

1 Progress of System Reforms in the CIS Countries, Especially in 2 Uzbekistan

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5

6 **Abstract**

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

14

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

16 **1 Introduction**

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

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

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

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

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

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

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

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

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

64 **2 Lesson 3:**

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

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

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

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

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

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

94 Lesson 7: Private property. Private property is almost always more efficient than public property. Of course,
95 there are examples of successful public companies such as Electricite de France in the world. Of course, the
96 privatization process can be dangerous if it occurs before the appropriate legislative and regulatory mechanisms
97 are in place. However, in most cases, the private property turned out to be more effective than state property
98 [15].

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

101 **3 II.**

102 **4 Reforms on the Example of the Republic of Uzbekistan**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

166 According to experts, almost all successful reforms are organized according to a general scheme, following the
167 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
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