



## **IMPROVING THE FINANCING OF HIGHER EDUCATION INSTITUTIONS IN UZBEKISTAN**

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### **ABSTRACT**

This article comprehensively analyzes the issues of improving the financing system of higher education institutions in the Republic of Uzbekistan. The large-scale reforms being carried out in the field of education in the country require increasing the efficiency of financial mechanisms in training personnel in line with the requirements of the modern economy.

The article first of all analyzes the current financing system in Uzbekistan and assesses its historical evolution, legal and regulatory framework and current state. The advantages and disadvantages of financing through funds allocated from the state budget, targeted programs, grant and contract-based forms of education are indicated.

The experience of foreign countries, including Finland, Germany, South Korea and the USA, is also analyzed. Diversified models of financing in these countries and forms of public-private partnership are considered as promising solutions for Uzbekistan.

### **KEY WORDS**

Higher education, financing, human capital, investment, market mechanisms, innovative economy, graduating youth, HEIs, system of self-financing.

### **Introduction**

In the past five years, Uzbekistan has taken important steps to invest in human capital. Fundamental reforms have been implemented at all levels of education. A number of tasks have been set to ensure the financial independence and sustainability of higher education institutions, strengthen their material and technical support, including “gradually transitioning higher education institutions to a system of self-financing, ensuring financial stability, improving the remuneration system, introducing effective and transparent financing mechanisms, taking into account the needs of the sectors of the economy for personnel, as well as in the future, gradually transitioning to a system of independent determination of payment-contract amounts for bachelor’s degree programs (master’s degree programs) based on the rating of higher education institutions and the level of their cost recovery,”<sup>1</sup> as well as identifying and taking measures to minimize financial risks when investing in higher education innovations require research in this area.

<sup>1</sup> “Concept for the Development of the Higher Education System of the Republic of Uzbekistan until 2030.” Decree of the President of the Republic of Uzbekistan No. PD-5847 dated October 8, 2019. [www.lex.uz](http://www.lex.uz)

## Material and Method

Scientific research on the prospects for development of innovative and investment processes of higher education institutions with the widespread use of market mechanisms, and on improving the financing of higher education in the context of the transition to an innovative economy, is being conducted at leading scientific centers and higher education institutions around the world, including: Ecole Hotelière de Lausanne (Switzerland), Oxford Brookes University (Great Britain), Cornell University, Harvard University (USA), Les Roches International School of Hotel Management (Spain), Blue Mountains International Hotel Management School (Australia), University of Surrey (Great Britain), Lomonosov Moscow State University (Russia), Tashkent State University of Economics, Tashkent Institute of Finance (Republic of Uzbekistan) and other higher education institutions.

## Analysis and Results

The experience of Singapore and South Korea, which have achieved great success in development today, has shown that in order for a country to develop economically, it is necessary to educate talented people. Neglecting to invest in human capital can significantly reduce a country's competitiveness. In most cases, governments, striving to ensure economic growth, focus on investing in physical capital - building magnificent bridges, new roads, modern airports and other infrastructure. However, they approach investing in human capital from a different perspective.

We can measure the importance of human capital from an economic point of view by the income of people who have received more education.

Studies have shown that each additional year of education increases a person's income by an average of 10 percent. The quality of education is also important. For example, replacing a low-qualified teacher in a separate class of an elementary school in the United States with a mid-level specialist allows students to earn up to \$ 250,000 in total income over their entire lives. Economists have estimated that when individual investments in human capital are aggregated, the gap between investment in human capital and per capita income in different countries ranges from 10 to 30 percent. The following table summarizes the significant changes that have taken place in the higher education system over the past five years.

