

New system to be introduced for development of small business and entrepreneurship



On July 23, a meeting on the issues of further development of small business and entrepreneurship was held under the chairmanship of the President of the Republic of Uzbekistan Shavkat Mirziyoyev.

Small business and private entrepreneurship is an important factor in development of the economy, increasing employment and incomes of the population. Over the last two and a half years more than 50 decrees and resolutions of the President have been adopted in order to fully support entities of this sphere.

In particular, state registration of business activities, obtaining permits and many other procedures were simplified. Public Services Agency and its centers at places have been established for greater convenience. The institute of the Commissioner for the protection of the rights and interests of business entities (Business Ombudsman) has been introduced.

Activities of reception offices of the Prime Minister have been established in all regions of the country for considering appeals from entrepreneurs. The State Fund for Supporting Entrepreneurship Development has been created under the Cabinet of Ministers, which has been allocated 200 billion soums and 50 million dollars. Lending to entrepreneurs from commercial banks has also expanded.

These practical measures are yielding its results. Small business produces almost 60 percent of gross domestic product, a third of industrial output, 98 percent of agricultural products, as well as provides half of the investment. In many regions, small business account for between 70 percent and 90 percent of exports. Within 6 months of this year, the number of business entities increased by 60 thousand.

At the meeting, it was noted that these are the first results of reforms, the main attention was paid to solving problems at places.

The President noted that khokims of the regions, districts, cities and their first deputies should work in a completely new way and devote 70 percent of their time to development of entrepreneurship.

The task was set to introduce a new system in which the work of khokims of all levels and their first deputies will be assessed based on the number of new or resumed

activities of small enterprises, as well as jobs created there.

It is proposed to consider the indicator of "vitality" of enterprises an additional criterion for evaluation. In other words, it is planned to award the khokim and his first deputy, the heads of territorial divisions of the economy and the Chamber of Commerce and Industry, on condition that 50 percent of new enterprises do not cease operations over the next 3 years.

The Cabinet of Ministers, the Ministry of Justice, the Ministry of Economy and Industry have been instructed to implement this procedure.

Issue of implementing the initiative on turning the Khavast district into the "Entrepreneurship Zone", which was forwarded during the recent visit of the President to Syrdarya region, was also discussed at the meeting.

It was noted that the Republican working group headed by the Minister of Economy and Industry should develop proposals for development of small business based on the specifics and potential of each district. Based on these proposals, entrepreneurs will be assisted on issues such as project implementation, obtaining loans, land, buildings and facilities, and connection to infrastructure.

The need for a broad establishment of industrial cooperation between small business and large enterprises was noted at the meeting.

For example, the results of the study of the automotive industry and agricultural engineering show that cooperation between small business and large industrial enterprises is practically absent, as a result products and component parts, which are already produced in Uzbekistan, are imported. Moreover, some industrial enterprises are not able to work not only with small manufacturers, but even with consumer demand.

In this regard, the Ministry of Economy and Industry has been instructed to establish industrial cooperation between enterprises in ten major industries, including agricultural engineering, electrical engineering, the building materials industry, the chemical industry, and the automotive industry, with small business entities.

The task was set up to organize cooperation fairs together with the Ministry for Development of Information Technologies and Communications, as well as to create a Unified Electronic Cooperation Exchange of Goods and Services.

Special attention was paid to another problem hindering the development of entrepreneurship, the issue of allocating land for project placement.

Continuing opacity of this procedure was noted. In particular, out of the proposed 3.5 thousand hectares of land plots, only 1.3 thousand hectares, or 37 percent, were put up for electronic bidding for various reasons.

In this regard, it was entrusted to radically simplify the process of interdepartmental coordination of land issues, registration of buildings.

The need was noted for improving banking services for business entities and increasing the efficiency of lending.

At present, appeals of entrepreneurs for getting a loan are considered in 3 stages – at district, regional, republican levels. The loan is not issued to the entrepreneur without the consent of the central office of the bank. As a result, this process is sometimes expanded for months.

Taking this into account, it was noted that it is necessary to reduce the process of considering appeals for loans to one or two levels, as well as to increase the number of compact bank branches at places with a staff of 10-15 people instead of branches with a staff of 70-100 people.

When discussing the views of entrepreneurs on high interest rates on loans, the importance of strengthening the activities of the State Fund for Supporting Entrepreneurship Development, which is organized just to provide collateral for loans and partial coverage of interest, was noted.

The lack of a systematic approach in matters of demolition of buildings and structures of entrepreneurs, as well as payment of compensation was criticized.

In the process of creative work carried out at places, some buildings and structures fall under demolition. However, due to large-scale demolitions, often without taking into account the prospective development of settlements and the corresponding calculations, huge amount of compensation payments arise. At the same time, khokimiyats, attracting investors to the construction of enterprises at the site of demolished structures, do not oblige them to pay compensation at their own expense, and these costs fall on the state.

"I strictly warn all khokims: it is absolutely unacceptable to demolish property belonging to entrepreneurs without justified need", said the Head of the state.

The Ministries of Justice and Finance, the Chamber of Commerce and Industry were tasked to develop jointly with the Business Ombudsman and to make proposals for further improvement of the order of demolition and compensation of property.

At the meeting, attention was paid to issues of pre-trial settlement of disputes between small business entities.

In foreign practice, 70 percent of disputes are resolved in a pre-trial procedure, since judicial review is a long and costly process.

In this regard, it was noted that it is necessary to establish structures for the pre-trial settlement of disputes in state bodies directly working with entrepreneurs. The Ministry of Justice and the Chamber of Commerce and Industry have been instructed to work out with the Supreme Court a draft resolution providing for the expansion of activities of alternative arbitration courts and the mediation institute.

It was proposed to organize in the system of the Ministry of Economy and Industry an Agency for Development of Entrepreneurship and Small Business. This structure is planned to be empowered to develop and implement a unified state policy in the field of entrepreneurship and small business. The agency will also coordinate the activity of the State Fund for Supporting Entrepreneurship Development.

"We will not be able to fully solve the issues of increasing employment and incomes of the population, revenues to budget, building only large enterprises. The most important area of activity for improving the standard of living is to develop entrepreneurship and small business", said Shavkat Mirziyoyev.

Khokims, responsible ministries and agencies provided information on the issues discussed at the meeting.

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