

# PROSPECTS FOR THE DEVELOPMENT OF INTERNATIONAL OUTSOURCING IN UZBEKISTAN

Chari K. KHUSANOV\*

Abdulaziz B. ERKABOEV\*\*

## ABSTRACT

This article examines the role and prospects of outsourcing, including international outsourcing, in the economy of Uzbekistan. The possibilities of Uzbekistan to find its place in the international outsourcing market and become one of the important destinations of the international supply chain in the future will also be considered. Authors answer to the question in which areas is the development of outsourcing in the country assessed and what internal potential exists for this. In particular, referring to the results achieved in the field of IT outsourcing, it is believed that this area of the ICT sector serves as a technological factor for the development of other types of outsourcing, including outsourcing of business processes and knowledge transfer processes.

**Keywords:** International Outsourcing, Business Processes, BPO, IT-Outsourcing, KPO, Special Economic Zones (SEZ), Supply Chain.

## ÖZBEKİSTAN'DA ULUSLARARASI DIŞ KAYNAK KULLANIMININ GELİŞTİRİLMESİ İÇİN BEKLENTİLER

### ÖZ

Bu makale, uluslararası dış kaynak kullanımı da dahil olmak üzere dış kaynak kullanımının Özbekistan ekonomisindeki rolünü ve beklentilerini incelemektedir. Özbekistan'ın uluslararası dış kaynak kullanımı pazarında kendine yer bulma ve gelecekte uluslararası tedarik zincirinin önemli destinasyonlarından biri haline gelme olasılıkları da değerlendirilecektir. Yazarlar, ülkede dış kaynak kullanımının hangi alanlarda geliştiğinin değerlendirildiği ve bunun için hangi iç potansiyelin mevcut olduğu sorusuna cevap veriyor. Özellikle BT dış kaynak kullanımı alanında elde edilen sonuçlara atıfta bulunarak, BİT sektörünün bu alanının, iş süreçlerinin ve bilgi aktarım süreçlerinin dış kaynak kullanımı da dahil olmak üzere diğer dış kaynak kullanımı türlerinin geliştirilmesi için teknolojik bir faktör olarak hizmet ettiğine inanılmaktadır.

**Anahtar Kelimeler:** Uluslararası Dış Kaynak Kullanımı, İş Süreçleri, BPO, BT-Dış Kaynak Kullanımı, KPO, Özel Ekonomik Bölgeler (SEZ), Tedarik Zinciri.

**Citation:** KHUSANOV, C. K., ERKABOEV, A. B. (2024). "Prospects For the Development of International Outsourcing in Uzbekistan", *HABITUS Journal of Sociology*, (5), 173-192.

**Atıf:** KHUSANOV, C. K., ERKABOEV, A. B. (2024). "Özbekistan'da Uluslararası Dış Kaynak Kullanımının Geliştirilmesi İçin Beklentiler", *HABITUS Toplum Bilim Dergisi*, (5), 173-192.

Başvuru / Received: 25 Aralık 2023 / 25 December 2023

Kabul / Accepted: 16 Mart 2024 / 16 March 2024

Derleme Makale / Review Article.

## INTRODUCTION

Uzbekistan has been forming a unique local model in its economic development, both in its domestic economic policy and in its foreign economic activities, as well as applying the experience of advanced countries. In particular, in the transition to a market economy, it is going on a step-by-step, that is, an evolutionary path keeping the economy social oriented. One

---

\* Associate Professor, Department of Foreign Economic Activity and Tourism, Tashkent State University of Oriental Studies, Uzbekistan, E-mail: [chari\\_xusanov@tsuos.uz](mailto:chari_xusanov@tsuos.uz), ORCID Number: 0009-0006-0109-0337

\*\* Lecturer, Department of Foreign Economic Activity and Tourism, Tashkent State University of Oriental Studies, Uzbekistan, E-mail: [laziz09er@gmail.com](mailto:laziz09er@gmail.com), ORCID Number: 0009-0003-6175-2839

of the main problems is the integration into the world economy and at the same time the coordination of the development of domestic industry. It is clear that this transition process assumes certain choices and trade-offs.

The same situation has been observed in the last decades of the 20th century in countries of Southeast Asia, including Singapore, Thailand, Vietnam, India, when it comes to choose between export-oriented and imports substitution economic policies. According to the potential of its local industry, each country has moved to export-oriented policies at different times. The large domestic consumer market and resource-rich countries have traditionally taken this direction later compared to the countries with less land area and natural resources.

It is noteworthy that international outsourcing was founded in these countries at the same time. Taking into account the uniqueness of this process in each country, it can be said that the common aspect observed in all of them – outsourcing facilitated the transformation of the transition to a market economy. In particular, in India, although the liberalization of the economy began in 1991, as early as the 1980s, a service base was created in the ICT sector, as well as the activities of Free Economic Zones were strengthened and new ones were established. As a result, the flow of foreign investment into the country began. In the 2000s, a framework for Business Process Outsourcing (BPO) in the Philippines became a priority project as a measure to increase the employment of a large population.

In general, it is a notable process for the Asia-Pacific region to appeal to international outsourcing on its way out of the 1997 crisis, ending its import substitution experience and moving towards free market relations. Today, the region is the destination with the highest rates of Business Process Outsourcing (BPO) and IT outsourcing market.

### **The Definition of Outsourcing Market**

Outsourcing refers to the delegation a task or business process of a firm to another provider firm for a long period of time, that it previously used to perform. The purpose of transferring the secondary business process to another firm is to reduce the production costs and focus on primary tasks. In a competitive environment, any firm will be interested in outsourcing.

The Outsourcing market is a space where customers and suppliers of business processes meet. The order and supply of business processes at the international level is carried out in the international outsourcing market. In some places it corresponds to the concept of the international supply chain.

## **Prospects For the Development of International Outsourcing in Uzbekistan**

---

Outsourcing is referred to as Business Process Outsourcing (BPO), IT outsourcing and Knowledge process outsourcing (KPO), respectively, according to the delegation of business processes, information technology and knowledge-experience to external suppliers. This classification is widely used academically and practically despite being relative.

Internationally, traditionally, in the outsourcing market, developed countries may be perceived as customers and developing countries as suppliers. However, this approach is subjective, since it is mainly a process between companies, and not between countries. In particular, multinational companies are the main participants in the international outsourcing market from both supply and demand sides.

