



## The Significance of the Experience of Foreign Countries in Government Financial Support of Agriculture

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**Abstract** – The article describes the state regulation of agricultural enterprises in international practice and their financial support in several forms. In particular, it is noted that there are two programs of financial support for agricultural enterprises in economically developed countries. First of them, the importance of the allocation of subsidies by the state when the market price of the product falls below the specified amount, and the second, when the income of agricultural enterprises falls below a specified amount, has been scientifically analyzed theoretically. The experiences of the USA and the European Union from foreign countries on issues of this direction have been thoroughly compared and researched. The authors noted the importance of using foreign experience in the implementation of network programs developed for subsidizing and crediting agricultural enterprises in the state financial support of the sector in the development of agriculture in Uzbekistan.

**Keywords:** agriculture, state intervention, industry development, financial support, subsidization, foreign experience.

### 1. INTRODUCTION

The current state of agricultural production in the world, export and import of agricultural products is a more important issue than international trade. Because the majority of citizens in the countries of the world work in the agricultural sector of the economy. It is direct involvement in agricultural activities by engaging directly in the cultivation of agricultural products or selling livestock or agricultural products to farmers or buying agricultural products from farmers or delivering products to market centers. The rest of those employed in the economy are indirectly employed in agriculture through the processing of agricultural products into semi-finished and finished products.

In our opinion, the use of various financial and credit tools to support agricultural enterprises through financial and credit mechanisms and effectively develop their activities has been developed by international financial institutions, and on the basis of these tools, the state is paying special attention to creating a favorable environment for the development of the economy [2].

However, in the period after the current global pandemic, in order to prevent a sharp decrease in the demand for products and services, a decrease in the flow of money, and the need for cash, the International Finance Corporation has allocated various types of loans to support business entities in European, Asian and African countries [3].

In addition, 5 laws have been developed by the US government against the Covid-19 pandemic, and the third law provides 377 billion from the state budget to provide additional credit to business entities and create wide opportunities for them in accordance with the support program in the 2020–2030 fiscal year. It involves allocation of funds in US dollars. This, in turn, indicates that economic business is more important for the



economy and the need to effectively use the means of the financial and credit mechanism in its development [4].

According to scientific studies, the activity of the state in the field of regulation and support of agricultural development is carried out by means of a certain form, method, mechanism and levers. But economic sources have not formed a single approach to them. In many cases, these terms are used in different, sometimes completely contradictory, interpretations. It is known that in international practice, the state financial support of agricultural enterprises is implemented in several forms. In particular, there are two programs of financial support for agricultural enterprises in developed countries. First, subsidies are allocated by the state when the market price of the product falls below the specified amount, and second, when the income of agricultural enterprises falls below the specified amount. According to European researchers, it is emphasized that state intervention in the field of agriculture should be managed in groups. Even so, despite the fact that the financial support of agricultural enterprises is carried out through insurance and hedging of risks by the state, the issue of improving the practice of their financial support by the state requires an individual approach.

## 2. RESEARCH METHODOLOGY

On the basis of theoretical analysis and monographic observations, a number of Government decrees and decisions related to the development of agriculture in Uzbekistan and the implementation of the tasks specified in the Decree of the President of the Republic of Uzbekistan dated October 23, 2019 "On approval of the Strategy for the development of agriculture in the Republic of Uzbekistan for 2020–2030" No. PF-5853 In the "Roadmap" for the development of the state financial support of the agricultural sector, it is focused on the importance of using advanced foreign experience in the implementation of network programs developed for subsidizing and crediting agricultural enterprises.

## 3. ANALYSIS AND RESULTS

At the same time, we can see a decrease in the share of agriculture, forestry and fisheries in the GDP in Uzbekistan. In particular, in January–September 2022, the share of agriculture, forestry and fisheries in the gross domestic product (GDP) was 24.8 percent. According to the data of the State Statistics Committee, this figure was 26.4 percent in the same period last year. For comparison, this year, the share of agriculture, forestry and fisheries sector in the GDP decreased by 1.6% compared to the same period last year.

Therefore, in Uzbekistan, a number of reforms are being carried out to support the activities of agricultural enterprises by the state. Among them, it can be said that the Decree No. PF-5853 [1] of the President of the Republic of Uzbekistan dated October 23, 2019 "On approval of the Strategy for the development of agriculture of the Republic of Uzbekistan for 2020–2030" was adopted. In order to ensure the implementation of this Decree, a number of tasks have been defined, including the introduction of market principles that ensure free competition in agriculture, the cancellation of state orders in the cultivation of cotton and grain, the increase of the economic efficiency of production and the interests of product manufacturers, and the wide attraction of investments. So, agriculture is one of the most important factors of economic growth of Uzbekistan.

It should be noted that the economic mechanisms of regulation are more close to market mechanisms and are implemented mainly through the economic functions of the state. In our opinion, economic methods of state regulation and support of agriculture consist of the following economic mechanisms: price, budget–



investment, budget-tax, finance-credit, forecasting, indicative planning, target programming, regulation of foreign economic activity, etc. In turn, budget-tax mechanisms – state regulation of the activities of agricultural producers are one of the effective levers of support. With the help of budget-tax mechanisms, the fiscal policy of the state, that is, the function of stabilizing the economy aimed at influencing the volume of production, employment and inflation through the state budget, government spending and taxation, is carried out. Through these mechanisms, the function of income redistribution of the state is ultimately realized. Since the tax mechanism is a subjective concept, it is not related to the essence of economic principles, but to the desire of the state [5], [6].

