



## PROBLEMS RELATED TO THE MODERNIZATION OF AGRICULTURE OF THE REPUBLIC AND THEIR SOLUTIONS

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### Annotation

Agricultural modernization allows to ensure efficiency and increase the competitiveness of agricultural producers and enterprises. Therefore, in the Action Strategy for five priority areas of development of the Republic of Uzbekistan for 2017-2021, it is noted that the implementation of investment projects for the construction of new, reconstruction and modernization of existing processing enterprises equipped with the most modern high-tech equipment for deeper processing of agricultural products, the production of semi-finished products and finished food products, as well as packaging products is one of the priority areas of modernization and intensive development of agriculture.

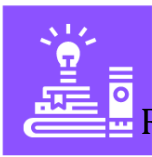
The article identifies topical problems associated with the modernization of agriculture and developed scientific proposals aimed at solving these problems.

**Keywords:** agriculture, agricultural products, modernization, fixed capital, sources of financing, credit, tax incentives, diversification, innovation, export, import.

### Introduction

Ensuring the sustainable development of agriculture in the Republic of Uzbekistan necessitates the implementation of such urgent tasks as deepening structural changes and consistent development of agricultural production, significantly increasing the export potential of the agricultural sector, further improving the reclamation of irrigated lands, developing reclamation and irrigation networks. In turn, ensuring the successful implementation of these tasks requires the modernization of agriculture. This is because it is impossible to ensure the efficiency of agricultural production without the introduction of new techniques and technologies in agriculture [1].

It should be noted that the Resolution of the President of the Republic of Uzbekistan dated July 29, 2019 No PP-4406 "On additional measures for deep processing of agricultural products and further development of the food industry" plays an important role in the modernization of agriculture. In accordance with this



Resolution, the sources of modernization of investment projects for deep processing of agricultural products and further development of the food industry are:

- Funds of a joint investment company of the Republic of Uzbekistan and the United Arab Emirates;
- \$ 200.0 million loan from the World Bank for the modernization and competitiveness of agriculture and \$ 200.0 million for the development of entrepreneurship in agriculture;
- Loans from the Asian Development Bank in the amount of \$ 347.0 million for the establishment of large modern agro-logistics complexes and \$ 150.0 million for the development of animal husbandry;
- Loan from the Japan International Cooperation Agency for the development of fruit and vegetable growing in the amount of \$ 200.0 million;
- Loan from the French Development Agency for livestock development in the amount of 170.0 million US dollars;
- Loans from the International Fund for Agricultural Development for diversification and modernization of agriculture in the amount of 46.6 million US dollars [2].

Also, some aspects of modernization of agriculture are reflected in the Resolution of the President of the Republic of Uzbekistan dated September 15, 2020 No PP-4830 "On additional measures to implement the project of diversification and modernization of agriculture" with the participation of the International Fund for Agricultural Development [3]. In particular, in accordance with the Resolution, the project "Diversification and modernization of agriculture" will be directed to an additional loan of 46.2 million US dollars and a grant of 800 thousand US dollars:

- for the allocation of loans to finance diversification in agriculture - \$ 39.8 million. At the same time, loans will be provided to support clusters and cooperatives and their member businesses - \$ 30.3 million, for youth and women - \$ 5 million, to the State Fund for Entrepreneurship Support - \$ 4.5 million;
- Modernization of irrigation systems - \$ 3.1 million. At the same time, \$ 2 million will be spent on water extraction by digging vertical wells and installing pumps on forest lands;
- Development of knowledge, innovation and agro-services in agriculture - 4.1 million US dollars.

Within the framework of the project:

Goods (works, services) and vehicles purchased at the expense of a loan from the International Fund for Agricultural Development are exempt from customs duties (except for customs clearance fees), value added tax and levies;

- Participating individuals - non-residents of the Republic of Uzbekistan are exempt from income tax.

It should be noted that the modernization of agriculture depends directly on the rate of investment and the growth rate of agricultural production.

High and stable investment rates in the country create an important basis for sustainable GDP growth. Sustainable growth of agricultural production, on the other hand, has a positive impact on the financial stability of agricultural entities.