Nevertheless, cases of the state controlling the outsourcing market are common in many countries. For example, NASSCOM, a company specializing in outsourcing in India, was founded on a state initiative. The state also controls or authorizes EEZs for their free movement. Therefore, each country will have its own aspect of the outsourcing market.

The development of the outsourcing market was influenced by technological, economic and regulatory factors, among many factors. As a technological factor, the application of the ICT sector in industrial automation, as an economic factor, differences in the supply of production factors and resources, and as a regulatory factor, the regulation of foreign trade by countries around the world are considered.

Measuring and evaluating the outsourcing market is usually very complicated and sometimes impossible. This is due to the fact that outsourcing contracts are called differently in the accounting of enterprises, and in such conditions it is impossible to summarize the information about them. In addition, enterprises can delegate secondary tasks to external suppliers on the basis of a one-time contract, and not on a long-term contract. The level of development of the outsourcing market in a particular country can be estimated in:

- Development of semi-finished products and spare parts market;
- Through the semiconductor market;
- Increased share of the service sector in relation to goods;
- Activities of Special Economic Zones (SEZ);
- ICT products, including the application industry.

The development of the outsourcing market also associated with some indexes. In particular, the Global Service Location Index (GSLI) summarizes the indicators of four aspects

that create an environment for the development of the outsourcing market: financial attractiveness, business environment, level of population skills, level of digitalization.

### **Factors For Developing International Outsourcing Market in Uzbekistan**

In the development of the international outsourcing market for Uzbekistan, first of all, the experience of the countries of the Asia-Pacific and South Asia is significant. To do this, it is advisable to consider the following arrangements:

- Development of the ICT sector. Because in the experience of many countries, it was this area that created an environment for outsourcing, that is, it served as a technological factor;

- Professional and educational qualification of the population. One of the four criteria of the Global Service Location Index (GSLI) is known to be the population skills. As well as the reproduction of a narrow range of knowledge institutions, with a technological profile and specializing in engineering, the implication of the STEM (Science-Technology-Engineering-Mathematics) system in them;

- Increase the level of knowledge of foreign languages of international importance. It is clear that the level of knowledge of a foreign language is the main factor for the outsourcing of call-centers;

- Stimulate the activities of Free Economic Zones and establish new ones. Because for customers of outsourcing services, the privilege in special economic areas increases investment attractiveness;

- Infrastructure improvement in technoparks;

- Expansion of the country's international marketing activity, etc.

It is known that in developed countries, such areas as general humanitarian knowledge, law, finance, banking, consulting give them priority in the world market, and by competing with them in these areas, export potential cannot be developed. However, in these countries there's high demand to the types of services related to technological areas. Especially in a narrow range of technological services are in high demand not only in developed, but also in developing countries. In particular, many Chinese companies outsource business processes in a certain direction to India. In this regard, in addition to programming in Uzbekistan, the issue of specialization in auxiliary production at the first stage, and later in basic production in such areas as bioengineering, chemical technology, textile industry, crafts, metallurgy, mineralogy, optics should be studied.

### Special Economic Zones (SEZ)

It is noteworthy that there are many SEZs in countries recognized for the development of the international outsourcing market. For instance, about 417 free economic zones in India are known to be common in various states. Thus, industry is not concentrated only in large cities, but also provides employment in remote areas. And in the Philippines, it is estimated that 345 special economic zones operate despite the small size of the area.

Uzbekistan has been traditionally known for the Navoi free economic zone. After 2016, however, their numbers are increasing dramatically, and of these, 22 areas are becoming actively known to international investors, including Angren SEZ, Jizzah SEZ, Kokand SEZ, Namangan SEZ, Nukus-Pharm SEZ, Kosonsoy-Pharm SEZ, Boysun-Pharm SEZ, Bukhoro-Agro SEZ, etc. Specialisation is taking place in areas such as mineralogy, pharmacy, agro-industrial and commercial.

SEZs in Uzbekistan specialize in ICT, electrical engineering, textile industry, leather-shoe network, pharmaceutical industry, mechanical engineering, chemical industry. In particular, 156 companies in the textile industry are organized with the participation of state investors from countries such as South Korea, India, Singapore, Germany, Switzerland, Italy, Japan, USA, which, in addition to knitted products, produce medical-oriented goods, special workwear, cotton products.

In the mechanical engineering direction, 23 enterprises operate, producing components for cars and buses, trucks, including nodes, 1.2 and 1.5 liter engines, steering mechanism, steering wheels, seat belts, shock absorbers for light cars, car windows, etc., and services such as assembly of parts of cars, metal casting are provided (URL-1).

148 enterprises of the pharmaceutical sector operate in Uzbekistan, producing more than 2,000 drugs that belong to 35 pharmacological groups and are used in 28 directions of Medicine. Of these, the plant specializing in the production of insulin drugs is the only one in Central Asia. 35.5% of the capital of enterprises related to the pharmaceutical sector is the share of foreign partners. The main foreign partners were Abbott Laboratories SA (Germany), Arterium (Ukraine), Bayer Pharma AG (Germany), Gedeon Richter (Hungary), GSK Export Ltd. (UK), F.Hoffman La Roche Ltd. (Switzerland), Laboratoire Innotech international (France), Nijfarm (Russia), Takeda Osteurope Holding GmbH (Austria), Unifarm Inc (USA) and other pharmaceutical companies of international scale can be shown (URL-2).

In the Navoi free economic zone, in the share of a foreign investor not less than 15 percent and in other 33 percent cases, there is a privilege such as land tax, property tax and water tax and exemption from 2-year customs duties for the import of personal items, as well as the following benefits, depending on the amount of investment:

- 3 years for 0,3-3 million USD;
- 5 years for 3-10 million USD;
- 7 years for more than 10 million USD.

The largest projects in the Navoi free economic zone are:

- UzEraeCable LLC QQ (South Korea) - an organization that manufactures batteries, the tourniquet and cables for cars;
- UzEraeAlternator LLC QQ (South Korea) - an organization that produces a compressor and generator for cars;
- Telecom Innovations LLC QQ (Singapore, China) - an organization that manufactures TV tuners, ADSL modems and other devices ADSL (URL-3).

