

## State and Prospects of Development of Construction Organizations in Uzbekistan

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**Abstract:** The article analyzes the construction industry in Uzbekistan. The main government documents regulating the construction business are considered, the main reasons for the construction business, the possibilities of its rapid development are identified. At the same time, the authors identified the main problems of modern urban planning. The proposals are developed based on the analysis of statistical data of the State Committee of the Republic of Uzbekistan.

**Keywords:** construction industry, development organizations, digitalization of the construction business, innovation and modernization.

**Introduction.** In recent years, rapid transformations in the country's economy have seen the activity of the construction industry. This was facilitated by an effective urban development policy that stimulated business development. Building regulators have simplified a number of procedures for importing and developing export-oriented production of building materials to meet demand in both residential and commercial and non-commercial real estate. Despite the lockdown, after a short stagnation, with the support of the government, the activities of construction organizations were promptly resumed. As a result, the construction led to economic growth, increased the business activity of companies, and improved the quality of life of the population.

**Analysis of scientific works on the topic.** A significant contribution to the development of theory and methodology, specific methods, models and tools for assessing economic efficiency was made by domestic M.K. Pardaev, Zh.I. Isroilov, Russian I.M. Babuk, A.S. Golovachev, B.I. L. N. Nehorosheva and foreign scientists Ahmad, SZ, Chan S., Kitchen, PJ, P. Samuelson, W. Nordhaus and others. However, the object of their study is either industrial enterprises or an assessment of the competitiveness of the industry. The issues of assessing the economic efficiency of construction organizations remain poorly understood. The theoretical lack of development of the above aspects required a critical rethinking of existing approaches to assessing the effectiveness of construction organizations in order to bring them into a state that meets modern requirements for information support of the management process, taking into account industry specifics at different levels of the construction organization management hierarchy - at the level of the project, object and activities of the construction organization in general, as well as from the standpoint of various interested users - the customer (investor) and the contractor.

All of the above determines the high relevance and practical significance of this study.

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**Analysis.** In accordance with the data of the State Statistics Committee, over the past five years, 45,185 construction organizations have been registered in the republic, which is almost 2 times higher than in 2018. Despite the pandemic, the growth trend continues due to the high profitability of the construction business, the development of public-private partnerships, and the improvement of financial, tax and banking preferences

