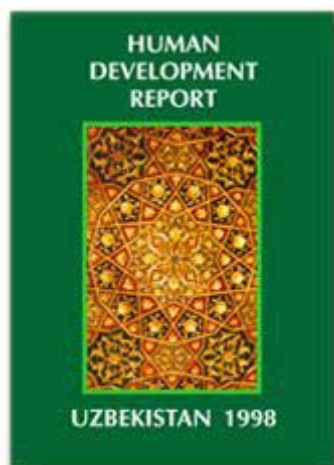


NATIONAL HUMAN DEVELOPMENT REPORT 1998



Human development is seen as the key to social development: this guiding principle is central to the national and global human development reports prepared annually by many countries under the auspices of UNDP. Despite the seeming simplicity of this concept, its implementation demands the political will and wisdom of governments prepared to consider economic growth as secondary to human needs.

Human Development Reports have been prepared annually in Uzbekistan since 1995. The main aim of the Report is to analyze human development policy pursued in the country and determine the best ways to apply it. The report does not try to direct state policy but rather seeks to focus public attention by highlighting human development issues and other problems in society and suggesting ways of solving them.

The main goal of this, the 1998 report, is to analyze the role of the state in economic, social and democratic reforms in the period of transition to a market economy. State policy in Uzbekistan is strongly socially oriented. Social policies are being implemented throughout the country today with programmes on gas and drinking water supply; development of rural infrastructure; development of small and medium businesses; aid to poor families and large families; training programmes in education, health, law, etc., many of which are expanded upon in the following pages.

Uzbekistan is undoubtedly facing both difficult and long term problems in the field of welfare and social development. The government is continually working towards identifying and preventing these and other problems, anticipating and cushioning their possible negative effects and devising measures to overcome obstacles on the way to further human development.

Many academics, civil servants and independent experts have been involved in the preparation of this report. The wide range of views and analyses they have brought to the project have provided rich material for constructive discussion of the problems society faces. Their contribution is a valuable tool in deciding the best methods to apply to ensure the progressive development of society.

CHAPTER 1

TRENDS IN ECONOMIC AND HUMAN DEVELOPMENT

1.1 The role of the State in economies in transition

1.1.1. The need for the State to take a leading role

The Government of Uzbekistan considers it vital that the State plays an active role in the development of the economy and in ensuring sustainable human development during the present period of transition from a command to a market-directed economy. This approach seems to be wholly justified by an analysis of the experience of the countries of the former soviet empire in the period since independence.

1.1.2. The experience of the CIS states

The experience of the CIS countries has a number of common features from which lessons can be drawn:

First, it has been demonstrated that a market economy cannot be created overnight. All attempts to establish such a system within an unduly foreshortened time frame (as in the well-known "500 Day Programme") now appear as naive at best. It has become evident that a lengthy transition period is required for the necessary institutional and structural changes to be introduced and take root.

Second, experience has shown that during the transition period, the population has come under a great deal of pressure resulting in considerable social tension. This reflects the following factors:

- The inability of large sections of society to adjust to the new market system;
- Increases in income differentiation; and
- An aggravation of poverty resulting from the rapid growth of structural unemployment.

Third, it has been found that the financial resources of the State tend to decrease sharply as a result of a decline in output caused by changes in the relationship of the various economic sectors. The State is, therefore, less able to participate in social programmes or to support activity to promote human development, health, education or culture.

Fourth, there is a real danger of increasing criminality and the emergence of Mafiosi structures. This is a particular phenomenon of the privatisation of former public property.

Fifth, the major changes that have taken place in the world economy of recent years have made it difficult for countries that are in the process of adapting to a market-directed economic order to achieve competitiveness on the world markets. There is, thus, a danger of them slipping to the bottom of the world economic hierarchy.

Sixth, Economic difficulties can encourage the emergence of chauvinistic forms of nationalism and religious fanaticism and promote conflict between various social groups and layers of society.

Box 1.1. Human development and economic reform

For some time, an excited debate has been going on over whether the adjustment process is consistent with human development. It is time we settled this debate: any adjustment process is a dismal failure if it does not protect and advance human development. One school of thought believes that adjustment policies and growth with human development are antithetical and cannot be made compatible in a national policy framework. It argues that adjustment requires short-term demand management, while growth requires long-term supply expansion. It argues that adjustment policies require the correction of price distortions, a greater role for the market mechanism and less government intervention - a conscious

withdrawal of the government presence from the economy. By contrast, human development requires more government intervention and a greater government presence, particularly in education and health...

Policy actions must be taken to ensure that people participate fully in the operations of markets and share equitably in their benefits. Markets must be made people-friendly. This is where the state comes in - not to replace markets but to enable more people to share market opportunities. The state has a major role in levelling the playing field - by improving the access of all people to human resource investments, productive assets, credit facilities, information flows and physical infrastructure. The state also has to serve as a referee - correcting the price signals and the incentive system, disallowing the exploitation of future generations for present gains (as in the case of the environment) and protecting the legitimate interests of producers, consumers, workers and vulnerable groups in society. In addition, the state must extend a social safety net to the victims of the market-place for temporary periods - to enable them to get back into the market to take advantage of its full opportunities.

Reflections on Human Development

Mahbub ul Haq

Oxford University Press, 1995

1.1.3. *The role of the State CIS models*

The Government of Uzbekistan observes that, on achieving independence from the former USSR, the CIS countries tended to adopt one of three distinct models for determining the role of the State in society and the economy:

1. In the majority of the new states (Russia, Kazakhstan, Kirgizstan, Moldova and others) there has been minimal governmental interference in the economy. It was considered that emerging market systems would automatically call forth the required institutional, structural, and social changes and bring about integrated systems for economic relations in society;
2. Elsewhere (as in Turkmenia) the State has continued to exercise tight control and there has been minimal liberalisation of the economy and minimal democratic reform;
3. The third model involves a gradual movement towards a market-directed economy together with democratic reforms, but also envisages active government intervention in the economic process during the transition period. This is the model that has been adopted in Uzbekistan.

Each model has its advantages and disadvantages and each brings about various short, medium and long-term results. However, some general conclusions can be drawn in the light of the common historical experience considered in the previous section.

In the view of the Government of Uzbekistan, the **first** of the three models fails to take into account a number of factors. Attempts to rush into a market system without considerable involvement on the part of the State have resulted in a sharp decline in living standards, a decrease in life expectancy, a growth of criminality, social tensions and national conflicts. The sacrifices made have often been excessive. Against this the positive results expected from fast entry into the market system - such as improvements in living standards, increase in productive efficiency and improved social harmony _ have yet to be realised and are unlikely to emerge in the near future.

Furthermore, the over-hasty introduction of democratic forms has been shown to be no less dangerous. In a society with no concept of the disciplines required in a democracy, attempts to achieve democracy can lead to anarchy. In the CIS countries such attempts have produced anti-democratic tendencies as a growth of criminality and nationalist and religious upheavals.

The **second** of the models considered is the mirror image of the first and no less dangerous. To maintain full State control over economic life stifles the development of market relationships. This means that there is no prospect of improving the efficiency of the national economy and, without such improvement, the

State is unlikely to be able to provide social support for any extended period. Furthermore, the chance to introduce market-oriented reforms may slip away forever.

Similarly, the refusal to countenance greater democracy is likely to be the precursor of a greater authoritarianism on the part of the State. There is, thus, a danger that economic initiative will be stifled and that the population will respond with passive indifference to attempts from above to secure the economic revival of the country.

Box 1.2. Role of State in Transition

Experience shows that, at turning points in the evolution of a society, it is of cardinal importance to ensure that human development can be sustained. At such critical times the collapse of society has to be prevented. The legislative framework and the public consensus needed to choose the proper course of further development in society have to be secured. War, the growth of criminality, increased poverty, nationalism and religious fanaticism have to be averted.

History seems to prove conclusively that there is no force other than the State that can provide national economic security and promote sustainable human development during transition periods. The State has not and should not have the right to remain aloof from its role in society at such difficult times. On the contrary, it has to become a consolidating force, able to unite society and direct all its energies towards the development of its human potential.

The Government of Uzbekistan sees its role as follows:

1. To create conditions for dynamic economic development as a precondition for sustainable human development. Economic growth is achieved by the structural reform of economic sectors, state investment programmes accompanied by support for the growing private sector, personnel training and the introduction of new technologies and equipment;
2. To promote the emergence of a new system of market relations and a market environment by deregulating the economy, breaking up former monopolies, creating a market infrastructure, developing markets for commodities, labour and capital, while offering these the protection they need and ensuring healthy competition;
3. To reform social services, especially as these relate to the educational potential and health of population;
4. To facilitate social adaptation to new market conditions by ensuring a gradual transition from a system of overwhelming social protection to a system of social guarantees. This implies a transition from government subsidies to private funding from the newly developed private businesses;
5. To protect the rights of the citizens and develop a state ruled by law according to democratic principles.

Each of these five aspects of the government's role will be analysed in detail in the following chapters of the report. It will be shown that the Uzbek State can and must guarantee sustainable development in the economy and society as a whole. The State and the Market are in fact developing simultaneously in Uzbekistan, and the unity of these seemingly mutually incompatible forces is leading to some positive results.

In the third instance - what might be called the **Uzbek model** - the development of market relations is not considered to be an end in itself, but as the means by which economic efficiency will be achieved and, eventually, public welfare increased. According to this model, the State is the main reformer and the main guarantor of social stability and the sustainable development of society. The model presupposes that it is possible to achieve economic growth and the formation of a market system, while maintaining social stability and the gradual development of democratic forms of government and social relationships.

The Uzbek model specifically acknowledges that the general development of society is impossible without human development. People have to be the main force in the process of social improvement even though, in some circumstances, people can cause the decline or even destruction of society. As society changes, the previous guarantees disappear and popular values also change: things that were

considered valuable and acceptable in a stable society can take on an altogether different aspect in a society in transition.

All history shows that riots, social conflict, moral lapse, and a degradation of values and the human personality often accompany revolutionary changes. It is no coincidence that the collapse of the former USSR was accompanied by an increase in all categories of crime while conflict _ including military conflict _ broke out at every level. Educational levels fell, public health declined, alcohol consumption increased while prostitution and drug addiction became more wide spread.

A conscious effort is needed to avoid this danger and the Government of Uzbekistan believes that the State has to play a leading role in that effort.

1.2. The necessity of economic growth

1.2.1. Economic growth and sustainable human development

It is generally agreed by academics and economists that it is impossible to secure sustainable human development without sustainable economic growth and *vice versa*.

The Government of Uzbekistan declared from the very beginning, that the object of economic reform in the republic was to improve the wellbeing of the people. However, it was impossible to solve the bulk of the social problems the country inherited from the former soviet era without providing economic growth.

Box 1.3. Macroeconomic indicators in 1997

The main macroeconomic indicators for 1997 are as follows:

- The economic growth rate tripled from 1.6% in 1996 to 5.2% in 1997. Economic growth thus exceeded the population growth rate and inflation was brought down to manageable levels;
- Real incomes grew by 10.5% with a corresponding improvement in living standards;
- The growth of GDP in real terms was 105.2%, the growth of GDP per capita _ 103.4%. Growth was provided by an increase in industrial output of 6.5%, in agriculture of 5.8%, in construction of 2.6%, in retail trade turnover of 12.7% and in paid services to the population of 21.3%.
- The growth of GDP was coupled with a decrease in the inflation rate from 6.9% in January to 1.8% in December, 1997. The consumer price index grew by 27.6% in 1997 against 64.3% in 1996.
- Total capital investments grew by 16.9% against 6.9% in 1996. More than 270 bn soum were invested in capital projects in the course of the year - 63% in the manufacturing sector. Total foreign investment was up 140% on 1996 levels. Foreign direct investment and credit increased 2.8 times. The share of foreign investment and credit in total capital investment was 19.9% against 17.1% in 1996. 29% of capital investment was used for purchasing equipment compared with 24% in 1996.
- Because of import tariffs and an unfavourable price situation on world markets, aggregate foreign trade turnover was valued at only \$(US) 8.9 bn, down 4.3% on 1996. Total exports decreased by 4.4%, imports by 4.2%. The imbalance of trade was \$(US) 135.5 mn, against \$(US) 130,9 mn in 1996.
- There was a decrease in total exports, exports to CIS countries increased. Exports of machines and equipment more than doubled. Exports of energy also increased. Imports of foodstuffs decreased from 29.5% of total imports in 1996 to 19.3% in 1997. The import of machines and equipment also increased.

In reviewing the potential of the economy and the complicated process of reform and development needed to realise that potential, the Government foresaw that a decline in living standards was inevitable. That is why from the very beginning of the reform process, it took conscious measures to protect the population from the worst consequences of that process.

However, at the same time, the Government of Uzbekistan warned the public that former levels of social support could no longer be expected, and conditions for the development of market relations and the encouragement of private enterprise and an entrepreneurial culture had to be created. Securing sustainable economic development in the longer term demanded that structural distortions in the economy be eliminated.

The correlation of stabilisation programmes with the move to a market economy was one of the most complicated conceptual issues of the early transition period. On the one hand, to begin market reforms in an unbalanced macroeconomic situation was bound to discredit the reform process as such. On the other hand, to wait until the situation had stabilised, would have meant delaying the beginning of the reform process. It would also have meant that any real possibility of economic stabilisation would have been delayed indefinitely.

Thus, one of the features of the Uzbek approach to economic reform was that the drive to a market-directed economic order was directly linked to the stabilisation programmes. This complicated interrelation meant that progress towards reform seemed to be slow. However, in practice, the newly created system could not develop more quickly because of the number and difficulty of the problems to be solved.

1.2.2. Transition policy in the reform period

At the initial stage of the reform process the Government of Uzbekistan linked three possible economic strategies:

- Macroeconomic stabilisation;
- Institutional and market-oriented transformations of the system of economic relations;
- Restructuring the productive sectors of the economy with the assistance of state investment programmes and foreign capital attracted by market oriented reforms.

The first two variables are those which have been pursued in the majority of economies making the transition from command to market-directed models. The Uzbek approach is unique in its simultaneous implementation of state-sponsored restructuring of the productive sectors of the economy and stabilisation measures on the one hand with market-oriented reforms on the other. This has traditionally been considered impossible. However, the low levels of productivity in Uzbekistan at the dawn of independence in 1991 limited the possibility for overcoming structural distortions by relying on market forces. Large investments were needed to upgrade the productive base and modernise the technology deployed.

The experience of Uzbekistan has shown that it is possible to combine the three policy approaches indicated if there is the political will to exercise a certain measure of economic control. Indeed, it is not only possible, but it is the only option for sound economic policy at the initial stages of transition to a free market economy. However, the Government of Uzbekistan would agree that its approach would not be so appropriate in countries that enter the transition period with a more technologically advanced production base and better economic structures. The example of the former Czechoslovakia is a case in point.

