



PRIORITY DIRECTIONS OF STATE POLICY ON FINANCING THE ACTIVITIES OF AGRICULTURAL CLUSTERS IN THE REPUBLIC OF UZBEKISTAN

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ABSTRAKT-----

This article examines the state policy and its main directions in financing the activities of agroclusters in the Republic of Uzbekistan, as well as the objectives of financing. The complexity of financing the activities of agroclusters and the main indicators of activity are systematically analyzed.

KEY WORDS: *Agrocluster, Cluster, Cluster Policy, Cluster Financing, Subsidy, Loan, Grant, International Financing, Financial Assistance, Agriculture, Value Added Chain*-----

INTRODUCTION

State financing of agrocluster activities in Uzbekistan is of great importance. In this process, government support is implemented through policy decisions and subsidies, grants, as well as long-term loans. The main goal is to increase the volume of agricultural production, improve its quality, and strengthen export potential.

LITERATURE REVIEW ON THE TOPIC

The role of commercial banks and private investments in expanding the financing of agricultural clusters in Uzbekistan is very important. Many commercial banks, including Hamkorbank, Asakabank, and Uzpromstroybank, are providing financial support to small and medium-sized businesses in the agricultural sector by allocating loans and microloans. In cooperation with international organizations, in particular the Asian Development Bank (ADB) and the International Fund for Rural Development (IFAD), these banks are implementing projects aimed at increasing financing opportunities for small producers and farmers in rural areas. For example, the ADB has allocated a \$20 million loan to Hamkorbank, with a significant portion directed to micro, small, and medium-sized businesses in rural areas [1].

In 2023, the government allocated 2.6 trillion soums for the purchase of agricultural machinery. One of the directions for using these funds is to create the possibility of allocating loans through domestic banks for a period of 10 years with an interest rate of 10%. These loans are carried out on a lease basis or with an installment plan and provide significant assistance to agricultural clusters in terms of technical equipment [2].

International organizations such as the World Bank and the Asian Development Bank also contribute to the financial support of Uzbekistan's agricultural sector. For example, a \$500 million loan provided by the World Bank is aimed at financing the implementation of smart technologies in agricultural clusters, modernization, and various training programs for farmers. As a result of this assistance, the efficient use of resources and product quality in agricultural clusters are improving [3].

Providing financial assistance to agricultural clusters through commercial banks and international financial organizations will contribute to the modernization of the agricultural production process and the introduction of new technologies. In particular, through a \$2.5 million loan provided by IFAD to Hamkorbank, microcredits were provided to more than 1,500 producers of horticulture and dairy products, with plans to increase their income and improve their well-being [4].

International financial institutions are allocating significant funds for the development of agricultural clusters and the agricultural sector in Uzbekistan. In particular, the World Bank and the International Fund for Agricultural Development (IFAD) are working to expand economic opportunities for small producers in rural areas through grants and credit lines. The Agricultural Modernization Project, funded by the World Bank, is providing loans amounting to 181 million US dollars and concessional loans of 319 million US dollars to Uzbekistan, contributing to the development of agricultural services and facilitating the introduction of high-value products to the market [5].



Among the support programs implemented by the state, cooperation with international organizations such as the World Bank and the International Fund for Rural Development (IFAD) occupies an important place. Programs implemented through the World Bank offer opportunities for small farms in rural areas to expand access to credit and provide them with technological support. IFAD plans to allocate nearly \$600 million in investments for 205,000 agricultural families in 2023-2027, supporting their climate resilience and rural entrepreneurship development [6].

Also, the indicator of jobs created shows the social impact of the activities of agro-clusters and plays an important role in improving the well-being of the rural population. The growth in the number of clusters indicates Uzbekistan's success in strengthening and diversifying the agro-cluster system [7].

In addition, IFAD's strategic program for 2023-2027 is aimed at ensuring sustainable development and efficient use of resources in Uzbekistan's agriculture, with the goal of expanding opportunities for small producers and increasing their income. This program includes water conservation in agriculture, maintaining environmental sustainability, and providing financial assistance to vulnerable segments of the population [8].

In Uzbekistan, contractual relations between agro-clusters and financial organizations play an important role in the effective implementation and modernization of agricultural projects. For example, through the World Bank's Agricultural Modernization Project, long-term loans were provided to agricultural clusters, and these funds were directed towards increasing production efficiency and strengthening export potential [9].

Cooperation between commercial banks and government organizations is of particular importance in the development of agriculture and the financing of agro-clusters in Uzbekistan. One of the main forms of this cooperation is the allocation of low-interest loans by commercial banks to agricultural enterprises using funds and resources allocated by the state. For example, through special funds established by the Ministry of Finance of Uzbekistan, agricultural producers are allocated loans at a 3% interest rate. These loans are often provided by commercial banks and help meet the basic strategic needs of agricultural producers [10].

