



Article

# State Financial Support and Tax Incentives in The Agricultural Sector of Uzbekistan: Analysis of 2024–2025 Reforms

Kudiyarov Kishibay Ramatullaevich<sup>1</sup>

1. DSc. Karakalpak State University named after Berdakh, Uzbekistan

**Abstract:** This article analyzes the current mechanisms of state financial support, preferential lending, and tax incentives implemented in the agricultural sector of Uzbekistan during 2024–2025. The study evaluates the effectiveness of targeted subsidies, including allocations for water-saving technologies, crop cultivation, and risk management through agricultural insurance. Based on a comparative analysis with international practices (EU Common Agricultural Policy and Russia's "Agrostartup" program), the research identifies existing bureaucratic barriers and proposes strategic recommendations. Key proposals include increasing the collateral-free credit limits, optimizing the number of subsidy types, and introducing modern financial instruments such as P2P lending and crowdfunding.

**Keywords:** Agricultural Finance, State Subsidies, Tax Incentives, Preferential Credit, Water-Saving Technologies, Agricultural Insurance, Uzbekistan

## 1. Introduction

Agriculture remains a cornerstone of the macroeconomic stability and food security of Uzbekistan. In the context of global climate change, water scarcity, and the transition to a market economy, the government of Uzbekistan has initiated comprehensive reforms for 2024–2025. These reforms shift the focus from direct administrative interventions to economic leverage specifically, financial support and tax exemptions [1]. According to 2024 data, the agrarian sector accounts for approximately 27–30% of the country's GDP and directly or indirectly supports the livelihoods of over 25 million citizens [2].

As of early 2025, more than 56,000 farms are registered in Uzbekistan, cultivating a total land area exceeding 3.4 million hectares [3]. However, agricultural producers face numerous challenges: insufficient financial resources, limited access to modern technologies, high-interest credit rates, and intense market competition [4]. To address these issues, the Uzbekistan government has implemented a comprehensive state support system that includes subsidies, preferential loans, and expanded tax incentives [5], [6].

The primary objective of this study is to systematically evaluate the efficiency of these financial mechanisms and propose scientifically grounded recommendations for their improvement, facilitating integration into the global agricultural market.

## 2. Methodology

The issue of state financial support for agriculture has been extensively studied in the international community. According to reports from the World Bank and the United Nations Development Programme (UNDP), agricultural budgets in developed countries

**Citation:** Ramatullaevich, K. K. State Financial Support and Tax Incentives in The Agricultural Sector of Uzbekistan: Analysis of 2024–2025 Reforms. Central Asian Journal of Innovations on Tourism Management and Finance 2026, 7(2), 169–174.

Received: 15<sup>th</sup> Jan 2026

Revised: 05<sup>th</sup> Feb 2026

Accepted: 20<sup>th</sup> Feb 2026

Published: 05<sup>th</sup> Mar 2026



**Copyright:** © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

allocate 30–40% to state subsidies [7]. The European Union's Common Agricultural Policy (CAP) annually provides 50–55 billion euros in farmer support [8].

The UNDP's 2024 report on Uzbekistan analyzed the agricultural financing system and recommended the introduction of alternative financial mechanisms such as microfinance, crowdfunding, leasing, and factoring [9]. Russia's experience demonstrates that agricultural credit consumer cooperatives (SCPК) and venture capital provide flexible financial solutions for farmers [10].

Local researchers Bazarbaev, Qodirov, and Mamajonov emphasize the necessity of state support to ensure the financial stability of Uzbekistan's agrarian sector[11][12][13]. Based on Presidential Decrees adopted in 2022–2023, preferential loans and subsidies allocated to cotton and grain producers have resulted in a 12–15% increase in yields[14][15].

The research methodology includes: (1) documentary analysis of the 2024–2025 state budget and Presidential Decrees; (2) statistical data from the Ministry of Agriculture and the Ministry of Economy and Finance; (3) reports from the UNDP, World Bank, and Asian Development Bank; (4) comparative analysis with international practices.

### 3. Analysis of State Subsidies

#### 3.1. Subsidies for Cotton and Grain Sectors

In 2024–2025, Uzbekistan allocated over 5 trillion UZS in state funds to support agricultural production[16]. The largest subsidy share (approximately 40%) was directed toward cotton and grain cultivation. In 2025, 250 billion UZS was allocated to subsidize up to 10% of the harvest for farmers cultivating cotton with their own funds[17].

Farmers who utilized half of their credit limits receive an additional subsidy of up to 5% of their harvest. This mechanism is expected to cover 4,000–4,500 farmers and save 2.5–3 trillion UZS[18].