To consider what was done in more detail, from 1991-1997 the government implemented the following macroeconomic **stabilisation programme**:

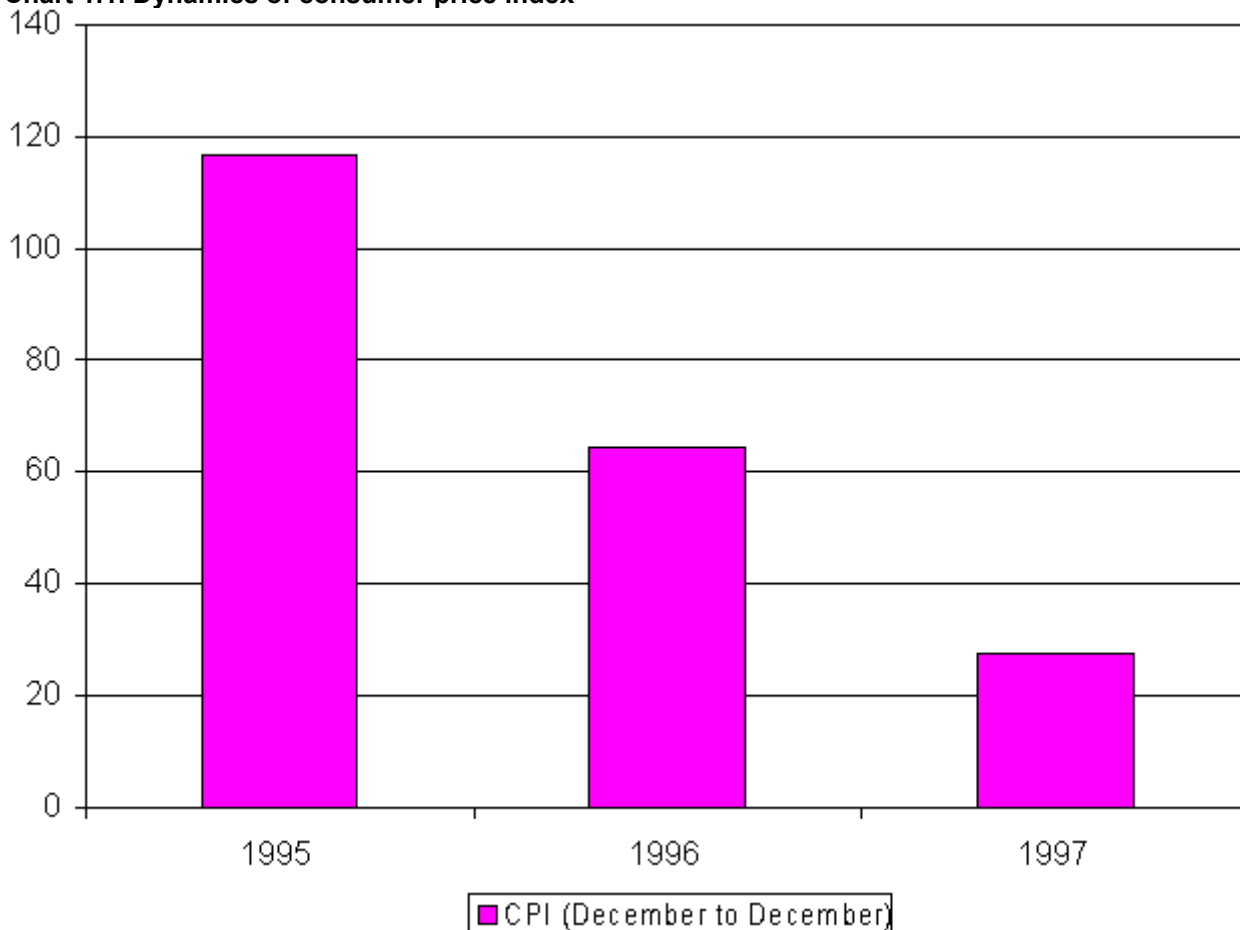
- The introduction of a national currency and the organisation of independent money circulation;
- The arrest of the hyperinflation that had been developed in the earlier stages of the transition period by reduction in the money supply;

Table 1.1. The main economic indicators in 1997

Indicators	1996	1997	1997/1996, %
GDP (bn soum)	560,1	987	105,2

Industrial output (bn soum)	444.1	704,5	106,5
Gross agricultural production(bn soum)	179.3	396,3	105,8
Total investments (bn soum)	166.5	271,6	117
Trade balance (mn \$US)	-130,9	-135,5	103,5
Growth rate of real monetary incomes of population (%)		112,7	N/A

Chart 1.1. Dynamics of consumer price index



- The longer term stabilisation of the national currency and successful control of inflation;
- The achievement of a measure of equilibrium in the commodities and services markets;
- The balancing of the supply and demand for credit;
- The pursuit of a strictly disciplined budget policy, combining restrictive measures with a carefully targeted approach to State expenditure;
- An improvement in the terms of trade with sharp decreases in fuel, energy and grain imports, as well as increasing exports of energy resources and non-ferrous metals.

These measures of macro-economic stabilisation were accompanied by others intended to increase the **effectiveness of the market**:

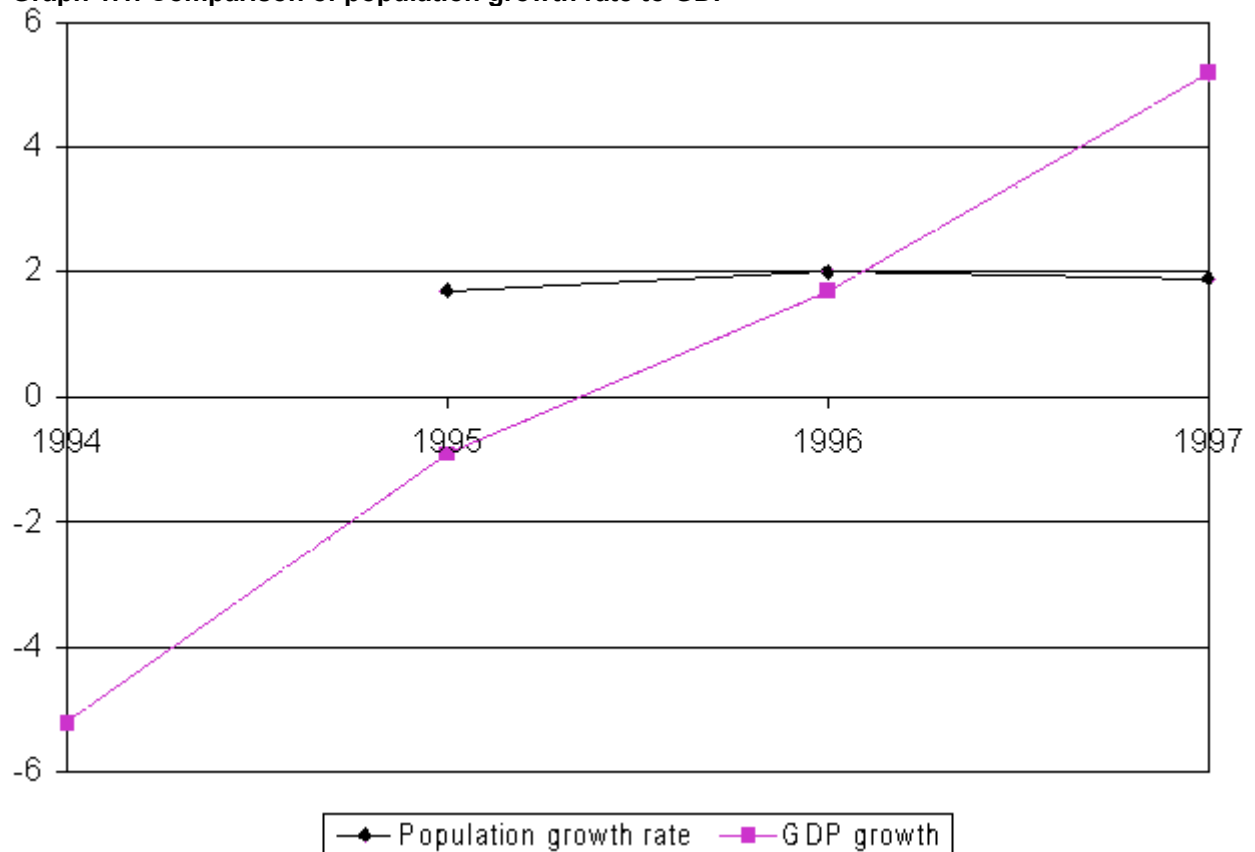
- Institutional reforms required to create or encourage the emergence of a market infrastructure in such areas as banking and insurance, the promotion of a commodities market and various stock market institutions, the promotion of small and medium sized business, etc.;
- The reorganisation of ministries and other agencies, restricting their distributive and administrative functions in favour of market-directed allocation of resources;

- The gradual liberalisation of the price-control regime;
- The breaking up of state monopolies and privatisation of their assets;
- The creation of commodity, capital and labour markets.

There has also been restructuring of the productive sectors of the economy with a view to:

- Making possible greater self-sufficiency in the supply of fuel and energy requirements;
- Eliminating dependence on imported grain;
- Increasing output of finished manufactures;
- Introducing more advanced technology in the machinery and automobile manufacturing and chemical, gas and oil processing sub-sectors.

Graph 1.1. Comparison of population growth rate to GDP



1.2.3. Difficulties posed by the Government of Uzbekistan's economic strategy

One of the problems of the approach adopted by the Government of Uzbekistan is that its policies can have unintended consequences which conflict with the objective it is seeking, especially in the area of domestic investment. Distortions are evident in a number of areas: Thus;

- Taking into account the serious financial difficulties that are being experienced by private sector entrepreneurs during the transition period, the Government of Uzbekistan had to use public money and centralised credit resources to develop in priority industrial sectors. It is difficult to believe that large industries such as automobile manufacture, mining and metallurgic enterprises or oil refineries could have been developed using only private capital. On the other hand, the Government of Uzbekistan recognises that the growth of public expenditure inherent in this strategy does have the effect of constraining private investment. The low level of private savings and private investment is a serious problem for the republic.

The private sector was responsible for only 35 per cent of all capital investments in 1997 against 37.2 per cent in 1995.

- Similarly, the maintenance of low interest rates, intended to help manufacturing industry, does not encourage individuals to invest their household savings. Investment growth among the general public is insignificant and has practically no influence on the growth of aggregate savings and investments.

- The Government of Uzbekistan's interventionist role in the economy requires a high tax policy to raise the revenues needed. High tax rates would be justified if the revenue yielded as against potential revenue was at the international levels. In reality, however, a considerable portion of the national wealth is hidden in the Black Economy and so escapes taxation. This means that honest taxpayers have to shoulder a disproportionate share of the tax burden. Again, this tends to discourage investment.

- Another problem is that, when investments are made by government agencies, there is a danger that investment may be in unsuitable areas and unsuitable projects may be chosen for investment. Although the market is not a perfect instrument for determining the optimum distribution of investment resources, the Government of Uzbekistan is well aware that likelihood of mistakes is higher when decisions are made by State agencies.

- The need to stimulate investment and encourage the deployment of advanced technologies and equipment is one of the main reasons for maintaining the official exchange rate of the soum at a higher rate than its equilibrium value. Against this, however, the over-valued currency has the effect of discouraging investment, creating serious problems for the balance of payments.

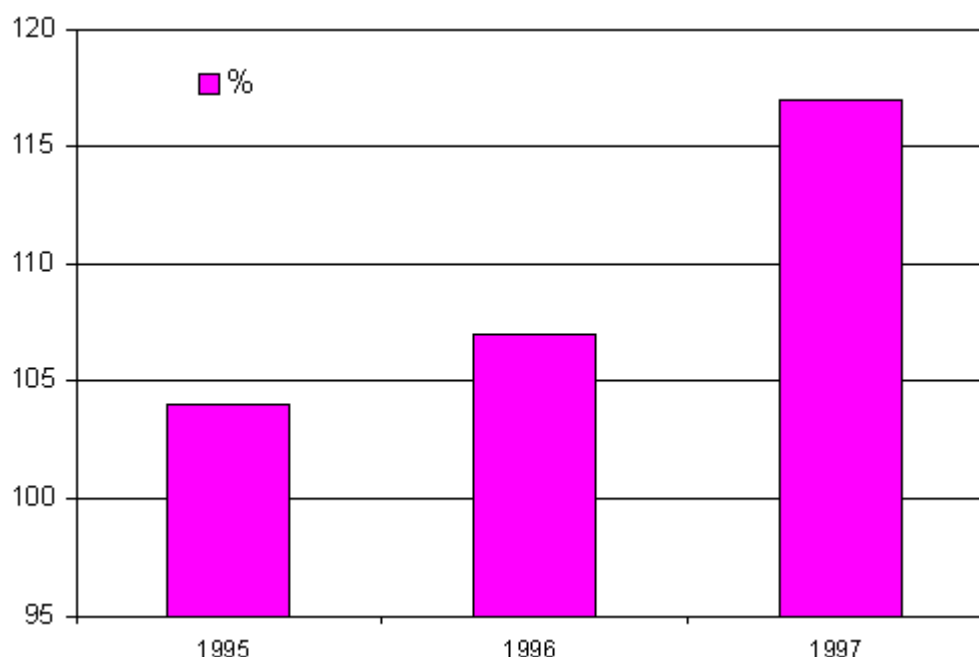
All the above problems are peculiar to countries that chose the model of minimum State interference in the transition period. Interference of the State in the economy at micro-levels does affect tax and interest rates and can negatively influence the level of private savings and investments. However, it can be justified on the grounds that it strengthens positive expectations of economic growth in medium and long run. In other words, the Government of Uzbekistan has to confront the paradox that the emergence of a market-directed economy in the longer term requires a calculated level of State interventionism in the shorter term.

It is the policy of the Government of Uzbekistan to change the present emphasis of public policy away from State intervention at a micro-level towards the regulation of a market-directed economy by macro-economic instruments. This will involve the gradual reduction of State investment as a means of releasing more resources for investment by the private sector, a steady move towards unification of the exchange rates and a move to a tax policy that encourages private business.

1.3. Progress in human development in 1997

Economic growth in the Republic has promoted the growth of real GDP per capita. According to preliminary data, real *per capita* GDP calculated by soum PPP was \$2,617 in 1997 as compared to \$2,459 in 1996. According to this indicator, the increase since 1993 is \$227 or about 9.5 per cent.

