

Progress of System Reforms in the CIS Countries, Especially in Uzbekistan

Bekhzod Djalilov

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Abstract

In this article progress of reforms of CIS countries was discussed. According to the economic politics of Uzbekistan, the proposed approaches to the formation of a new system of economic management in the context of expanding the scope of market incentives should contribute to the shape of a business environment that ensures an increase in the competitiveness of the economy, an increase in the level of well-being of citizens, a gradual transition of the country to a "knowledge economy" ("green economy", "smart economy") and achieving the planned long-term sustainable development goals by 2030.

Index terms— system reforms; post-soviet countries; uzbekistan; economy; action strategy;

1 Introduction

or the first time after the formation of independent states on the former USSR territory, such a representative forum of the expert community from the CIS countries gathered to discuss the problems and prospects for the development of our national economies [1]. When talking about economic reforms in Poland, the Czech Republic, Slovakia, and the Baltic states, it is generally recognized that these countries react differently to similar problems. However, unfortunately, the study of Russian issues is carried out in isolation from the experience of the post-socialist transition of other countries and, in particular, the CIS countries. Although the history and practice of socioeconomic transformation in these countries provide the wealthiest material for analysis and comparison, it is better to understand Russian reforms' specifics [2].

Studies of recent years in the field of the functioning of the economies of post-socialist countries have led to two crucial conclusions [3]: 1. For the further economic development of these countries, the starting conditions of the transformation processes are of decisive importance, such as the duration of the existence of the communist regime, structural imbalances in the national economy, the level of military burden on the economy, and proximity to Western Europe. 2. Over time, the quality of the post-communist governments' economic policy and the effectiveness of the fundamental institutions created are gaining importance.

In recent years, the entire post-socialist world, including the CIS countries, has emerged from the process that J. Kornai called a transformational recession [4]. Over the past 5-6 years, economic growth has recovered and continues everywhere. In the first stage, he relied on recovery processes. Economic growth was ensured by the start of market institutions' satisfactory functioning and the utilization of existing production facilities and labor. The role of investments in the creation of new capacities was limited [5].

What were the reform process thoughts in international financial institutions and Western universities and economists from countries with economies in transition? We have argued that it includes the following four key elements [6]:

? The need to create a stable macroeconomic framework; ? The need to liberalize prices and trade; ? The need to carry out structural reforms as quickly as possible that will help create markets, including reform of the labor market, agriculture, financial sectors, and privatization, even if the implementation of these reforms will take a long time; ? Creation of institutions necessary for the functioning of the market system: legislation, the structure of corporate management, including modern methods of accounting and reporting; and government institutions that ensure the efficient functioning of the economy, such as the central bank and the treasury. What were the lessons of the reforms? Lesson 1: The Wider Washington Consensus works. The first and crucial one: the idea of

what had to be done was, on the whole, correct. These views can be called the Washington Consensus (although this term is contradictory), but it would be more accurate to say: the expanded Washington Consensus. It is based on market approaches and a focus on the above four elements. It also argues that the faster structural reforms are implemented, the quicker the economy will grow. Of course, in practice, many problems need to be resolved, and various variations of these elements are possible but provided that the basic orientation of the policy pursued is adequate [7].

Perhaps one day, we will discover a better alternative to the market system. Still, the experience of centuries and the evidence accumulated during the post-communist transition confirm the basic approach to the problem of growth and development enshrined in the textbooks.

The 2nd lesson is that economic policies need to be adjusted to suit country specificities. There is no doubt that consensus is only a vehicle for putting policy into practice since what needs to be done depends on a particular country's situation. No one from the outside can know precisely what is possible and what cannot be done at a given moment in time. But this does not negate the fact that if the rapid change is not ensured, it will have to pay dearly [8].

If even the noblest political impulses get in the way of creating a stable macroeconomic framework, then there is a price to pay. Now, after 1998, Russians are well aware of this. The most important lesson of that time was summarized by L. Balcerowicz, saying that if there is a political opportunity to move in the right direction, it must be used.