In addition, another advantage of cooperative investments is that they accumulate the personal funds of the population and increase the possibilities of joint production and export of agricultural products. Such joint investments form stable financial sources for agricultural clusters and serve to strengthen the local economy. At the same time, these cooperatives increase the economic efficiency of the cluster by allowing their members to jointly manage financial risks and direct them to exports [11].

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In international practice, Italy leads among European countries with 206 clusters. Other countries, such as Great Britain, India, and France, with 108, 106, and 96 clusters, respectively, play an important role in the development of their agro-cluster system [13].

RESEARCH METHODOLOGY

In the course of the research, such methods and approaches as theoretical and practical study, induction and deduction, analysis and synthesis were used.

RESULT AND DISCUSSION

The government of Uzbekistan is also taking significant steps towards the digitalization of agricultural clusters. Management and monitoring of all agricultural subsidies will be carried out through the «Agrosubsidy» information system, which will serve to increase the transparency of public financing. With the help of this system, agricultural clusters will be provided with the opportunity to receive such services as preferential loans, insurance, and electronic contracts.

The study of the environmental aspects of the activities of agro-clusters is one of the important foundations of the current state policy «Green Economy» (Table 1).



Table 1.
Agroclusters and environmental indicators arising during their activities¹

Ecological Indicator	2021	2022	2023
Liquid waste (million tons)	45	40	35
CO2 emissions (million tons)	25	20	15
Level of environmental sustainability	65%	70%	75%

Table 1 shows the ecological aspects of the activities of agro-clusters. These indicators, including waste volume, CO2 emissions, and overall environmental sustainability, help assess the environmental impact of agro-clusters. The data in this table are collected on the basis of the Ecology Committee of Uzbekistan and other studies, which show how important it is to ensure environmental sustainability in the agricultural sector. This table shows that agro-clusters are implementing various programs to increase their environmental responsibility.

In addition, commercial banks will provide more financial resources to agricultural clusters by attracting private investment. In particular, the privatization of state banks and the creation of a competitive environment for commercial banks serve to ensure the development of the private sector. The government of Uzbekistan plans to privatize six major state banks by 2025, and these reforms are expected to improve the investment climate in the country (IFC, 2021).

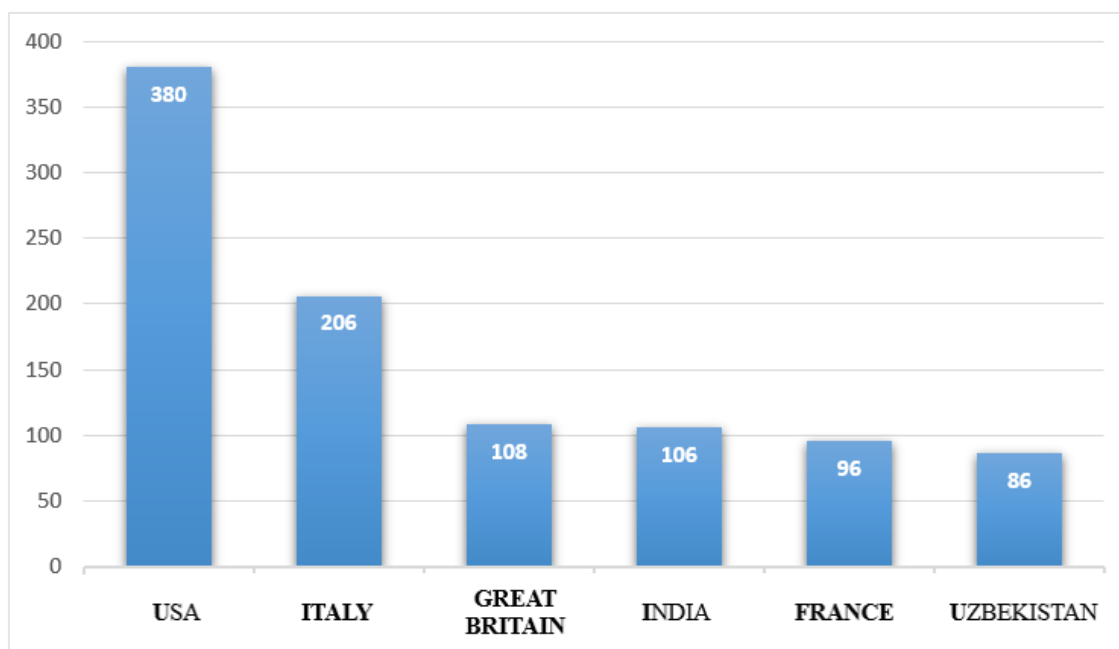


Figure 1. Number of clusters in countries of the world²

The data presented in the diagram in Figure 1 show the clustering process being carried out in the agrarian sector of countries and represent how many agricultural clusters exist in each country.