Chart 1.2. Dynamics of capital investments in constant prices in 1995-1997 (as % to previous year)



**Table 1.2. Main indicators of economic sustainability in Uzbekistan
Indicators 1991 1997**

Indicators	1991	1997
Own fuel and energy resources (%)	70-75	100
Including oil products	30-35	100
Own grain resources (%)	15-18	80
Gold ore processed independently (%)	0	100
Production of oil and gas condensate (mn tonnes)	2,8	7,9
Production of gas (bn m3)	41,8	51,2
The share of non-government sector in:		
GDP	61,3	
Industry	10	59,0
Agriculture	66	99,0
Retail trade (%)	52,52	95,3
Average monthly CPI		2,2
Deficit of state budget (%)		2,2
Trade balance (mn \$US)		- 135,5

1.3.1. Income and employment

Employment growth has contributed to income growth. In 1997, as a result of implementing regional employment programmes, more than 200,000 people have become employed. More than 90 per cent of them are engaged in the private sector. About 40 per cent are self-employed, and 20 per cent absorbed in small private businesses.

According to budget surveys conducted by the Ministry of Macroeconomics and Statistics, only 32.8 per cent of aggregate family income is earned as a salary from formal employment and that proportion is decreasing. However, income from entrepreneurial activity is quite high _ 22.3 per cent. This indicates that the population is adapting to market conditions. The share of income from self-employment (e.g. private tuition and the like) is 5 per cent or double what it was in 1996.

The share of income derived from private smallholdings has grown as a proportion of aggregated family incomes; by the end of 1997 it was 28.3 per cent. The share of national consumption from personal plots rose to 12.8 per cent.

Population income growth was accompanied by improvements in consumer market supply. Increases in production nationally began to contribute significantly to balancing supply and demand in the market.

Retail trade turnover grew in real terms by 12.7 per cent, and was worth 497.7 bn soum by end-1997. Trade turnover *per capita* exceeded 21,000 soum _ i.e. double 1996 levels.

The volume of paid services grew by 21.2 per cent in 1997 to 70.3 bn.soum. Consumption of paid services *per capita* more than doubled.

Though the trend towards receiving more income from entrepreneurship is positive, it tends to de-stimulate the desire to earn money by traditional wage labour. This encourages a search for subsidiary income resources, which, as a rule, escape taxation. Besides, low wages do not stimulate productivity or creative labour and increasingly cause a lowering of general quality. Low average wages in education and healthcare are especially worrying, leading to deterioration in the quality of education and public healthcare services.

Analysis of population incomes shows a reduction in the differentiation between the income levels of the richest and poorest in society. This reduction took place because of the income growth of the low and medium income brackets. Wage increases for public sector employees and the improvement of material assistance targeting to the most vulnerable groups also contributed to this process.

Box 1.4. Changes in sectors of the real economy in 1997

The highest rates of development were in the machine building and metal processing industries (up 144.2% on 1996 levels), the food industry (up 134.2%), light industry (up 111.3%) and wood processing (up 111.1%).

The output of high value-added goods increased, including automobiles, TV sets, VCRs, electric irons etc. Production of oil, petrol, diesel fuel, gas, grinding balls, cultivators, and machines and equipment for cattle breeding and fodder production, cotton-picking and sowing, and for the production of confectionery, macaroni, edible oil, ice-cream, soft drinks and mineral water also increased.

37 bn soum (13.8% of total investments) were invested in fuel and energy complexes.

Large funds were invested in the development of the metallurgical industry (11.5 bn soum), the chemical industry (6.9 bn soum) and a machine building complex (5.4 bn soum).

Compressor stations were put into operation in the Kokdumalak deposit with a capacity of 2.5 bn cubic meters of gas a year, in Bukhara, an oil refinery able to refine 2.5 mn tonnes of gas condensate and, in the Tashlak district of Fergana, a spinning mill. Many other projects in the chemical, oil and gas, light industrial, food and other industrial sub-sectors have been established in different parts of the country.

Capital investments in transport and communications increased rapidly. More than 54 bn soum (20% of total investments) were invested in this sector. Work on the reconstruction of existing parts of the Navoi-Uchkuduk-Sultanuizdag-Nukus railway is underway. The construction of a new railway from Guzar Baisun to Kumkurgan is also in hand, as well as the electrification of existing lines and the reconstruction of the Tashkent-Andijan-Osh-Kashgar highway. New telephone exchanges were put into operation providing 78,200 numbers and an additional 16,700 numbers were introduced by expanding the capacity of existing telephone exchanges.

Total agricultural production was 400 bn soum. Stocks of raw cotton stood at 3.6 mn tonnes, which exceeds 1996 stocks by 291 thousand tonnes. Grain production was 3.79 mn tonnes, exceeding 1996 levels by 266 thousand tonnes. Potato and grapes were produced in larger amounts than the previous year.

1.3.2. Government social protection of the population

In 1997, a system of social security was developed for those receiving state pensions or stipends etc., as well as the most vulnerable groups in society. Additional payments for teachers at schools, boarding schools and colleges were also introduced.

The allocation of family allowance for families with children became more targeted. Previously, child benefit had been allocated to all families, regardless of their financial position. Since 1 January, 1997, these allowances have been allocated at the discretion of the *makhlliya* committees (Chapter 4) only to low income families. This has allowed budget funds to be used more efficiently and increased the responsibilities of local *makhlliya* committees.

Money saved from the decentralisation of social security was used for other purposes such as the purchase of 630,000 sets of stationery for first year pupils. This cost the State 767 mn soum. In addition, winter clothes were purchased for more than 373,000 primary school pupils from low-income families at a cost of 1,072 mn soum.

Generally, the scale of government assistance to needy families grew by 180 per cent, and cost on average 1,070 mn soum *per capita*. Such assistance has been provided for 14 per cent of all families.

Social infrastructure: According to the Programme for the Promotion of Public Interests _ see above - the social infrastructure was significantly strengthened and developed in 1997. 122.7mn soum (39.9 per cent of the total expenditure) was allocated from the budget for financing social/cultural measures, 30 bn soum were used for social security measures. 34.0 bn soum was allocated for the construction of public healthcare facilities, providing gas supply, water supply (regional water supply systems) and other social facilities.

1.4. Trends in education

By any standards, Uzbekistan has very high levels of education. In spite of the difficulties of the transition period, the government has managed to maintain the system of public education, and, hence, to provide wide access to all levels of education for every strata of the population, irrespective of welfare standards, place of residence or ethnic group.

1.4.1. The aims of education policy

In 1997 the main aims of education policy were:

- To maintain high rates in literacy and education. In 1997 the literacy rate was 99.5 per cent, against 99.06 per cent in 1996 and 97.7 per cent in 1993. The average number of years spent at school remained steady at 11.4;
- To uphold the objective of securing a general nine-year education schools are located close to the homes of school age children throughout the Republic. Teaching is conducted in six languages: Uzbek, Karakalpak, Russian, Kazakh, Tajik, and Kirgыз;
- To increase the number of students joining higher and secondary special educational establishments after graduating from school. A noteworthy positive trend has been a dramatic increase in the number of students joining higher educational establishments. There were 35.8 thousand students in higher education in 1997-98 against 28.6 thousand in 1996-97. A 25 per cent growth in the number of students at the universities reversed the downward trend observed in 1991-1995. 21 thousand students were sponsored at university with government funds in 1997; the remainder were self-sponsoring or funded by sponsors. The number of students at secondary special educational establishments has also grown. An increase in student numbers supported by non-government funds has also taken place. Thus student numbers have been increased at no cost to public funds;
- To further develop curricula and provide textbooks at all levels of the education system. Wide ranging reform of the content of education has been undertaken, especially in the humanities such as: history, geography, Uzbek literature and economics. New Uzbek lettering based on Latin script has been introduced in the elementary schools with Uzbek as the teaching language;

Table 1.3. Rural social infrastructure development programme (1996-1997⁵)

Type	Unit of measure	1996-1997		Including 1997	
		Planned	Performed	Planned	Performed
Rural medical service-centres	units	241	255	159	171
Re-profiled First Aid Medical Posts into Rural medical service-centres	units	404	430	202	223
Hospitals	beds	1040	1782	882	1112
Schools	'000 seats	94	111.4	51.13	57.6
Houses	'000 km2	10410	10162	5495,5	6351,1
Water supply	km	3398	3048	1820	1642
Gas supply	km	8530	9411	4398	4635
Installation of telephones	'000 units	3	9,79	2	6,29
Trade organisations	'000 km2	128,47	177,7	74,92	90,46
Agencies providing consumer services	units	1722	3701	878	1343

- To further develop the network of educational institutions. Business schools and banking colleges are being created in the provinces and professional courses have been introduced for farmers and for the tax, customs and auditing services. The number of secondary special and higher educational establishments has been expanded - between 1991-97 the number of secondary special colleges grew from 247 to 259, and higher educational establishments from 46 to 60. Teacher training institutes and universities started to train teachers with additional courses in economics. Refreshment courses for mathematics teachers include courses in economics and entrepreneurship.

The question arises as to whether it is necessary to reform the education system given that it has been delivering high educational potential and has continued to do so in the period of transition

The answer is both simple and complicated. If the State thinks about its future, it should provide an education system that meets the future goals of the country. The education system is one of the most conservative systems in the country as many years are needed to train a specialist, and to evaluate the efficiency of the training system. Very often the results of reforms only become apparent years later. The correctness of the strategy of reforms influences not only the success of the reform itself, but also the intellectual and human capabilities of the country.

1.4.2. Problems of education policy

It has to be admitted that the education system in Uzbekistan faces considerable difficulties. If these are not resolved in time, it will lead to a lagging behind in educational levels, narrowing the potential of the reforms and hampering the future economic prosperity of the country.

The obligatory nine year general education system, now in force results in the fact that more than 80 thousand graduates of basic schools, aged 14-16, are not engaged in either further study or employment. This leads to certain negative consequences, such as a low level of education and the growth of youth unemployment which promotes the growth of crime and early marriage, especially among girls.

In Uzbekistan, children spend on average 11 years in formal schooling. In developed countries the average is 12 years. Different approaches to secondary education reduce the chances of Uzbek graduates being able to attend higher educational establishments in developed countries.

Box 1.5. 1997 - Year of the Public's Interests

1997 was declared to be the Year of the Public's Interests. A special programme was drawn up under this general theme comprising more than 140 measures in three broad categories relating to:

- The social and economic interests of the individual;
- Human rights and legal protection;

- Cultural, mental and intellectual interests of the individual.

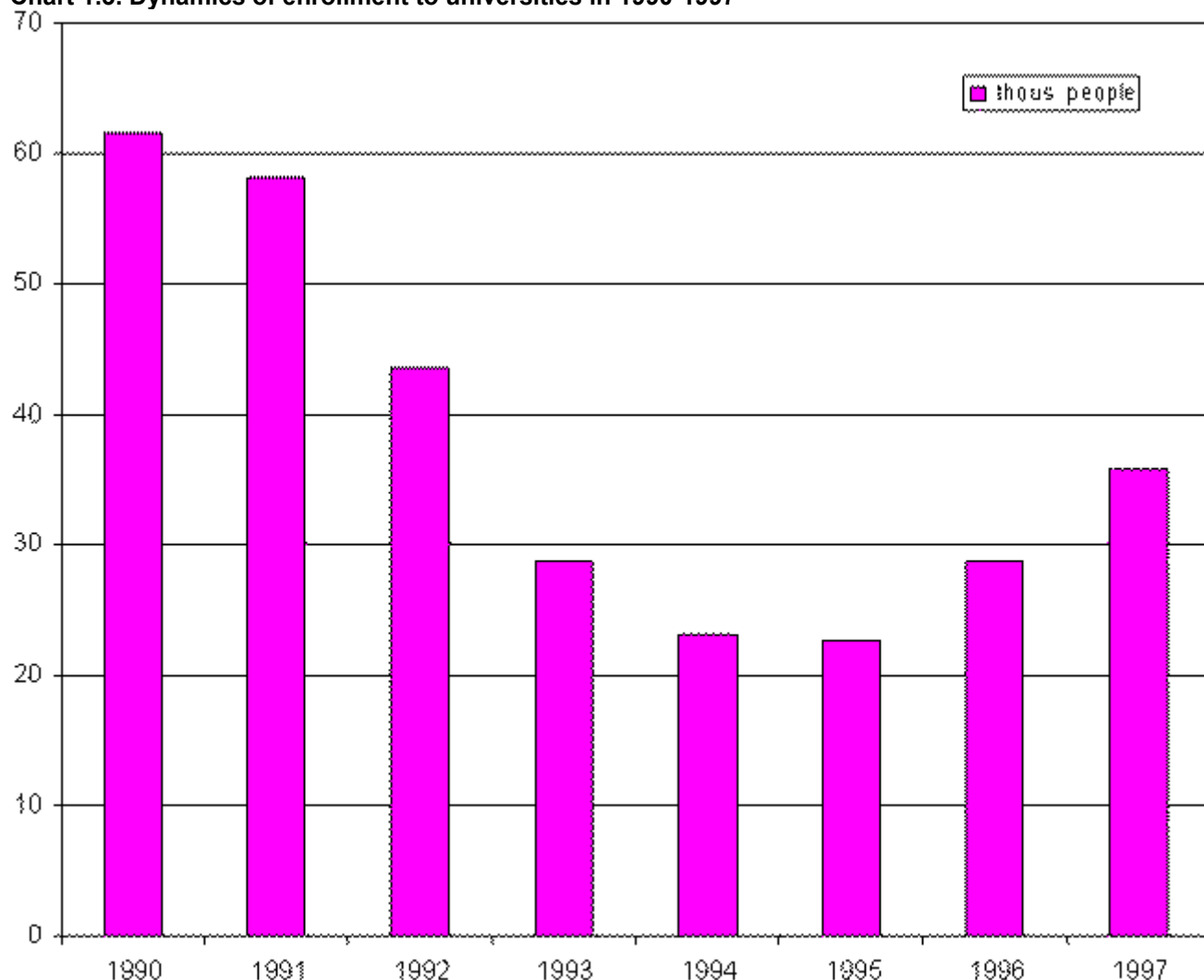
The **first category** included measures to improve the living standards and welfare of individuals, paying particular attention to the needy, the protection of mothers and babies, the development of a more rounded personality and care of the elderly.

The **second category** included legislation to improve the legal rights of individuals, extend legislative reforms, make legislative systems more democratically accountable and promote awareness of the legal system as the bastion of individual rights.

The **third category** concentrated on measures aimed at developing the national culture and traditions, reviving cultural wealth, creating conditions for self-expression and creativity, improving self-knowledge and stimulating improvements in popular culture as well as publicising such measures in the mass media.

