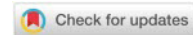


RESEARCH ON READINESS FOR BUSINESS ORGANIZATIONS FROM UZBEKISTAN FOR COOPERATION WITH LOCAL AUTHORITIES DURING THE FORMATION OF LOCAL ECONOMIC POLICY

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Abstract: Changes are taking place in Uzbekistan, which are characteristic of countries in transition from a centralized to a market economy. The country is entering a new era of development, which has an impact on the overall economic picture. After the presidential elections in 2016, a policy of reform and openness began to be implemented in Uzbekistan, which has a great impact on the political situation in the entire Central Asian region. According to many observers, the scale of political changes is unprecedented in the development of Central Asian countries since their independence. Unlike Tajikistan and Kyrgyzstan, reforms in Uzbekistan were not carried out under external pressure, but were voluntary and spontaneous with strong internal motivation. Due to the fact that the country realized that the centralized development model was unable to respond effectively to numerous internal and external challenges, it began to accelerate internal reforms, making successive changes to adapt to new realities. The positions of Uzbekistan in the international rating rankings are improving.

Despite the successes achieved, the country's highly centralized governance model does not allow local communities to be effectively involved in the planning and implementation of local policies for economic development. They are not active enough in identifying their infrastructure needs, in preparing community development plans, in implementing projects to modernize or build drinking water, gas and electricity systems, roads, schools and other basic infrastructure and public services. Underestimating the role of local communities in influencing the economic development of their regions is a restraining factor for economic development. Conversely, realizing the role of business organizations in shaping regional policy for local economic development is a great potential that has not yet been fully exploited.

To prove this thesis, the authors conducted a survey of the attitude of business organizations in Uzbekistan to cooperation with local authorities. The results show that business representatives do not particularly rely on local authorities to stimulate the economic development of their cities and regions and, for this reason, do not show a particular desire to cooperate with them. This is a challenge, the overcoming of which can give the country a new impetus in terms of the economic development of the regions and settlements.

Keywords: regional development, local government, civil society.

Field: Social Sciences

1. INTRODUCTION

The political model in Uzbekistan is characterized by the principle of a strong president and a weak parliament, effectively counteracting the "three forces of evil", "color revolutions" and maintaining a high degree of political stability. Despite the indisputable political and economic successes, this model is not without its shortcomings, which, if overcome, could give the country a new economic impetus and more effectively realize its great economic potential. Although Uzbekistan transitioned to a market economy after independence, it retained much of the Soviet Union's planned economy. Excessive control, insufficient viability of the original system, combined with an insufficiently open economy, restrictions on foreign investment, high population levels, and that the country is landlocked have become obstacles to progressive development. The only way out of the situation would be a reform leading to decentralization and effective balancing of the power structure.

The specific model of centralized government in the Republic of Uzbekistan distinguishes between local government and local self-government. Cities and regions are governed by hokims (mayors or governors), who are appointed by the central government to solve problems of the population of a given territory. Their legal acts are aimed at fulfilling the tasks and functions of the state administration. The secondary legislation, i.e. Acts of local governing bodies are issued based on and in compliance with the Constitution, laws, decrees of the President of the Republic of Uzbekistan, government decrees, acts of higher authorities. The acts of local government bodies are aimed at establishing, changing, suspending or canceling legal norms or at the emergence, changing or termination of specific legal relations in

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the field of local self-government. In other words, local bodies are representatives of state power, and local self-government bodies, whose functions and powers in Uzbekistan are regulated by the Law on Citizens' Self-Government Bodies, do not have much power in terms of regional development. These are assemblies of citizens of settlements, villages and aulis, as well as of hamlets in cities. At these meetings, citizens elect representative bodies of local self-government: kengash of the civil assembly (city council), committees on the main areas of activity and an audit committee, which work according to their own rules. However, their functions in terms of stimulating the economic development of the given settlement or region are too limited. They do not have the authority to develop and adopt independent budgets, as well as to determine the amounts of local taxes and fees.

All this shows that the economic development of Uzbekistan is more a commitment of the central government than the initiative of self-governing local bodies and organizations.

2. MATERIALS AND METHODS

In writing this article, the methods of content analysis of normative acts and empirical research conducted through an electronic questionnaire were used. The questionnaire aims to explore the attitudes of business organizations from Uzbekistan to cooperation with local authorities regarding the formation of local economic development policy. It was distributed in the months of September and October 2023 among companies from the Tashkent region, 32 of which responded and filled out the electronic questionnaire via Google Forms. Of these, 9 are micro-enterprises with up to 10 employees, 8 are small enterprises with 11 to 50 employees, 10 are medium-sized enterprises with 51 to 250 employees and 5 are large enterprises with more than 250 employees. The questionnaire contains 13 substantive questions and one about the size of the respondent company .