A similar mechanism was introduced for grain cultivation: farmers selling grain according to established norms receive subsidies amounting to 10% of the production cost[19]. This measure will be fully implemented starting in 2026.

#### 3.2. Subsidies for Modern Technologies

In 2025, 2.6 trillion UZS in preferential credit was allocated for the implementation of drip irrigation technologies[20]. This program primarily targets water-scarce regions—the Republic of Karakalpakstan, Navoiy, Bukhara, and Khorezm provinces.

For rice cultivation, 20% of equipment purchase costs are subsidized from the state budget[21]. In Khorezm province, a subsidy of 1 million UZS per hectare is provided for laser leveling in rice cultivation[22].

**Table 1.** State subsidies for 2024–2025 (approximate)[23]

Subsidy Type	2024 (billion UZS)	2025 (billion UZS)	Growth (%)
Cotton and Grain	1,800	2,500	+38.9
Drip Irrigation	1,500	2,600	+73.3
Livestock	800	1,200	+50.0
Horticulture	600	950	+58.3
Total	4,700	7,250	+54.3

The table demonstrates that subsidy volumes increased by 54.3% in 2025 compared to 2024. The largest growth was observed in drip irrigation and horticulture sectors.

#### 4. Preferential Lending Mechanisms

Preferential loans for agricultural producers in Uzbekistan are allocated through the State Agricultural Support Fund[24]. As of early 2024, 49 authorized commercial banks operate through this fund[25].

##### 4.1. Credit Rates and Conditions (2024–2025)

In 2025, loans for agricultural crop cultivation are provided under the following conditions:

- Interest rate: 12% annually (of which 3% is the bank margin)
- Maximum limit: 150 million UZS without collateral
- Term: 12 months with a grace period of up to 6 months
- Guarantee: State guarantees cover up to 50% of credit amounts[26]

Farmers who utilized up to 50% of their credit limits for crop cultivation receive an additional loan of up to 50% of the harvest at a 12% interest rate[27]. The portion of foreign currency credit rates exceeding 8% is covered by the state[28].

##### 4.2. Special Credit Program in Karakalpakstan

In February 2024, a Presidential Decree was adopted to support the socio-economic development of the Republic of Karakalpakstan[29]. According to the decree, preferential loans of up to 150 million UZS are provided for cultivating fodder crops in the livestock sector at an interest rate not exceeding the Central Bank's base rate (of which 1% is the bank margin).

##### 4.3. Crop Insurance Subsidies

Since 2023, Uzbekistan has implemented a mechanism whereby the state covers 50% of agricultural crop insurance costs[30]. This measure aims to minimize losses caused by natural disasters and adverse weather conditions.

#### 5. Tax Incentives and Other Benefits

##### 5.1. Land Tax Incentives

In 2025, the Law "On the Main Directions of Tax and Budget Policy for 2025" was adopted[31]. According to the law, the land tax rate for legal entities on newly established orchards, vineyards, and mulberry plantations was reduced by 50%, with the preferential period maintained at 5 years[32].

In 2022–2023, farmers who implemented soil fertility improvement measures on cotton fields as a pilot project were granted 3-year land tax exemptions[33]. Additionally, subsidies were allocated for land reclamation, restoration, and reuse activities, with partial exemptions from land tax[34].

##### 5.2. VAT and Profit Tax Incentives

Starting in 2025, several tax incentives were introduced to increase the export potential of agricultural products[35]. The VAT rate remains at 12%, and the base profit tax rate remains at 15%[36].

In Khorezm province, agricultural enterprises with rice yields of 120 centners or higher per hectare are exceptionally permitted to export up to 50% of their cultivated rice[37]. This measure aims to incentivize high efficiency.

**Table 2.** Main tax incentives for agriculture (2025)[38]

Tax Incentive Type	Incentive Amount	Validity Period
Land tax (new orchards)	50% rate reduction	5 years
Land tax (soil restoration)	Full exemption	3 years
Crop insurance	50% subsidy	Permanent
Export VAT	0% (selected products)	Permanent

### 5.3. Water Tax and Water-Saving Technologies

Starting in 2024, the water tax rate for surface and groundwater use was increased to 100 UZS/m<sup>3</sup>[39]. However, preferential rates were introduced for farms utilizing water-saving technologies: a coefficient of 0.5–0.7 applies to drip and subsurface irrigation systems starting in 2025[40].

### 6. International Comparison

In international practice, financial support for agriculture takes various forms. The Russian Federation developed a "State Program for Agricultural Development and Regulation of Agricultural Products, Raw Materials, and Food Markets" through 2024[41]. Under this program, farmers receive "Agrostartup" grants (5–8 million rubles), and mechanisms for partial credit interest coverage have been implemented[42].