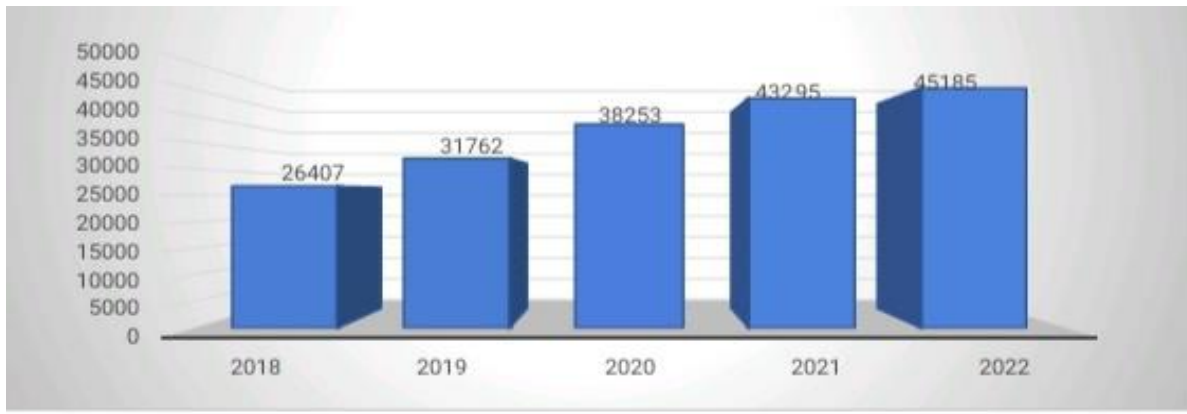
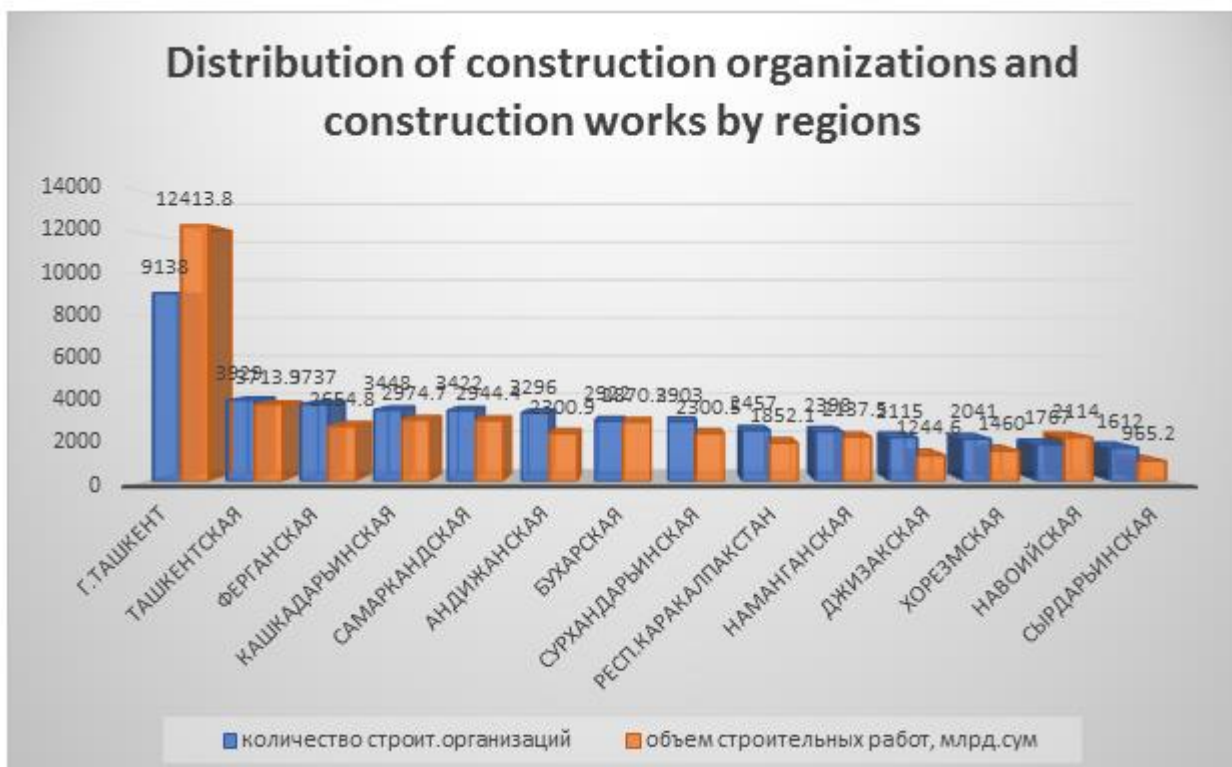


Fig.1. Growth dynamics of the number of construction organizations in Uzbekistan

However, this does not mean that the industry is completely out of the crisis that began even before the pandemic. If the construction sector managed to switch to compensatory growth and "win back" the fall of 2020, then the problems with the lack of qualified personnel, corruption and violation of construction standards, the lack of a clear policy and strategy in the field of construction are still not resolved.

The growth rate of construction work in the first half of 2021 was 100.1%. The share of construction carried out by state organizations is 4.1%, and the volume is almost 2 trillion soums.



According to the State Statistics Committee of Uzbekistan, in the first quarter of 2022, the country experienced an increase in construction work by 23.1% more than in the same period in 2021: in monetary terms, these works amounted to \$2.1 billion. Undoubtedly, the largest cities show the highest growth - Tashkent, Fergana (there are the largest number of construction companies and high demand): \$209.1 million and \$128.7 million, respectively.

