

## ECONOMIC AND SOCIAL REFORMS IN UZBEKISTAN: FIGHTING POVERTY

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### Abstract

The article examines the measures taken by the President of Uzbekistan Shavkat Mirziyoyev to reduce poverty in the country. Key initiatives such as the Uzbekistan 2030 strategy, economic and social reforms, infrastructure improvements and revision of migration policy are described. Particular attention is paid to successful examples of international experience and their application in Uzbekistan. The results of already implemented measures are analyzed and further steps are proposed to achieve sustainable economic growth and improve the standard of living of the population.

**Keywords.** Poverty reduction, economic reforms, social reforms, migration policy, infrastructure projects, labor migration, remittances, unemployment.

### Introduction

Since ancient times, people have expressed their dreams in fairy tales, striving for a long and prosperous life. This issue has always been in the center of attention of the President of Uzbekistan. The transition to a market economy is not seen as a goal, but as a means to improve the well-being of the Uzbek people. At a meeting in February of this year, President Shavkat Mirziyoyev reported that 12-15% of the country's population, or 4-5 million people, live in poverty. Their daily income does not exceed 10-13 thousand soums. Today, the level of provision of low-income families with personal computers is 12 times lower than that of the average family in the country, cars - 11 times, air conditioners - 8 times, vacuum cleaners - 4 times, washing machines - 4 times, refrigerators - 2 times, TVs - 1.5 times and mobile phones - 1.5 times.

**Definition of poverty.** There is no single definition of poverty. Some consider poverty to be the inaccessibility of basic human needs, others - the lack of freedom of choice or an income of less than \$ 1.9 per day (according to the World Bank). Still others define poverty as a combination of social, educational and medical services, which is reflected in the socio-economic life of society. Poverty assessment requires clearly defined skills and methods.

**Literary analysis.** Poverty, its definition and reduction are topical issues studied by domestic and foreign economists, researchers and practitioners. Among the researchers from Russia and other CIS countries, the following can be distinguished: Arkhangel'skaya N., Akhmadeeva L., Bachurin A., Belozerova S., Bondarenko L., Burlakova E.V., Vavilina N.D., Varvus S.A., Ivanov N., Goffe N. Among foreign economists, the following can be distinguished: D. Hobson, D. Sachs, G. Slesinger, Z. Williams, F. Williams, R. Khivman. Uzbek economists and



researchers, such as Abdurakhmanov K.Kh., Kholmominov Sh.R., Dzhumanova R.F., Ibragimova N.M., Mukhitdinova M.Z., Pardaeva B., Saidov K.S., Gashimov P.Z., also studied poverty issues in depth. Analysis and results. There are two indicators for measuring the level of well-being: per capita income and per capita consumer expenditure. In practice, it is recommended to use the second indicator, since income is more volatile. Some sources of income are difficult to identify and may be distorted. However, when using consumer expenditure data, it is necessary to take into account price changes over time, price differences between countries, household consumption of goods, and the prices of public goods and services received by households (free or subsidized health care, school lunches, public education).

Not only do the poor miss out on the benefits of rapid economic growth, but they also cannot contribute to society because of limited access to large markets. The state provides free secondary education, guarantees basic health services and specialized care for those in need, and provides benefits to low-income families.

Poverty in Uzbekistan is measured by two main methods. According to the nutritional method, the poverty rate is 11.4%. According to international criteria, if the poverty line is set at \$3.20 a day, the poverty rate is 9.6%. If the poverty line is \$5.50 a day, the poverty rate reaches 36.6%. The fight against poverty is becoming an increasingly pressing issue in the world due to globalization and the lack of drinking water. In Uzbekistan, this issue also remains important. President Shavkat Mirziyoyev, at the 75th session of the UN General Assembly, proposed to include issues of poverty and its eradication in the agenda of the upcoming UN session and initiated a Global Summit on these issues.

The relevance of the topic requires studying successful foreign experience in combating poverty to develop a poverty reduction strategy by 2030 in Uzbekistan. It is important to study and apply the experience of China, which relies on investment and targeted support for economic development, stimulating employment and optimizing the placement of industrial enterprises. In 2018, the China Agricultural Development Bank allocated almost \$ 460 billion to reduce rural poverty, and state-owned corporations created an investment fund of \$ 1.82 billion to develop local production, agriculture and industry in poor areas.

President of Uzbekistan Shavkat Mirziyoyev said that the poverty rate in the country will decrease from 15% to 12% in 2023. A systemic approach to poverty reduction has freed one million citizens from poverty since the beginning of 2023. All districts were divided into five categories with the provision of differentiated benefits depending on the speed of socio-economic development, which contributed to reducing poverty. Migration is an important coping mechanism to low wages and weak labor market prospects in Uzbekistan, nearly halving the poverty rate through remittances. The liberalization of migration policy, which began in 2017, contributes to the well-being of the population and economic growth. A World Bank study found a correlation between migration policy and the well-being of the population. Since 2017, the government of Uzbekistan has been reforming its internal migration policy, easing rules for citizens to leave. These steps can expand potential migration and create new opportunities for the country's market economy, accelerating its growth.

