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## **PRIORITY AREAS OF INVESTMENT IN THE REPUBLIC OF UZBEKISTAN TO ACHIEVE DEMOGRAPHIC DIVIDEND**

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**Abstract.** The increase in the share of the working population in the next few years with a moderate number of dependents will create favorable demographic conditions for economic growth in Uzbekistan - the so-called demographic dividend, which could have a significant positive impact on increasing real incomes, helping to reduce poverty and increase stability. The probability of obtaining a demographic dividend is not guaranteed. To effectively implement it, it is necessary to stimulate economic growth and social development of the Republic of Uzbekistan, provided that adequate investments are made in human capital, the development of a flexible economic model, the introduction of innovative technologies and the expansion of opportunities for young people and women to participate in the socio-economic development of the country.

**Keywords:** dynamics of the working population of Uzbekistan; demographic dividend; investments; economic growth; social development.

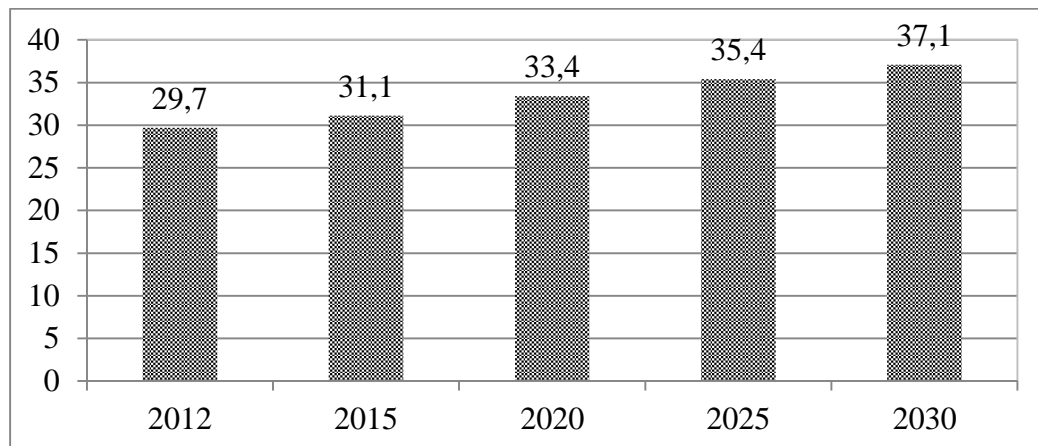
The current demographic dynamics of the Republic of Uzbekistan is characterized by a decrease in the birth rate, a decrease in the dependence coefficient, which, according to forecasts, will reach a minimum in 2030, and an increase in the proportion and population of working age, which, according to forecasts, will reach a maximum in 2048.

These trends lead to the age structure of the population, which determines the possibility of obtaining a demographic dividend. Many countries, especially the so-called "Asian tigers" in East Asia, have used increased human resources to achieve rapid economic growth and successful demographic dividends.

According to the Ministry of Employment and Labor Relations of the Republic of Uzbekistan, by 2035 the population of the country will increase by 1.3 times and amount to 43.6 million people against 33.9 million people of the permanent population of Uzbekistan as of January 1, 2020. The ratio of urban residents will increase from 50.6 to 58.7 percent, rural residents will decrease from 49.4 to 41.3 percent. The number of the male population will decrease from 49.8 to 49.5 percent, and the female population will go up from 50.2 to 50.5 percent.

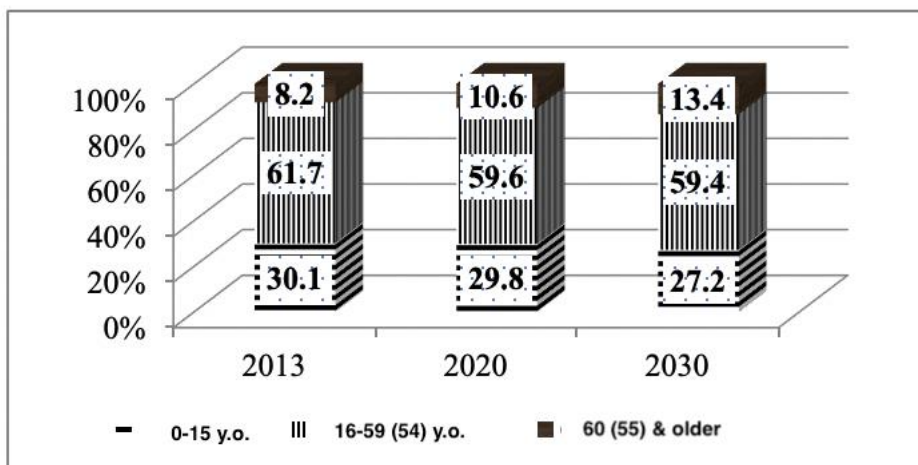
In Uzbekistan, despite a decrease in growth rates, a moderately expanded type of population reproduction will remain with an average annual growth rate of 1.3%, while the population will increase by the

beginning of 2031 to 37 million people (Fig. 1.). Overall for the period of 2013-2030, the absolute population growth will be over 7 million people.



