

SOCIAL TRANSFERS AND THEIR ROLE IN POVERTY REDUCTION:  
AN EMPIRICAL ANALYSIS BASED ON THE EXPERIENCE OF  
UZBEKISTAN

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ABSTRACT	KEYWORDS
This article analyzes the measures implemented in Uzbekistan to improve the population’s housing conditions through financing from the state budget. Budget subsidies, support for mortgage lending, and the implementation of affordable housing programs play a critical role in ensuring access to housing. The study evaluates the effectiveness of government programs, financial mechanisms, and their impact on poverty levels using empirical methods. The paper concludes with recommendations for improving institutional frameworks and ensuring targeted and efficient allocation of budget funds in the housing sector.	State budget, housing policy, mortgage loans, social protection, subsidies, affordable housing, financial stability, living standards.

Introduction

Housing is one of the key social and economic components of human life. In Uzbekistan, as the demand for housing continues to grow annually, the government has been implementing comprehensive measures in this area. In particular, the state budget plays an important role in promoting housing access through the provision of subsidies, support for socially vulnerable groups, and expanding access to mortgage loans. Recent presidential decrees and resolutions have introduced national programs and financial instruments aimed at improving housing conditions for citizens. This paper examines the economic effectiveness of these initiatives, evaluates current mechanisms, and identifies strengths and weaknesses in the implementation process. The article also explores future directions for enhancing housing provision through better-targeted use of budgetary resources.

Main Body

On the basis of the Decree of the President of the Republic of Uzbekistan No. PF-70 dated April 30, 2024, large-scale reforms were launched to improve the mechanisms for allocating mortgage loans and subsidies. One of the main directions of these reforms is the financially effective organization of subsidy mechanisms allocated from the state budget to improve the housing conditions of the population. In this regard, target indicators for subsidy payments on mortgage loans in 2024 have been set. They provide for the purchase of new housing by the population, reconstruction and repair of

existing individual housing, as well as reimbursement of interest payments on loans allocated in 2020-2023. Through these measures, it is planned to improve the housing conditions of especially vulnerable groups.

As one of the important areas of social policy, the issue of providing the population with housing is gaining relevance today. There is an increasing need to use the financial capabilities of the state budget to improve the living standards of the population, ensure social equality, support the low-income group, and strengthen the social protection system. In particular, financing the housing issue in the context of social policy is being carried out in the following areas:

1. Support for housing construction and mortgage loans: In accordance with the Decree of the President of the Republic of Uzbekistan No. PF-70 dated April 30, 2024, reforms aimed at providing the population with housing have reached a new level. Within the framework of these reforms, mechanisms for state financing of construction activities, subsidizing mortgage loans, and strengthening their social orientation have been introduced to develop the mortgage market. This is expanding the population's opportunities to purchase housing, especially serving as an important means of financial assistance for the stratum in need of social protection.

2. Creating financial incentives for social groups: In the housing sector, state finance is not limited to mortgage loans. The state budget is not only supporting home ownership, but also creating opportunities for low-income families to cover temporary rental costs and purchase housing on a subsidized basis. The proposals, developed based on the US experience, provide for mechanisms to encourage rental payments through tax breaks and provide financial incentives for the population to rent housing.

3. Increasing financial independence and involving market mechanisms:

Based on the Singapore experience, it is proposed to use financial market mechanisms in refinancing mortgage loans, that is, to direct the population's savings to the central fund through the issuance of mortgage securities. This will not only allow the population to obtain long-term loans, but also serve to form a stable financial source for the state budget.

4. Development of regional strategies: Based on the experience of Finland, it is advisable to develop separate strategies for providing housing to the population in Uzbekistan, taking into account demographic and social factors in the regions. This will allow each region or city to independently formulate a housing policy based on its infrastructure, population needs and economic capabilities.

5. Improvement of tax policy and subsidy system: It is important to apply a differentiated approach to allocating subsidies from the state budget, taking into account the principles of social justice. For example, determining the amount of subsidies for low-income families based on the capacity of the house and family composition will increase the expediency of financing.

The state budget serves as a decisive factor in providing housing to the population, which is one of the priority areas of social policy. There is a growing need to analyze and implement the financial provision of housing, relying not only on domestic resources, but also on international experience. Based on the experiences of Singapore, the United States, and Finland, in the conditions of Uzbekistan:

- deepening the mortgage system through financial markets;
- introducing tax incentives for rental housing;
- harmonizing housing policy by region;
- measures such as offering long-term mortgage terms for those in need of social protection should become the main direction of state financial policy. These reforms, implemented through the state

