



THE ROLE OF STATE CONTROL AND DEREGULATION IN THE DEVELOPMENT OF ENTREPRENEURSHIP: ADMINISTRATIVE AND LEGAL ANALYSIS USING THE EXAMPLE OF THE REPUBLIC OF KARAKALPAKSTAN

Saparbayev Salamat Djoldasbayevich

Basic Doctoral Student of Karakalpak State University

Abstract

The article examines the current issues of improving state control and supervision in the field of entrepreneurial activity in the context of administrative reforms being carried out in the Republic of Uzbekistan. Special attention is paid to the legal nature of deregulation as a mechanism for reducing administrative burden and improving management efficiency. Using the example of the Republic of Karakalpakstan, legislative and organizational measures to support businesses, including tax and financial benefits, subsidies, creating a favorable investment climate, and developing infrastructure, are analyzed. It is concluded that for sustainable socio-economic growth, it is necessary to find a balance between effective control and entrepreneurial freedom.

Keywords: State control, administrative reform, deregulation, entrepreneurship, investments, tax benefits, Karakalpakstan, legal regulation, business support, Uzbekistan

Introduction

Modern approaches to ensuring the rights and freedoms of citizens in the sphere of public authority require a reassessment of the role of the state in economic processes. Of particular importance in administrative law is the analysis of the legal forms of state activity, in particular, the mechanisms of state control and



supervision. These forms are traditionally considered as a tool for protecting citizens' legal rights, including freedom of entrepreneurship.

In the Republic of Uzbekistan, large-scale administrative reforms have been carried out in recent years aimed at optimizing control activities, reducing excessive state intervention in the business environment, and developing deregulation institutions. These processes are especially relevant in the context of the socio-economic development of the regions, including the Republic of Karakalpakstan, where comprehensive measures are being implemented to support entrepreneurship, attract investments, and stimulate business activity.

This work is devoted to the analysis of existing forms of state control and new approaches to deregulation as tools for promoting entrepreneurship within the framework of administrative and legal regulation.

In the science of administrative law, it is important to analyze the legal forms of state activity as a way to ensure human rights in the sphere of public authority, which traditionally includes state control and supervision. Protecting the legally protected rights of citizens, including those related to entrepreneurial activity, ensuring the necessary level of their preservation, and preventing harm to them are the goals of state control and supervision. The control and supervision activities of state bodies are aimed at preventing, detecting, and suppressing violations of mandatory requirements by persons under their supervision.

In the Republic of Uzbekistan, during the implementation of administrative reforms, significant attention has been paid to the administrative and procedural aspects of state control and supervision. In recent years, measures have been taken in the country to reduce the number of inspections of business entities by regulatory bodies, based on the fact that they should not hinder the conduct and development of business.

However, as E.V. Maslennikova notes [1], issues of critical analysis of the necessity and (or) sufficiency of control and supervision activities from the point of view of protecting legally protected values; the possibility of replacing state control and supervision activities with other, including non-state, institutions for the protection of legally protected values remained outside the framework of reforms. In this case, we are talking about the possibility of state regulation and deregulation of the spheres of public life. A number of authors classify delegation



of state-power powers as forms of deregulation, recognizing co-regulation, self-regulation, and quasi-regulation; creating an organization with a special status; managing a territory by a private law organization; and outsourcing the functions of state authorities [2]. That is, deregulation should be understood as the removal of unnecessary barriers established by the state in the path of free market development, which is expressed either in reducing the regulatory burden on the sphere or in replacing the subject of management powers (instead of the state - private organizations or the state and private organizations) [3].

The possibilities of deregulation are closely related to the spheres of public administration. Compared to the spheres of administrative and political activity, this process is more acceptable for the corresponding competitive sectors of the economy, entrepreneurial activity. In such cases, it is the state itself that can determine a special regime of entrepreneurial activity in a certain sphere and territory in order to create favorable conditions for attracting investments, accelerated socio-economic development. In fact, we are talking about expanding the freedom and independence of economic entities.

As you know, large-scale work is being carried out to comprehensively develop the socio-economic development of the Republic of Karakalpakstan, liberalize its economy, and support entrepreneurship. In this regard, additional measures were taken to further enhance the economic potential of the Republic of Karakalpakstan by increasing investment attractiveness, improving the business environment, and ensuring youth employment. Thus, In accordance with the Decree of the President of the Republic of Uzbekistan dated August 31, 2022 No. [213](#) "On Additional Measures to Improve the Well-being of the Population of the Republic of Karakalpakstan by Accelerated Development of Entrepreneurship, Innovative Technologies and Infrastructure," the main directions for the accelerated development of the region have been defined:

- improving the investment and business environment in the region, ensuring youth employment;
- increasing agricultural production and creating a favorable environment for agribusiness through the efficient use of land and water resources;
- creation of additional opportunities in the field of education and conditions for raising the development of human capital to a new level;



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- expanding the scope of social protection programs.

