

Fighting Poverty: International Experience and the Situation in Uzbekistan

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Abstract: An effective public economic policy aimed at correcting inequality is a key factor in the successful fight against poverty. If earlier the main problems of inequality were related to the countries at the lowest stage of economic development, now poor people are increasing in middle level countries. Both in Uzbekistan and in the whole world, socio-economic stratification, the gap between the "rich and the poor" has increased sharply again.

Key words: poverty, economy, development, structure, formation, social inequality, population support, epidemic, risks, measures, social assistance, economic policy, social policy.

Governments of different countries began to take measures to counter the spread of the disease, provided for the introduction of strict quarantine, which significantly affected the functioning of various social institutions. Significant restrictions were imposed on the movement of citizens (both domestically and internationally), holding mass events, international transport links, etc. They have led to negative, depressive consequences, both for national economies, especially for the countries of the second and third world, and for the world economy as a whole. The high level of globalization of the modern world has simultaneously contributed to the rapid spread of the epidemic and a negative chain reaction in the global economy.

The platform for assessing the extent of poverty and ways to reduce it is the choice of criteria and methods for calculating the relevant indicators, which, as a rule, are determined by the goals and objectives of the analysis. Most often, approaches based on estimates of the amount of monetary income are used, less often - more complex ones that take into account the consumer possibilities of the income received and the social aspects of poverty.

Theoretical, methodological and conceptual substantiations of various kinds of socio-economic transformations and the construction of new relationships based on the values of goodness, morality, knowledge, reflection, spirituality, as well as scientific research of a practical and applied nature related to modernization - the transition to a higher trajectory of development, the formation of horizontal ties, the implementation of civic initiatives, the movement from markets to networks, the formation of energy-efficient economic systems, these elements of the new development model are described in some detail in the works of scientists of recent decades, including scientific articles from a series of conferences devoted to transformations in the economy, politics, social sphere, education.

In this regard, the transformation of the state into a purely economic player, whose goal is to reduce expenditures (budgets) not only in the health sector, but also in education, culture, science, as well as outsourcing the production of key goods, leads to the fact that the state does not exercise power. Paradoxically, it is also ignored that corporations and business structures benefit from public and social benefits (education, healthcare, infrastructure) without paying for them. All these resources depend on the state and determine the very existence of market exchange. The current crisis has revealed an impressive widespread unavailability - a shortage of beds, masks, respirators, protective overalls, care products, etc., and most importantly - the lack of an algorithm of actions in such a situation. Politicians around the world have treated the health of citizens extremely lightly, because they do not perceive the obvious: no health, no economy.

Poverty is another important economic aspect of the current pandemic - its starting point, the point of origin is called the market in a poor area of a large Chinese city, where products, including live animals, are bought by the poorest. Observers note the economic factor. A person with sufficient income, having lost his job for a certain time, has the opportunity to live on credit, can afford such luxury as self-isolation in the house for several months. Here, many residents do not have such an opportunity: no loans, no savings; despite the warnings, they must work, and also send funds to relatives at home. These individual examples illustrate poverty in the hotbeds of the pandemic in two of the world's most powerful economies.

During this period, Uzbekistan conducted a constant analysis and monitoring of the global, regional and country epidemiological situation, forecasting trends in the spread and possible deterioration of the epidemic situation of coronavirus in the country, organizing the necessary interaction and exchange of information with relevant government agencies of the PRC and other interested countries.

There is a significant drop in demand for most goods in the world (except for essential goods). Also, the market is decreasing due to negative expectations of consumers - people are afraid of losing their jobs and business income. Production stops, temporarily, due to measures to restrict the free movement of goods and people, international trade channels are closed.

Discussions have intensified about the difficult choice between economy and life, economic development and the value of human life (which is better, "to die of hunger" or "to die of a virus"), as well as about further transformations and the formation of a socio-economic model of the future. There are also claims that the authorities of Western countries are provoking a recession not in order to save the lives of people at risk in exchange for economic losses. The real, not imaginary, strategy is that the conditional "West" will exchange the lives of its "old" for the lives of people in the "third" world, in countries whose production is at the beginning of technological chains, which eventually leads to a high level of consumption in developed countries.