These measures were the basis for improving living standards in the Republic.

Chart 1.3. Dynamics of enrollment to universities in 1990-1997



Another problem is insufficient financing because of the budget difficulties. This is inevitable given wide-scale reforms being implemented in Uzbekistan. Lack of money affects the material base of the educational establishments and the incentives for teachers.

The level of teachers' wages is about 60-65 per cent of the average wage level in the country.

Coverage of under school age children by pre-school educational establishments is low. In 1997 about 3 mn children (more than 75 per cent) did not attend kindergartens. This has led to great differences in levels of educational achievement. In rural areas only one child in 10 attends pre-school institutions - in

the Djizzak, Kashkadarya and Surhandarya regions, one in twenty. This results in their lagging behind the general school programmes.

The availability of teaching materials and technical aids at educational institutions remains inadequate. Curricula, teaching programmes and materials do not meet the contemporary demands of the newly independent republic.

The education system lacks teachers and the average age of teachers is increasing. In the pre-school institutions only 20 per cent of tutors and teachers have higher education, in secondary schools 71.3 per cent, in secondary professional schools 80.3 per cent. In the universities only 8 per cent of total staff hold advanced degrees. The average age for obtaining a doctorate is 50 _ for a master's degree 36.

1.4.3. New approaches in educational policy

Taking into account all these factors, there is clearly a need for radical reform of the education system and of the training and retraining of teachers. Education has to be re-orientated towards meeting the common national interests of Uzbekistan and ensuring competitiveness in world markets. However, it is impossible to reach this goal without completely restructuring the system, transforming methods of administration and creating an open and developing system of continuous education that is able to provide:

- Sustainable social and economic development at the threshold of the new millennium;
- National concord and unity;
- Economic growth, social and professional mobility, adequate living standards, and the moral and physical health of people;
- Basic civil and cultural values for each person, enabling them to participate fully in the social and spiritual life of the country.

In 1997, to further restructure the whole educational system, Uzbekistan adopted new Laws "On Education" and "On the national programme of staff training".

The national programme plans to shift to a general twelve-year education, nine years being basic and obligatory. Children are to start education at the age of 6 or 7, depending on their psychological and physical condition.

The last three years of secondary education are to be obtained in two types of secondary educational establishments - professional colleges and academic lycea. Both types of schools provide general secondary education and the minimum knowledge required for further education in the universities. These institutions differ from each other; the colleges supply professional skills while the lycea are geared to the deeper study of sciences.

This change in the way education is structured is very important for Uzbekistan. A considerable number of school age children live mainly in rural areas. After graduating from school they join the labour market and need professional skills. At present about 10 per cent of graduates continue their studies at the universities, 20 per cent at special secondary educational establishments. This means that about 70 per cent of young people need additional professional education after school. To create the conditions for them to obtain professional knowledge and skills while studying in secondary school is a critical point in the educational reforms.

Box 1.6. Material and technical base of schools

At end-1997:

- 393 schools, 6 professional schools and 5 secondary special colleges were in need of repair;
- 3697 schools, 158 professional schools and 55 special colleges were located in buildings that had to be adapted for educational purposes;

- 10% of schools were not supplied with gas;
- 48% of schools had no water supply;
- 47% of schools had no sports halls; and
- 40% were not connected to the telephone system.

In addition, many educational establishments had no space or facilities for handicraft classes.

Compared to 1996, the number of pupils studying in the first shift decreased from 74.4% to 72.6%, while about 1,5 mn pupils studied in two or three shifts.

Out of 9,627 secondary schools, only half were equipped with computers, and only 10% of these were modern equipment.

Only the most gifted children, who aim to join universities and continue their education, are to be admitted to the academic lycea.

The academic lycea have been established on the basis of those already existing under the aegis of the universities. As for professional colleges, they were established on the basis of professional and secondary special schools. Later on, these schools will be established in newly built buildings depending on demand.

One more important principle introduced into the national programme is continuity of education. Education starts from pre-school age, continues for nine years of obligatory schooling, and then for an additional three years. After that, there is the possibility of a two-stage higher education. The first stage is to study to bachelor level, and the second to master level. Postgraduate education also includes two stages: postgraduate studies to obtain a degree of candidate of science and a doctorate.

After having graduated from 12 years of secondary school a student can cease studying and start working, but now he will have the opportunity to continue his education recommencing at the stage he left school. Thus continuity of education means that a person can continue to study whilst working. Various forms of training and retraining that allow workers to maintain qualifications at up-to-date levels in science and technology are being established.

In this way, continuous education is guaranteed. This develops cognitive abilities, encourages independent thought and trains specialists who can generate ideas and open up the way to progress.

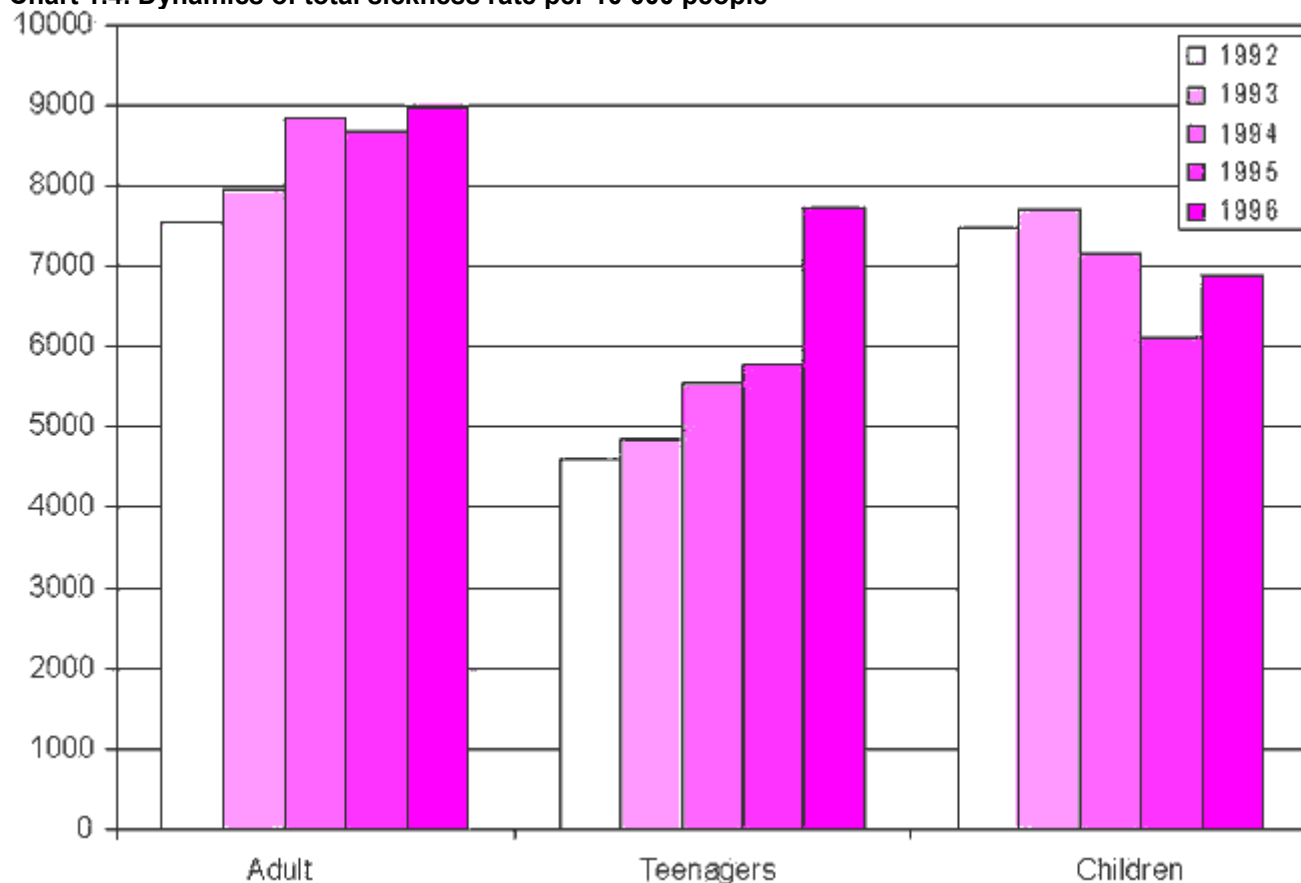
1.4.4. Problems to be resolved

The implementation of the National Programme demands a lot of effort and funding. It concerns the whole population and the future of the republic. It is, therefore, impossible to begin the process of transforming education in Uzbekistan without serious analysis of the problems in order to find the best way of solving them.

Among the problems to be tackled are:

- A review of the existing norms and standards of school facilities, the teaching load, class sizes etc.;

Chart 1.4. Dynamics of total sickness rate per 10 000 people



- The designing of new educational establishments with sports complexes, dormitories, computer facilities etc.;
- The staffing of the institutions with teaching personnel;
- An increase in the number of new educational establishments and upgrading old ones;
- A review of curricula and the preparation of new textbooks;
- The identification of additional sources of finance.

Providing for the education of children in remote villages where the number of 9th form graduates is less than one hundred needs special attention. While, the construction of separate local schools for such small numbers is financially inefficient, parents are often reluctant to send their 14-15 year old children to the academic lycea and colleges situated far from their homes.

It is hoped to solve the problems in the education system by attracting domestic funding and the aid of foreign investors.

1.5. Developments in public health

Public health is not only an important factor of social development and a reflection of the socio-economic and hygienic welfare of the country, but is also a powerful economic, labour, defence and cultural tool.

Traditionally public health is defined in the following ways:

- By medical and demographic statistics;
- By indicators of physical development;

- By health and sickness rates.

In 1996, life expectancy in the republic as a whole, reached 70.2 years against 69 years in 1990 (71.5 years in urban areas, 69.1 in rural). Life expectancy among women exceeds that of men by 4.8-4.9 years (in urban areas by 4.9-5.0 years, 4.7 years in rural areas).

1.5.1. Overall sickness rate

The most important measure of the state of public health is the sickness rate. During the transition period, budget funds allocated for public health care were reduced radically. Price increases for medicines, hospitals and equipment are now straining budget capabilities resulting in a considerable decrease in the potential medical services that could be rendered. For various reasons, private health care is unable to compensate for the reduced potential of public health care.

As a result of these limitations, overall sickness rates have increased. Among adults, the sickness rate grew by 19 per cent in 1996 as compared to 1992. Among teenagers the figure was 68 per cent. The sickness rate among children was reduced by 8 per cent in 1997, but, in comparison with 1995, it grew by almost 13 per cent.

Intestinal, respiratory, circulation and blood-related diseases dominate the overall statistics for sickness. However, there has been a growth of heart and vascular diseases, including high blood pressure and strokes. Cases of blood circulation diseases are becoming more frequent and are occurring at an earlier age. In 1992 there were 20.1 cases per 100.000 people, in 1996 the figure grew to 27.8 _ i.e. a 38 per cent increase; as for teenagers, the number of cases increased from 77.3 to 123.5 (60 per cent). Among adults, the increase in number of cases was lower in 1996 _ 212.1 per 100,000, against 187.5 in 1992 (a growth of 13 per cent).

In general, diseases of the endocrine system are increasing, especially cases of diabetes and thyroid problems.

Since 1990, the cases of initially diagnosed oncological diseases have been decreasing. Diagnosis of these diseases at an early stage has improved and timely and qualified help has been rendered to the patients. About 41 per cent of the total number of sick people are under the regular care of doctors for 5 or more years after the diagnosis was first made.

The predominant forms of oncological diseases are as follows:

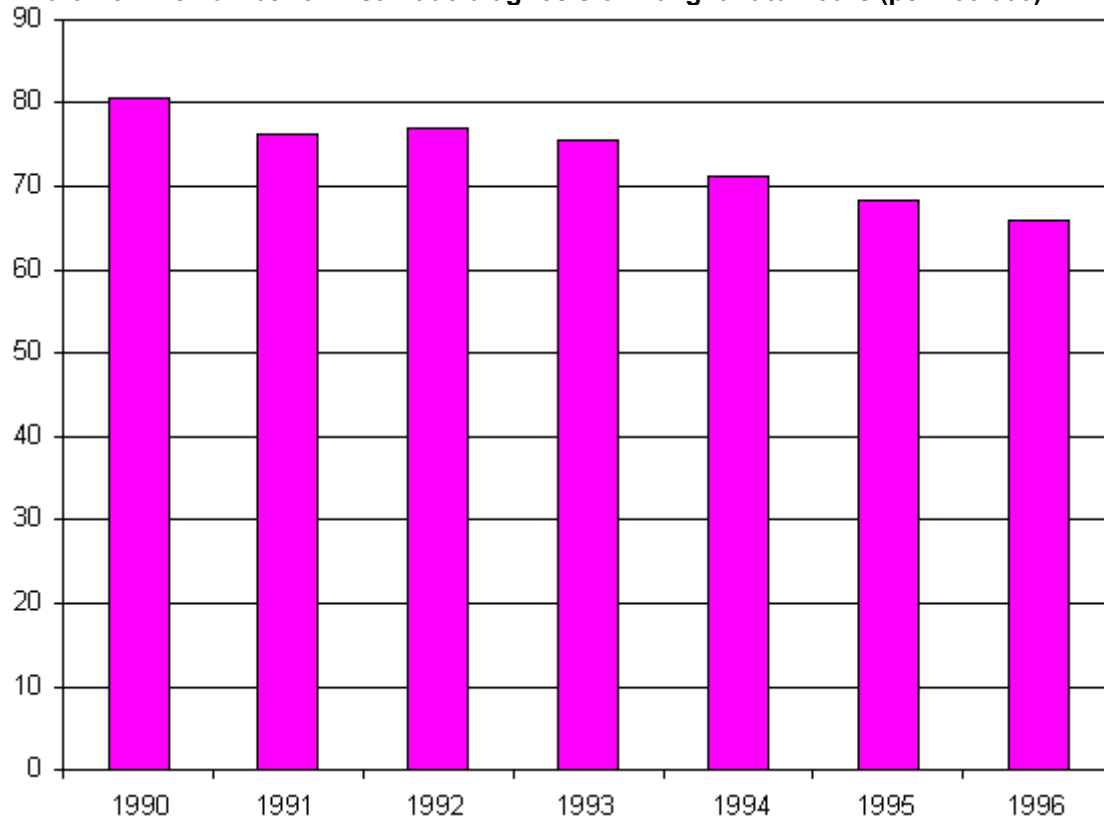
- Stomach cancer _ 10.4 per cent of all cases;
- Cancer of gullet _ 10 per cent;
- Cancer of lactic glands _ 8.7 per cent;
- Lung cancer _ 7.3 per cent;
- Skin cancer _ 7.1 per cent;
- Cancer of the large intestine _ 4.7 per cent.

