
DEVELOPMENT OF CLUSTER SYSTEM IN THE AGRICULTURAL SECTOR OF UZBEKISTAN

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ABSTRACT:

The country is taking consistent measures to reform the agricultural sector and introduce market mechanisms and modern technologies. In particular, a cluster system has been established, and sowing crops have been diversified taking into account modern requirements. As a result, the productivity and income of agricultural producers are growing. Domestic products of more than 80 species are exported to 66 countries

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By the decree of the head of state from 23 October 2019, the Strategy for the Development of Agriculture of Uzbekistan for 2020-2030 was adopted. In accordance with this, in order to produce products with high added value fruit and vegetable clusters are organized. All organizational and legal bases for this are provided for in the relevant decree of the President from 11 December 2019. Over the past short time, khokimiyats have formed proposals on the organization of 86 such clusters. The meeting provided information on the planned cluster capacities, their export potentials and the amount of attracted investments. It was noted that the clusters provide for the implementation of 96 projects for the organization of processing, storage and drying of products with a capacity of 430 thousand tons. Projects have also been developed to create intensive orchards in 6 thousand and vineyards in about 8 thousand hectares. This year it is planned to export products worth US\$410 million. The Ministry of Agriculture has been instructed to organize the activities of clusters, the efficient placement of crops based on the conclusions of foreign experts, advance preparation of the necessary seeds and seedlings, and the Ministry of Finance to provide clusters with working capital. The Uzbekoziqovqatholding company pointed out the need for continuous practical assistance to clusters in the search for new markets and export of products. The meeting also discussed issues of improving the activity of cotton-growing clusters, phasing out the state plan for the harvesting of cotton and grain. The head of state spoke about this in his Message to the Oliy Majlis on 24 January. “We will gradually move to the system of purchasing cotton and grain based on market principles, canceling the practice of the state order for the procurement of these products. If we don’t take this path, then our farmers and farmers will not be able to freely grow their products and will not receive the expected income, and the working methods of the khokims will remain the same,” said Shavkat Mirziyoyev. This, along with a sharp reduction in state intervention in the sphere, will put an end to the khokims’ pursuit of the plan and cases of involvement in forced labor. The cluster system is an important factor in the transition to market principles. To date, 73 cotton-textile clusters have been formed in Uzbekistan, last year their share amounted to 73 percent of the cotton crop grown. The average yield in such new formations was 4.1 centners more than in non-cluster lands; an additional 428 thousand tons of cotton was harvested. The meeting was tasked with determining the legal status of clusters, introducing transparent mechanisms for their selection, and establishing relationships with farmers. Organizational work was sharply criticized, including the fact that 27 clusters were

allocated more cotton for harvesting cotton than they were able to cultivate, and some others that had facilities for harvesting 500 thousand tons of cotton fiber were not allocated enough space. The President noted that when forming clusters, the main criteria should be the planned level of deep processing of raw materials and the amount of investment, the adequacy of funds for settlements with farmers. It was emphasized that in the cotton fields not covered by clusters, farmers will cooperate. Ginneries will be handed over to farmers for the organization of cooperation, value added income will be distributed among farmers - members of the cooperation. The ministries of agriculture and justice were given the task of specifically defining the responsibilities of clusters and farmers, and developing mechanisms for regulating their activities. It is indicated that the current system for financing cotton harvesting is not entirely applicable to clusters. In this regard, it was entrusted to improve the financial support system for clusters and farmers. The upcoming events in the current year and in the long term for canceling the state order and phasing out the mandatory placement of crops by 2023 are examined in detail. This year, cluster cotton harvesting has been established in 20 districts on an area of 164 thousand hectares, this experiment began to bring first results. Reclamation and irrigation activities, purchasing agricultural machinery and other activities, previously carried out at the expense of centralized funds, are now carried out at the expense of own funds of clusters. Clusters have taken a leading place in the sphere of drip irrigation and irrigation using plastic pipes. Most importantly, as expected, the yield of cotton in clusters to be higher for 5-10 centners compared to farms. In order to further expand this justifiable system, 44 initiators with necessary production and financial capacity were selected after considering the proposals. In 2019, it is planned to harvest cotton in 61 clusters, covering 51 percent of all cotton fields. In 2019, 70 out of 133 districts will fully be transferred to a cluster system. New clusters will organize 41 enterprises and will create about 23 million new jobs. As a result of creation of new facilities and organization of clusters' activities, in 2019, the country will process 78 percent of harvested cotton fiber, which is twice more than in 2017. By 2020, transition to full processing of cotton fiber will be accomplished. The share of finished products will be increased from 40 to at least 60 percent. Therefore, we need to fully support clusters' activities. The future of agriculture and its economic efficiency depend on them. Clusters should become an engine for accelerated development of agricultural sector, said Shavkat Mirziyoyev. The need for extending all privileges granted to cotton-textile clusters this year, to clusters organized in subsequent years and further expanding their activities was noted. Indeed, Uzbekistan's cluster system is essentially a new form of "hidden" or "secret privatization" -- a scheme used by officials and their private-sector cronies in Eastern Europe during the 1990s to plunder the assets of state firms. In Uzbekistan's case, the new private "clusters" are assuming the state's long-time monopoly control over the most profitable aspects of agriculture without adequately compensating farmers for their role. The World Bank has pumped more than \$637 million into Uzbekistan through its Horticulture Development Project since 2014 -- including \$500 million in World Bank loans approved in January 2018 when Tashkent launched the so-called "cluster" reform plan. Hideki Mori, the World Bank's country manager for Uzbekistan, says those funds are meant to help create "better paid jobs in rural areas" where about half of the country's 32 million people live. Mori says the international financing also should help Uzbekistan bolster "food security and exports" through "transitional reforms" that move the country "from a state-driven development model to a private-sector-led economy." But Abbas says the reforms are merely enriching the shadowy owners of the new private cluster firms. All