In the European Union, 387 billion euros were allocated for the Common Agricultural Policy (CAP) for 2021–2027[43]. Forty percent of the program focuses on ensuring environmental sustainability, while 30% supports small and medium-sized farms[44].

According to the Asian Development Bank (ADB), Uzbekistan's state support for agriculture in 2024 accounted for 2.8–3.2% of GDP, which is relatively lower than neighboring countries—Kazakhstan (4.1%) and Russia (3.5%)[45]. This indicates the need for additional state investments.

### 7. Challenges And Improvement Directions

Despite the effectiveness of the current state support system, several challenges remain:

1. **Delays in subsidy distribution** – In some regions, subsidies are not transferred to farmers' accounts on time, negatively impacting production processes[46].
2. **Collateral requirements for loans** – Strict collateral requirements for loans exceeding 150 million UZS limit small farms' access to financial resources[47].
3. **Limited microfinance activity** – As of March 14, 2024, 87 microfinance institutions operate in Uzbekistan, but their credit portfolio (4.6 trillion UZS) is primarily concentrated in urban areas[48].
4. **Complexity of subsidy types** – Currently, 52 types of subsidy mechanisms exist, complicating farmers' understanding[49].

To address these challenges, the following improvement measures are recommended:

- Automate and digitize the subsidy allocation process to ensure timely payments;
- Increase the collateral-free loan limit to 250–300 million UZS;
- Expand microfinance institution branches in rural areas and develop specialized agro-lending programs;
- Optimize subsidy types by reducing them to 20–25 unified mechanisms;
- Introduce alternative financial mechanisms such as crowdfunding, venture capital, and P2P lending[50].

Alternative financial instruments recommended in the UNDP report—agricultural credit consumer cooperatives (SCPCK), leasing, and factoring—should be phased in under Uzbekistan's conditions[51].

### 8. Conclusion

The state financial support and tax incentive system for Uzbekistan's agriculture significantly expanded during 2024–2025. Subsidy volumes increased by 54.3% to 7.25 trillion UZS, preferential loan rates were reduced to 12%, and tax incentives were

broadened. Targeted state support is being provided to the cotton, grain, livestock, and horticulture sectors.

However, further system improvements are necessary: accelerating subsidy distribution, increasing collateral-free loan limits, expanding microfinance activities, and simplifying subsidy mechanisms. Introducing alternative financial instruments such as crowdfunding, venture capital, and P2P lending will help diversify farmers' financial resources.

International experience demonstrates that state support for the agricultural sector should constitute at least 3.5–4% of GDP. Increasing this indicator in Uzbekistan and organizing financial support in an optimized manner are essential conditions for agricultural modernization and enhancing export potential.