### **Foreign Language Proficiency**

In the development of the international outsourcing market, the level of knowledge of a foreign language of the population is important in such a way that differences in language can become an obstacle in outsourcing business processes and services such as consulting, call-center. In international outsourcing, the role of languages with the status of world languages in particular is great. In the countries with the developed international outsourcing market such as India, the Philippines one can observe high rates of foreign language proficiency.

According to the English Proficiency Index, which ranks internationally, Uzbekistan has been ranked 88<sup>th</sup>, 89<sup>th</sup> in recent years. In comparison, the Philippines ranked 22<sup>nd</sup> with 578 points in 2022, India ranked 52<sup>nd</sup> with 512 points, and China ranked 62<sup>nd</sup> with 498 points. Despite this result, Uzbekistan has been leading in Central Asia. For instance, the result of countries are as follows: Kyrgyzstan – 91<sup>st</sup> with 441 points, Kazakhstan – 99<sup>th</sup> with 420 points and Tajikistan – 106<sup>th</sup> with 397 points, while Turkmenistan did not participate in the ranking. Uzbekistan also has a higher result from the following advanced developing countries: Thailand – 97<sup>th</sup>, Azerbaijan – 92<sup>nd</sup>, Oman – 101<sup>st</sup> and Saudi Arabia – 102<sup>nd</sup> (URL-4).

Of course, in addition to English, it is also necessary to take into account the level of knowledge of such common languages as German, French and Russian in Uzbekistan. These languages were taught to the current older generation in schools as an alternative to English.

## Prospects For the Development of International Outsourcing in Uzbekistan

Also, among the current youth, the study of Korean, Turkish, Japanese, Arabic, Chinese in combination with English is gaining popularity.

### Export Components Referred to Outsourcing

The process of integration of Uzbekistan into international outsourcing can be estimated through its export structure. For this purpose, it is necessary to refer to the indicators that represent quantitative and qualitative changes in the composition of exports. As it is known, in terms of total content, the share of finished and semi-finished products is increasing in the exports of our country, compared to shares of agriculture and raw materials.

By highlighting content specific to outsourcing, however, it is possible to evaluate outsourcing trends. In particular, while the share of fixed assets (except vehicles) in the export structure is high by 2016, in the period after 2016, their share of components and devices is increasing. In this composition, the export volume of spare parts and devices of vehicles can also be seen to increase dramatically after 2019.

Such a process can also be observed in the field of services. According to the World Trade Organization, Uzbekistan's exports of commercial services reached \$1.821 billion in 2011 to \$3.075 billion in 2019, with a base growth of 168.9%. However, in 2020, like the rest of the world, the base change due to the Covid-19 pandemic was less by 17% and the annual change was less by 54.9%. In 2021, however, there was a revival in the process, with a base increase of 123.3% and an annual increase of 32.7% (Table 1).

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Export (mln. \$)	2117	2425	2343	2337	1887	2231	2731	3075	1693	2246
Base growth	1,162	1,145	0,966	0,997	0,807	1,182	1,224	1,126	55,1	1,327
Annual growth	1,162	1,332	1,287	1,283	1,036	1,225	1,499	1,689	93,0	1,233

**Table: 1. Commercial services exports of Uzbekistan in 2011-2021 (mln. USD) and its base and annual growth (WTO 2022).**

We can also assess the situation when the export content cannot be fully reflected through the country's GDP content. Because international outsourcing is not only reflected in foreign economic activity, but also has a share in the activities of foreign companies in the country, as well as in domestic outsourcing. Among the products and services developed in the country, but not purchased for final consumption, there will most likely be intermediate products that were realized under an outsourcing agreement. In fact, most of today's production

processes are either based on domestic auxiliary production or related to external production. Not only large businesses, but also medium and small businesses do not have the full production potential of goods and services.

### **The Service Sector**

As it is known, in the large business industry, auxiliary production is established. In particular, to compensate for the energy-related need in heavy industry, the production of steam and logistics warehouses are built. However, it is not possible to organize auxiliary production in all large, and especially medium and small businesses. For this, they lack such basic tools as land, transport and equipment, as well as personnel specialized in auxiliary production. Construction firms also purchase services such as ready-made concrete and scrap cement along with building materials. Even the construction process is being carried out with the cooperation of small subcontractors. And in the field of Medicine, individual orthopedic devices and prostheses are not made directly in an orthopedic clinic but are ordered to a specialized technical service. Maintenance can also be insured into the clinic.

<b>GDP components</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
ACT services	116,0	114,6	121,3	115,9	108,3	123,8	126,4
Financial services	130,6	119,8	136,5	121,5	147,0	125,6	128,0
rental and leasing services	113,8	117,6	102,1	110,4	98,3	98,4	118,7
Services in the field of architecture, engineering research, technical testing and analysis	106,6	115,3	124,7	118,1	115,5	93,3	117,9
Textile production	110,5	109,0	100,5	107,4	105,3	117,4	119,5
Publication and reflection of written materials	115,2	134,4	106,3	96,2	98,1	76,3	127,8
Chemical industry	107,5	132,7	94,0	97,2	102,3	107,6	107,0
Repair and installation of machinery and equipment	102,5	88,1	103,3	94,0	101,2	100,9	122,3

**Table: 2. Annual growth rates of products and services in the GDP of Uzbekistan (in percentage) (URL-5).**

Among the products that display the indicators of Table 2, it can be assumed that the products and services purchased under a subcontractor or outsourcing agreement are sufficient. According to their content, they are involved in the process of adding value production. Of course, among them there are also those intended for the final consumption of the population.



## Prospects For the Development of International Outsourcing in Uzbekistan

It is also unlikely that there is a share of the order in the form of outsourcing, even among goods and services intended for final consumption in terms of content, which is not reflected here. Including in such chapters as “devices and priceps”, “computer and optical products” for motor transport. There is an annual increase in almost all indicators except for 2020, the period of quarantine restrictions.

The main aspect to pay attention to these indicators is that Uzbekistan has an industrial base for the development of outsourcing. Only by improving them, investing in basic funds can it be redirected to outsourcing. In addition, the need for specialists who can carry out industrial complexes in accordance with the requirements of World standards is another issue. In the process of outsourcing, strong narrow-circuit specialists are also necessary in some directions, along with employees capable of performing mechanical work. Because the ultimate goal of outsourcing is not only to reduce costs by cutting business processes, but also to have high-quality complements. Even if the orders automatically secured by universal workers are cheap, it is unlikely that the final product will bring down the market price. So, the next issue is to what extent the composition of personnel specializing in outsourcing processes is suitable in Uzbekistan.