High business activity in the construction business this year is observed in Tashkent, Tashkent region and Fergana region. About a third of all construction organizations in the republic operate in these regions. The volume of construction services per organization is the highest in the Navoi region. Despite the small number of 1612 organizations, each of them completed work worth more than 1 billion on average. This is due to the high growth dynamics of non-residential construction - industrial facilities, commercial structures and the development of a logistics hub in the region, which leads to the construction of warehousing facilities for transported goods. In the republic, each construction organization provides services on average for 928322 thousand soums

**Table 1. Development of construction in the regions of Uzbekistan at the beginning of 2022<sup>1</sup>**

| <b>Indicators by regions</b> | <b>number of construction organizations</b> | <b>volume of construction works, billion soums</b> | <b>scope of work for 1 organization</b> | <b>wt builder organizations by region</b> |
|------------------------------|---|--|---|---|
| Tashkent city                | 9138  | 12413.8  | 1.358481                                | 20.2                                      |
| Tashkent                     | 3929  | 3713.9   | 0.945253                                | 8.7                                       |
| Fergana                      | 3737  | 2654.8   | 0.710409                                | 8.3                                       |
| Kashkadaryanskaya            | 3448  | 2974.7   | 0.862732                                | 7.6                                       |
| Samarkand                    | 3422  | 2944.4   | 0.860432                                | 7.5                                       |
| Andijanskaya                 | 3296  | 2300.9   | 0.698089                                | 7.3                                       |
| Bukhara                      | 2922  | 2870.3   | 0.982307                                | 6.5                                       |
| Surkhandarynskaya            | 2903  | 2300.5   | 0.792456                                | 6.4                                       |
| Rep. Karakalpakstan          | 2457  | 1852.1   | 0.753805                                | 5.4                                       |
| Namanganskaya                | 2398  | 2137.5   | 0.891368                                | 5.3                                       |
| Dzhizakskaya                 | 2115  | 1244.6   | 0.588463                                | 4.6                                       |
| Khorezmskaya                 | 2041  | 1460   | 0.715336                                | 4.5                                       |
| Navoiskaya                   | 1767  | 2114   | 1.196378                                | 3.9                                       |
| Syrdarya                     | 1612  | 965.2  | 0.598759                                | 3.6                                       |
| Uzbekistan                   | 45185                                       | 41946.7  | 0.928332                                | 100                                       |

The volume of construction work performed by large construction organizations at the beginning of 2022 amounted to 11291.3 billion soums. Compared to 2021, the growth rate of work amounted to 114.15%; according to the data of 2021, the growth rate of construction work reached 85.7% compared to 2020.

The real estate market is assessed as very promising: investors are actively entering Uzbekistan. In particular, many experts emphasize that the country is experiencing a construction boom, as evidenced by the figures for the production of building materials, as well as the number of commissioned areas.

But of course, the trend of building residential projects is observed in the regions, while the construction of apartments or business class offices is in Tashkent. The well-known IBC Tashkent City (Murad Building) is the flagship of the Uzbek development business, which consists of several ultra-modern buildings for various commercial purposes, and many believe that such a modern and ambitious project

<sup>1</sup>Based on the data of the State Committee of the Republic of Uzbekistan

served as a motive for the implementation of such projects - since the project turned out to be truly successful. The implementation of the project became possible thanks to the participation of proven professional companies from abroad, since there are no norms and standards of SNIP in Uzbekistan for such modern structures, so the government of the country simply allowed the Murad Building development company to build according to international standards, based on foreign experience.

In general, it should be understood that despite the growth dynamics of the construction industry, the market is still developing, so large developers carefully weigh the pros and cons before entering the domestic market. In any case, the activity of the real estate market is only increasing, but so far due to local businesses. In April 2022, the number of registered real estate purchase and sale transactions in Uzbekistan is 15.1% more than in March, and the growth compared to the same period last year was 12.6%.

The government is trying to introduce mortgage injection programs, as well as finance the digitalization of the industry as a whole, as well as support investment programs for enterprises producing domestic building materials, as well as the construction of standard residential building projects using green and energy-saving technologies.

And according to forecasts, in the near future, the population of Uzbekistan can reach 38 million people. The Ministry of Construction of Uzbekistan reported that last year more than 1,000 high-rise buildings were built in the regions as part of the mortgage program - this is about 45.5 thousand apartments.