The highest occurrence of oncological diseases is in Tashkent City and Tashkent, Surkhandarya and Navoi provinces.

1.5.2. Infectious diseases

In order to control epidemics of infectious diseases and to improve the ecological and hygienic environment, a programme was designed with the participation of the Ministry of Agriculture and Water Resources, the Ministry of Public Health Care, the State Committee On Environmental Protection (and various public organisations), the Council of Ministers of Karakalpakstan, provincial governments and the city of Tashkent. The programme has contributed to a reduction in the number of all intestinal infections.

Chart 1.5. The number of first made diagnosis of malignant tumours (per 100 000)



Immunisation programmes against all dangerous infectious diseases have been implemented according to the Expanded Immunisation Programme recommended by the WHO.

In 1997, there was wide spread immunisation of children. Immunisation Days were introduced which promoted immunisation for 100 per cent of the population.

All the above measures helped to decrease the sickness rate for many kinds of infectious diseases. At the same time, however, cases of mumps and viral hepatitis increased dramatically.

The number of cases of venereal infection is also increasing. The highest number of cases is in Tashkent City, Tashkent province, Sirdarya, Navoi and Bukhara provinces. The number of syphilis cases among young people and the rural population has grown.

Measures taken have caused a reduction in respiratory diseases from 3,063.2 cases per 10,000 people in 1992 to 1,527 in 1996. Diseases of the nervous system and sensory organs decreased by more than 12 per cent, of the intestine organs by 8.1 per cent and skin diseases by 22 per cent.

1.5.3. The health of mothers and children

The health welfare of mothers and children and family planning issues are now under special consideration by the government.

Preventive measures aimed at controlling the seasonal increase in diseases, and improvements in paediatric services have decreased infant mortality from 37.3 cases per 1,000 live born in 1992 to 24.3 in 1996. Against this too many children under the age of 1 are under-weight or suffer from rickets. In the republic as a whole in 1996, 18.3 per cent of children under 1 year old had rickets, 23.1 per cent were under-weight. In Khoresm province, the figures were 33.4 per cent and 36.3 per cent, in Navoi 34.2 per cent and 49.8 per cent, in Tashkent 27.3 per cent and 40.3 per cent.

The health of children is determined by the health of their mothers.

A complex health programme for women of childbearing age has been in operation since 1991. All women in this category (15_ 49 years) are examined annually by doctors of various specialities, any problem cases being referred to hospitals. In cases when pregnancy is contra-indicated, different forms of contraceptives are used. The measures undertaken in this area has resulted in a reduction in the number of abortions and the birth rate decreased by a quarter from 1992 to 1996.

However, women's health still does not meet contemporary world standards. Of the total number of women surveyed in the women's clinics, 60 per cent had extra -genital diseases.

Table 1.4. Sickness rate by intestinal infections, 1992-97 _ preliminary data (Per 100 000 people)

Type of sickness	1992	1993	1994	1995	1996	1997*
Typhoid	3,7	3,4	2,7	2,1	1,5	1,5
Mumps	1,7	1,7	1,1	0,7	0,6	0,5
Bacterial dysentery	123,2	71,3	82,9	61,1	58,9	42,1
Acute intestinal sickness	528,1	530	496,1	393,9	424,5	350,8
Other infectious illnesses	35,3	31,1	22	18,1	16,4	

Table 1.5. Children immunised, 1992-96 (%)

	Against tuberculosis at birth	Under the age of 1 against:			At the age of 2 against	
		Diphtheria	Whooping cough	Poliomyelitis	Mumps	Measles
1992		83,2	78,4	85,3	62,9	84,1
1993		49,2	44,7	45,9	51,3	82,2
1994	92,5	66,8	65,2	79	37,1	43,0
1995	94,8	87,8	86,9	98,1	0,3	63,3
1996	98,0	97,2	97,2	97,0		87,3

Table 1.6. Dynamics of the sickness rate according to immunised diseases (Per 100 000 population)

	1992	1993	1994	1995	1996	1997
Diphtheria	0,1	0,6	1	2,8	0,7	0,1
Whooping cough	7	2,4	1,62	1,2	0,9	0,8
Poliomyelitis	0,1	0,3	0,5	0,001		
Measles	19,4	10,8	5,2	1,3	1	1,1
Virus hepatitis A	514,6	518,6	398,6	607,2	260,4	558,2
Mumps			13,1	34	32,5	

Table 1.7. The number of sick people diagnosed for the first time as having venereal diseases (Per 100 000 population)

	Syphilis all forms	Gonorrhoea	
		Acute	Chronic
1992	2,3	16,5	3,6
1993	4,4	18,4	6,0
1994	11,4	17,9	4,5
1995	25,1	20,7	5,7
1996	38,5	20,4	6,1

1.5.4. Invalidity

There are about 400 thousand invalids in the republic. Every year, 67-85 thousand people are so diagnosed. The greatest numbers of these are in Tashkent City, Sirdarya, Samarkand and Andijan provinces and the Republic of Karakalpakstan. However, the number of those who obtained a certificate of disability in 1996 decreased compared to 1992.

The issue of rehabilitation of the disabled has been tackled through a State programme running from 1996-2000. The programme includes preventive measures and the medical, social and labour rehabilitation of the disabled.

A National Centre for the rehabilitation of the disabled has been set up in Tashkent. Here invalids obtain all kinds of treatment to restore health and the ability to work. Similar centres are under construction in Navoi and Fergana.

The Tashkent centre helped 9 thousand invalids return to work in 1996, and 17 thousand disabled changed the rating (group) of their disability to a lower level.

1.5.5. Mortality rate

Over the latest two years there has been a downward trend in the mortality rate. The decrease of the mortality rate is connected to the stable socio-political situation in the country and relatively soft economic decline in 1991-1995.

Against this, the growth in the general sickness rate, as well as in socially dangerous diseases such as hepatitis, tuberculosis and venereal diseases could negatively affect the indicators of invalidity and mortality.

1.6. Regional Policy the human dimension

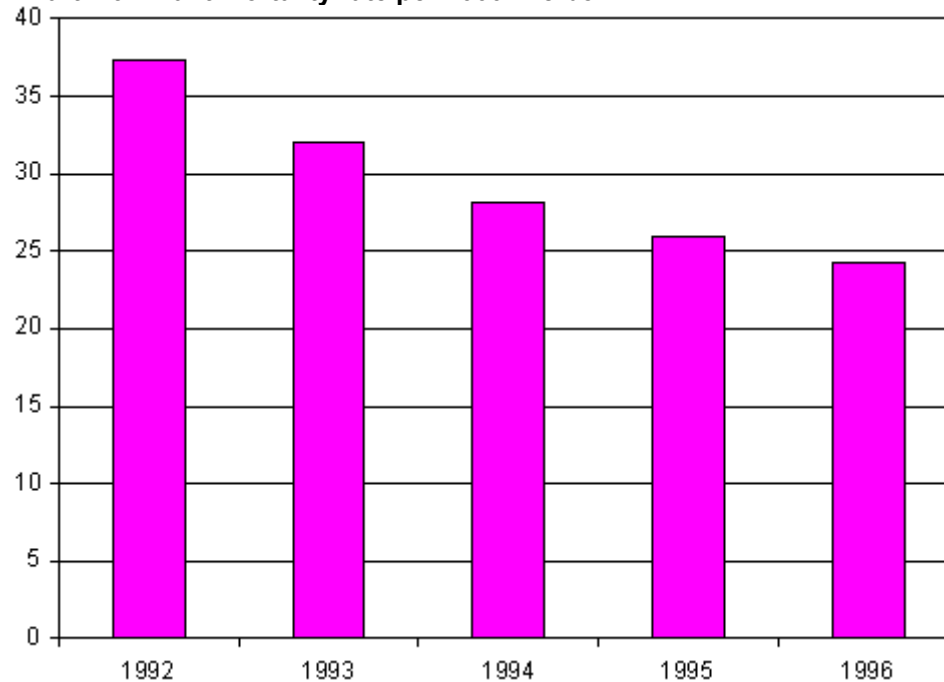
1.6.1. Human development and regional policy

Experience shows that it is difficult to pursue a stable economic policy in a country with wide differences in regional socio-economic development. This is certainly true of Uzbekistan.

Regional differences can be quite dramatic. For instance, average *per capita* income in Tashkent City is 4.2 times the level in Surkhandarya province, meat consumption 2.5 times higher, that of dairy products 3.4 times, water supply 1.6 times, hospital places 2 times. There are many reasons for these differences. The Government of Uzbekistan is well aware that such discrepancies could be dangerous in that they provide a fertile breeding ground for religious fanaticism and other forms of extremism. Low living standards, unemployment and low education levels can create favourable conditions for fundamentalist activities.

There are differing views on how to balance the economic development of different regions. However, one thing is quite clear; it is not enough to merely improve the indicators of human development in the republic as a whole, as the average indicators do not reflect the deep gaps in the levels of human development in different regions.

The Uzbek experience has shown that the resources of the central government have to be used to subsidise the less developed regions if any impact is to be made on the problem. However, in most cases the funds made available have tended to be used inefficiently and so achieve little result.

Chart 1.6. Infant mortality rate per 1000 live born**Table 1.8. Abortions and births indicators**

	The number of abortions aged 15-49	The number of abortions per 100 live born	Birth rate per 1000
1992	33	12,6	33,1
1993	28,4	10,7	31,5
1994	22,7	8,7	29,4
1995	20,7	7,0	29,8
1996	18,8	6,4	27,3

A more pragmatic way of approaching the problem is a sensible combination of centralised financial aid, in the form of investments, directed at the development of production and the social infrastructure in the provinces, coupled with the creation of conditions likely to promote the emergence of market relations and entrepreneurship.

People in the regions have to be enabled to generate incomes from their entrepreneurial activity and from the sale of their labour so that they have the means to increase their levels of education and maintain their health. That is why the goals of regional policy and its implementation must seek to solve the most important problems of human development in each region. The concept of human development presupposes that the object of economic policy is socio-economic transformation. In other words, it should be formulated with a view to creating equal conditions for human development in all regions of the country. The tools of such a policy are outlined below:

The legal aspect: This involves the development common legal regime for the whole country in spite of differences in the status of different regions, and regional, ethnic and other peculiarities. No laws should be adopted if they have the effect of reducing or limiting the rights of certain regions or ethnic groups. Together with this, legal support is needed to create additional incentives for the economic and social development of the less developed regions.

The economic aspect: This involves improving the production base, upgrading the labour force in different locations, developing the necessary fiscal tools, restructuring the economy, creating a market infrastructure, implementing targeted investment policy and other economic measures which tend to promote regional growth.

The institutional aspect: This involves the creation of a relevant framework in which the agencies of the State direction and regional self-management combine to solve the needs of population in the regions and direct the regional policy towards the needs of human development.

The social aspect: This involves the further developing the education system, public health, and cultural and artistic institutions and crime prevention.

Table 1.9. The number of people among all social categories for the first time classified as invalids (Per 10 000 people)

	1992	1993	1994	1995	1996
Uzbekistan	37,7	38,1	30,3	35,3	35,8
Karakalpakstan	45,8	50,9	39,3	40,9	36,5
Region:					
Andijan	43,6	47,2	32,6	42,1	42,5
Bukhara	35,7	30,2	26,6	30,5	32,4
Djizzak	37,7	41,9	34,8	36,6	30,7
Kashkadarya	27,1	29,8	20,8	23,1	25,2
Navoi	26,9	30,7	25,4	32,9	29,8
Namangan	32,7	32,9	25,5	31,6	30,1
Samarkand	39,8	41,0	32,2	36,7	38,1
Surkhandarya	24,3	24,5	19,5	26,8	27,4
Sirdarya	44,6	42,5	38,2	39,9	44,4
Tashkent	31,0	34,7	26,5	31,8	32,5
Fergana	38,2	38,8	31,8	39,1	40,3
Khoresm	38,2	38,5	30,0	35,1	35,3
Tashkent city	55,3	54,0	42,1	44,9	45,1

Table 1.10. Dynamics of the initial disability (Per 10,000 of workers)

Group of diseases	1992	1993	1994	1995	1996
Blood circulation system diseases	14,0	18,7	16,6	16,1	15,0
Diseases of nervous system	7,8	10,7	10,2	10,4	8,2
All kinds of trauma	11,7	12,1	9,6	7,0	8,9
Intestine organs diseases	8,2	11,0	9,6	8,4	7,5
Breathing organs diseases	4,4	5,9	5,4	5,0	4,8
Diseases of bone and muscular system	6,6	9,1	8,1	7,6	6,9

Table 1.11. Mortality of population (Per 100,000 people)

Regions	1992	1993	1994	1995	1996
Uzbekistan	655,3	662,0	663,3	638,3	623,6
Karakalpakstan	674,9	682,4	691,6	653,5	632,7
Province:					
Andijan	650,6	664,3	702,8	619,7	559,1
Bukhara	582,4	585,1	595,1	544,9	540,4
Djizzak	584,2	563,1	567,8	571,2	520,4
Kashkadarya	560,2	548,3	522,7	508,8	522,9
Navoi	594,5	596,2	623,4	625,7	630,5
Namangan	662,3	659,7	634,6	607,0	578,8
Samarkand	652,9	662,5	663,5	622,0	619,1
Surkhandarya	580,6	630,1	609,6	568,7	575,4
Sirdarya	635,7	633,5	599,7	584,4	588,5

Tashkent	683,5	698,0	710,6	718,7	724,8
Fergana	679,8	687,1	659,7	623,4	581,3
Khorezm	604,4	648,7	638,5	601,4	575,9
Tashkent city	816,6	829,2	876,1	921,8	929,5

The political aspect: This involves creating conditions likely to further the free, democratic development of the individual and society, guaranteeing humans rights as declared by the Convention on Human Rights, supporting non-governmental organisations which protect the interests of the population and other measures likely to promote social concord.

The achievement of the objectives of regional policy requires that attention be given to the following matters:

- The provision of an economic, legal and organisational basis for the development of the regions, consolidating a single economic environment for the whole state;
- The provision of better living standards for all citizens in spite of economic restrictions in the regions;
- The balancing of socio-economic development throughout the republic;
- The prevention of pollution and the ecological protection of the regions;
- The encouragement of local involvement in the implementation of policy.

Regional policy is influenced by the approaches to national economic policy indicated in earlier sections. This is reflected in the following ways.