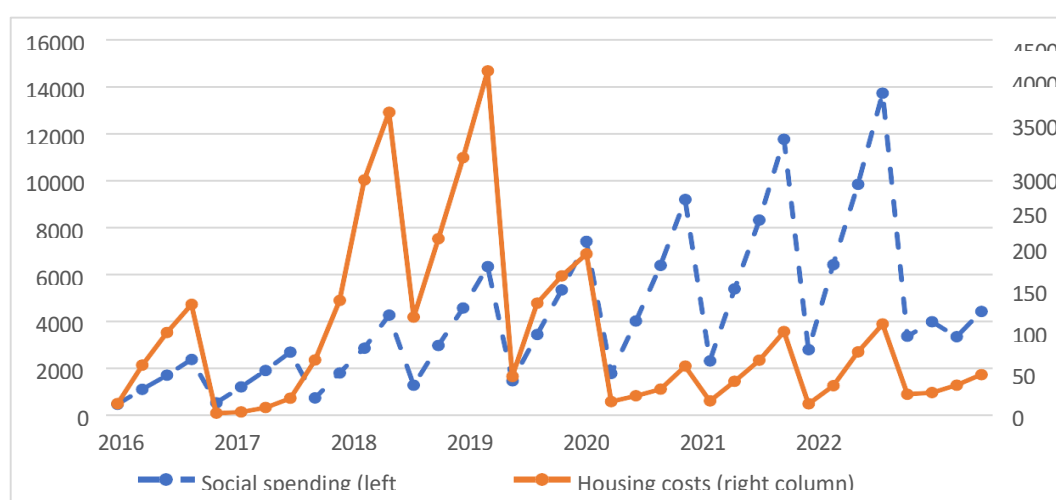
budget, serve as an important tool in protecting the population from socio-economic risks, creating stable living conditions, and developing human capital.

Providing the population with housing is one of the central directions of social policy, and the state budget plays a decisive role in its financing. Based on existing analytical studies, it can be noted that the factors affecting the level of housing ownership of the population are manifested in a wide range - in the form of social, economic, territorial and institutional factors.

State spending on housing is carried out in two main directions:

1. Subsidizing mortgage loans and stimulating housing construction: In accordance with Presidential Decree No. PF-70, mechanisms for covering part of the down payment and interest payments on mortgage loans from the budget are being widely introduced.
2. Subsidized financing of rent for the socially vulnerable: Based on proposals developed based on the experiences of the United States and Finland, mechanisms for providing state financial support for rented housing and introducing tax incentives are being proposed.

The allocation of state budget resources in financing social policy is one of the important strategic directions. In particular, providing housing, which is one of the basic needs of the population, is recognized as an integral part of ensuring social stability and developing human capital. The presented graphic data reflects the dynamics of changes between social expenditures allocated from the state budget of the Republic of Uzbekistan (on the left axis) and housing expenditures (on the right axis) for 2016–2024. The indicators in the graph show how social policy priorities were formed on an annual basis, and in which years the financial approach to housing policy was strengthened.



### State budget expenditures on the social sphere and housing provision for the population, quarterly trend 2016-2024, billion sums

During the analyzed period, social expenditures and expenditures allocated for housing provision were in fluctuating dynamics. A steady growth is noticeable in the trend of social expenditures: starting from 2018, these expenditures have been increasing every year. In 2022-2024, these expenditures have increased sharply, which indicates increased attention to social policy.

Housing expenditures, on the other hand, are uneven compared to social expenditures, but are characterized by sharp increases in some years. In particular, in 2019 and 2020, these expenditures

reached their maximum level. These years were characterized by the active implementation of housing policy, for example, by the expansion of mortgage programs or social housing construction. However, after 2021, these expenditures seem to have decreased and stabilized.

In general, the state continues to pay constant attention to the issue of housing, but the relatively rapid growth of social spending may be due to other priorities in social policy (education, healthcare, pension system). A predictive and systematic approach to financial planning is required to ensure the sustainability of housing costs in the future.

Although in Uzbekistan certain achievements have been made in recent years in the field of providing housing to the population, systemic problems and concerns about financial stability in this area still remain. Despite the reforms carried out by the state and the improvement of the legislative framework, the complexity of existing mechanisms and institutional inconsistencies are manifested as a factor reducing the effectiveness of this area.

Systemic problems in providing housing to the population

Based on the analysis, the following main systemic difficulties are identified at the republican level:

1. Lack of a centralized authorized body - due to the lack of an institution that coordinates, controls and manages housing policy and strategic plans in a single center, the activities of various state bodies are fragmented.
2. The need for centralized financing of mortgage programs - the establishment of a special purpose fund for conducting mortgage programs from the state budget can serve to regulate interest rates and cover a wider social stratum.
3. The risk of speculation in the real estate market - artificially increasing the price of housing built by private contractors and the lack of quality guarantees puts the population at financial risk.
4. The lack of appropriate subsidy mechanisms for the low-income group - especially since price differences between regions are not taken into account, the subsidy policy is unfairly distributed.
5. The problem of transparency and delays in construction - in recent years, the failure to put new residential complexes into operation on time has increased citizen dissatisfaction. This undermines the financial resources and confidence of the population.

The following innovative mechanisms are proposed in response to the above problems:

According to research, a model for establishing a state trust fund is proposed to provide housing to the population. Through this fund, the following results can be achieved:

- directing the population's free funds to financial markets;
- financing new housing estates in cooperation with private contractors;
- covering a wide range of people by subsidizing loan interest rates;
- ensuring investment insurance and security based on state guarantees.