2 Lesson 3:

The key to success is integration into the global economy. In addition to creating a market economy, of all the elements of this consensus, the most important guiding principle is the policy of integration into the global economy. Even such vast and powerful countries as Russia cannot successfully develop within themselves and by themselves. Not to mention small countries, which all the more do not have the opportunity to develop all sectors in need of modernization. However, to ensure their economies' rapid development, even such large countries as Russia or Brazil or China, or India need to integrate into the global economy [9].

In the past, we have emphasized that countries need to expand their exports quickly, and no government can indeed overgrow without rapidly growing exports. Today, some believe that the rapid growth of imports, particularly capital and other goods, has become an urgent need, which is why the need to develop export opportunities rapidly. In any case, countries with high economic growth rates experienced exceptionally high rates of increase in imports and exports [10].

Lesson 4: The importance of the investment climate, in particular, to stimulate domestic investment. Creating an investment climate conducive to foreign direct investment is a critical factor in economic development, as foreign-invested enterprises bring in alien technology and business practices, as well as foreign capital [11].

The investment climate is even more important for another reason: if it is favorable for foreign investment, it will be equally fair for domestic investors. There is not a single country in the world whose economy grew only due to foreign investment. Domestic investment's role always remains critical since their volume makes up the majority of the total investment volume. Besides, the same factors that stimulate domestic investors will generate foreign investment inflows [12].

Lesson 5: Stabilizing inflation. The 1990s taught the world many lessons about stabilizing inflation both in transition countries and elsewhere. Using a fixed exchange rate as a disinflation tool is probably the fastest way to combat high inflation, but it is also a double-edged weapon. Using a fixed rate as a temporary tool to curb high inflation is a great solution, but (and this is the most difficult one) you need to be prepared to get out of this regime before circumstances force it [13].

Lesson 6: Flat tax rates have proven more effective than expected. The country that taught the sixth lesson about fiscal policy - was Russia. Here the reduced flat tax rate worked much better than the Western expert community unanimously assumed [14]. This is an exciting and essential lesson for the future. It has already been adopted by some of Russia's neighbors, as the movement for low flat tax rates is spreading beyond Russia - to other CIS countries and across Eastern Europe.

Lesson 7: Private property. Private property is almost always more efficient than public property. Of course, there are examples of successful public companies such as Electricite de France in the world. Of course, the privatization process can be dangerous if it occurs before the appropriate legislative and regulatory mechanisms are in place. However, in most cases, the private property turned out to be more effective than state property [15].

Lesson 8: Financial Sector Reform. The role of efficiently operating financial markets is excellent. Considerable evidence and experience accumulated in the world confirm this conclusion [16].

3 II.

4 Reforms on the Example of the Republic of Uzbekistan

President Shavkat Mirziyoyev, by decree of September 8, 2017, approved the Concept of Administrative Reform in the Republic of Uzbekistan and the "Road Map" for its implementation. The Concept defines six main directions of radical reform of the state government system in Uzbekistan [17].

The planned administrative reform's objectives were to create a public administration system that meets global trends in innovative development, capable of ensuring the full implementation of the planned reforms, timely identifying and effectively solving problems of socio-political and socio-economic development [18]. The reform has also been created effective mechanisms for ensuring citizens' rights and freedoms, increasing their well-being and the level of satisfaction with government agencies' activities [19].

The strategy of actions in five priority areas of development of the Republic of Uzbekistan in 2017-2021 (Action Strategy) identified the critical goals of modernization of the government and society as improving state and social construction, ensuring the rule of law, and strengthening guarantees of protecting the rights and freedoms of citizens, developing and liberalizing economic sectors and social sphere, providing security, interethnic harmony and religious tolerance, implementation of a balanced, mutually beneficial and constructive foreign policy [20].

The essential condition for achieving these goals was the transparent functioning of the public administration system, capable of ensuring the full implementation of ongoing reforms, adopted regulatory legal acts and government programs, and timely identify and effectively solve problems of socio-political and socio-economic development.

At the same time, the systematic analysis of the implementation of the Action Strategy and the results of the dialogue with the population indicate the persistence of severe shortcomings in the organization of the activities of public administration bodies and local executive authorities (from now on referred to as executive officers), which impede the full implementation of reforms [21].