**Fig. 1. The forecast of the average annual population (million people) [1]**

Over the past 25 years, a change in the age structure of the population has been observed in Uzbekistan. Fertility and infant mortality have reached a low and stable level. The country's population, although it continues to grow, has stabilized and remains young, and the proportion of dependents (children under the age of 15 years and people over 65) among the general population has declined (Fig. 2.).



**Fig. 2. Enlarged age structure of the population of Uzbekistan [1]**

Due to this change in the age structure of the population, Uzbekistan is at a stage that today can be classified as an “early demographic dividend”.

An increase in the share of the able-bodied population in the next few years with a moderate number of dependents will create favorable demographic conditions for economic growth, the so-called demographic dividend. It can have a significant positive effect on the increase in real incomes, as well as help reduce poverty. The demographic dividend is due to the fact that the able-bodied population is approaching its maximum number, which means fewer dependents. As a result, most of the national income can be directed to consumption, production and investment, which, in turn, will give impetus to development.

A recent study of economic growth factors shows that demographic shifts can largely explain the “economic miracle” in East Asian countries [2]. For example, it is estimated that a quarter of China's economic growth over the past thirty years is driven by [3] demographic changes. China was able to receive a demographic dividend in 1980-2010 by investing in the development of human capital and creating favorable conditions for increasing economic growth.

Given the current decline in the birth rate and an increase in the average life expectancy in the country, the window of demographic opportunities will be open for a short time. In the coming years, the population structure of Uzbekistan is expected to change significantly. The birth rate is currently around 2.2 babies for every woman of fertile age (15–49 years old), and in the next decade this indicator will fall to the replacement level (2.1), and then below the replacement level [4]. This trend implies that between 2015 and 2030, the proportion of children, currently at around 37 percent, will decrease significantly - to about 20 percent [4]. Such a change in the structure of the population has important consequences for the economy and society, since a smaller number of children in the period after 2030 will lead to a decrease in the number of able-bodied people in the second half of the 21st century. And after about fifteen years, there will be an increase in the number of disabled people in need of care, as the average life expectancy of the population will increase, and many representatives of the current able-bodied population will move into the elderly category.

The process of population aging is a characteristic of many countries with high or above average incomes, but soon this process can be observed in some countries with incomes below the average. In addition, given the high cost of caring for older people and the need for social security for them, the continued emigration of the able-bodied population, along with an increase in the number of elderly people, can slow down economic growth, becoming a significant burden for society.

Uzbekistan is at an important milestone. The country has favorable demographic conditions for obtaining economic dividend that could bring millions of people out of poverty and increase prosperity and stability.

Global economic trends are also quite favorable for economic growth in Uzbekistan, and, as the experience of countries that have managed to extract demographic dividend testifies, this is possible only if the combination of favorable conditions for economic growth and changes in the demographic structure of the population through a rational and far-sighted political course is successfully combined.

The probability of receiving a demographic dividend in Uzbekistan, although high, is still not guaranteed. As in other countries of Central Asia, to receive a dividend, it will be necessary to implement a targeted action plan with a long-term vision in order to maximize the present and future potential of children and youth, as well as plan how to take care of the growing number of elderly people in the future.

For the effective implementation of the demographic dividend, it is necessary to stimulate economic growth and social development of the Republic of Uzbekistan. Four priority areas of investment can be identified here:

- improving the quality of education, health care and nutrition to strengthen the country's human capital;
- prioritization of the development of a flexible economy and entrepreneurship;
- expanding access to technology and innovation;
- promotion of social and economic activity of women and youth.

In the direction of the implementation of these areas, measures are being taken to achieve demographic dividend:

- A smart-education system was developed, the implementation of which began in 2018, with the signing by the President of Uzbekistan of the Decree “On measures to radically improve the system of general secondary, secondary specialized and vocational education” [5];

- The Law “On State Youth Policy” [6] and the State Program “Youth - Our Future” were adopted;

- In 2018, the Decree of the President of the Republic of Uzbekistan “On measures to develop the digital economy in the Republic of Uzbekistan” [7] was adopted and, on this basis, the implementation of the program “Digital Uzbekistan-2030” was launched;

- In 2022, a census of the population of Uzbekistan is planned;
- A number of regulatory documents have been adopted that encourage the development of entrepreneurship, the promotion of measures that stimulate technological innovation, especially among young people.

Given that the period of demographic opportunities for Uzbekistan will be short, it is imperative that the country takes full advantage of the current

population structure, favorable for economic growth. All necessary investments must be made today, and especially with regard to investments in children and youth. In order to develop human capital, Uzbekistan needs to expand access and improve the quality of basic services, especially regarding the early development of children, secondary and higher education, the development of professional skills, as well as nutrition and health care for vulnerable segments of the population.

This will allow the country not only to maximize the likelihood of stable economic and employment growth in the near future, but also create a platform for the development of a more productive, innovative, inclusive and stable society in the long term.

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