Thus, the country has a draft strategy "Digital Uzbekistan - 2030" launched in 2020<sup>2</sup> and the Development Strategy of New Uzbekistan for 2022-2026<sup>3</sup>, which are focused on the global digitalization of the economy, society, and the public sector.

There are attractive mortgage programs in the republic, thanks to which 10 times more housing was built than in previous years. Launched in March 2022 The \$1.1 billion Presidential Housing Development Program covers all regions of the country and will support the construction of affordable housing.

However, it is too early to say that innovative technologies are widespread in the country - only a few large (and there are not many) developers can allow them to be used (in design, mainly), but the demand for high-class housing with all the advantages of technology is low and concentrated in megacities.

The main problem of the domestic construction market is still considered to be **high corruption in the country and weak digitalization of the industry**, as well as a pronounced monopoly of large developers. These factors still affect the shadow business, and in general, the quality of construction is not sufficiently high and transparency is low: only large developers can use modern technologies and premium building materials, which determines the cost per square meter of housing.

The rest of small businesses can only work "in the gray" or use low-quality materials, thereby reducing the cost - in order to compete in the market. However, this leads to the fact that the level of construction quality in Uzbekistan is extremely low.

Another significant problem in the construction of Uzbekistan is the low level of work quality associated with lack of funding, lack or shortage of specialists, outdated standards, lack of digital technologies and

<sup>2</sup> Decree of the President of the Republic of Uzbekistan dated 05.10.2020 No. UP-6079 "On approval of the strategy "Digital Uzbekistan-2030" and measures for its effective implementation"

<sup>3</sup> www.lex.uz. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60 "On the development strategy of New Uzbekistan for 2022-2026".

tools for management and construction control . All this is interconnected and leads to systemic repetition of problems across projects.

Unfortunately, there is often news in the country about serious problems of constructed facilities - up to collapses due to the fact that the work was carried out without complying with norms and standards, or was built illegally. The Inspectorate for State Architectural and Construction Supervision reports that it registers a large number of low-quality construction and installation works: in 2021, 2,880 written orders to eliminate defects were identified, which indicates the presence of corruption in the issuance of permits and the procedure for accepting objects in the construction sector, the absence of an effective digital construction control, which greatly facilitates monitoring and detection of defects.

Therefore, one of the most progressive and effective ways to fight corruption and increase the quality of construction and installation work can be digitalization.

In construction, there is an acute shortage of approved new commissioning standards, as well as specialists who could conduct effective acceptance and inspections. And for this, it will be necessary to revise the system of education in specialized construction universities and carry out global reforms in this area.

The supply and manufacture of building materials, as well as tendering, also need digital management - this will also reduce corruption schemes by making all processes more transparent. And of course, the construction segment of Uzbekistan, if it plans to switch to digital technologies for digital construction supervision and truly introduce BIM technologies, which are the leading technology for the digitalization of construction around the world, will definitely have to revise the norms and standards at the legislative level, as well as a gradual moving away from the state monopoly over construction supervision in the hands of private companies.

There is also an opinion that the heads of local governments regularly make their own changes to an already approved project - and this leads to an increase in the timing of project implementation (as a result, an increase in cost), and also adversely affects the quality of construction and fuels corruption. Experts see a solution to this problem in a number of updates to the legislative framework . And a big help in maintaining the new rules of construction can be digital tools that can maintain communication between all project participants and keep abreast of all updates in real time, guaranteeing transparency in project management.

**Conclusions.** In general, it should be noted that Uzbekistan is interested in adopting new construction quality standards, realizing that the digitalization of the industry is not just a trend, but a necessity that guarantees business profitability and ensures a high standard of living. The fastest and easiest way to digitize a construction business is to use software like PlanRadar . Implementation does not require IT specialists, the application can be used from any device, providing a seamless connection between the construction site and the office, monitoring the project and the progress of work in real time, conducting effective inspections of each of the construction stages, capturing all evidence using video and photo, assigning tasks, and in a couple of clicks generating the necessary reporting.

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