**Important changes in the higher education system in the last five years<sup>2</sup>**

2020	2021	2022	2023	2024
<p>1. 10 HEIs have switched to a self-financing system.</p> <p>2. In order to strengthen the material and technical base of HEIs, \$22 million in foreign investment funds have been attracted.</p> <p>3. The number of joint educational programs organized in HEIs of the republic has reached 58.</p> <p>4. The level of coverage of graduating youth with higher education has been increased to 25%.</p> <p>5. For the first time, QR-code diplomas were issued and the opportunity to receive diplomas online was created.</p> <p>6. Specialized technical schools for oriental languages have been established in Namangan and Khorezm regions.</p>	<p>1. 5 pedagogical institutes, 4 branches of foreign universities, and the “New Uzbekistan” University were established.</p> <p>2. Admission to universities specializing in foreign languages was doubled, and admission on the basis of state grants was tripled.</p> <p>3. A new system of educational credit allocation was introduced.</p> <p>4. The practice of dual education in the vocational education system began.</p> <p>5. Presidential grants were introduced for the 200 young people who scored the highest points in the entrance exams.</p> <p>6. Departments for managing the “Compliance-Supervision” system were established in universities.</p>	<p>1. Digital transformation has begun in all state universities and the concept of digital campuses has been developed.</p> <p>2. 12 new universities, including private and international universities, have been launched.</p> <p>3. Admission parameters for part-time, evening and distance learning have been significantly increased.</p> <p>4. Online master’s and distance PhD programs have been introduced.</p> <p>5. More than 1,000 students have had the opportunity to study abroad through academic mobility programs.</p> <p>6. A system of financing student startups has been launched through the “U-START” program.</p>	<p>1. 20 HEIs have switched to a self-financing system and the level of economic independence has increased.</p> <p>2. The assessment system for state HEIs has been strengthened based on national and international rating systems.</p> <p>3. 8 new technoparks and incubator centers have been established.</p> <p>4. All HEIs have introduced the practice of assessing according to CEFR standards, which requires a level of English language proficiency.</p> <p>5. Online dissertation defenses for Doctors of Science (DSc) and Doctors of Philosophy (PhD) have been launched.</p> <p>6. Specialized faculties for STEM education have been established in 7 state HEIs.</p>	<p>1. The “Artificial Intelligence in Education” program was implemented across the republic, AI centers were opened in 10 universities.</p> <p>2. 30% of graduating students were covered by higher education.</p> <p>3. A visa-free educational tourism initiative was launched for international students, and special international campuses were created in 5 universities.</p> <p>4. A single student ID card system was introduced and integrated into campus, transport, library and other services.</p> <p>5. Student financing processes were automated through an electronic contract and digital grant system.</p> <p>6. 15 new vocational schools and technical schools began operating based on updated curricula.</p>

This table highlights the most important changes in the higher education system in each of the last five years. It is worth noting that significant changes in our topic will take place in 2023, namely the transition of 10 educational institutions to a self-financing system, the absorption of \$ 34 million in foreign investment funds to strengthen the material and technical base of higher education institutions. Another important change implemented in 2021 is the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 563 dated September 9, 2021 on measures to increase the level of student housing in higher educational institutions of the Republic.

This resolution plans to build student housing in the regions of the republic on the basis of public-private partnership, according to which 50 percent of the costs associated with the maintenance and operation of student housing will be covered from the state budget, but not more than the amount of

<sup>2</sup> Grouped by the author based on research.

funds spent by state higher educational institutions on maintaining student housing of the corresponding capacity. This resolution also provides that state higher educational institutions are allowed to partially finance public-private partnership projects for the construction of educational and social infrastructure facilities from the extra-budgetary funds of the institution, in accordance with the Law “On Public-Private Partnership”. The decision envisages the implementation of important changes, such as the allocation of additional staff in state higher education institutions, the tax exemption of income received by individuals from the activity of renting housing to students, the introduction of additional household services in student residences, the gradual transfer of student residences to the self-financing system due to the creation of conditions for healthy eating and other types of services.

This resolution stipulates the construction of 228 student dormitories with a total capacity of 91,200 students, with a total of 400 beds, in the city of Tashkent and the regions of our Republic, of which 166 are planned to be built on the territory of higher educational institutions and 62 in the vicinity of higher educational institutions<sup>3</sup>.