Firstly, having emerged as a new independent state, Uzbekistan must bring its people together in a shared endeavour to promote and strengthen the economic and spiritual development of the nation. This must be done without reference to the ethnic origin, religious affiliation, or birthplace of the citizen. The integrity of the republic should not be undermined by any territorial, religious or ethnic factor as has happened in a number of other newly independent states such as Georgia, Moldova and Tajikistan. Supporting the rights of people and taking into account the specific features of the regions has nothing to do with supporting the fissiparous ambitions of groups seeking power under religious, democratic or other populist banners.

Secondly, Uzbekistan is in transition to a market economy. This is the goal of economic policy. Nevertheless, it is necessary to adjust the speed of reform to allow the population time to adapt to new conditions. In addition, the speed at which market transformations are allowed to take place in the different regions should be co-ordinated to prevent some regions from falling behind.

Box 1.7. Economic zoning of Uzbekistan

The republic is divided into the following economic zones:

- **The Tashkent economic zone** consists of the territory of Tashkent region and Tashkent City, which occupies 3.5% of the territory of Republic, and contains 18.5% of the population. In 1997, the region generated more than 25.9% of national income and manufactured 32.5% of industrial output of the republic.
- **Fergana economic zone** ranks second according to its production potential, it includes Andijan, Namangan and Fergana regions and occupies 19.2 thousand square km. (4.3% of total territory), it contains 27.6% of the population. In 1997 it generated 26% of national income, 31.5% of industrial output, 36.8% of gross agricultural production, 28.3% of trade turnover and about a quarter of budget revenue.
- **The central economic zone** includes Bukhara, Navoi and Samarkand regions. This is the second largest zone in Uzbekistan - 37% of the whole country. Population of the region accounts for 19.9% of the total population. In 1997 the share of national income generation was 18.6%, industrial output - 14.6% and gross agricultural production - 20.8%.

- **Southern economic zone** consists of Kashkadarya and Surkhandarya provinces, occupying 11% of the territory with 15.8% of the population of the country. This region is characterised by more developed agriculture, especially cattle breeding. In 1997, the share of agricultural production was 19.4%, industrial production - 12.4%, and national income - 14%.

- **Golodnaya Steppe economic zone** includes two neighbouring provinces Djizzak and Sirdarya, which account for 5.7% of the total land area of the republic. The population is 6.6% of the total. In 1997 the region produced 6.1% of national incomes, 2.7% of industrial output and 8.6% of gross agricultural product of the country.

- **The Aral Sea basin economic zone** consists of the Republic of Karakalpakstan and Khoresm province occupying 38.4% of total territory and inhabited by 11.5% of the population. The share of industrial output in 1997 was 6.3%, and agriculture 12.5%.

Table 1.12. Regional indicators in Uzbekistan, 1996 and 1997

Regions	GDP Index		Education level		HDI	
	1996	1997	1996	1997	1996	1997
Uzbekistan	0.399	0.425	0.895	0.896	0.682	0.692
North Uzbekistan	0.379	0.341	0.894	0.897	0.676	0.665
Karakalpakstan	0.267	0.247	0.894	0.896	0.637	0.631
Khorezm	0.507	0.447	0.894	0.898	0.722	0.703
Central Uzbekistan	0.375	0.393	0.895	0.897	0.679	0.685
Bukhara	0.415	0.436	0.895	0.885	0.691	0.695
Djizzak	0.320	0.320	0.893	0.950	0.667	0.686
Navoi	0.591	0.663	0.896	0.894	0.760	0.783
Samarkand	0.274	0.292	0.897	0.887	0.642	0.645
Syrdarya	0.518	0.489	0.893	0.888	0.719	0.708
South Uzbekistan	0.330	0.368	0.893	0.893	0.655	0.668
Kashkadarya	0.380	0.443	0.894	0.896	0.670	0.691
Surkhandarya	0.268	0.275	0.893	0.890	0.637	0.639
East Uzbekistan	0.440	0.466	0.896	0.901	0.696	0.711
Andijan	0.317	0.408	0.896	0.886	0.655	0.682
Namangan	0.269	0.300	0.894	0.908	0.638	0.653
Fergana	0.539	0.464	0.895	0.889	0.729	0.702
Tashkent	0.419	0.468	0.896	0.892	0.690	0.704
Tashkent city	0.610	0.740	0.898	0.936	0.755	0.811

1.6.2. Regional economic development as a basis of human development

The solution of many problems such as improving living standards and strengthening the budget base and, hence, increasing resources for the development of socially important sectors and public healthcare and education directly depends on the level of economic development in the regions.

The Republic is divided administratively and territorially into 12 provinces, the Karakalpakstan Republic and Tashkent-City (which also has a status of an independent territorial unit), 174 districts (incl. 163 rural areas), 119 cities and 115 urban villages, as well as numerous other settlements.

Since independence, the regional policy of the Republic has been directed at diminishing the inequality in development between different regions by placing the largest industrial enterprises in the most densely populated regions and situating them closer to local natural resources.

Some regions have thus gained ground in economic and human development in a short period of time. For instance, Fergana economic zone was previously dominated by Fergana province. During 1995-1997 there was significant industrial and agricultural growth in the Andijan region. This happened because of an automobile plant launch and the development in production potential in other sectors, which increased the capacities of construction and assembly works, led to improvements in communications and sharp increases in cotton and grain yields in agriculture.

Table 1.13. GDP per capita in the regions

Regions	PPP		% national average	
	1996	1997	1996	1997
Uzbekistan	2469	2670	100	100
North Uzbekistan	2349	2162	95,1	81,0
Karakalpakstan	1686	1596	68,3	59,8
Khorezm	3114	2808	126,1	106,2
Central Uzbekistan	2330	2479	94,4	92,8
Bukhara	2562	2739	103,8	102,6
Djizzak	1999	2040	81,0	76,4
Navoi	3609	4112	146,2	154,0
Samarkand	1725	1867	69,9	69,9
Cyrdarya	3179	3062	128,8	114,7
South Uzbekistan	2062	2330	83,5	87,3
Kashkadarya	2359	2784	95,5	104,3
Surkhandarya	1690	1764	68,4	66,1
East Uzbekistan	2669	2923	107,7	109,5
Andijan	1983	2567	80,3	96,1
Namangan	1697	1916	68,7	71,8
Fergana	3300	2906	133,7	108,8
Tashkent	2590	2931	104,9	109,8
Tashkent city	3722	4580	150,7	171,5

The economy of Bukhara and Kashkadarya regions is developing dynamically. This is the result of significant capital investments in gas and oil refining.

Despite many positive trends in the development of the economic potential of the provinces, a certain disproportion in social-economic development remains. This is reflected in:

- Differences in the levels of social-economic development that are slow to be reduced. Regions with small production potential develop slowly. For example, in 1997 industrial output in Sirdarya region was 1.5 per cent, Djizzak region 1.2 per cent. Their shares in investment were 3.2 per cent and 2.3 per cent.

Table 1.14. Budget potential of the government and local authorities for 1991-1997 (in soum*)

	1991	1992	1993	1994	1995	1996	1997 (preliminary)
Country budget potential (Budget revenue per capita)							
à) absolute significance	1550	9040	88410	966	4327	8753	3427
b) per cent	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Including:							
1. Central government budget potential							
à) absolute significance	900	5620	54030	567	2274	4086	6310
b) share of the total (in per cent)	58,0	62,2	61,1	58,7	52,6	46,7	47,0
2. Local authorities budget potential							
à) absolute significance	650	3420	34380	399	2053	4667	7117
b) share of the total (in per cent)	42,0	37,8	38,9	41,3	47,4	53,3	53,0

* 1991-1993 in roubles

Industrial production *per capita* in Karakalpakstan, Djizzak, Namangan, Surkhandarya and Sirdarya regions was 4 to 5 times lower than in regions with the highest levels of industrial development.

- Levels of agricultural development and efficiency differ significantly in different regions. Regions are divided into three groups according to their rate of agricultural development in 1996-1997. The Andijan, Khorezm, and Fergana regions are in the first group, relatively steady development being seen here, with Andijan achieving the best outcome. In the second group are regions that did not fundamentally improve their agricultural efficiency. These include Bukhara, Navoi, Namangan, Samarkand and Tashkent. In spite of its favourable natural and climatic conditions, agriculture in Surkhandarya region is in depression. The Karakalpakstan, Sirdarya and Djizzak regions are in the third group. Here agriculture is in a critical situation. The last few years have seen a sharp reduction in the efficiency with which they use their agricultural resources.

- In 1997, more than 600 agricultural enterprises in these regions finished the year with big losses. Farming and family contracts are developing slowly and the local authorities have failed to give farms and dekhkan farms adequate support. Also in 1997, 1,177 farms were closed for various reasons. More extensive economic reform is needed in the agricultural sector because of its important effect on the total economic potential of the regions as well as its influence on living standards.

- The more a region exports the greater its economic potential. There was higher foreign trade growth rate in most regions in comparison with Tashkent-City, especially in Andijan (2.4 times), Khorezm (1.3 times), and Fergana (1.2 times). However, it is difficult today to talk about fundamental changes in the export potential of the regions where cotton is still the main product. New joint ventures are importing rather than exporting, creating problems in regional potential for economic growth and limiting incomes.

- The rate at which market reforms are being introduced is not properly synchronised. For instance, in Tashkent-City it is proceeding far more quickly than in other regions of the country. Reforms in Bukhara, Samarkand, Andijan and Khoresm regions are considerably faster than those in Surkhandarya, Namangan, and Kashkadarya regions and in Karakalpakstan.

- As a result of the above factors, in some regions, the increase in the birth rate still considerably exceeds the economic growth rate - in Namangan, Kashkadarya, and Surkhandarya regions. In most regions, growth in the able-bodied population still exceeds new job creation, especially in rural areas. Differences between average *per capita* income of the population in different regions are reducing slowly.

Different levels of economic and industrial development in the regions create different starting conditions for implementing social programmes on human development. Therefore, there is a significant differentiation between the indices of human development in different regions.

Table 1.15. Dynamics of the budget potential changes during 1991-1997 (in soum*)

	1991	1992	1993	1994	1995	1996	1997
Local authorities budget							
potential	650	3420	34380	399	2053	4667	7117
By the regions:							
Karakalpakstan	770	3690	34560	399	1922	4032	6060
Andijan	660	3160	29920	360	1598	3319	5410
Bukhara	990	3450	33460	396	1883	4155	6132
Djizzak	630	3300	32670	377	1685	3747	5500
Kashkadarya	580	2910	28640	333	1510	3585	4623
Navoi	3390	36410	411	2061	4492	6558	
Namangan	570	3070	29130	375	1877	3733	5878
Samarkand	630	2880	29190	343	1522	3271	4847
Surkhandarya	590	3050	27480	314	1477	3007	6249
Sirdarya	690	3880	37310	405	2110	5194	8691
Tashkent	600	3100	31440	381	1707	3862	6170
Fergana	620	2990	32010	390	1511	3775	5852
Khorezm	650	3400	33320	398	1745	3877	6203
Tashkent city	790	5700	63570	676	5676	14142	20599

* 1991-1993 in roubles

Table 1.16. Deviation of the regions' budget potentials from the average rate of all local budgets during 1991-1997 (soum*)

	1991	1992	1993	1994	1995	1996	1997
Average rate of all local authorities budget potential	650	3420	34380	399	2053	4667	7117
Deviation from the average rate (+, -)							
Karakalpakstan	120	270	180	0	-131	-635	-1057
By the regions:							
Andijan	10	-260	-4460	-39	-455	-1348	-1707
Bukhara	340	30	-920	-3	-170	-512	-985
Djizzak	-20	-120	1710	-22	-368	-920	-1617
Kashkadarya	-70	-510	-5740	-66	-543	-1082	-2994
Navoi	-650	-30	2030	12	8	-175	-559
Namangan	-80	-350	-5350	-24	-176	-934	-1239
Samarkand	-20	-540	-5190	-56	-531	-1396	-2270
Surkhandarya	-60	-370	-6900	-85	-576	-1660	-868
Sirdarya	40	460	2930	6	57	527	1574
Tashkent	-50	-320	-2940	-18	-346	-805	-947
Fergana	-30	-430	-2370	-9	-542	-892	-1265
Khorezm	0	-20	-1060	-1	-308	-790	-914
Tashkent city	140	2280	29190	277	3623	9475	13482

* 1991-1993 in roubles

1.6.3. Regional indices of human development

According to 1997 data, Khoresm, Sirdarya, Navoi, Tashkent, Fergana regions and Tashkent-City had the highest human potential development index, calculated using methods suggested by UNDP.

In comparison with 1996, all regions, except Karakalpakstan, Khorezm, Djizzak, Sirdarya, and Fergana, increased their human potential development index in 1997. The most significant growth was observed in Tashkent-City.

GDP *per capita* is an important indicator of regional development. By this criterion, the most developed regions are the Navoi, Fergana, Tashkent, Khorezm and Sirdarya regions and Tashkent-City. It is noteworthy that Khorezm and Sirdarya regions have no strong industrial base, and GDP is mainly based on agricultural production.

The lowest GDP *per capita* is in Karakalpakstan. There it is 1.8 times lower than in neighbouring Khorezm, 2.6 times lower than in Navoi, and 2,9 times lower than in Tashkent-City. Similarly low results are observed in the Namangan, Samarkand, and Surkhandarya regions. However, the level is a little higher in the Djizzak and Andijan regions.

A low GDP *per capita* indicates that there are less material resources in a particular region for the improvement of living standards.

With a relatively high GDP *per capita*, Sirdarya region has one of the lowest life expectancy rates in the country. The Karakalpakstan and Kashkadarya regions also have low life expectancy. The Surkhandarya, Andijan, Namangan, and Tashkent regions are also below the average level within the republic. This indicates the problems that exist in these regions with health care (public health care development, environmental protection, sports development and medical preventive measures).

There is little difference in education levels in the regions. However, official statistics indicate that Tashkent-City, and the Khorezm, Navoi, Namangan and Djizzak regions exceed the national average.

In spite of the fact that the Human Development Index is not exact, it reflects certain social and economic trends in the regions. Using the Human Development Index and following the changes in it, it is clear that special attention should be paid to regional policy in Andijan, Namangan, Samarkand, and Surkhandarya,

as well as in Karakalpakstan. Agricultural production is at its maximum extent, but the birth rate is still high with a potential for a shortfall in food supplies in the longer term. Speedier development of the industrial potential in these regions is needed in order to provide the growing population with jobs, incomes, and proper living standards.