Clearly defining the principle of targeting in the use of budget funds. It is necessary to strengthen the targeted approach to spending public funds, that is, to clearly identify the most vulnerable groups in need of housing and direct subsidies and benefits only to them. This principle prevents inefficient spending of budget resources and ensures social justice. For example, out of 70 thousand mortgage loans planned in Uzbekistan in 2025, 30 thousand will be intended specifically for low-income families, and their down payment will be covered from the budget. Such targeted support guarantees that real assistance will reach families in need of housing.

Expanding access to housing for the low-income group by strengthening the powers of local authorities. In order to effectively solve the housing problem at the local level, it is necessary to increase the role

and powers of local government bodies. Local authorities know the low-income families in their area better and it is easier to provide them with targeted assistance; for example, by forming a fund of affordable rental housing or by allocating land and organizing the construction of housing. As a result of granting financial and organizational independence to local authorities, they will be able to direct regional budget funds to housing projects for families in need. According to international experience, the implementation of social housing programs at the local level increases their effectiveness and expands the possibility of providing low-income groups with housing.

Ensuring sociality and limiting the commercial nature of mortgage financing. The housing mortgage system should be enriched with elements of social protection, since a mortgage based entirely on market principles can be a heavy financial burden for low-income groups. The state can introduce a mechanism to reduce or partially subsidize interest rates on mortgage loans - in many countries, governments have a practice of covering part of the interest paid to private banks or providing tax breaks for mortgage interest, which eases the burden on borrowers.

Use of corporate governance elements in housing fund management. It is necessary to introduce modern corporate governance principles in the management of state-funded housing funds and construction organizations. This means the use of transparency, accountability, independent supervisory boards and business methods to achieve efficiency in the management of housing programs. Corporate governance elements strengthen public and investor control over the use of funds, reduce the risk of corruption and ensure optimal allocation of resources. For example, in the Australian experience, the national housing agency (Housing Australia) was established as a special corporate entity, which provides a highly professional approach and transparency in the management of public investments. Such an approach serves to ensure long-term sustainable management of the housing fund.

Develop competition in the housing market by creating an environment of multiple choice. The formation of alternative options for acquiring housing for different segments of the population (renting, leasing, construction through private housing funds, a cooperative housing construction system, etc.) encourages healthy competition in the market. A wide range of options prevents monopolies in the housing market and increases competition in terms of quality and price. For example, if, in addition to direct housing purchase, citizens have the opportunity to live in a low-cost rental or rent-to-own, developers and financial institutions will be forced to improve their offers to attract customers. The presence of various mortgage programs, microloans, public-private partnership projects and other options will increase the number of innovative solutions in the housing market and develop a competitive environment that serves the interests of consumers.

Reducing the price burden in mortgage programs, taking into account the number of family members. Family size (number of children and dependents) directly affects the level of affordability of housing. Since families with many children or members spend more of their income on living expenses, housing costs are a heavier burden for them. Therefore, a differential approach to mortgage lending and housing subsidy policies that take into account the number of family members is necessary: for example, measures such as reducing the initial down payment percentage for families with many children, extending the loan term and grace period, or allocating additional subsidies for each additional child. International experience shows that this is giving positive results - for example, in Russia, under the "maternal capital" program, which has been in effect since 2007, families are given a certificate of a certain amount of money when a child is born, which can be used mainly to improve housing



conditions; as a result, more than 80% of families spend this money on buying a house or paying off a mortgage. Such approaches increase the chances of large families to own a home and contribute to overall social stability.

Increasing social justice in the distribution of subsidies by systematizing the population by gender. Taking into account the gender factor in housing policy is an important condition for ensuring social justice. By analyzing the population by gender, it is possible to determine whether there are differences between men and women in the use of housing subsidies. For example, single-woman households or women with disabilities may be excluded from housing programs - if such cases are identified, additional quotas or simplified conditions should be allocated to them. Modern approaches recommend developing housing strategies in a gender-sensitive manner: in particular, it is emphasized that housing programs should separately consider the needs of women and men, maintain statistical indicators by gender, and monitor the achievement of results. International experts emphasize that a gender-sensitive housing policy reduces the risk of homelessness, especially for single women who are victims of violence or have children. Therefore, by monitoring gender discrimination in the distribution of subsidies and making appropriate adjustments, the distribution of resources will be achieved in accordance with fair and equal principles.

The above-mentioned measures and directions are aimed at comprehensively improving the housing supply system, and all of them should work effectively in an economically and financially interconnected manner. Stability and inclusiveness in the housing market will be ensured through targeted and fair distribution of state budget funds, improved management, and the introduction of modern financial mechanisms (social mortgages, escrow accounts, special funds). International experience shows that the integration of socially oriented approaches and innovative instruments in housing programs is an important factor in improving the living standards of the population, reducing homelessness, and promoting economic growth. Therefore, in the conditions of Uzbekistan, reforms based on these principles will take housing provision to a new level and serve to strengthen social stability and well-being in society.

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