### Information Technology

The number of people employed in IT industries in Uzbekistan has a steady growth trend in recent years, both throughout the Republic and in the city of Tashkent (Table 3).

Year	2015	2016	2017	2018	2019	2020	2021
Total	33 413	34 478	37 958	40 248	47 697	50 157	53 782
Annual growth	-	1,03	1,10	1,06	1,18	1,0515	1,0723
Tashkent	18 754	19 860	22 699	24 389	29 674	30 142	34 687
Annual growth	-	1,06	1,14	1,07	1,22	1,0158	1,1508

**Table 3. The number of employees in ICT and their annual growth in the given years (URL-6).**

Indicators in Table 3 reflect the dynamics of the number of employees employed in the ICT sector in 2015-2021 throughout the country and the city of Tashkent and their growth rate. Their number in 2015 is growing from 33,413 people to 53,782 people by 2021, while the five-year change is 49%, from 18,754 people in Tashkent City to 34,687 people, with a total change of 65%. Also, while those operating in the capital account for 56.13% of total employees, in

2021 this figure is 64.5%. The city of Tashkent is leading in terms of growth trend. This may be due to the large number of workers coming to the capital from other regions of the Republic.

### **Regional Outsourcing Market Effect**

In addition to the above domestic factors, the global-regional trend of this market can also be affected for the development of the international outsourcing market in Uzbekistan. The international outsourcing market is cited in regionalized studies as the most promising regions of South-East Asia, South Asia and Central Asia. Uzbekistan has also been ranked on this list. The fact that recently our country has increased trade economic relations not only with nearby, but also with distant foreign countries confirms the conclusions of this study. For instance, EPAM, Oracle Technology Day (2.04.19), IDC forum (25.10.2022), which took place on February 23, 2019 in Tashkent, as well as the participation of Huawei, ZTE companies will lay the foundation for the development of IT and BPO.

Thus, Information Technology is the most primary locomotive of modern business operation, bringing about a technological change in each area.

### **IT Outsourcing and BPO**

Like the rest of the world, the ICT sector in Uzbekistan is one of the most attractive and promising sectors of the economy. Special government programs are adopted for the development of Information Technology and investments are made to create infrastructures. The importance of IT outsourcing is also due to the fact that it is associated with ICT.

Modern developed countries, in particular the US economy, are represented by hi-tech companies included in NASDAQ such as Microsoft Inc, large IT companies like Google Alphabet, and their trillions of US dollar capitalizations. It is also good to use the experience of advanced countries when there is a question of growing IT industries that, alternatively, only increase GDP through IT services and have a high goodwill. Even in the 1960s, when the IT field was still abstract in the United States, it is known that there were people who devoted themselves to the IT field, despite of the alternative highly promising professions such as lawyer, financier, engineer, doctor. Even if their clay did not have commercial significance nor in the prospect, IT pioneers managed to establish a community of computerists, continuing their research in “garages” with stability. Of course it should also be noted that there was also good investment environment.

In India, Mexico and other developing countries, creating their own computer industry to substitute imports, although the first step was achieved, the lack of capital began to hinder

their development and, consequently, the emphasis on software. The success of the computer industry in China is due to the fact that along with the large domestic market, manufacturers have grown software to foreign large computer corporations.

Thus, summing up the fact that ICT sector in Uzbekistan in developing process and the past experiences newly industrialized countries, it is preferable to directly switch to creating IT services and software that are relatively low-cost and at the same time not at high risk, without repeating the long and costly experience of developed countries. While profitability of IT industry is not less than the profitability of electronics industry, there is an option to sale it directly or through M&A practice in the case that project does not justify itself. The most effective experience of developing IT and software industries is IT outsourcing.

And it is preferable that the industry is already focused on textiles, mineralogy and agribusiness, suitable for our production potential. However, it should be noted that there were attempts to develop smartphones in the country. It is necessary not to exclude that this experience will be the foundation for the mobile hardware industry in such a perspective as the household appliances industry. After all, the diversified national economy is justifying itself in the context of new global challenges. IT outsourcing, on the other hand, has been shown by foreign experience to serve these industries as locomotives.

The answer to the question of why IT outsourcing should be emphasized, and not IT services, is that IT services are directed directly to the final consumer, and IT outsourcing to producers on a long-term contract. Developers who have made the first step into the IT services market are likely to lose their business mood by not being able to withstand competition. Outsourcing to experienced IT providers allows one to create a base while collaborating.

The first problem faced by those who have started IT outsourcing activities may be finding companies willing to delegate a business process and not following the contract even if they find foreign customers. The next problem is the violation of intellectual law, since in the information field it is easy to master it without the author's permission. Referring to foreign experience in measures to prevent such problems, organizations such as NASSCOM in India and platforms such as UpWork have been launched in the US to coordinate mutual negative among IT outsourcing providers and customers, set contracts and solve such cases.

In Uzbekistan, in cooperation with information technology companies from countries such as India, the issue of establishing an Information Technology Park on the basis of their advanced experience in software development, acceleration of startups has entered the agenda.

In this way, on the initiative of the president of the Republic of Uzbekistan Shavkat Mirziyoyev, an IT Park was created with the aim of improving the startup ecosystem and implementing startup projects in our country.

On July 24, 2019, the first IT park in the Republic of Uzbekistan opened its doors in Tashkent. In this short time, IT Park has made 28 new startups, creating dozens of projects in the field of information technology, as well as holding trainings, seminars and meetings in order to stimulate the country's youth, increasing the country's interest in this area and developing computer literacy among the population.