The highest indicators shown in the diagram begin with 380 agro-clusters in the USA, which indicates the level of development of the cluster system in the country and the level of application of innovative approaches in the field of agriculture. Uzbekistan, with 86 agro-clusters, shows one of the lowest indicators in the global cluster rating. This means that there are still many opportunities for the development of the agro-cluster system in the country. The table also helps to understand how the number of agro-clusters can affect the country's economy and competitiveness in the agricultural sector.

This data is important in the development of agro-cluster development strategies, as well as in adopting new approaches to improving the agro-cluster system in Uzbekistan. The indicators presented in the table provide a broader picture of the countries' experience in the field of agro-clusters and the possibilities of their use.

¹ Compiled by the author based on stat.uz data

² Saidov M.X., *Raqamli iqtisodiyot sharoitida agroklastlarining moliyaviy tahlili*, 2022.



Table 2.
Analysis of the general indicators of the organization of agro-cluster activities in the Republic of Uzbekistan for 2020-2023³

Indicators	2020.	2021.	2022.	2023.	Average growth (%)
Number of attached farms	7851	9868	12350	15600	85
Created jobs (thousand people)	9,3	9,3	17,5	25,3	81
Cluster number	86	146	163	245	79
Allocated land area (thousand ha)	78,8	113,5	197	303	73
Export volume (million.\$)	72	75	250	500	69
Processing capacities (thousand tons)	554	841,8	1450	2950	68
Attracted investment (million.\$)		128	155	205	65
Land area of farms (thousand hectares)		87	110	185	60
Coverage of processing stages (%)		15	25	35	58

Table 2 contains the main financial and economic indicators for assessing the activities of agro-clusters of Uzbekistan. This table shows such indicators as the number of agro-clusters in Uzbekistan for 2020-2023, the number of jobs created, the number of clusters, the allocated land area, the volume of exports, processing capacities, attracted investments, and the land area of farms.

The data presented in the table show how the clustering process in the agricultural sector of Uzbekistan is developing, in which sectors the largest growth indicators have been achieved, and what prospects exist in the coming years. For example, the increase in the number of attached farms to 15,600 in 2023 reflects the growth dynamics of agro-clusters and their importance in economic development.

The data presented in this table are also compiled based on international standards for the financial assessment of agro-clusters and the determination of their economic impact. The indicators in the table are used to develop the necessary strategies to ensure the important role of agro-clusters in the agricultural sector, their contribution to the country's economy, and their sustainable development.

In general, the table «Analysis of Agro-clusters in Uzbekistan» is an important tool for analyzing the development and economic significance of clusters in the agricultural sector of Uzbekistan and helps to determine measures aimed at further strengthening the agro-cluster system.

As another example, the World Bank's Livestock Sector Development Project, implemented in 2023, is investing in creating a highly efficient, climate-responsive, and market-oriented livestock system in Uzbekistan. This project aims to help livestock breeders implement the latest technologies, increase productivity, and expand economic opportunities in rural areas (World Bank, 2023).

In addition, cooperation projects are being carried out between Sparkassenstiftung and local banks, including Agrobank, Microcreditbank, and Xalq Bank, and special financial services are being introduced for agricultural clusters. These services include additional financial instruments, including cash flow-based credit analysis, which provides tailored financing for clusters engaged in seasonal production. Training sessions on financial and entrepreneurial education will also be conducted for agricultural enterprises (Sparkassenstiftung, 2019).

As a result of these partnerships, contracts concluded between clusters and financial organizations provide agro-clusters with special services, such as financial control, risk management, and effective allocation of funds. Thus, agro-clusters receive uninterrupted financial support, creating a solid foundation for economic stability and the introduction of innovations.

In Uzbekistan, guarantee and insurance systems in the financing of agro-clusters play an important role in protecting against high risks in agriculture. Insurance systems help prevent financial losses associated with various climate changes, natural disasters, and other risks. This system is especially necessary for managing risks that affect weather conditions and yields. In Uzbekistan, national companies such as Uzagrosugurta play a leading role

³ Saidov M.X., *Raqamli iqtisodiyot sharoitida agroklastlarining moliyaviy tahlili*, 2022



in the development of agricultural insurance and are implementing a number of initiatives to improve their services (UNDP, 2024).