Table 1.17. Deviation of the regions' budget potentials from the average rate of all local budgets (except Tashkent-City) during 1991-1997 (soum*)

	1991	1992	1993	1994	1995	1996	1997
Average rate of all local authorities budget potential	570	3019	29681	349	1615	3575	5584
Deviation from the average rate (+, -)							
Karakalpakstan	200	671	4879	50	307	457	476
By the regions:							
Andijan	90	141	239	11	-17	-256	-174
Bukhara	420	431	3779	47	268	580	548
Djizzak	60	281	2989	28	70	172	-84
Kashkadarya	10	-109	-1041	-16	-105	10	-961
Navoi	-	371	6729	62	446	917	974
Namangan	0	51	-551	26	262	158	294
Samarkand	60	-139	-491	-6	-93	-304	-737
Surkhandarya	20	31	-2201	-35	-138	-568	665
Sirdarya	120	861	7629	56	495	1691	3107
Tashkent	30	81	1759	32	92	287	586
Fergana	50	-29	2329	41	-104	200	268
Khorezm	80	381	3639	49	130	302	619

* 1991-1993 in roubles

1.6.4. Budget potential in the regions

Improvements in the level of human development require financing which depends on local budgets. The republican budget as a whole consists of several local budgets among them, those of the Republic of Karakalpakstan, the twelve regional budgets and Tashkent-City. Each of these, in turn, is a subdivided into town, district and settlement budgets.

The regions of the republic differ enormously in area, population density and levels of economic development, so, it would be better to determine the financial capacity of a region, not on the basis of absolute numbers, but *per capita*. Budgetary funds *per capita* are designated as the budgetary potential.

In 1991 and 1992, the budgetary potential of the central government was 58.0 per cent and 62.2 per cent of the total budget potential. The regional authorities' share in total budget potential was lower at 42.0 per cent and 37.8 per cent respectively.

The government has attempted to increase the role of local authorities in the social and economic development of the regions. Since 1993, budgetary funds allocated by central government have been reducing gradually, and accounted for 47.0 per cent of the local authority budgets in 1997. Therefore, during these years, the share of the local authorities grew to 53.0 per cent.

Among the 14 administrative units, the economic potential of Tashkent-City (the capital of the republic) significantly exceeds those of the other regions being as much as 3 to 4 times higher. Because of this the figures for Tashkent-city are not included in calculations of the average budget potential of the regions as it would distort the figures upwards.

In 1997, the Karakalpakstan, Bukhara, Navoi, Surkhandarya, Cyrdarya, and Tashkent regions had higher budget potentials than the arithmetical mean of all other local authorities. Djizzak and Namangan regions, excluding a few towns, also had higher budget potential in comparison with the average index of all local

budgets. However, a direct correlation between a region's budget potential and its economic potential is not always possible.

If the total budget potential is 21.8 per cent of the national revenue *per capita*, then in Karakalpakstan, this indicator is 12.1 per cent higher, in the Andijan region 0.6 per cent higher, in Djizzak 4.2 per cent, Namangan 8.6 per cent, in Samarkand 6.0 per cent, in Surkhandarya 2.8 per cent, in Sirdarya 8.6 per cent, and in Tashkent-City 25.7 per cent higher.

The strength of certain regions can influence government regional policy. However, not all regions are economically strong leading to inequality in the use of the economic potential created by the regions.

The Government of Uzbekistan seeks to establish a division between central and local budgets so that local authorities can realise the economic potential of their regions without reliance on central government funds. This will increase the responsibility of the local authorities for the social and economic development of the regions.

Table 1.18. Ratio between regions' budget potential in 1996 and generated national revenue

	Ratio between budget potential and national revenue (per cent)
Karakalpakstan	33,9
Province:	
Andijan	22,4
Bukhara	21,1
Djizzak	26,0
Kashkadarya	19,6
Navoi	18,1
Namangan	30,4
Samarkand	27,8
Surkhandarya	24,6
Sirdarya	30,4
Tashkent	19,2
Fergana	12,9
Khorezm	17,5
Tashkent city	47,5
Republic of Uzbekistan	21,8

End notes

1 Main indices of social and economic development of the Republic of Uzbekistan in 1997: brief statistical reference book. Tashkent: Ministry of Macroeconomic and Statistics, 1998;

2 Trade turnover of consumer co-operation enterprises and farm market turnover;

3 Main indices of social and economic development of the Republic of Uzbekistan in 1997: brief statistical reference book. Tashkent: Ministry of Macroeconomic and Statistics, 1998;

4 Ministry of Macroeconomic and Statistics;

5 RMC-rural medical centres;

6 Ministry of Finance.

CHAPTER 2

THE STATE AND ECONOMIC REFORM

2.1. Restructing the economy

2.1.1. Restructuring and the human resource

Radical restructuring of the productive sectors is a necessary pre-condition of the successful transformation of a failed socialist economy into one capable of self-sustaining economic growth. This was certainly so in the case of Uzbekistan where the inherited structure of the national economy at the time of the decision to move away from the command model was highly inimical to the prospects of such a transformation being achieved.

The main weaknesses of the inherited structure were as follows:

- Over-dependence on the production and export of commodities and semi-finished goods;
- Reliance on agriculture as the main growth sector with a concomitant vulnerability to variations in climatic conditions;
- Dependence on imports for supplies of fuel and energy sources;
- Dependence on imports for the provision of staple foods, including grain, meat, dairy products, sugar, and potatoes;
- A relatively small manufacturing base;
- Obsolete technology wasteful in its use of energy and materials; and
- Productive sectors characterised by obsolete, materials and energy-intensive technology that made it difficult to compete internationally.

Efforts to address this situation were complicated by difficulties in financing the measures needed to restructure the productive sectors. In the early stages of the process, neither the public nor the private sector had adequate resources for this purpose. The process of initial capital accumulation in Uzbekistan had no parallels in the experience of other countries, either in respect of the origin of the capital or of the time taken to accumulate it. Macro-economic instability was an additional problem with rampant inflation reducing incentives to save and discouraging potential investors.

The Government of Uzbekistan had two real alternatives in formulating its restructuring policy:

It could either concentrate on achieving monetary stability leaving the development of the restructuring process to market forces; or

It could actively intervene in the process.

If the latter were the approach selected, monetary policy would have to be subordinated to the requirements of the restructuring programme.

A third possibility for the government was the reckless sale of raw material resources. The proceeds of this could be directed to the improvement of general living standards thus winning short-term popularity. However, this approach could not provide a basis for sustainable development, which was why the Government rejected it.

As indicated in Chapter 1, most of the former USSR successor states on achieving independence chose to go down the route of monetary policy and economic deregulation. However, while economic liberalism is attractive in theory, in practice it fails to address three fundamental problems:

1. Restructuring is a lengthy process. It takes time for an economy to begin to respond to market signals. In the meantime its development has to be financially supported and protected from external competition;
2. The financial and trade sectors tend to develop most quickly as these have the fastest money circulation and the highest profits, but it takes time for the capital accumulated in these sectors to be redistributed to the industrial and agricultural sectors;
3. Considerations of comparative advantage do not help the sectoral restructuring process as the 'niches' in the world market which national production might expect to supply are already occupied. Powerful state support for local producers is needed if export-led growth is to be achieved.

Another disadvantage of over-rapid deregulation of the economy is that the processes by which capital accumulates in private hands inevitably create social tensions. Income distribution becomes more uneven, unemployment increases, and national wealth is dissipated into private hands. This can be a potent source of resentment and discontent among the public at large. Developments in Russia afford a very pertinent object lesson of this process in action.

Uzbekistan had, therefore, actively to address the weaknesses in its economic structure. Economic growth and sustainable development without radical restructuring was impossible and the restructuring process had to be speeded up. Financial resources had to be directed to areas where they could be most effective in increasing economic independence and productivity.

In the circumstances it was judged that the best way forward was for the State itself to take a leading role in the accumulation of financial resources and the promotion of the restructuring process as opposed to leaving things to the operation of spontaneous forces - Adam Smith's famous "guiding hand". It was also intended that the restructuring process should contribute to the development of the country's human potential through the creation of new enterprises and the achievement of economic growth and improved living standards. It was, however, impossible to do this without highly qualified human talent. People had to have the opportunity and be motivated to:

- Earn incomes that assured them a comfortable standard of living;
- Look after their health;
- Improve their professional qualifications and skills.

In other words the restructuring process was dependent on the development of human capabilities. This dialectical relationship became the *leitmotiv* of economic policy in Uzbekistan.

2.1.2. The elements of restructuring policy

The main objectives of economic restructuring in Uzbekistan are:

- To increase the relative value of export earnings by developing facilities for the domestic processing of raw materials and the manufacture of finished goods;
- To become less dependent on imports by developing local production capacity, particularly in the areas of fuel and power, chemicals and agricultural machinery. Also to increase local production of food items such as grain and potatoes;
- To create the infrastructural underpinning required for the development of the manufacturing, financial and commercial sectors by developing modern communications and financial services.

In pursuit of these objectives, the Government of Uzbekistan developed six guiding principles:

1. To achieve these goals it was necessary to bring to bear considerable financial resources and undertake much preparatory work that may not necessarily attract private investment. For this reason the **first principle** of the restructuring process is that not only does the State have to become involved in the exercise, but it also has to become involved as the major player. Without state participation, the development of new mineral resources, the reconstruction of power stations, the establishment of automotive production, the development of the aircraft industry and many other desirable projects would not be possible. In short, the State has to function in a different way in this transitional period. It has intervene actively albeit using modern methods rather than the old instruments of centralised planning - to control the restructuring process and to create an economic environment favourable to investment and the transfer of capital from one sector to another.

2. Only when this has been achieved does the **second principle** of the process become relevant - i.e. the creation of a class of entrepreneurs and property owners with real rights and powers.

3. The development of the manufacturing base has to be a major object of economic policy. However, the emergence of a large number of industrial enterprises all requiring investment capital can result in the dissipation of available resources and their inefficient use. The **third principle** of the restructuring process is, therefore, to identify priority areas for investment and ensure that resources are allocated to these areas.

Table 2.1. Pattern of GDP in Uzbekistan, 1990-97 (%)

	1990	1995	1996	1997
GDP	100	100	100	100
Industry	22,7	17,1	17,4	16,8
Agriculture	33,4	28,1	22,5	24,9
Construction	10,6	7,1	8,1	7,5
Services	-	34,6	38,3	39,9
Net tax revenue	-	13,1	13,7	11,8

4. However, although State participation in the process is essential, as already implied, the old ways of central planning based on estimation of results according to the gross indicators and the employment figures are no longer appropriate. It is necessary to understand that manufacturing is closely connected with the market situation. If market signals are not understood and a proper response made, any initiative is condemned to fail. Big investments will not yield returns if the goods manufactured are not competitive on local and international markets. To determine which projects should be given priority, the principle of economic expediency has to be deployed. This is the Government of Uzbekistan's **fourth principle** of restructuring. The determinant of economic expediency is profit and loss - i.e. commercial viability. To determine this, in-depth surveys of potential markets have to be made. Any administrative interference into the industrial process that ignores commercial considerations is likely to produce negative final results.

5. It also has to be accepted that not all existing enterprises will survive in the new economy. Some can be reformed and restructured, others have to be liquidated. However, processes of micro-economic decision-making should not be carried out by State agencies: rather, each enterprise has to prove its commercial viability under the new conditions. Thus, the **fifth principle** of structural transformation takes into account modern reality through its understanding of new forms of economic relationships, benefiting from their advantages and avoiding their disadvantages. In the course of the restructuring process, legal and economic adjustment must be of prime importance. This allows for the privatisation and de-monopolisation of enterprises and encourages the shift from a vertical administrative structure to horizontal relations between independent enterprises based on market considerations.

6. The restructuring process means that many enterprises are going to have to shed redundant workers. Contrariwise, the introduction of new technology means that workers have to obtain new skills and knowledge. Thus, the **sixth principle** of restructuring is the training and re-training of the work force.

These six principles allow the restructuring to take place in a positive environment with minimum losses. They promote macroeconomic stability and help integrate the economy of the republic into the global economy.

Box 2.1. Industrial capability of Uzbekistan

Uzbekistan is one of the largest producers of electricity in Central Asia with 37 power stations. The electricity produced in the republic not only provides for internal needs, but is also exported to neighbouring states.

The republic is the main exporter of cotton among the Central Asian countries. In addition, it also manufactures a wide range of agricultural and cotton ginning machinery, including equipment for planting, cultivating, harvesting and processing cotton. Uzbekistan is the only state in the region that produces machinery for silkworm breeding and silk spinning.

The ferrous and non-ferrous metal industries include the largest plants in central Asia. Among them are the Almalyk and Navoi integrated mining and metallurgical works, the Uzbek integrated industrial heat-proofing complex and others. Refined gold, silver and platinum produced by the enterprises of "Kizilkumredmedzoloto" meet world standards.

The chemical industry produces mineral fertilisers, insecticides, chemical fibres and threads, detergents, plastic, synthetic resin, tubes, etc.

2.1.3. The economic structure of Uzbekistan and the potential for development

The economic structure inherited by Uzbekistan was ill-suited to its newly independent status. It had been perceived as an integral part of the wider Soviet economic unit, oriented to the import of foods and power resources and to the export of non-food agricultural products and precious metals. On its own it was not competitive on the world market and could not provide economic growth, social stability and sustainable development.

At the same time Uzbekistan did have the potential for a competitive economic framework. There were powerful enterprises representing all branches of industry, as well as a great number of enterprises involved in processing agricultural products. The republic was also able to produce high technology products.

Table 2.2 The structure of industrial output (%)

	1995	1996	1997
Industrial output	100	100	100
Power energy	15,1	14,4	10
Fuel industry	12,4	11,8	14,2
Metallurgy	11,0	12,4	10,3
Chemical and petrochemical industry	5,3	5,8	4,2
Machine building and metal processing	8,2	10,8	12,1
Timber, woodworking and pulp and paper industry	0,8	0,9	0,9
Construction materials manufacturing industry	4,9	4,9	4,3
Light industry	19,9	20,0	19,2
Food industry	7,2	7,8	11,1

2.1.3.1. The industrial sector

Light industry, together with **power and fuel production** constitute the largest industrial sub-sector. Their aggregate output accounts for 24-25 per cent of total industrial product. The importance of **machine building** has lately increased with output increasing 150 per cent. The same rate of increase is observed in the **food processing** industry.

The main structural changes achieved in the manufacturing sector reflect the priorities of the initial years of the restructuring process. They include:

- An increase in fuel and power self-sufficiency;
- The establishment of high-tech manufacturing enterprises; and
- The enhancement of the food, fruit and vegetable-processing industries.

Changes in the **chemical industry** are of great importance in the restructuring process. The equipment of the majority of chemical enterprises had become obsolete and was both inefficient and power-intensive. Chemical industry products are widely used in the production of mineral fertilisers and insecticides; the industry should, therefore, contribute enormously to the efficiency of agricultural production.