3. DISCUSSIONS

In recent years, the country has made significant progress in improving the business environment, reported by a number of international institutions. The Heritage Foundation report said Uzbekistan is adopting policies that promote its economic freedom, moving toward greater openness and modernization. There are institutional flaws that limit political and other basic freedoms, but positive changes are taking root. After years of economic stagnation, Uzbekistan has proactively pursued critical reforms since 2017 to build a competitive market economy (Heritage Foundation, 2023).

According to the Index of Economic Freedom for 2023, Uzbekistan registered 56.5 points out of a possible 100, making its economy the 109th freest among 162 countries. This estimate is 0.8 points higher than the previous year, but lower than those for 2020 and 2021 (Figure 1). Uzbekistan is ranked 23rd out of 39 countries in the Asia-Pacific region, and its overall score is below the world average. The Index of Economic Freedom is an indicator built on the basis of an analysis of 10 specific components of economic freedom, which are grouped for convenience into four key categories or pillars:

- Rule of law (property rights, freedom from corruption);
- Limited state intervention (fiscal freedom, public spending);
- Regulatory effectiveness (business freedom, labor freedom, monetary freedom);
- Open markets (commercial freedom, investment freedom, financial freedom).

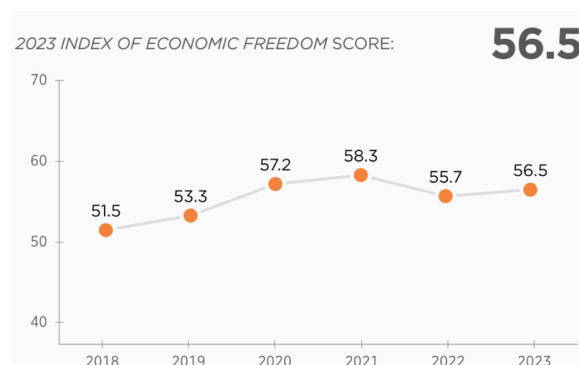


Figure 1. Levels of the Economic Freedom Index of Uzbekistan for the period 2018–2023
Source: *The Heritage Fondation*

Uzbekistan entered the top 10 countries for the first time, in particular, on the indicator of starting a business (8th place). Uzbekistan's rank has risen on half of the ten indicators that make up the index. The country saw the biggest jumps in the following indicators: protection of minority investors (37th place), contract enforcement (22nd), cross-border trade (152nd) and starting a business (8th place).

The weakest indicators for Uzbekistan are: issuing building permits (137th place), resolving insolvency (100th place), getting credit (67th place), paying taxes (69th place), getting electricity (36th place), registering property (72nd place). These values are shown in Figure 2 below:



Figure 2. Rankings on Doing Business topics – Uzbekistan, 2023 year (World Bank Group, 2023)
 Source: <chrome-extension://efaidnbmninnkpcjpcglclefindmkaj/https://archive.doingbusiness.org/content/dam/doingBusiness/country/u/uzbekistan/UZB.pdf>

The political power in Uzbekistan is also monitoring the results of its efforts to improve the business environment and stimulate entrepreneurial activity by introducing the calculation of the Freedom of Entrepreneurial Activity Index, aimed at determining and easing the level of administrative pressure on business entities, from 2022. The index is compiled by the Commissioner for Protection of Rights and Legal Interests of Business Entities of Uzbekistan through the information system “Unified State Control” based on such indicators as validity and legality of checks, proportionality of preventive measures and the level of satisfaction of entrepreneurs with the results of the checks (Нурбердиев, 2023).

Despite the successes achieved in Uzbekistan's performance in international rating systems, the country's highly centralized governance model does not allow local communities to be effectively involved in planning and implementing local policies for economic development. They are not active enough in identifying their infrastructure needs, in preparing community development plans, in implementing projects to modernize or build drinking water, gas and electricity systems, roads, schools and other basic infrastructure and public services. Underestimating the role of local communities in influencing the economic development of their regions is a factor holding back economic development. Conversely, realizing the role of business organizations in shaping regional policy for local economic development is a great potential that has not yet been fully exploited. To confirm this thesis, the authors made a special study of the degree of cooperation between business organizations represented in a given territory and the local government in the person of the mayor and the council of local deputies.

3. RESULTS

The responses of the respondents to the conducted empirical study on the attitudes of business organizations from Uzbekistan to cooperation with local authorities regarding the formation of local economic development policy showed results that give reason to draw relevant conclusions.

To the question “Would you cooperate with the local authority (city hall and council of local deputies) to improve policies for the future economic development of the municipality/region?”, the majority of respondents (78.1%) answered “Yes, if they invite me “. Another 15.6% are not at all interested in such cooperation and only 6.3% answered that they would cooperate and would show initiative in this regard.