Achieving the goals of the Action Strategy in five priority areas of development of the Republic of Uzbekistan in 2017-2021, as well as solving the planned tasks for the period up to 2030, requires the creation of a new, well-functioning system of public administration, the organization of coordinated activities of government bodies and local executive authorities [22]. For these purposes, the Concept of managing the national economy is being developed in the Republic [23].

Earlier, by the Concept of Administrative Reform, approved on September 8, 2017, the main tasks for the radical reform of public administration of the economy were identified, which are gradually implemented in practice. The next step towards improving the national economy's management system is the adoption of Presidential Decree No. PD-5877, dated November 18, 2019, provides for collaborative work on the part of the Central Bank and the Cabinet of Ministers [24].

In recent years, the Republic adopted the Concept for Improving Tax Policy (June 2018) and the Tax Code in the new edition (from 1.01.2020), which created the basis for the formation of a new architecture of the national tax system, creating preconditions for increasing the efficiency of the state system. economic management [25].

At the conference call, which was held on June 9 this year, the Head of the Government Shavkat Mirziyoyev voiced priority areas [26] to ensure economic growth, including providing economic and financial stability; poverty reduction and employment growth; accelerating reforms in the banking system, increasing the inflow of foreign direct investment, increasing export potential, strengthening competitiveness in the industry, developing small businesses and the widespread introduction of digital technologies [7].

The change during the current year in the priorities of economic development is associated with the negative impact on the coronavirus pandemic's economy. The introduction of forced restrictions led to the suspension of many business entities' activities, which led to an increase in unemployment and a decrease in household income. Therefore, in connection with poverty growth, the second most important direction of the country's economic development is "reducing poverty and expanding employment" [27].

To qualitatively implement these critical areas of economic development, it is necessary to create an effective financial management system and adapt it to action in the context of expanding the scope of market incentives. This system's critical factor is the formation of a scientifically grounded Concept of economic management, taking into account the fundamental foundations and modern foreign experience accumulated in this area [28].

To develop an effective economic management system, it is necessary to consider the institutional factors of market transformations and take into account their effect when carrying out further reforms [29].

In the process of transition to a market economy, it is advisable for the government to "fully control the situation with price liberalization, the provision of social protection and the creation of social capital ..." [30] Removing price control should coincide with eliminating existing imbalances. Simultaneously, state-regulated prices limit the abuse of power by the outside monopolies [16].

In the Russian Federation, during the shock liberalization of prices, despite the obvious negative consequences, the reformers did not timely make adjustments to the mechanisms used, which led to the default of the national economy in 1998 [12].

The privatization program must also cover a relatively long period during which state property must find the most efficient property manager.

In the context of phased market reforms, it is necessary to create conditions for explicit, functional coordination of key government ministries, departments, agencies, and other structures. Simultaneously, it is required to eliminate duplication of functions and entrust each facility with specific tasks at the appropriate development stage [31].

According to experts, almost all successful reforms are organized according to a general scheme, following the strategy of creating intermediate institutions. A new understanding of reform follows from the experience of the

168 1990s: reform is not a one-step act, but the construction of a sequence of intermediate institutions in a suitable
169 institutional space [18].

170 5 III.

171 6 Conclusion

172 Analysis of foreign experience shows that the best development is achieved by countries that used mainly market
173 mechanisms for regulating the economy. However, the "market" is only one of many necessary instruments to
174 achieve the country's socio-economic development goals, which must be used on a systematic basis.

175 Therefore, it is necessary to clearly "outline the boundaries" in which areas the state should maintain market
176 relations, in which to regulate activities, and in which -to produce or provide services. When developing a new
177 economic management system, it is necessary to include tasks for both the development of market institutions
178 and administrative procedures. The parallel use of organizational levers will ensure an adequate transition to
179 a market economy. This helps mitigate social consequences and maintain stability in society. First of all, this
180 concerns the spread of free prices, the privatization of state-owned enterprises, the liberalization of foreign trade,
181 the use of subsidies to support lowprofit areas of activity (especially in the context of a worsening epidemiological
182 situation and forced restrictions).

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