As its main activity, IT park specifically lists the following:

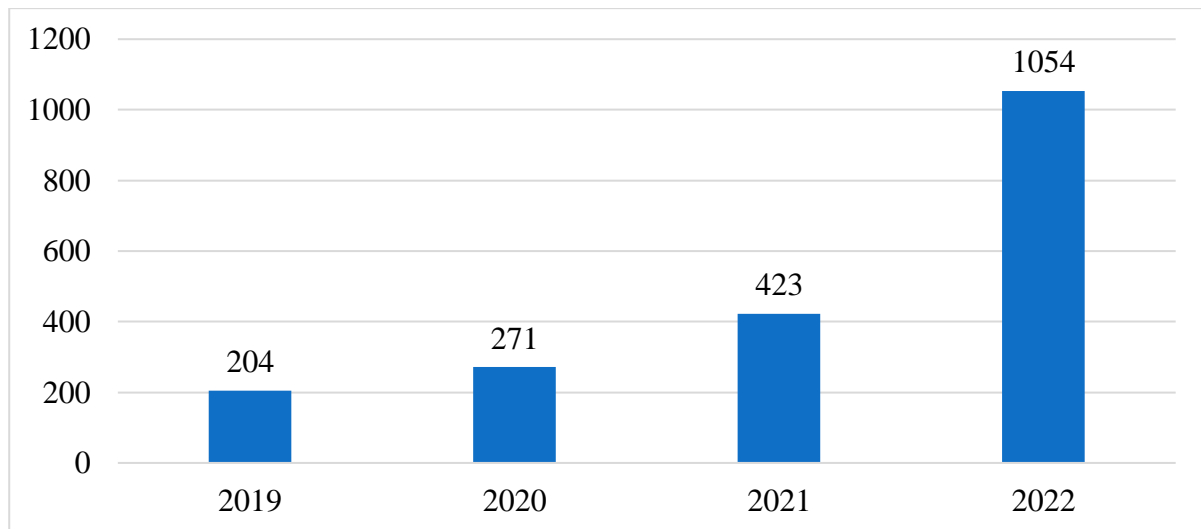
- Outsourcing;
- Startups;
- Residency;
- Holding events related to Information Technology;
- Education and content creation in the IT field.

IT Park is a complex of facilities, buildings and structures designed to ensure the launch and marketability of promising startup projects, a territorial free economic zone for IT companies, including integrated with scientific and educational organizations. Active and talented people in the IT field are having a real opportunity to turn their ideas into real business projects through the support of accounting, legal, marketing and education.

On the basis of the decision of the president of the Republic of Uzbekistan in 2017 “measures to radically improve conditions for the development of the field of information technologies in the Republic of Uzbekistan”, IT Park residents were given some important tax benefits (URL-7).

As a result, by 2020, the range of services operated by IT-Park residents increased from 4 to 18. Resident services increased by 191% in 2020 compared to 2017. And in 2021, the number of IT companies that are its residents was 450, including 387 residents in Tashkent, 12 residents in the Bukhara Region, 7 residents in the Kharezm region and 7 residents in the rest of the regions. The composition of IT park residents has also changed rapidly, bringing the number of residents to 1,024 in 2022 (Figure 1).

## Prospects For the Development of International Outsourcing in Uzbekistan

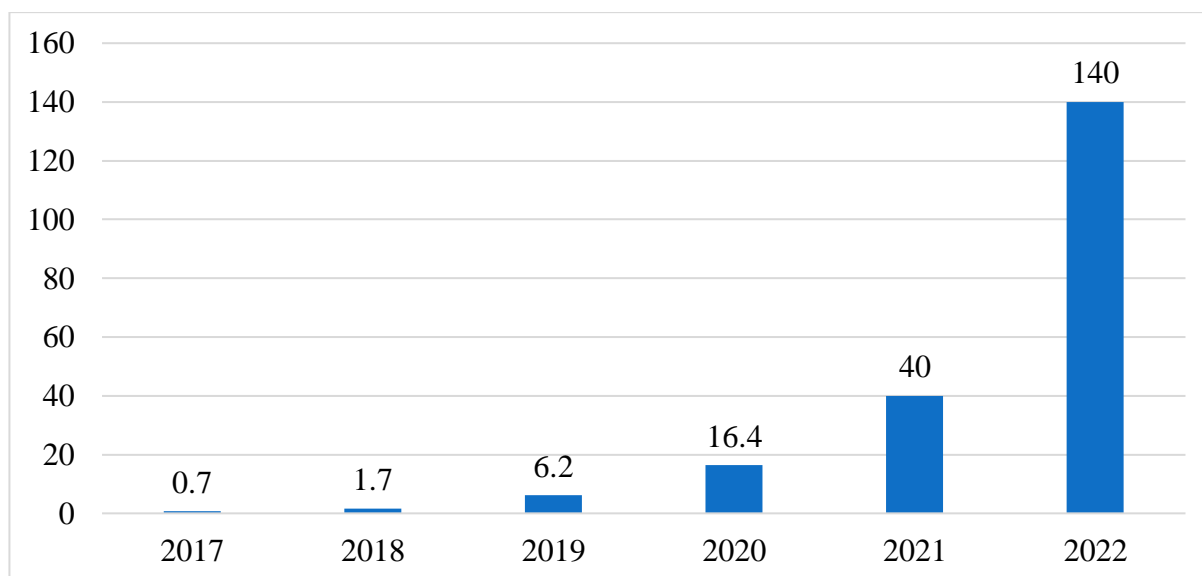


**Figure: 1. The number of IT-park residents in the given years (URL-8).**

Figure 1 presents the dynamics of growth of IT park residents between 2019 and 2022. In 2022, it can be observed that their number increased more than 5 times compared to 2019, and almost 2.5 times compared to 2021. It is known that in 2022, many programmers from the CIS countries are moving their work to Uzbekistan.

Along with the amount of residents, quantitative and qualitative changes are observed in the number of employees in them. In particular, in 2021, the number of total employees in residents was 9,850, of which there were 7,400 programmers. In 2022, however, the number of employees has reached a staff of 18,000 with an annual growth of 183%.

The volume of exports of IT services in Uzbekistan is also increasing. The volume of IT services exported by IT Park residents increased by 2.6 times in 2019, compared to the previous year. In 2022, exports reached \$140 million, increasing 3.5 times compared to 2021, and 200 times compared to the first period in which the IT Park was founded (Figure 2).