International cooperation also plays an important role in this process. For example, new insurance products are being developed in the country in cooperation with international organizations such as the United Nations Development Programme (UNDP), the German Development Bank (KfW), and the Insurance Development Forum (IDF). These products include multiple risk insurance options and are aimed at covering losses associated with crop losses and climate risks (UNDP, 2024).

Insurance systems are also necessary for expanding access to bank loans for agricultural clusters and small farms. Many commercial banks require insurance for their loans, which helps reduce risk and improve financing conditions (UzDaily, 2022). Thus, agro-clusters, protected by insurance, can have financial resources and sustainably grow their activities.

Government agencies, including the Ministry of Agriculture of Uzbekistan, USAID, and international financial institutions such as the World Bank, will provide additional financial support and advice to commercial banks. Within the framework of the agreement between USAID and the Ministry of Agriculture, additional programs are being implemented, for example, to improve the provision of financial services to small and medium-sized businesses in rural areas and their sustainable development⁴.

The privatization of state-owned banks is also taking cooperation to a new level. These reforms will allow commercial banks to operate independently and competitively in financing the agricultural sector. International organizations, in particular, commercial banks such as the Asian Development Bank (ADB) and Hamkorbank, have created opportunities for long-term financing in local currency, which, through cooperation, serves to increase financing opportunities for micro and medium-sized businesses in rural areas.

Through these cooperation models, commercial banks contribute to the effective management of state-allocated funds, lending to small and medium-sized farmers, and reducing risks in agriculture, which plays an important role in ensuring the financial stability of agro-clusters as a whole.

Investments of the population and entrepreneurs on a cooperative basis create great opportunities for the development and financing of the activities of agro-clusters in Uzbekistan. Through such forms of cooperation, farmers and small producers unite and provide mutual assistance in expanding production, storing products, and entering the market. For example, since 2019, the government has been focusing on the development of agricultural cooperatives, creating opportunities for fruit and vegetable producers to unite. Through cooperatives, it is planned to create special agro-associations between farmers and small producers, which will facilitate the exchange of resources between them and will allow for the joint attraction of investments (Kun.uz, 2019).

International financial organizations also support such cooperation projects. For example, the International Fund for Rural Development (IFAD) is expanding its support in rural areas of Uzbekistan and plans to support 205 thousand agricultural families through its program for 2023-2027. This program is aimed at introducing innovations, promoting environmental sustainability, and developing local entrepreneurship, especially for small producers and dehqan farms, allowing them to integrate into new agro-cooperative systems (UNDP Uzbekistan, 2022).

Thus, investments in the form of cooperatives will serve as an important factor in improving the well-being of the population in rural areas, creating a form of sustainable development and mutual support for agricultural clusters in Uzbekistan.

In Uzbekistan, large-scale financial assistance is provided by authorized bodies for agricultural clusters and agricultural producers. The main part of this assistance is provided within the framework of the government's agricultural development strategy for 2020-2030. The goal of the Strategy is to modernize the agro-industrial complex, increase competitiveness, and ensure the development of agriculture in accordance with the principles of a green economy. In particular, this strategy provides for the allocation of concessional loans and subsidies to agricultural clusters for sustainable development (UNEP, 2021).

⁴ Aliyev, F. (2019). "Innovatsion rivojlanish: agroklastlar va yangi texnologiyalar". O'zbekiston iqtisodiyoti, 8(2), p. 22-30.



These financial assistance programs are also aimed at connecting small manufacturers with competitive markets, introducing innovations, and increasing productivity. These measures, implemented in cooperation with the state and international organizations, will stimulate the cultivation and export of agricultural products, as well as lay the foundation for the introduction of modern management systems in clusters.

CONCLUSION

In our country, state policy has an active direction in the organization and financing of agro-clusters. Clustering of agriculture, along with ensuring the inflow of domestic and foreign investment into the financing process of the industry, increases the profitability of the industry. Promotes the application of innovations in agriculture. Currently, the main problem is ensuring the country's food security. This leads to the satisfaction of the growing population's demand for agricultural products.

In Uzbekistan, the effective distribution of financial resources among agro-clusters also plays an important role in the development of agricultural production and improvement of indicators. One of the main directions is the targeted distribution of resources by individual production sectors and product areas of each cluster. For example, state subsidies and concessional loans are directed towards the purchase of agricultural machinery for increasing productivity and implementing technological innovations. In 2023-2024, it is planned to allocate 2.6 trillion soums for the purchase of agricultural machinery. Part of these funds will be transferred to leasing companies through commercial banks, which will support the purchase of equipment (Kun.uz, 2023).

The state's position in the process of clustering the agricultural sector is based on the experience of developed countries in our country, and the financial support of agro-clusters by state target funds serves to ensure high efficiency in the modernization of the sector and food security in our country.

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