The epidemic is dealing such a blow that the losses will be huge in any case. It is quite difficult to estimate future and current losses, because the models that economists use when predicting GDP, inflation, unemployment, stagnation or negative growth work well in conditions when the economy is developing steadily and every next year is similar to the previous one. In the conditions of the "coronashock", economists mostly do not name specific indicators of the fall, but draw parallels with the Great Depression (with a 40% drop in GDP in the United States), compare it with the transformational crisis of the 1990s (with a 60% drop in GDP in the former USSR countries), they say that the situation is much more complicated than in twothousandeight

The current shutdown of the economy is neither V-like, nor I-shaped (with a slow recovery), nor L-shaped (a sharp recession, and then prolonged stagnation), it is more like an I-like "vertical" simultaneous decline of financial markets and the real economy. Large-scale quarantines, restrictions on movement, measures to introduce social distancing lead to a sharp decline in spending among consumers and entrepreneurs, which leads to a recession. Consumers are staying at home, entrepreneurs are losing profits and laying off employees, and the unemployment rate is rising. Investments are declining, corporations are going bankrupt, which puts high pressure on the banking and financial systems.

The self-employed, small and medium-sized businesses are suffering everywhere, which did not stop during past crises, but settled in, transformed, and survived in competition. The sphere of leisure and hospitality is experiencing the greatest impact, trade, passenger transportation, health protection is overloaded, education is being transferred to the online format. Farmers are losing income because there is no one to harvest fruits and vegetables - seasonal workers cannot get to jobs. The cost of quarantine losses is increasing exponentially, and demand is significantly reduced. It is also obvious that young people entering the labor market will face lower chances of finding a job than during the period of economic growth.

According to forecasts, by 2030 the number of people living in extreme poverty will grow by another 130 million people. The pandemic has hit particularly hard people employed in low-paid jobs that do not require special skills, while more skilled workers have suffered less. As a result, the income gap between the poor and the rich - both people and countries - will significantly increase in the world.

About 20% of the total increase in wealth was provided by the five richest people in the United States - Amazon CEO Jeff Bezos, Microsoft co-founder Bill Gates, Facebook creator Mark Zuckerberg, Berkshire Hathaway CEO Warren Buffett and Oracle co-founder Larry Ellison. In particular, Bezos' fortune increased

by 34.6 billion, showing an increase of 30.6%, Gates - by 8 billion (an increase of 8.2%), and Zuckerberg - by 25.3 billion (plus 46.2%). Of the billionaires in the top 30 of the United States, the owner of the Menards home shopping chain John Menard Jr. (62.8% growth) and entrepreneur Elon Musk (48% growth) showed the greatest growth in the percentage of their wealth in two months.

The increase in the socio-economic distance between the rich and the poor against the background of the pandemic is particularly vividly illustrated by the situation in Russia. Thus, the state of Russian dollar billionaires during the quarantine increased from \$392 billion to \$454 billion, or \$62 billion (almost 16%). At the same time, real disposable incomes of the population, for example in Russia, fell by 8% in annual terms. And this is a record drop since 1999. The reasons and mechanisms of how, with the declared state support of the most vulnerable part of the population and small businesses, "the rich become richer and the poor even poorer" have yet to be identified.

At the very beginning of the pandemic, Uzbekistan began to take decisions on the suspension of air, rail and road communications with other states, the closure of preschool, secondary and higher educational institutions. A package of economic measures has been adopted to mitigate the impact of crisis phenomena on relatively vulnerable sectors of the economy. An anti-crisis Fund has been created under the Ministry of Finance with an initial volume of 10 trillion soums. The subjects of business and entrepreneurship are provided with tax holidays, a number of other tax benefits and delays in payments on loans. Social assistance to the most vulnerable groups of the population has been organized.

Also, the payment of benefits to families with children, child care benefits and financial assistance continued for a period of 6 months without interruption, the payment period of which ends in March — June of this year, without requesting an application for the continuation of their payment for a new term and other documents (but no more than the period when the child reaches 2 years and 14 years, respectively). At the same time, it is established that the expenses in connection with the extension of the payment of social benefits and material assistance are covered by the Anti-Crisis Fund.

