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DIRECTIONS FOR IMPROVING THE SUBSIDY SYSTEM FOR SOCIAL PROTECTION IN UZBEKISTAN

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ABSTRACT

The sphere of social protection is considered one of the priority directions of inclusive development, encompassing several pillars of the Sustainable Development Goals (SDGs). This article analyzes the state subsidy system in Uzbekistan aimed at ensuring social protection, employment, and entrepreneurship support to reduce poverty and unemployment. Comparative analysis with international experiences is also presented, along with conclusions and policy recommendations.

Keywords: Social protection, subsidies, employment, entrepreneurship support.

INTRODUCTION

The **economic role** and **impact of subsidies** are vital, as they help develop specific sectors by financially supporting the population and entrepreneurs engaged in those sectors. This, in turn, ensures job creation. Moreover, such support increases public trust in the government's social policy and raises awareness of the assistance being provided.

Government subsidies are allocated across various categories and mainly focus on key social sectors such as healthcare, education, housing (mortgages), utilities, and other socially significant areas.

MAIN PART

According to **international practice**, subsidies often cover part of the costs that vulnerable social groups are expected to pay—such as for education, healthcare, utilities, or mortgage loans. These may include covering the "down payment" or a



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portion of the interest. Most such subsidies aim to strengthen social protection and reduce poverty.

The **social subsidy system** operates based on relevant legal frameworks, which are regularly updated and improved based on internal and external needs.

- For example, **Kazakhstan** adopted the “Social Code of the Republic of Kazakhstan” in April 2023, regulating all social payments.
- In **Germany**, subsidies are governed by the Federal Law “On the Financing of General Affairs.”
- In other countries, such as the U.S., Japan, and Russia, subsidies are regulated by national legislation and specific government programs.

In line with **global practice**, local authorities can adopt normative documents for their jurisdictions, provided they do not contradict national laws. Local governments in countries like the U.S., Germany, Japan, and Russia have developed plans and programs implemented by designated territorial bodies.

The **amount of subsidies** per individual or business varies by country and is often determined based on the cost of a basic consumption basket or the minimum wage.

- For example, in **Kazakhstan**, subsidy amounts must not be less than 20 times the monthly calculation index used for fines and fees (in 2023, this was 69,000 tenge or ~\$153).
- In **Belarus**, unemployed citizens registered as aspiring entrepreneurs are granted a one-time subsidy equal to 11 times the minimum consumption expenditure (~\$1,300).
- In **the UK**, low-income families receive “Universal Credit” to help pay for heating and housing. More than 8 million families receive a one-time payment of £650 annually from the government.
- In **the U.S.**, the 2024 state budget allocates \$787 billion for social programs, of which \$25 billion (3.2%) is planned specifically for subsidies to vulnerable groups.

The spread of **digital technologies** is creating new opportunities to systematize subsidy management:

- **Kazakhstan** has introduced a “Digital Family Card.”



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• “Smart Data Ukimet” in Kazakhstan and **South Korea**’s “Happiness Connect System” are unified monitoring platforms for subsidies.

• However, many developed countries, including **Russia** and the **U.S.**, have yet to implement a single unified platform for all citizens.

Subsidies are becoming increasingly common in developed countries as a method of social protection and are being constantly refined.

In **Kazakhstan**, subsidies are primarily directed toward agriculture and supporting low-income citizens through social benefits. In 2023, the state allocated \$1.1 billion to agricultural subsidies, which is expected to increase to \$1.2 billion in 2024.