From January 1, 2023 to January 1, 2028, for business entities located in all districts of Karakalpakstan:

- tax rates on profit, turnover, property, and land tax from legal entities have been reduced by 50%;
- social tax is set at 1%;
- the social tax paid by individual entrepreneurs is reduced by 12 times for persons carrying out activities in the territory of cities, by 6 times - for persons carrying out activities in the territory of districts, and is set at one BCA per year. At the same time, these benefits do not apply to large taxpayers, permanent establishments, budget organizations and state enterprises, legal entities with a state share in the authorized fund (capital) of 50% or more.

From October 1, 2022 to January 1, 2028:

- 70% of transportation costs for the export of products, including when transporting purchased raw materials for the production of exported products through the republic, are covered by the Export Promotion Agency based on the list established by the Government Commission;
- a guarantee of up to 75% of the amount of the allocated loan, the total amount of which does not exceed 2.5 billion soums, will be provided from the State Fund for Support of Entrepreneurial Activity.

Loan funds will be provided to young entrepreneurs for the purchase of equipment necessary for production and provision of services, based on the decision of the Government Commission, directly through the Young Entrepreneurs Support Fund, for a period of 7 years.

In addition, a credit line is being allocated to commercial banks for the development of entrepreneurial activity and the organization of financing works within the framework of the project "Creation of small reservoirs in the Amu Darya delta. Phase II" at the expense of the Reconstruction and Development Fund in the equivalent of \$100 million.

Commercial banks allocate loans for projects in the production and provision of services in the amount of up to 10 billion soums at a rate of 14% per annum for a period of up to 7 years, including a grace period of up to 2 years (except for projects in the field of housing construction, trade, intermediary services, as well



as producers of excisable goods, state enterprises and legal entities with a state share in the authorized fund (authorized capital) and replenishment of working capital).

Also, as an exception, during the selection of the best offers for the implementation of a large investment project for the purpose of providing land plots directly for lease in the territory of Karakalpakstan from September 15, 2022 to January 1, 2025, the best offers in the equivalent of \$5 million will be considered. Non-agricultural land plots will be put up for electronic online auctions on the right of ownership with a 50% reduction in the initial cost.

New benefits for entrepreneurs in Karakalpakstan have been established By the Law of the Republic of Uzbekistan No. ZRU-845 dated June 12, 2023. "On Amendments to Certain Legislative Acts of the Republic of Uzbekistan Aimed at Improving the Investment and Business Environment in the Republic of Karakalpakstan." Thus, amendments are being made to the Tax Code of the Republic of Uzbekistan, providing for the reduction until January 1, 2028, of income tax, turnover tax, property tax, and land tax for business entities of the Republic of Karakalpakstan to 50 percent [4]. In addition, the social tax rate for legal entities carrying out entrepreneurial activity is set at 1 percent, and the social tax paid by individual entrepreneurs is reduced by 12 times for persons carrying out activities in the territory of cities, by 6 times for persons carrying out activities in the territory of districts, and is set at one basic calculated value per year.

In addition, amendments are being made to the Law of the Republic of Uzbekistan "On State Duty," providing for the exemption until October 1, 2027, from paying the consular fee and the state duty levied for registration at the place of temporary and permanent residence of foreign specialists (teachers) involved in the educational process of non-state educational organizations in the territory of the Republic of Karakalpakstan [5].

These measures serve to increase the investment attractiveness of the Republic of Karakalpakstan and the development of entrepreneurship.

The President of the Republic of Uzbekistan, speaking about the socio-economic development of Karakalpakstan, cited the following data (August 19, 2024): over the past five years, more than 50 benefits and preferences have been provided in the fields of industry, entrepreneurship, and infrastructure. In particular, the right



to directly allocate land for the implementation of investment projects has been introduced only in Karakalpakstan. Infrastructure is being brought to projects worth more than 50 billion soums. Due to the benefits, more than 2 trillion soums remained at the disposal of entrepreneurs. 44.5 trillion soums have been allocated to improve the region's business infrastructure. As a result, more than 25 thousand new business entities have appeared in recent years.

The number of enterprises with foreign capital is also increasing in Karakalpakstan. If in 2017 there were 73 foreign and joint ventures, today their number has reached 175.

Currently, more than 120 new large projects worth about 9.5 billion dollars are being implemented, which will give impetus to the region's economy. These projects will be launched in stages in 2025-2028. As a result, more than 20 thousand new jobs, production capacities worth 12 trillion soums, and additional budget revenues of 500 billion soums will be created.

The analysis conducted allows us to draw the following main conclusions:

State control and supervision play a key role in ensuring legality and protecting socially significant values, however, under market economy conditions, they require adaptation and optimization.

Deregulation as part of administrative reform opens up new opportunities for entrepreneurship development, especially in competitive sectors of the economy. This is manifested in the reduction of regulatory burden and the delegation of certain functions to non-governmental structures.

The experience of the Republic of Karakalpakstan demonstrates the effectiveness of targeted measures to create a favorable business environment: tax and financial benefits, investment incentives, infrastructure development, and the introduction of special legal regimes lead to the growth of business entities, attracting investments, and creating new jobs.

The balance between effective control and freedom of entrepreneurial activity is a crucial factor in sustainable economic development and social stability. It is necessary to further analyze and develop the legal regulation mechanisms that contribute to achieving this goal.



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