Table 1. Analysis and results Investment rate and annual growth rate of agricultural production in the Republic of Uzbekistan, in percent [4]

| Indicators   | 2018 y. | 2019 y. | 2020 й. |
|--|---------|---------|---------|
| Investment rate                                      | 30,6    | 38,3    | 34,8    |
| The annual growth rate of agricultural production is | 100,2   | 103,3   | 102,8   |

From the data presented in Table 1, it can be seen that in 2019, the investment rate in the country increased significantly compared to 2018, while in 2020 it decreased significantly compared to 2019. Growth in agricultural production also declined significantly during this period. This is due to the coronavirus pandemic in countries around the world and including. This is explained by the introduction of quarantine measures in Uzbekistan in 2020.

Due to the coronavirus pandemic, the volume of production of goods and services has decreased. This has led to a sharp decline in investment activity of business entities.

The leadership of the Republic of Uzbekistan has taken a number of measures to eliminate the negative impact of the consequences of the coronavirus pandemic on the economy and the activities of businesses. In particular, in accordance with the Decree of the President of the Republic of Uzbekistan dated March 19, 2020 PF-5969 "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy":

- The State Fund for Entrepreneurship Development under the Agency for Small Business and Entrepreneurship Development has expanded the provision of guarantees and compensation for interest on loans for the production, purchase and sale of socially important consumer goods;



- Introduced the procedure for state support of strategic enterprises through the repayment of loans under the state guarantee of the Republic of Uzbekistan, as well as the allocation of interest-free budget loans for the implementation of primary costs;

- Reimbursement of part of the transportation costs of business entities engaged in foreign trade;

- The task is to provide additional measures to support commercial banks in the sectors and sectors of the economy most affected by the spread of coronavirus infection, as well as in the event of deterioration in the quality of the loan portfolio [5].

Also, in accordance with the Decree of the President of the Republic of Uzbekistan dated April 3, 2020 No PF-5978 "On additional measures to support the population, sectors of the economy and businesses during the coronavirus pandemic":

- From April 1 to December 31, 2020:

a) tour operators, travel agents and entities providing hotel services (accommodation services) in the field of tourism, JSC "Uzbekistan Airways" and its subsidiaries, JSC "Uzbekistan Airports" and SUE "Uzaeronavigatsiya Markazi":

b) is exempt from land tax and property tax for legal entities;

c) pay social tax at a reduced rate of 1 percent.

- Debts on loans of legal entities in the amount of 7.9 trillion soums were delayed;

- The volume of additional restructuring payments on loans of organizations facing financial difficulties due to measures taken to combat coronavirus in Uzbekistan and other countries and the sharp decline in economic activity amounted to an additional 7 trillion soums;

- The volume of deferred payments on loans to be repaid by individuals and sole proprietors during the next 6 months of 2020 amounted to 4.7 trillion soums [6].

Important external factors influencing the financing of costs associated with the modernization of agriculture are:

- inflation rate;

- the rate of depreciation of the national currency;

- interest rates on loans of commercial banks.



Table 2 Annual inflation rate in the Republic of Uzbekistan and the average annual interest rate on loans of commercial banks in the national currency [7]

| Indicators                                    | 2018 y. | 2019 y. | 2020 y. |
|---|---------|---------|---------|
| Inflation rate                                | 14,3    | 15,2    | 11,1    |
| Interest rates on loans from commercial banks | 20,5    | 23,7    | 22.3    |

It can be seen from Table 2 that in 2018-2020, the annual inflation rate in the Republic of Uzbekistan was relatively high. This is a negative situation in terms of increasing the volume of financing the costs of agricultural modernization.

Table 2 shows that in 2018-2020, the interest rate on loans from commercial banks in the country was high.

### Conclusions and suggestions

In our opinion, in order to solve the problems associated with the modernization of agriculture, the following measures should be taken:

1. In order to ensure a stable growth rate of agricultural production, first of all, it is necessary to achieve a stable level of investment in the agricultural sector; secondly, it is necessary to increase the level of geographical diversification of agricultural exports; third, it is necessary to reduce the cost of agricultural products through the introduction of innovative technologies and raw materials into production.
2. In order to ensure the effectiveness of financing the costs associated with the modernization of agriculture, first of all, it is necessary to ensure a low and stable level of interest rates on loans from commercial banks; secondly, the additional costs of agricultural enterprises associated with the appreciation of imports as a result of the devaluation of the national currency should be covered by the state budget or special funds of the state.

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