Therefore, through the expenditure part of the state budget in the republic, centralizing state investments for improving the melioration of irrigated lands and other purposes, purchasing agricultural products for state needs, allocating subsidies to producers of agricultural products on low-yielding lands, operating water management facilities and irrigation systems, agrarian Activities such as conducting scientific researches and personnel training, financing targeted state programs are being carried out. So, the tax mechanism is the main source of the formation of the state budget, and also fulfills its function of providing tax incentives that stimulate economic activity.

We can see from the international experience that subsidies for the agricultural sector are widespread around the world. Therefore, researching the advanced experience of foreign countries in order to develop the mechanism of state support for agriculture in Uzbekistan remains an urgent task.

At the same time, it should be taken into account that there is a very strong economic competition in the world agricultural market. In the world, the agricultural sector is considered as the main link of food security, as a result of which its development is supported by governments in most countries of the world. Given the violation of the requirements of free competition, this level of support can cause international disputes, thus effective work is being done in this regard within the framework of the World Trade Organization (WTO). In the conditions of significant liberalization of foreign economic activity in Uzbekistan, Uzbek agricultural products compete with products of other countries in the foreign market, agricultural products of foreign countries are often subsidized by their governments.

It is reasonable to say that the state has paid great attention to the development of agriculture in recent years in Uzbekistan. As a result, efforts are being made to move from a large-scale model of further agricultural development to an intensive model in the absence of opportunities to increase agricultural land. This requires increasing state support for agricultural enterprises. Financial resources and conditions for cost reduction throughout the entire production chain are increasing. Currently, in Uzbekistan, the introduction of drip irrigation technology and irrigation equipment, the installation of pumping stations, the provision of incentives for loan payments, including the elements of support from foreign countries, are used.

In the conditions of high credit rates, state support measures in the form of preferential loans and reimbursement of the share of loan payments will not be effective. Compared to other countries, co-financing of equipment, pest control, phytosanitary, quarantine and other standards compliance costs of agricultural producers in Uzbekistan is at an early stage. It should be remembered that Uzbekistan is currently not a member of international agreements or associations that limit the use of state support measures in the agricultural sector. But at the same time, the republic does not fully apply the means of subsidizing agricultural products used in other countries.

Support for agriculture in the European Union is carried out within the framework of the single agricultural policy. Its main purpose is focused on the following tasks: ensuring food security through continuous and



stable supply of agricultural products; optimal distribution of resources and their effective use in agriculture; maintaining balance in food markets by reducing risk elements specific to agrarian production; creating a decent lifestyle for farmers by supporting them to earn enough income; achieving balanced, sustainable development of rural areas; formation of an effective system of ecology and environmental protection; maintaining the optimal price level for consumers, etc. [7].

It is possible to distinguish the following directions, which form the basis of the single agricultural policy of the EU: support of market activity, income support and development of rural areas [8].

The United States is one of the countries with the highest agricultural development in the world. According to the data, almost half of the soybean and corn grains grown in the world, and 25 percent of cotton, wheat, tobacco, and oilseeds are accounted for by the United States [9].

It is based on a comprehensive and effective system of government support for agriculture in the United States. In order to support farms, the US Congress passed the Agricultural Adjustment Act in 1933. Within this law, it is envisaged to achieve the following goals:

1. To establish and maintain equivalent exchange between production and consumption of agricultural products at the level of the base period.
2. To support equivalent exchange by constantly correcting the disproportions that arise in the process of agricultural development.
3. To support the purchasing power of consumers by maintaining the weight of food products in the total consumption expenditure in the ratio of the base period.

Support through the price mechanism occupies an important place in the composition of US government subsidies. Farmers' product price support programs have been in place since the 1930s and have survived to this day with some changes. In the initial periods, the main mechanism of price support was considered to be collateral credit. By announcing the price level under the obligation of state support, the Tovar Credit Corporation (TKK) provides interest-free loans to farmers against the provision of their existing stock of products. Collateral prices, credit terms, and types of supported products are set by the Farm Bills, which are passed every 5 years and are approved by Congress. Usually collateral prices are set at the level of 85% of the average market price of the previous 5 years.

One of the measures used to increase the income of farmers in the USA is to stimulate the demand for agricultural products. One of the ways to stimulate demand for agricultural products is to increase government purchases. The experience of purchasing agricultural products for state needs is not new for us. In particular, a state order for cotton and grain has been established in our republic. But in the experience of developed countries, there are cases of establishing state orders for other agricultural products besides cotton and grain. Therefore, the state socio-economic policy should pay special attention to regulation and financial support by the state in order to prevent the aggravation of the agricultural crisis in advance and strategically ensure the comprehensive, harmonious and effective development of this sector and the entire economic system [10].

Undoubtedly, it is impossible for agricultural producers to solve all problems by themselves, therefore, as a rule, the state institution acts as the main "assistant" in solving the problems that have arisen.

## 4. CONCLUSIONS AND SUGGESTIONS



In conclusion, international experience shows that other countries are actively subsidizing agricultural products on a large scale. In this regard, in our opinion, we believe that Uzbekistan should use wider measures of state support for the agricultural sector of the economy. In this case, it will be appropriate to develop and implement a comprehensive system of state support and subsidies for the agricultural sector in connection with the expansion of the list of state support tools. In the development and implementation of this system, it is important to take into account the long-term plans of membership in the World Trade Organization and to limit the use of measures that affect the competitiveness of enterprises, which directly distort trade, and make them dependent on state support.

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