farmland remains state-owned. Farmers like Abbas who do the heavy field work say they are getting even less compensation and still must take on the risk of losses from failed harvests. Neither farmers nor local officials are certain about the identities of the owners of many clusters. But there are reports of links between some senior officials in Tashkent and the lucrative clusters. The private agriculture monopolies are being set up by the government in Tashkent without competitive public tenders or transparency. And one former district mayors told that he'd been pressured by senior officials in the Interior Ministry and presidential administration to distribute contracts for the most productive farmland to specific clusters. There are also unconfirmed allegations that some cluster owners have links to senior officials in Tashkent -- including relatives of Mirziyoev in his native province of Jizzakh. Mirziyoev announced on December 9 that he is expanding Uzbekistan's two-year-old cotton cluster system to include fruit and vegetable farms. Justifying the move, Mirziyoev credited the private cluster firms for boosting the productivity of Uzbekistan's strategic cotton sector by 30 percent in 2019. He also noted that after just two years, private cluster firms now account for 73 percent of Uzbekistan's cotton harvest. But international experts warn that any initial gains from so-called "cluster reforms" are likely to fizzle out in the long run unless more competition is introduced. For now, the state has marked out monopoly territory where each private cluster firm operates -- reducing incentives for farmers like Abbas who have no choice over which cluster they work through. "Without competition between clusters, it's already failure by design," says Nodir Djanibekov, a researcher at the Leibniz Institute of Agricultural Development in Transition Economies in Hannover, Germany. "If the clusters don't compete for each farmer, and if the farmers don't have a choice about which marketing channel they use, you still have a monopoly," Djanibekov tells RFE/RL. "Instead of a state monopoly, it becomes a private monopoly." For example, over the past 20 years, the population in our country has increased, state-owned preschool institutions have decreased by more than 45 percent. The coverage of children in these camps is only 30 per cent so far. How important is the pre-school education system, it is possible to know from the opinions of our president about the difference in the level of thinking of a child who has not gone to kindergarten with a child who has received a kindergarten education [3]. "In this situation, the private clusters will only offer farmers the minimum price that is guaranteed by the state for their crops," says Djanibekov, whose work has been cited in policy papers on Uzbekistan published by the World Bank. "The way to ensure farmers produce more is to pay them a better price," he says. "If the farmers don't see any incentives, production will just start collapsing." A similar scenario occurred with Tajikistan's cotton farmers in 2000 and has been unfolding more recently in Kazakhstan, Djanibekov warns. Djanibekov notes that the interests of ordinary farmers "are not very well represented" in the government's decrees about agriculture clusters. "They are mostly talking about investors and all the subsidies the investors receive -- programs for clusters to buy machinery at cheaper prices, subsidizing credit for them from the state, agriculture input programs for clusters to participate in via the input commodity exchange.

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