## REFERENCES

- [1] O'zbekiston Respublikasi Qishloq xo'jaligi vazirligi, "Qishloq xo'jaligi sektorining 2024 yil natijalari," 2024. Available: <https://agro.uz/>
- [2] O'zbekiston Respublikasi Davlat statistika qo'mitasi, "Milliy iqtisodiy hisoblar: 2023 yil natijalari," 2024.
- [3] O'zbekiston Respublikasi Prezidenti matbuot xizmati, "Qishloq xo'jaligini moliyalashtirish va agrar sohani subsidiyalash tizimini takomillashtirish," 2025. Available: <https://president.uz/oz/lists/view/8759>
- [4] BMTTD, "O'zbekistonda qishloq xo'jaligini moliyalashtirish: Tahlil va muqobil moliyaviy mexanizmlar bo'yicha tavsiyalar," 2024. Available: <https://www.undp.org/uzbekistan>
- [5] O'zbekiston Respublikasi Prezidentining PQ-290-son qarori, "Sholi yetishtiruvchilar faoliyatini qo'llab-quvvatlashning qo'shimcha chora-tadbirlari to'g'risida," 2024. Available: <https://www.norma.uz/>
- [6] O'zbekiston Respublikasi Prezidentining PF-22-son farmoni, "Tomorqa yer egalari va dehqon xo'jaliklarini qo'llab-quvvatlash jamg'armasi," 2025. Available: <https://lex.uz/uz/docs/-7388132>
- [7] World Bank, *Agricultural Support Policies in Developing Countries: Trends and Impacts*, Washington, DC, 2023.
- [8] European Commission, *Common Agricultural Policy (CAP) 2021–2027: Budget and Financing*, Brussels, 2024.
- [9] BMTTD, *O'zbekistonda qishloq xo'jaligida muqobil moliyaviy mexanizmlar*, Toshkent, 2024.
- [10] Rossiya Federatsiyasi Qishloq xo'jaligi vazirligi, "Qishloq xo'jaligini davlat tomonidan qo'llab-quvvatlash dasturlari 2024 yil uchun," Moskva, 2023.
- [11] N. Bazarbaev, "Zamonaviy sug'orish texnologiyalarining qishloq xo'jaligi samaradorligiga ta'siri," *Qishloq xo'jaligi ilmi va amaliyoti*, vol. 8, no. 3, pp. 45–62, 2024.
- [12] A. Qodirov, "O'zbekiston qishloq xo'jaligida davlat subsidiyalari tizimi: holati va istiqbollari," *Iqtisodiyot va moliya jurnali*, vol. 15, no. 2, pp. 112–128, 2023.
- [13] S. Mamajonov, "Fermer xo'jaliklarini kredit bilan ta'minlashning muammolari va yechimlari," *Agrar siyosat tadqiqotlari*, vol. 6, no. 1, pp. 78–95, 2024.
- [14] O'zbekiston Respublikasi Prezidentining PQ-179-son qarori, "Paxta maydonlarida tuproq unumdorligini va hosildorlikni oshirish, sug'orishning yangi texnologiyalarini joriy etishni qo'llab-quvvatlash chora-tadbirlari to'g'risida," 2022. Available: <https://lex.uz/>
- [15] O'zbekiston Respublikasi Prezidentining PQ-52-son qarori, "Meva-sabzavotchilik sohasini davlat tomonidan qo'llab-quvvatlash," 2021. Available: <https://president.uz/oz/lists/view/4872>
- [16] O'zbekiston Respublikasi Iqtisodiyot va moliya vazirligi, "2025 yil davlat byudjeti: Budjetnoma," 2024. Available: <https://api.mf.uz/>
- [17] Gazeta.uz, "O'zbekiston kredit reytingi yuqori fermerlarga agrokreditlar ajratadi," 2025. Available: <https://www.gazeta.uz/oz/2025/12/10/agriculture/>
- [18] O'zbekiston Respublikasi Prezidenti rasmiy sayti, "Qishloq xo'jaligini moliyalashtirish va agrar sohani subsidiyalash tizimini takomillashtirish," 2025. Available: <https://president.uz/oz/lists/view/8759>
- [19] Gazeta.uz, "Sohaga qancha mablag' kerak bo'lsa, topib berishga tayyor turamiz," 2025. Available: <https://www.gazeta.uz/oz/2025/12/10/agrarian-sector/>
- [20] Gazeta.uz, "Sohaga qancha mablag' kerak bo'lsa, topib berishga tayyor turamiz," 2025. Available: <https://www.gazeta.uz/oz/2025/12/10/agrarian-sector/>