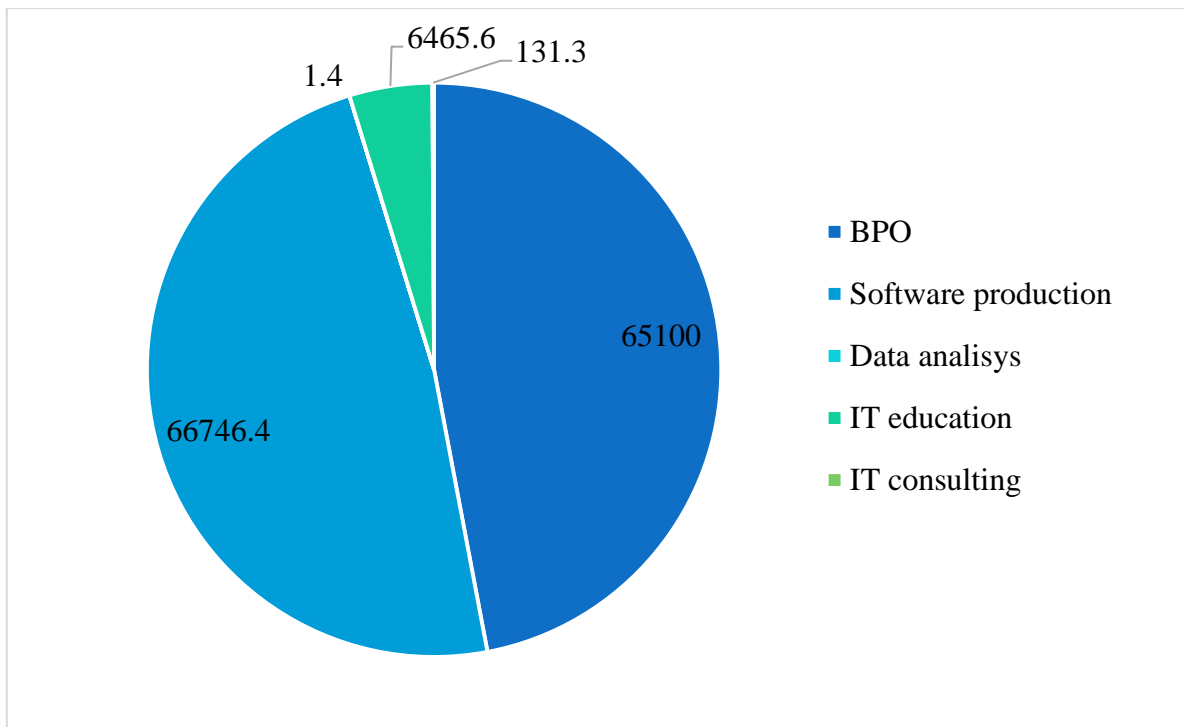
**Figure: 2. Dynamics of the volume of services exported by IT-Park residents in 2017-2022 (In million US dollars) (URL-9).**

Today, 62 companies among 450 residents of IT Park are considered export-oriented, as well as 20 more companies in 2021 plan to enter the world market once their projects are successfully implemented within the country.

In Uzbekistan, it is necessary to consider the possibility of organizing an outsourcing market in the following areas:

- IT outsourcing, in particular, offshore IT outsourcing;
- Medicine, diagnostics and pharmaceuticals;
- Textile and leather industry;
- Electronic sales, packaging and delivery;
- Autstaffing, i.e. Human Resource Management (HRM);
- Finance, Accounting and audit;
- Chemical industry, scientific research and laboratory work;
- Logistics, tourism and consulting;
- Agroindustry and others.

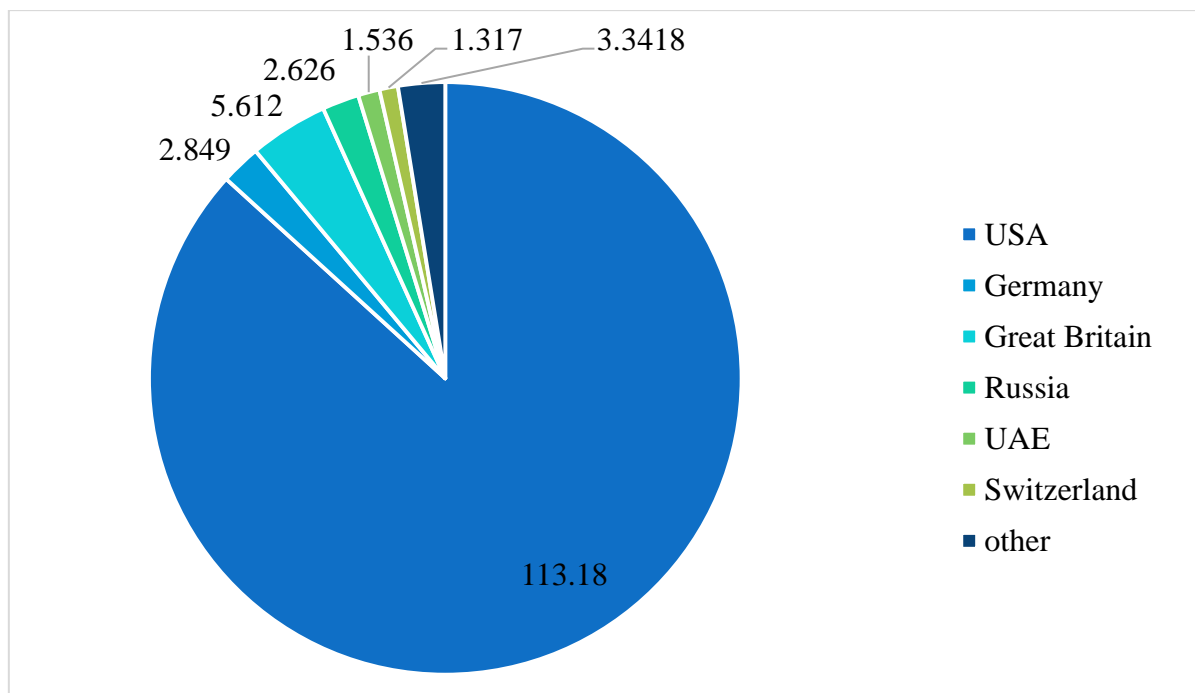
Of course, these areas are considered the traditional areas of outsourcing, but using it as an experience on a small business scale can serve as the foundation for innovative areas such as Cloud, IoT. Looking at the export content of the IT Park in this regard, we can observe that the share of BPO is also high (Figure 3).