Removing barriers to migration helps citizens at risk of poverty support the well-being of their families back home. This increases the frequency and volume of remittances, especially if the



economic situation worsens. If remittances cease, the poverty rate in the country could almost double - from 9.6% to 16.8%, according to the World Bank. Artificial restrictions on migration are costly for both potential migrants and the state. If migrants are forced to return or remittances decline, poor households in areas with limited employment opportunities and high dependence on state aid will suffer the most.

Money is not the only reason for migration. Households preparing to send a family member abroad often report low life satisfaction. However, after the migrant leaves, families closely tied to him or her report higher levels of satisfaction, and the increased burden on the remaining members is offset by increased material well-being.

In recent years, President Shavkat Mirziyoyev has overhauled migration policy and economic reforms, including the abolition of a strict visa regime. Since January 1, 2019, migrants do not need permission to travel abroad. The government has also begun talks with Russia on establishing a joint migration center in Uzbekistan and implemented measures to attract local residents to foreign companies. Globalization has led to a significant increase in remittances, which sometimes exceed foreign investment and aid from international institutions. According to the World Bank, remittances increased almost 10-fold from 1990 to 2018, reaching \$601.3 billion. These financial flows have attracted the attention of researchers studying their impact on the economies of donor and recipient countries. For most developing countries, migrants' remittances are an important source of financing economic development, improving household living standards, and redistributing income. Some scholars believe that remittances are used not only for consumption, but also for the development of the migrants' country of origin. Others believe that the effect of remittances has a short-term positive dynamic, mitigating the problem of economic inequality, although it does not always lead to a reduction in poverty.

Russia actively attracts labor migrants from the former Soviet Union and participates in international transactions. The significant volume of remittances from Russia to the CIS countries is explained by the socio-economic inequality between them. The level of wages in Russia is significantly higher than in other CIS countries, which makes migration attractive.

Over the past 17 years, the largest gap in average monthly wages was observed between Russia and Tajikistan, which contributed to significant migration from Tajikistan. In some periods, this gap reached 11 times.

Since 2010, the wage gap between Russia and the CIS countries began to decrease. In 2016, the difference in wages was: with Tajikistan - 4.5 times, with Ukraine - 2.7 times, with Moldova - 2.2 times, with Kyrgyzstan - 2.6 times, with Azerbaijan - 1.8 times, with Armenia and Belarus - 1.5 times. One of the reasons for the gap reduction was the sharp devaluation of the ruble in 2015. Remittances from migrants and the rise in living standards at the international level also played an important role.

Migration processes are an important part of the economic development of donor countries. Migrant workers contribute to the development of poor countries with low incomes. Remittances allow households in these countries to increase consumption and welfare, which over time increases the overall level of income and helps equalize incomes between countries. This, in turn, reduces migration processes and stabilizes socio-economic processes.



## Conclusions and Suggestions

Reducing poverty does not mean increasing benefits or issuing loans. It is necessary to prepare the population for a profession, improve financial literacy, develop entrepreneurial skills, improve infrastructure, provide education and quality treatment, and introduce a system of targeted assistance. It is important to pay attention to reducing poverty, improving living standards and reducing unemployment. An active policy that creates employment opportunities increases the responsibility of citizens and supports those who cannot help themselves. Involving the private sector is also important.

In regions with high unemployment, it is advisable to implement investment projects financed from the state budget and through public-private partnerships. This increases the number of vacancies in manufacturing and services, and develops entrepreneurship and small businesses. The following measures can be considered to support labor migration:

1. Educational programs and training: Organizing courses to teach languages, professional skills, and cultural characteristics of the countries where migrants are sent. This will help migrants adapt more quickly and find work.
2. Information centers: Creating information centers where migrants can receive advice on employment, legal assistance, and adaptation in a new country.
3. Cooperation with host countries: Concluding bilateral agreements with host countries to simplify the labor migration process and ensure the rights of migrants.
4. Financial support: Providing preferential loans and subsidies to cover the costs of moving and settling in a new place.
5. Health and Social Support: Providing migrants with access to health services and social programs in both the sending and receiving countries.
6. Creating Online Platforms: Developing online platforms for job searches abroad where employers and potential migrants can interact directly.
7. Supporting Migrant Families: Introducing programs to support migrant families left behind in their home countries to reduce their dependence on remittances.
8. Monitoring and Evaluation: Regularly monitoring the working and living conditions of migrants, as well as evaluating the effectiveness of support programs to make timely adjustments.

These measures will help create more favorable conditions for labor migration and improve the well-being of both migrants and their families.

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