Considering measures related to the banking sector, a special measure can be noted. The Central Bank has taken measures to create conditions and simplify procedures for commercial banks to provide deferred payments on loans to legal entities and individuals, individual entrepreneurs facing financial difficulties until October 1, 2020, and also during this period penalties and penalties for collateral on overdue loans of borrowers whose activities were negatively affected by the introduced quarantine mode.

In matters of support for families and children, the procedure for the appointment and payment of social benefits has been changed, they are aimed at simplifying the procedure for assessing the need for families to receive social benefits, including: reduction of documents submitted together with the application for social benefits, exclusion of individual transfers from the total family income, which are measures of state social support, and others.

The Ministry of Mahalla and Family Support of the Republic of Uzbekistan and its territorial subdivisions closely interacted with citizens' self-government bodies in order to ensure the targeting of social benefits and material assistance, as well as promptly take measures to attract the necessary assistance to assist families in dire need of social support.

Against the background of the aggravation of the foreign policy situation at the end of March, there was a shortage of basic consumer goods on world markets, and price growth recorded the highest figures in the last 40 years. Many countries have imposed some restrictions on imports and exports, which has dealt a serious blow to the logistics and delivery system. As a result, this has led to an increased increase in prices for energy and mineral fertilizers, as well as food for agriculture on a global scale.

The current rates of inflation in the modern period, especially food inflation, occupy an important place on the anti-poverty agenda. In the past 2020 and 2021, against the background of adverse weather conditions in many countries, the production of basic foodstuffs was not as expected. In addition, labor shortages, product export bans, disruptions in supply and supply chains, as well as the focus of household consumption on food caused a sharp increase in prices for basic foodstuffs.

According to the FAO index, the annual increase in prices for basic foodstuffs in 2021 is the highest in 20 years. At the same time, sugar, grain and petroleum products should be noted among the goods with the highest price increases. International experts initially predicted that these conditions were temporary and that

a significant increase in prices on the world market would stabilize in 2022-2024 as the situation with the pandemic gradually improved and factors such as logistics and labor force recovered.

However, since the first months of 2022, the external geopolitical situation has completely changed. This has led to global food inflation, as well as a sharp rise in energy prices. Only Russia and Ukraine produce 30% of wheat and 20% of grain in the world. In the world, prices for grain products, in particular, wheat, corn, as well as feed, increased by 17.1% in March alone.

The reduction in stocks of the main raw materials (mineral fertilizers) increases the likelihood that Brazil and other major producing countries will reduce food supplies, which, in turn, will affect prices on the world market. In addition, since coal, natural gas and petroleum products are key resources for the production of fertilizers, the current high cost of these energy resources will put pressure on the growth of world prices for fertilizers.

If there is a resumption of economic activity in 2022 in the context of the relaxation of quarantine restrictions, then we can expect a revival in demand for consumer and industrial goods in the world from China. These facts, taking into account the supply of the domestic market mainly with imported food products, can have a direct and indirect impact on domestic prices in Uzbekistan.

At the beginning of 2022, the Central Bank of Uzbekistan predicted an inflation rate of 8-9% by the end of the year. However, the medium-term inflation forecast was revised due to a significant increase in prices for basic food and non-food products and energy resources in the world and their impact on domestic prices. According to the regulator's estimates, inflation will accelerate from the second quarter of 2022, and by the end of the year, the annual inflation rate is expected to reach 12-14%.

The private sector has limited access to financial resources and services due to the low level of competition and the dominance of state-owned banks. The banking sector is extremely concentrated, and it is dominated by the state, which is engaged in direct lending to state-owned enterprises at below-market rates.

There is a noticeable lack of inclusiveness of economic growth: the poorest almost do not get richer. Despite stable income growth in 2015-2022, the growth rate was much lower than the growth rate of GDP per capita, and income growth was even slower among the poor [26].

Despite the fact that extreme poverty is rare in Uzbekistan today, progress in achieving more ambitious standards of well-being of the population has been much slower in the last decade, especially given the historically recorded economic growth rates in Uzbekistan.

Although the growth of household incomes accelerated after 2017, it was most noticeable among those segments of the population who had the highest incomes before. Income growth was much less noticeable in the lower 40% of the population in terms of wealth distribution. The degree of influence of economic growth on the processes of poverty reduction in the country is gradually decreasing.