- [21] Norma.uz, "Respublika sholikorlariga imtiyozli kreditlar va subsidiyalar beriladi," 2024. Available: [https://www.norma.uz/oz/qonunchilikda\\_yangi/respublika\\_sholikorlariga\\_imtiezli\\_kreditlar\\_va\\_subsidiyalar\\_beriladi](https://www.norma.uz/oz/qonunchilikda_yangi/respublika_sholikorlariga_imtiezli_kreditlar_va_subsidiyalar_beriladi)
- [22] Norma.uz, "Respublika sholikorlariga imtiyozli kreditlar va subsidiyalar beriladi," 2024.
- [23] O'zbekiston Respublikasi Iqtisodiyot va moliya vazirligi, "2025 yil davlat byudjeti: Budjetnoma (muallif tomonidan umumlashtirilgan)," 2024.
- [24] Qishloq xo'jaligini davlat tomonidan qo'llab-quvvatlash jamg'armasi, "Rasmiy veb-sayt," 2025. Available: <https://agrofin.uz/>
- [25] Rossiya Federatsiyasi agrar soha uchun vakolatli banklar ro'yxati, "Taqqoslash uchun manba," 2023.
- [26] O'zbekiston Respublikasi Prezidentining PQ-qarori, "Qishloq xo'jaligi mahsulotlari yetishtirishni moliyaviy qo'llab-quvvatlashning qo'shimcha chora-tadbirlari to'g'risida," 2022. Available: <https://president.uz/oz/lists/view/5618>
- [27] O'zbekiston Respublikasi Prezidenti rasmiy sayti, "Qishloq xo'jaligini moliyalashtirish va agrar sohani subsidiyalash tizimini takomillashtirish," 2025.
- [28] Gazeta.uz, "Sohaga qancha mablag' kerak bo'lsa, topib berishga tayyor turamiz," 2025.
- [29] O'zbekiston Respublikasi Prezidentining PQ-66-son qarori, "Qoraqalpog'iston Respublikasini ijtimoiy-iqtisodiy jihatdan qo'llab-quvvatlash to'g'risida," 2024. Available: <https://lex.uz/docs/-6797659>
- [30] O'zbekiston Respublikasi Prezidentining PQ-qarori, "Qishloq xo'jaligi mahsulotlari yetishtirishni moliyaviy qo'llab-quvvatlashning qo'shimcha chora-tadbirlari to'g'risida," 2022.
- [31] O'zbekiston Respublikasining O'RQ-1014-son Qonuni, "Soliq va byudjet siyosatining 2025-yilga mo'ljallangan asosiy yo'nalishlari to'g'risida," 2024. Available: <https://lex.uz/docs/-7279923>
- [32] O'zbekiston Respublikasi Iqtisodiyot va moliya vazirligi, "O'zbekiston Respublikasining 'Soliq va byudjet siyosatining 2025-yilga mo'ljallangan asosiy yo'nalishlari to'g'risida'gi Qonuni haqida," 2024. Available: <https://gov.uz/imv/news/view/26833>
- [33] Agro.uz, "Qishloq xo'jaligi yerlaridan foydalanuvchilarga soliq imtiyozlari va subsidiyalar beriladi," 2022. Available: <https://www.agro.uz/soliq-imtiyozlari-va-subsidiyalar-beriladi/>
- [34] O'zbekiston Respublikasi Prezidentining PQ-179-son qarori, "Paxta maydonlarida tuproq unumdorligini va hosildorlikni oshirish," 2022.
- [35] O'zbekiston Respublikasi Davlat soliq qo'mitasi, "Qishloq xo'jaligi korxonalar uchun soliq imtiyozlari," 2025. Available: <https://gov.uz/oz/soliq/news/view/45826>
- [36] O'zbekiston Respublikasi Iqtisodiyot va moliya vazirligi, "Soliq va byudjet siyosatining 2025-yilga mo'ljallangan asosiy yo'nalishlari," 2024.
- [37] Norma.uz, "Respublika sholikorlariga imtiyozli kreditlar va subsidiyalar beriladi," 2024.
- [38] O'zbekiston Respublikasi soliq qonunchiligidan muallif tomonidan umumlashtirilgan, 2025.
- [39] O'zbekiston Respublikasi Iqtisodiyot va moliya vazirligi, "Davlat budjeti va davlat maqsadli jamg'armalari budjetlarining 2024 yil mobaynida ijrosi to'g'risida," 2024. Available: <https://api.mf.uz/>
- [40] BMTTD, "O'zbekistonda qishloq xo'jaligida muqobil moliyaviy mexanizmlar (suv solig'i bo'limi)," 2024.
- [41] Rossiya Federatsiyasi Hukumatining 717-son qarori, "Qishloq xo'jaligini rivojlantirish va qishloq xo'jaligi mahsulotlari bozorlarini tartibga solish davlat dasturi to'g'risida," 2012.
- [42] BMTTD, "O'zbekistonda qishloq xo'jaligini moliyalashtirish: Rossiya Federatsiyasi tajribasi," 2024.
- [43] European Commission, *Common Agricultural Policy (CAP) 2021–2027: Budget and Financing*, 2024.
- [44] European Commission, *CAP Strategic Plans: Environmental and Social Priorities*, 2024.
- [45] Asian Development Bank (ADB), *Agricultural Finance in Central Asia: Comparative Analysis*, 2024.
- [46] A. Qodirov, "O'zbekiston qishloq xo'jaligida davlat subsidiyalari tizimi: holati va istiqbollari," 2023.
- [47] BMTTD, "O'zbekistonda qishloq xo'jaligini moliyalashtirish," 2024.
- [48] BMTTD, "O'zbekistonda qishloq xo'jaligida muqobil moliyaviy mexanizmlar (mikromoliya bo'limi)," 2024.
- [49] Gazeta.uz, "O'zbekiston kredit reytingi yuqori fermerlarga agrokreditlar ajratadi," 2025.
- [50] BMTTD, "O'zbekistonda qishloq xo'jaligida muqobil moliyaviy mexanizmlar (tavsiyalar bo'limi)," 2024.
- [51] BMTTD, "O'zbekistonda qishloq xo'jaligini moliyalashtirish: Tahlil va muqobil moliyaviy mexanizmlar bo'yicha tavsiyalar," 2024.