-
2015. Naturally, this led to an increase in the costs of production of farms, as well as in their debt to the state and other organizations. In result, subsidies were distributed for paying off on their debts below.

**Analysis of budget spending for financial aid to Private farms in the Bukhara region, 2009-2015** (thousand.USD)

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>Refund of unfounded paid payments</th>
<th>Taxes and fees</th>
<th>Fuel and lubricants</th>
<th>Mineral fertilizers</th>
<th>Electricity</th>
<th>MTP services and others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>12072</td>
<td>n.a</td>
<td>3925</td>
<td>7161</td>
<td>146</td>
<td>840</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>6408</td>
<td>114</td>
<td>2833</td>
<td>1294</td>
<td>109</td>
<td>433</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>6940</td>
<td>24</td>
<td>2266</td>
<td>1949</td>
<td>215</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>7923</td>
<td>5.3</td>
<td>3827</td>
<td>1951</td>
<td>114</td>
<td>559</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>9467</td>
<td>n.a</td>
<td>2049</td>
<td>167</td>
<td>1588</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>10283</td>
<td>n.a</td>
<td>4161</td>
<td>3998</td>
<td>n.a</td>
<td>2124</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>11282</td>
<td>n.a</td>
<td>4885</td>
<td>5529</td>
<td>n.a</td>
<td>867.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64374</td>
<td>143.3</td>
<td>12623</td>
<td>20261</td>
<td>23849</td>
<td>751</td>
<td>6747</td>
</tr>
</tbody>
</table>

The table shows that the bulk of subsidies were directed towards settle debts on input purchases of fuel-lubricants and mineral fertilizers during 2009-2015 by representing 31.5 and 37 percent. To pay off a debt on taxes and fees, electricity and services of MTP together with interest rates of bank loans it represented 19.6, 1.7 and 10.5 percent respectively. It should be cited here that the same methodology uses in a distribution of the second type of cotton subsidies as well. It involves financing private farms by partially refunding of the proceeds that earned from the positive difference between internal and current prices of cotton fiber in order to stabilize their incomes. This subsidy has been introduced since 2011, and it also allocates by the above-indicated directions. If, initially, 25 percent of positive difference was refunded to private farms, it has increased to 50 percent since 2012.

In our opinion, this introduced financial support methodology of the sector has following shortcomings:

- it has an indirect character and a narrow range in the agricultural market even if they are giving their positive results in the republic by offsetting Private farms’ debts and overcome their financial problems such as meeting the demands of suppliers upon pre-payments for various types of products and services (MTPs, fuel and lubricants, fertilizers, seeds, etc.).

- producers are receiving payments without any additional requirements. This can cause farmers to become dependent on government subsidies and misuse of land.

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2Author’s compilation based on data of the Finance Department of the Bukhara Region
resources. As a result, land reclamation issues will continue to be the responsibility of
the government.
-This methodology does not allow stabilizing market prices for agricultural
products, although price fluctuations in the domestic agricultural market are the main
reason for the decline in farm income in the country, and farmers suffer from this. In
order to avoid sales difficulties and financial losses due to market prices, farmers prefer
to produce crops under state procurement prices, especially cotton. Naturally, it is
increasing the attractiveness of cotton for farms and dependency of the country’s
agriculture on it.

All these give us a conclusion that in the current public support, the priority is
given to increasing farm incomes, but its regulatory function is remaining in the second
place. Thereby, the effectiveness of the measures is staying low. Unlike Uzbekistan,
financial measures for agriculture perform several functions simultaneously in
developed countries. That is, through financing, the state stimulates the production,
regulates the agricultural market, and controls the utilization of production resources.
Moreover, all financial measures supplement each other, and the main objective is to
increase the income of producers.

For instance, in the EU, public support to agricultural producers is mainly
provided via guaranteed prices, border protection, market intervention and direct
payments [5]. Guaranteed prices involve purchase by authorities of the surplus supply
of eligible products when market prices threaten to fall below established minimum
(intervention) prices. The products are either stored temporarily or exported. In most
market conditions, the intervention price acts as a market floor price. Products must
meet minimum quality requirements to be accepted into intervention [6]. Border
protection refers to determine high tariff rate quotas for agricultural import in order to
protect EU producers by keeping import prices as high as EU internal prices. Market
interventions are targeted at stabilizing the local and global agricultural market through
export subsidies and taxes. Export subsidies are paid to exporters to cover price
difference in the conditions of EU internal market prices above the world market prices.
By this way, the government prevents a domestic price from falling. Conversely, an
export tax may be introduced when EU internal market prices below the world market
prices for limiting the outflow of an EU product to stabilize prices for EU consumers.
Direct payments concern compensating farmers in the production processes. To receive
these payments, compliance with EU regulations regarding the environment, animal
welfare, and food quality and safety is required; in addition beneficiaries must be in
possession of payment entitlements. So, as mentioned above, indicated all measures
perform a regulation function on the agricultural market complementing each other and
intended to serve the interests of the state, producers, along with consumers.

Conclusions
Our analysis leads to the conclusion that today, the followings need to be done in
the country to improve the existing methodology for financing agriculture:
- develop new measures directed at stabilizing agricultural market based on the experience of developed countries;
- expand the list of agricultural products in subsidies to increase their attractiveness;
- set up mandatory requirements for producers in receiving state aid to ensure the rational use of production resources.

These all require, foremost, the development of a state market program that will be designed through the study of the internal and external agricultural market. Additionally, the level of specialization should increase in the country in order to avoid excessive budgetary spending on agriculture. The performance of these mentioned two tasks will be an essential factor to increase the efficiency of financial measures in the sector.

In conclusion, to determine new directions of financial measures in agricultural support and increase their effectiveness, the government should pay more attention to survey the agricultural market and to increase the level of specialization.

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from proceeds from the positive difference between the domestic and current prices of cotton fiber and their use by farmers.