To the question “Would you participate in public councils on certain issues of local politics if you were invited by the mayor or the local council?” 59.4% answered that they would participate, but they are not sure about the ultimate benefit for their companies, 9.4 % do not see any sense in such cooperation at all, and 12.9% answer that they would participate and protect the interests of their companies.

To the third question posed, the majority of the answers are again skeptical, although it does not require active participation in the work of local authorities, but rather passively. The question is “Would you participate as a listener or speak at open meetings of the council of local deputies) on various issues

of local importance?”. Twenty-two full and six-tenths percent of the respondents do not see any point in their presence at open meetings of local bodies, the largest amount – 64.5% answer that they would participate, but if they are invited and only 12.9% answer, that they would do so at any given opportunity and to represent their firm's point of view.

The fourth question concerns the willingness of local business representatives to participate in public discussions of strategies, plans and programs for local economic development. 12.5% answered “No, because I don't see the point”, 56.3% answered “Yes, but I'm not sure about the final result” and 31.3% “Yes, and I would protect the interests of my company”.

The following fifth question reads “Will you initiate changes in local regulations (decrees and decisions issued by the council of local deputies and orders of the mayor of the municipality) that will help stimulate local economic development in the municipality?”. The answers are divided between “No, because I don't see the point” (12.5%), “Yes, but I am not sure about the final result” (56.3%) and “Yes, and I would seek support from like-minded people” (31, 3%).

To the question “Would you participate in local action groups and public associations to put pressure on the local government to stimulate local economic development in the region?”, the answers are: “No, because it does not make sense” (21.9%), “Yes, but I'm not sure about the final result” (46.9%) and “Yes, and I would seek support from like-minded people” (31.3%).

To the seventh question “Would you make changes in your company's activities to help local authorities achieve the goals set out in regional/city strategies, plans and programs?” half of the respondents answered “Yes, if it does not conflict with the interests of my company”, and the remaining answers are distributed equally, i.e. 25% each between “No, because my company undertakes obligations towards the fulfillment of the municipal goals laid down in the local program documents” and “Yes, I will comply with the policy of the local authorities”.

It turns out that business organizations do not know the strategic documents for the development of their area, because to the question “Are you familiar with the strategies, plans and programs of the local government that relate to local economic development?” 28.1% answered with “No”, 53.1% - “Partly” and only 18.8% answered that they know the strategies, plans and programs for local development.

This also explains the impact expected by the business on the economic development of the region from the implementation of the goals and measures laid down in the main strategic document for the development of the region and the city. 15.6% consider them useless, 68.8% as positive, but with an unclear end result and another 15.6% - as positive, which will lead to stimulation of local economic development.

The tenth question of the survey asks to give an assessment of the investment policy of the local government. Quite a large percentage - 31.3% give a negative assessment, 59.4% believe that the local government takes measures to attract investments, but not enough, and only 9.4% answered that the local authorities are doing everything possible to attract investments.

The assessment of the local government's policy to stimulate local economic development (11 questions) for 25% of respondents is negative, 62.5% believe that the local government takes measures to stimulate local economic development, but they are insufficient and 12.5% answered that the local government does everything possible to stimulate local economic development.

The evaluations of the local companies about the cooperation with the local authorities are also not very positive. 29% of them answered that they do not cooperate, 64.5% that the cooperation is successful, but there are opportunities for improvement and only 6.5% that it is successful.

The last thirteenth question reads: “What are your expectations for the future economic development of your region/city?”. Of the respondents, 12.5% answered that their expectations were negative, 43.8% that they did not expect any serious changes, and another 43.8% – that their expectations were positive.

A summary of the responses of the surveyed companies regarding their cooperation with local authorities in terms of stimulating local economic development shows that 21.28% of them give negative answers, in the sense that they do not cooperate or that they do not see the point in such cooperation. Approximately the same percentage - 21.23% are of the opposite opinion and show a desire for cooperation. The largest part – the remaining 57.49% are skeptical about the results of such cooperation, give evasive answers or set conditions regarding the benefits for their companies.

5. CONCLUSIONS

The obtained results of the survey give a clear idea that business representatives in Uzbekistan do not particularly rely on local authorities to stimulate the economic development of their cities and

regions, and therefore do not show a particular desire to cooperate with them. This once again confirms the centralized nature of the country's economic policy. Companies feel distant from the bodies that make the important decisions for the economic development of their regions, do not take initiatives to stimulate it by participating in the work of local authorities, including planning the development of the regions, and rather wait to see what decisions will be made. take at the central level to adjust their activities according to their requirements.

The indicated weaknesses can be overcome by amending the Law on Local Self-Government Bodies, ensuring a clear and transparent organization of the structure, tasks and functions of local self-government bodies, deepening the process of budget decentralization and improving the mechanisms of interaction between state bodies and the structures of civil society.

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