**Figure: 3. Distribution of export content made by IT Park residents (in Thousand US dollars) (URL-10).**

Figure 3 shows the share of services exported by IT park residents in 2022. Being \$65 million BPO has the highest share.

Looking at the addresses of IT park Exports in 2022, we can see that they are not only geographically close, but also located in different regions around the world (figure 3.2.4). In particular, 81% of the exports of IT park residents corresponds to the United States and the rest 19% to the United Kingdom, Germany, Switzerland, Russia and other countries. This situation expresses the uniqueness of IT services, since there is an opportunity to export them to the most remote countries without any transportation costs, in contrast to material goods and traditional types of services (Figure 4).



**Figure: 4. Main addresses of IT-Park exports during 2022 (in million US dollars) (URL-11).**

At the same time, it should be said that the IT park is experiencing qualitative and quantitative increases not only in terms of exports, but also in the provision of services to the population. Including a total of 2,542 trln in 2021. The sum was served by 1,345 trln of them. Some software development and 288 crore. Some BPO is on line with type services.

In Uzbekistan, along with the IT park, as well as on the initiative of the president of our country Shavkat Mirziyoyev, many projects and practical works are being established to develop the digital economy and IT sector. In particular, the construction of new techno-parks, the announcement of a selection of startups between educational institutions and the population, the launch of the project “one million developers”, the government reimbursement of the costs of obtaining certificates in the IT field, etc. (URL-12). Within this project the [uzbekcoders.uz](http://uzbekcoders.uz) portal is launched, which allows to get distance education in the following four areas:

- Data analysis (data analysis);
- Android apps developing;
- Programming web applications;
- Production of a complete cycle of software.

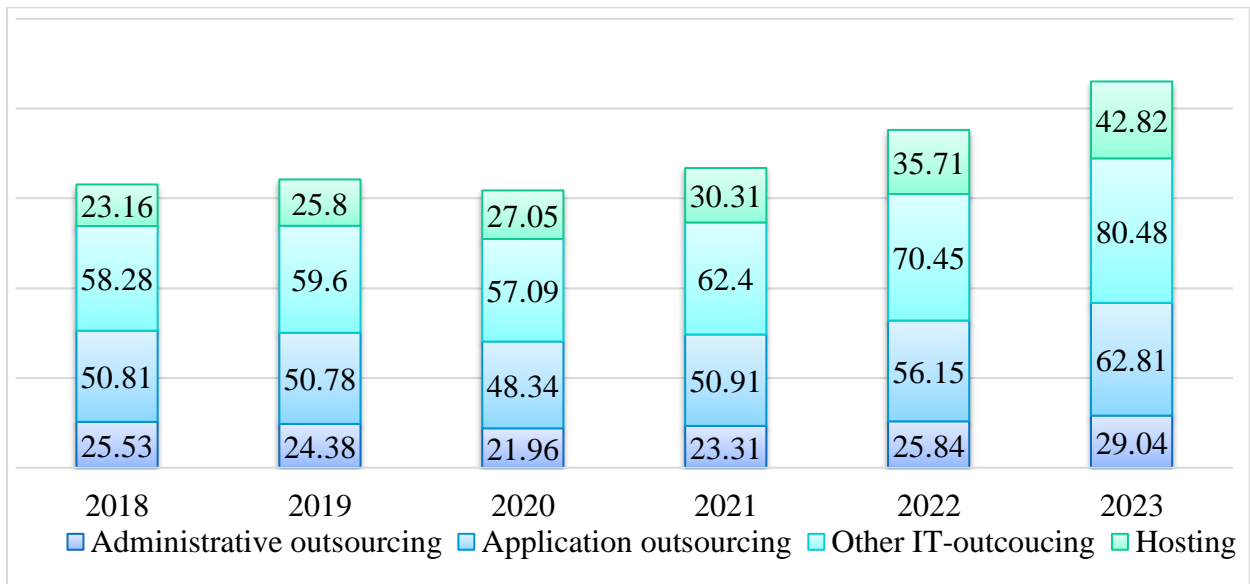
At the time of its launch, the project registered 2.5 million people, of whom 1,750,000 completed the courses with success and were certified. During the implementation of the



## Prospects For the Development of International Outsourcing in Uzbekistan

project, about 20 competitions were held and 370 grants were allocated for training in “Udacity Nanodegree”. In the near future, it is no doubt that such projects will pay off and give way to existing and new directions in the outsourcing market.

Finally, we consider foreign statistics and forecasts for IT outsourcing in Uzbekistan. In particular, according to Statista, in 2023, IT outsourcing revenue in Uzbekistan is estimated to be \$215.2 million, and forecasted to reach \$346.2 million by 2027 year. IT outsourcing revenue was projected to grow at an annual average of 12.62% between 2023-2027. In this study the dynamics of expected annual earnings on the main areas of IT outsourcing, in particular, administrative outsourcing, application outsourcing, internet hosting, etc., are also presented (Figure 5).



**Figure: 5. The volume of expected revenues for IT outsourcing and their types in Uzbekistan in 2018-2023 (In million US dollars) (URL-13).**

Looking at Figure 5 indicators, among the types of IT outsourcing, app outsourcing has the largest share in all years. For instance, in 2018, the outsourcing of applications amounted to \$50.81 million and estimated to be \$62.81 million in 2023. It is expected to reach \$92.92 million in 2027.

From the indicators in Table 3.2.1, it is known that application outsourcing is manifested as the type of IT outsourcing with the most costs when calculating for each employee. In particular, it is was \$3.37 in 2018 and is becoming almost twice as expensive as administrative and internet hosting. In 2027, the cost of app outsourcing is expected to reach \$5.46 per person, as well as increase dramatically with internet hosting reaching \$4.93.

<b>Yillar</b>	<b>Administrativ outsorsing</b>	<b>Ilovalar outsorsingi</b>	<b>Boshqa turdagi IT outsorsing</b>	<b>Internet hosting</b>
2018	1,7	3,37	3,87	1,54
2019	1,6	3,32	3,90	1,69
2020	1,42	3,12	3,69	1,75
2021	1,49	3,25	3,98	1,93
2022	1,63	3,54	4,44	2,25
2023	1,81	3,91	5,01	2,67
2024	2,02	4,32	5,66	3,17
2025	2,24	4,76	6,37	3,75
2026	2,45	5,18	6,81	4,36
2027	2,61	5,46	7,35	4,93

**Table: 4. Expected per capita costs of IT outsourcing employees in Uzbekistan (in \$)  
(URL-14).**

The above aspects are increasing the export of IT services from year to year. If in 2021 the number of BPO companies in Uzbekistan was 45, by 2022 the number had grown to 145. A new direction of the BPO, namely insurance services outsourcing is developing in Uzbekistan. In particular, Effika Corporation has signed a memorandum with IT-park (URL-15).