In **Uzbekistan**, state subsidies are allocated to support employment and entrepreneurship. The **table below** summarizes the classification of 2024 subsidies:

Table 1: Classification of Subsidies in Uzbekistan in 2024 for Employment and Entrepreneurship Support

No	Direction	No. of Subsidy Types	For Individuals	For Legal Entities
1	Agricultural development	39	9	30
2	Employment and support for vulnerable entrepreneurship	39	30	9
3	Livestock, fishery, and poultry	14	1	13
4	Export-oriented businesses	34	13	21
5	Tourism development	7	0	7
6	Education sector development	16	1	15
7	Compensation for transport service losses	6	0	6
8	Housing for social support	1	1	0
9	Support for Karakalpakstan's population and businesses	4	4	0
Total		160	59	101

In 2024, the state bodies responsible for subsidy allocation in Uzbekistan vary. The **Export Promotion Agency** and the **Ministry of Poverty Reduction and Employment** manage the largest shares:



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Table 2: Breakdown of Subsidies in 2024 by Responsible Government Agencies

No	Ministry/Agency	No. of Subsidy Types	For Individuals	For Legal Entities
1	Ministry of Preschool and School Education	8	0	8
2	Ministry of Economy and Finance	1	1	0
3	Ministry of Poverty Reduction and Employment	27	20	7
4	Ministry of Higher Education, Science and Innovation	6	1	5
5	Ministry of Water Resources	1	0	1
6	Ministry of Culture and Tourism	7	0	7
7	Ministry of Agriculture	6	0	6
8	Ministry of Investments, Industry and Trade	4	0	4
9	State Committee for Veterinary and Livestock Development	11	0	11
10	Committee for the Development of Sericulture and Wool Industry	10	1	9
11	Agency for Agricultural Services	11	0	11
12	Export Promotion Agency	29	13	16
13	Youth Affairs Agency	19	19	0
	Total	160	60	100

The analysis shows that the majority of subsidies are directed toward employment support, entrepreneurship development, compensation for energy and utility services, and education-related expenses.

Now let us examine **international practices**.

In most developed countries, state subsidies are not provided directly in cash but are delivered in the form of:

- Tax incentives and deductions;
- Partial compensation for services (e.g., housing or energy bills);



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- Targeted support for vulnerable groups (e.g., single mothers, the elderly, people with disabilities);
- Subsidized loans or interest rate support;
- Support for employment and professional retraining.

For instance:

- In **Germany**, social subsidies are provided through the "Hartz IV" system, which includes housing rent assistance, health insurance, and minimum income guarantees.
- In **the USA**, federal programs like SNAP (food stamps) and Medicaid target low-income groups through digital cards and direct service access.
- In **South Korea**, subsidies are increasingly digitalized and allocated based on individual needs, including subsidies for youth employment and affordable housing.
- In **Turkey**, the government uses targeted social support mechanisms, including electronic monitoring of income levels to ensure fair distribution.

Key features of these international systems include:

- Use of digital databases for need-based targeting;
- Strong inter-agency coordination;
- Periodic reassessment of recipients' economic status;
- Accountability and transparency mechanisms in subsidy allocation.

What can be learned for Uzbekistan?

While Uzbekistan has significantly advanced in expanding subsidy programs, several key improvements could be made:

1. **Digitalization and targeting:** Introduce a fully integrated digital platform that collects real-time data on income, employment, and family status for accurate targeting.
2. **Gradual reduction of inefficient subsidies:** Phase out broad subsidies that benefit high-income groups and reallocate them toward vulnerable populations.
3. **Improved monitoring:** Establish an independent monitoring system to evaluate the effectiveness of subsidies and their impact on poverty reduction.
4. **Expansion of non-cash support:** Increase the use of subsidies in the form of tax incentives, service vouchers, and conditional support.



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5. **Public awareness and transparency:** Publish regular reports on subsidy distribution and develop public engagement tools to ensure that citizens are informed and can provide feedback.

CONCLUSION

The role of subsidies in Uzbekistan remains essential for inclusive development, supporting employment, reducing poverty, and ensuring social protection. However, drawing on international experience and embracing modern digital, transparent, and targeted subsidy mechanisms will be vital to improving the system's efficiency and equity. Uzbekistan has a strong opportunity to lead among developing nations in building a modern social protection subsidy system.

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