As we noted in the previous paragraphs of our study, the Concept<sup>4</sup> for the Development of the Higher Education System of the Republic of Uzbekistan until 2030 is a very important document in improving the financing of higher education, which sets out a number of tasks to strengthen the material and technical base of HEIs in our country and implement changes in the financing system. In particular, these include the development of public-private partnerships in the field of higher education, the gradual introduction of the “University 3.0” concept, which envisages the integral connection of education, science, innovation and commercialization of research results in higher education institutions, the widespread attraction of foreign investments, the expansion of the scope of paid services and the establishment of technoparks, foresight, technology transfer, startup, and accelerator centers in higher education institutions through other extra-budgetary funds, and their transformation into scientific and practical institutions that study and forecast the socio-economic development of relevant sectors, industries and regions, increasing the investment attractiveness of higher education, attracting foreign educational and scientific technologies, improving the infrastructure and material and technical base of higher education institutions, including through the widespread attraction of preferential funds from international financial institutions, and gradually transferring them to a self-financing system and ensuring their financial stability.

This concept also lists a number of problems in the scientific and innovative sphere, material and technical base and financing system of higher education institutions. In particular:

the scientific activity of higher education institutions is not organized based on the prospects for the socio-economic development of the regions, and the activity of forecasting innovative development based on analyses has not been established;

the effectiveness of innovative activity, wide implementation of research results into practice, commercialization of scientific developments, and attraction of talented young people to scientific and

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<sup>3</sup> Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 563 dated September 9, 2021 “On measures to increase the level of housing for students in higher educational institutions of the Republic.” [www.lex.uz](http://www.lex.uz)

<sup>4</sup> CONCEPT for the development of the higher education system of the Republic of Uzbekistan until 2030, approved by the Decree of the President of the Republic of Uzbekistan No. PD-5847 dated October 8, 2019. [www.lex.uz](http://www.lex.uz)

research work is not sufficient, and a strong integration of education, science and production is not ensured;

research work is not aimed at solving existing problems in the social sphere and economic sectors;

effective mechanisms for stimulating the activities of professors, teachers, researchers and young scientists engaged in scientific and research work have not been created;

the capacity of student housing, libraries, training workshops, laboratories, sports and recreation facilities and social infrastructure facilities does not meet the current needs, most of them do not have a material and technical base that meets today's requirements;

the level of equipment of higher educational institutions with modern educational and scientific laboratories is insufficient, the share of educational laboratory equipment that meets international standards is only 10 percent, while the educational process is not sufficiently provided with laboratory materials (reagents, chemical containers, accessories, biological materials and other objects);

the main part of the financial expenses of higher educational institutions is spent on salaries, and insufficient funds are allocated to the renovation of educational and scientific laboratories, repair of buildings and structures;

the existing student housing and social infrastructure facilities are not adapted to the needs of foreign students<sup>5</sup>.

## Conclusion

In recent years, reforms in the financing system of higher education institutions in Uzbekistan are aimed at adapting the education sector to the requirements of a market economy, ensuring financial independence and improving the quality of education. The traditional system of financing from the state budget is being gradually abandoned, and a diversified financing mechanism is being formed in its place through **self-financing, educational loans, grants, private sector investment, and attracting foreign projects**. In particular, by transferring HEIs to a self-financing system, significant progress is being made in providing them with financial independence, expanding their internal capabilities and improving the quality of education. At the same time, social justice and access to education for all strata are being ensured by improving the mechanisms of educational loans and state grants.

In conclusion, reforms in the financing of higher education institutions serve as an important factor not only in ensuring the economic stability of the education sector, but also in turning it into an internationally competitive and innovative system. The consistent and systematic continuation of reforms in this direction will further improve the quality of education in the future and lay the groundwork for taking a strong place in the global education arena.

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<sup>5</sup> CONCEPT for the development of the higher education system of the Republic of Uzbekistan until 2030, approved by the Decree of the President of the Republic of Uzbekistan No. PD-5847 dated October 8, 2019. [www.lex.uz](http://www.lex.uz)

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