## **CONCLUSION**

Thus, Uzbekistan has opportunities and problems to enter the outsourcing market. The use of Information Technology among the population of Uzbekistan is observed quantitatively and qualitatively. This allows their IT-outsourcing orientation. There is also an increase in the export of intermediate products of Uzbekistan. This process can give our country a place in the international supply chain and attract potential outsourcing customers. The main problems are the fact that Uzbekistan's share in the world economy is relatively small, and the level of knowledge of English among adult skilled labor force is slightly lower than the world standard. Nevertheless, among Central Asia and a number of developing countries, the results are relatively high and the level of English proficiency among young people is growing.

There are opportunities for the development of international outsourcing in Uzbekistan and some problems in its path. The possibilities can be seen on the basis of economic, technological and regulatory factors, depending on the experience of abroad. The high proportion of working people among the population of Uzbekistan, the predominance of foreign language proficiency in the region and some Asian countries, the increase in exports of spare

parts and semi-finished products, and the increase in the number of SEZs can be assessed as an opportunity to strengthen integration into the international supply chain. Among the problems, Uzbekistan's inability to reach the Sea directly, negative aspects of outsourcing, including unemployment, can be seen.

IT outsourcing is also expected to serve as a technological factor for the development of the outsourcing market in Uzbekistan. Indeed, on the example of IT-Park activities, it can be seen that in its service and export structure, not only software is growing, but also the volume of BPO-type services. This process is also laying the groundwork for the development of knowledge outsourcing (KPO) in Uzbekistan along with the BPO.

### REFERENCES

- Cassidy, G. (1994). *Contacting Out*, Kingston: Ontario.
- Erkaboyev, A. B. (2022). Zamonaviy Moliya Bozorida Outsorsing “O‘zbekiston Iqtisodiyotini Rivojlantirishning Ilmiy Asoslari Va Muammolari” Ilmiy-Tadqiqot Markazi Tomonidan O‘tkazilgan “Moliya Bozorini Rivojlantirishning Ustuvor Yo‘nalishlari, Zamonaviy Tendtsiyalari Va Istiqbollari” Mavzusidagi Ilmiy-Amaliy Konferentsiyasi Materiallari, TDIU: 740- 741.
- Gardiner, S. C., Blackstone, J. H. Jr. (1991). The “Theory of Constraints” and the Make or Buy Decision, *International Journal of Purchasing & Materials Management*, 27 (3), 38-43.
- Grossman, G. M., Helpman, E. (2005). Outsourcing in the Global Economy, *Review of Economic Studies*, 72, 135-159.
- Kadirova, Z., Azizova, N. & Erkaboev, A. (2021). *Modern Trends in IT Outsourcing*, Toronto: Design Engineering.
- Kadirova, Z., Azizova, N. & Erkaboev, A. (2022). Measuring Global Outsourcing and Its Effect on Firms’ Productivity, *Hunan University Journal*, 49 (12), 1566-1571.
- Karmakar, U. (2004). Will You Survive Service Revolution?, *Harvard Business Review*, 82 (6), 100-138.
- Monczka, R. M., Handfield, R. B., Giunipero, L. C. vd. (2000). *Purchasing and Supply Chain Management*, South-Western: Cengage Learning.
- Sloan, A. P. (1965). *My Years with General Motors*, Crown Currency.
- UNCTAD. (2023). *Handbook of Statistics 2022*, USA: United Nations.
- URL-1: <https://invest.gov.uz/uz/investor/> (Erişim: 15.02.2024).
- URL-10: <https://www.it-park.uz/news> (Erişim: 25.01.2024).
- URL-11: <https://it-park.uz/uz/itpark/news/2022-yilda-rezidentlar-eksporti-hajmi-140-millionga-yetdi> (Erişim: 18.02.2024).
- URL-12: <https://uzbekcoders.uz/> (Erişim: 15.02.2024).
- URL-13: <https://www.statista.com/outlook/tmo/it-services/it-outsourcing/uzbekistan> (Erişim: 01.02.2024).

- URL-14: <https://www.statista.com/outlook/tmo/it-services/it-outsourcing/uzbekistan> (Erişim: 07.02.2024).
- URL-15: <https://it-park.uz/ru/ii-ekonomicheskij-forum> (Erişim: 10.02.2024).
- URL-2: <https://invest.gov.uz/uz/investor/farmatsevticheskaya/promyshlennsot/> (Erişim: 29.02.2024).
- URL-3: <https://navoi.uz/uz/menu/navoj-erkin-iqtisodij-zonasi> (Erişim: 01.03.2024).
- URL-4: <https://www.ef.com/ca/epi/> (Erişim: 30.01.2024).
- URL-5: <https://stat.uz/uz/rasmiy-statistika/> (Erişim: 22.02.2024).
- URL-6: <https://stat.uz/uz/rasmiy-statistika/labor-market-2> (Erişim: 22.02.2024).
- URL-7: <https://lex.uz/docs/-3324016> (Erişim: 15.02.2024).
- URL-8: <https://it-park.uz/ru/itpark/residents/itpark-residents/> (Erişim: 03.02.2024).
- URL-9: <https://www.ictnews.uz/01/04/2021/it-park2020> (Erişim: 25.01.2024).
- World Trade Organization. (2022). *World Trade Statistical Review 2022*, Chapter 5: Statistical Tables: 177.
- Аникин Б.А., Рудая И.Л., (2009). Аутсорсинг и Аутстаффинг: высокие технологии менеджмента. – М.: ИНФРА-М, 327 с.
- Хейвуд Дж.Б. В поисках конкурентных преимуществ: Пер.с.англ. – М.:Вильямс, (2002). 242 с.
- ЮНКТАД. Доклад о мировых инвестициях (2019). – Нью Йорк и Женева, 51 с.