The benefits brought by economic growth in Uzbekistan over the past two decades have not been widely distributed to all segments of the population. Low growth rates of employment and wages - the main problem identified by the results of the first systematic diagnosis of the World Bank in 2022, remains among the pressing problems of the country's development. For more than two decades, labor productivity growth in industries such as agriculture and services, where the bulk of the country's population works, has been strikingly lower than in other countries of the Europe and Central Asia region. The creation of new jobs was small: only 6% of the total GDP growth per capita in 2010 and 2022 was achieved due to increased employment.

Moreover, the state disproportionately directs investments into state-owned enterprises engaged in activities with high potential for growth. At the same time, few jobs are created in them, and there are manifestations of inefficient distribution of land resources and workers.

The consequences for the private sector were the most deplorable. The indicators of the creation of new firms in Uzbekistan are among the lowest compared to similar countries in the region and countries with similar per capita incomes. The unemployment rate is high; and private firms remain disproportionately small in size. Significant progress in poverty reduction in Uzbekistan has taken place in recent years, during which the country has approached the transition from low-income countries to middle-income countries. This was facilitated by the annual increase in household incomes, pensions, and the expansion of targeted support for low-income families and the disabled. In 2022, the gross domestic product of the Republic of Uzbekistan amounted to 888.34 trillion soums at current prices. In 2022, the average official exchange rate of the US

dollar was equal to 11 051.2 soums. Accordingly, the volume of GDP calculated at this rate amounted to 80 billion 384 million dollars. It is noted that the economy of Uzbekistan grew by 5.7% in 2022.

GDP per capita reached 24.9 million soums or 2255 US dollars at current prices. At the same time, the average number of permanent residents during the year amounted to 35 million 648 thousand people. The growth of GDP per capita compared to 2021 was 3.5 percent.

Thus, significant progress has been made in Uzbekistan in the fight against poverty and serious prerequisites have been created for its further reduction. However, the force majeure factor of the coronavirus pandemic intervened, accompanied by a decline in the global economy, which seriously aggravated the problem of poverty reduction worldwide, not excluding Uzbekistan. The ongoing pandemic, like many other large-scale crises of recent history, has become a new factor in the growth of socio-economic inequality, both within individual States and interregional dimensions. The lack of effective effective measures to combat excessive social inequality on the part of governments and supranational organizations can lead not only to social instability and "explosiveness", but also significantly limit the possibilities of human development in general. In this regard, the unification of the efforts of the scientific community to find effective solutions in this area is gaining new special relevance.

In our opinion, in order for Uzbekistan to enter the category of countries with per capita income at the top of the group of middle-income countries by 2030, GDP per capita growth in real terms should average 10% per year. This is possible only within the framework of a growth model driven by the private sector, in such areas as:

1) stimulating increased output from the private sector, 2) strengthening the function of the state in strengthening the role of the market, 3) investing in people and 4) building an environmentally friendly and sustainable future.

Regarding the fight against poverty by increasing the scope of the private economy, it is possible to outline the following measures:

- Increasing state accountability and improving public sector indicators (reducing corruption, decentralizing state functions, increasing state accountability to the people, improving public policy formation and decision-making processes).

- Creation of improved support services for the private sector (development of more effective support programs to increase the growth of the size of firms and labor productivity in firms).

- Growth of competition (improvement of the regulatory framework for the development of competition, liberalization of entry into the market of private firms and trade liberalization, simplification and improvement of the fairness of the process of compliance with legal requirements).

- Expansion of the external orientation of the private sector (adoption of trade and investment policies that promote global integration, strengthening global ties and opportunities for connection (participation)).

- Acceleration of agricultural market reforms (increasing the role of markets in agriculture, abandoning the practice of state intervention in agricultural markets, changing the focus of public spending and investment to support market agriculture).

In general, the issue of integration into regional and global trade markets is on the agenda. This will lead to the fact that a significant part of economic activity will be out of the control of centralized state institutions and will stimulate the processes of structural transformations of the economy of Uzbekistan in the post-pandemic period. The activation of the economy, in turn, will lead to an increase in opportunities for creating new jobs as a condition for combating poverty.

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