On the positive side, the republic has vast resources of chemical industry raw materials including gas and condensate gas, oil, sulphur, phosphorous, sodium carbonate etc. A development programme was, therefore, formulated covering the period 1998-2002 based on the effective exploitation of these resources. It included 23 projects which were expected to attract investments of the order of \$(US) 3,525 mn. The object was to create a resource base for the chemical industry and other areas of the economy.

Among the top priority projects were:

- The construction of a plant to produce sodium carbonate in Kungrad;
- The development of potash salt mining in Tubegatan;
- The construction of the second phase of a phosphoric acid plant in Kizylkum;
- The production of nitrate fertilisers in Fergana, Navoi and Chirchik, the development of chemical manufacturing capacity in Fergana and Namangan.

The active participation of foreign companies is envisaged and export capabilities are expected to grow by \$(US) 1,472 mn by the year 2002. Import substitution will rise to 816 mn soum.

A special programme has been drafted for the development of **agricultural machinery** manufacture. The programme envisages close co-operation with foreign companies such as Case, and the American Mobile group from the USA, Lemken, Krone, Amazone, and Zelko from Germany and Agrimondo from Italy. Potential foreign investment in this sector amounts to \$US 100 mn.

Construction materials manufacturing and **food processing** are two other important industrial sub-sectors.

To develop high quality production for the construction industry, it is planned to use the financial resources of domestic enterprises, credit granted by EBRD and the Berliner Bank and grants from the Japanese government. Joint ventures have been established with the Italian group, City and the German companies, Ermafa, Kunststofftechnik and Mellers. It is hoped to attract about \$US 20 mn and 330 mn soum in investments. Production of new materials meeting international standards has begun, including white and coloured cement, floor coverings, ceramic facing tiles, coloured glass, and granite and marble blocks and panels. Implementation of the programme will generate exports worth \$US 140 mn and decrease imports by \$US 40 mn.

Box 2.2. Natural resources of Uzbekistan

Uzbekistan's rich mineral resources include very large stocks of gold, silver and other rare-earth metals. About 100 different minerals have been discovered in the republic, accumulated in 2,700 deposits. According to international experts, the total mineral capability of Uzbekistan is \$(US) 3.3 trillion. Annual extraction of natural resources runs at about \$(US) 5.5 bn, while annual growth in stocks is around \$ 6-7 bn.

The republic has large oil and gas reserves. There are 5 large gas-bearing regions: Usturt, Bukhara/Khiva, South-West Gissarian, Surkhandarya and Fergana. In gas extraction, Uzbekistan ranks third among the republics of the former Soviet Union and is among the top ten largest gas extracting countries

in the world. Mining capability and the transportation system allows gas to be exported to CIS countries and to Eastern Europe.

20 fields of marble and 15 fields of granite have already been exploited in the republic. Total resources of facing stone exceed 85 mn M³. There is enough raw material to supply stone processing enterprises in the republic for hundreds of years ahead.

Box 2.3. Export capabilities of Uzbekistan

Uzbekistan has extensive agricultural resource capabilities. It is the largest producer and supplier of cotton and its products on the world market. Annually, the republic produces about 4 mn tonnes of raw cotton, from which 1.3 mn tonnes of cotton fibre are processed.

Production of **other goods** with export potential is also being developed, including silkworm cocoons, astrakhan fur and related goods. Annually, Uzbekistan produces about 30 thousand tonnes of cocoons, more than 1.5 mn high quality astrakhan pelts and more than 18,000 tonnes of sheep's wool. .

Uzbekistan has an enormous potential for tourism. 4,000 historical monuments are situated in the republic, among them, such world-famous city monuments as Samarkand, Bukhara, Khiva, Shahrisabs, Kokand and Termez.

In order to advance the restructuring of the **meat and dairy** industries, enterprises have been granted hard currency credits from French and German sources as well as the Central Asian and American Fund for Reconstruction and Development for the purchase of advanced technology. Joint ventures have been established with the participation of Pakistani, Turkish, Swiss, Italian, Indian, and Lithuanian companies.

To facilitate internationally competitive production elsewhere in the **food and beverages** sub-sector, projects have been approved to pack tomato paste, fruit pulp, light apple and grape juice, sparkling wines, and mineral water. For this, credit from EBRD, Eximbank of America, Deutsche bank of Germany, and PKL of Austria will be used. The investment programme, which is intended to expand export capabilities, also envisages the production of ketchup, glucose, jam and baby food.

2.1.3.2. Tourism

In 1995 the republic began a programme for the revival its historical heritage and ancient monuments with the development of the tourism infrastructure on the Great Silk Road. To fulfil the programme by the year 2000, tourist bases, camping sites, restaurants and parking places are being upgraded, old roads repaired and new ones constructed. With the help of construction firms from India, France and the UK, new modern hotels have been built in Tashkent, Samarkand and Urgench.

To improve recreation facilities for foreign visitors in the capital, a "Tashkentland" park has been constructed and an Uzbek-American joint venture established to build and further exploit an international standard golf club.

The **transport sector** investment programme is underway. The airports in Samarkand, Bukhara and Urgench are being rebuilt with Japanese credit worth 15,526 mn Japanese yen. Chase Manhattan Bank credit helped the national airline to buy a second Boeing-767 and a third A-310. \$US 80 mn credit from Barclays Bank and the National Bank for Foreign Economic Activity was used to purchase 3 RJ-85 aircraft. The modernisation of the aircraft fleet and the improvement in the quality of services resulted in an increase in transportation service exports to over 100 mn soum in 1997.

2.1.4. Investment sources

The restructuring of the productive sectors of the economy is being implemented through a series of investment programmes. The main sources of finance for these programmes are the State budget, centralised credits, and foreign investments attracted by government guarantees.

Foreign investments are of great importance in the technical up dating of the economy. The generation of funds from domestic sources is not well developed which is why most capital programmes are based on imports of equipment, machinery and modern technology purchased with foreign funds.

Unfortunately, foreign direct investment is not common in the investment structure in Uzbekistan. Most foreign investments are based on credits granted to the State or to enterprises with State guarantees. Furthermore, imports of foreign technology are not always accompanied by adequate export growth. In 1997, the majority of enterprises with foreign investments imported rather than exported and this tendency is increasing. The experience of many countries that have undergone transformation to market-directed economies testifies to the necessity of using internal savings to satisfy the demand for capital sources. One of the most important measures taken by the Government of Uzbekistan to create conditions that encourage local enterprises to accumulate funds for further investment is the revision of depreciation policy.

Commercial bank credit and business investments are low. Over the last three years, commercial bank credit has reduced from 6.4 to 2.0 per cent of total investments. This is testament to the lack of interest of the commercial banks in long-term investment.

Box 2.4. Communications in Uzbekistan

There is a comprehensive **transport** system in the country providing for the internal and external transportation of cargo and passengers, as well as aiding economic ties with the CIS and other overseas countries. There are 3,655 km of railways, 84.4 thousand km of roads, including 43.3 thousand km of main roads, 3,243 km of which are international highways. The national airline, Uzbekiston Havo Yollari, flies to more than 20 countries.

In 1997, capital investments in transport and communications grew dramatically to more than 54 bn soum or 20 per cent of the total capital investments. The construction of fibre-optical lines with ISDN technology is underway. By the end of 1997, 944 km of the Trans-Asia-European optical fibre cable from Shanghai (China) to Frankfurt had been laid across Uzbekistan from the Kazakhstan to Turkmenistan borders.

In the **telecommunications** sub-sector, joint ventures were set up with the German company Siemens and the Italian group STET International. In order to develop competition and restrict monopolistic activity in the cellular communications market, 6 enterprises were established jointly with foreign partners. They were Uzdunrobita, Coscom, Uzmancom, Rubikon, Buztel and DAEWOO Central Paging.

Table 2.3. Structure of investments by the sources of financing (%)

	1995	1996	1997	1998
Capital investments	100	100	100	100
Centralised investments	46,1	47,7	45,8	53,5
Budget funds	24,9	25,7	26,4	17,2
Central bank credits	3,7	3,8	5,5	1,2
Non-budget funds	2,2	2,4	1,1	5,3
Foreign investments and credits	15,3	15,8	12,8	29,8
Non-centralised investments	53,9	52,3	54,2	46,5
Enterprise funds	37,2	35,5	35,0	16,2
Khokimiyats funds	2,1	1,5	-	-
Commercial bank credit	6,4	3,6	2,0	1,9
Foreign direct investment and credits	1,4	2,8	7,1	22,2
Private investment	6,8	8,9	10,1	6,1

The development of **foreign trade** is one of the main elements in the restructuring process. This reflects the need to use the most advanced technology in updating the productive sectors of the economy.

The structure Uzbekistan inherited from the former USSR was not suited to innovation even though the USSR had been very successful in developing its defence industry capability, including its capacity for producing missiles and aircraft etc. The lack of innovative capability is why Uzbekistan has had to re-orient its foreign trade towards the importation of the advanced equipment and modern technologies from developed countries. Thus imports of machinery and equipment have increased while that of foodstuffs (by total volume) has decreased. In 1997, imports from non-CIS countries accounted for 72 per cent of all imports largely reflecting this shift in the pattern of goods imported.

There has also been a tendency in some sub-sectors for exports of higher added-value goods to increase as opposed to raw materials. In 1997, there was considerable growth in exports of machinery and equipment. energy and ferrous and non-ferrous metals. The export share of cotton fibre has tended to decrease as a result of the re-orientation of light industry towards the processing of fibre and the exportation of ready-made goods. On the other hand the export share of chemical products and plastics and goods derived from them decreased.

The considerable efforts that the state has directed towards the implementation of the restructuring cannot continue too long with the same intensity. At the initial stage of reforms, strong state involvement was necessary for reasons already rehearsed, but, now a market economy has begun to emerge, market forces must play a more significant role in determining priority investment projects. The economy cannot simply enlarge investments without expecting returns. The competitiveness of investments in the external and internal markets can only be proved or rejected by the market. That is why it is important to shift the onus for carrying on the restructuring process to the enterprises which should more and more rely on the market to direct their activity.

Privatisation and the break up of monopoly structures play an important role in this process by transferring economic leverage from the State to the enterprises themselves.

Table 2.4. The contribution of enterprises with foreign investments in total production, exports and imports of the republic (Uzbekistan = 100 per cent)
Production Exports Imports

	Production		Exports		Imports	
	1996	1997	1996	1997	1996	1997
Enterprises with foreign investments	7,46	12,5	4,6	9,1	36,7	39,3

Table 2.5. The structure of foreign trade turnover of Uzbekistan by exports and imports

	1995		1996		1997	
	\$(US)mn	%	\$(US)mn	%	\$(US)mn	%
Aggregate foreign trade turnover	6613		9311		8910,5	
Aggregate exports	3720	100	4590	100	4387,5	100
- to CIS	1281	34,5	1050	22,9	1508,6	34,4
- to Rest of World	2438	65,5	3540	77,1	2878,9	65,6
Aggregate imports	2893	100	4721	100	4523	100
- from CIS	1259	43,5	1518	32,1	1268,2	28
- from Rest of World	1634	56,5	3203	67,9	3254,8	72

Table 2.6. Foreign trade turnover structure

	Percentage (%)		
	1995	1996	1997
Foreign trade turnover	100	100	100
Export	56,3	46,8	49,2
Import	43,7	53,2	50,8
Structure of export	100,0	100,0	100,0
Cotton fibre	48,4	38,1	36,0
Chemical industry products			
plastic and goods made of it	2,5	2,4	1,7
Ferrous and non-ferrous metals	4,6	3,5	4,6
Machines and equipment	2,0	2,8	6,3
Foodstuffs	1,7	4,5	3,8

Power	11,7	6,0	12,0
Services	7,7	8,3	8,2
Other	21,4	34,4	27,4
Structure of imports	100	100	100
Foodstuffs	18,2	29,5	19,3
Chemical industry products,			
Plastics and goods made of it	9,3	12,5	12,5
Ferrous and non-ferrous metals	5,7	6,7	7,5
Machines and equipment	47,9	35,8	45,9
Power	1,9	1,1	0,6
Services	5,0	0,2	7,5
Other	12,0	14,3	6,7

2.2. Privatisation: a review of the process to date

2.2.1. The dialectics of privatisation: from quantity to quality

Privatisation has been the most important constituent in the process of transforming the structure of the Uzbekistan economy. State ownership of most of the national wealth over the last 70 years did not result in its efficient usage. Living standards of the majority of the population are low as compared to developed countries and a substantial proportion of the rural population has to be considered as poor.

This explains why the Government of Uzbekistan decided to move quickly from State to private ownership of the main productive assets. It was hoped in this way to provide strong incentives for the development of labour productivity and to encourage economic innovation.

One aspect of the privatisation process is the accumulation of private capital a process by which individual interests can be furthered in several ways:

- By developing a class of real owners - by the sale of complete enterprises or shares in enterprises;
- By creating conditions which enable the new owners to implement their rights and exploit opportunities through reform of the laws regulating economic relations;
- By giving people opportunities to achieve their potential by adopting a more positive attitude towards paid labour (if they are in employment) by becoming more efficient or by earning higher incomes through ownership of capital goods.

During the privatisation period (1992-1997), 20,692 enterprises were privatised in the mining, transport, construction and processing industries and about 54,000 small enterprises in trading, catering and everyday services. Local industries, consumer co-operatives and procurement activities were also privatised. By 1997, 86.5 per cent of all enterprises were in private hands.

Over one million people became the owners of former state-owned apartments. About 700,000 people have moved into privately owned dwellings.

More than 100,000 private small enterprises have been established and registered. Monopolistic structures have been liquidated in trade and everyday services.

The basis for a functioning corporate securities market has been established. It includes:

- The adoption of laws "On Shareholding Societies and Protection of Shareholders' Rights" and "On the Mechanism of the Securities Market Operation";
- 7,053 issues of securities were registered with 360,000 million shares worth over 189 bn soum;

- 529 investment institutions were operating on the stock market in 1997, including 232 investment brokers and dealers, 42 investment companies, 5 depositories, 26 agencies registering owners of securities and others.

The experience accumulated in this process has allowed a start to be made on the privatisation of the industrial giants. These include the Tashkent Aircraft Plant, the Tashkent Tractor Plant, the Uzbek Metallurgic Plant and the Almalik Mining-Metallurgy Complex. The Uzselkhoz mashholding Company, a company with high investment potential, was established on the basis of 15 enterprises in the agricultural machinery building sub-sector.

The privatisation process has had a direct impact on the material well being of the population in that it has created new types of jobs that also mean new sources of income.

At the same time, the fast pace of the privatisation process has had its negative effects:

- First, the quick change of owner does not necessarily result in better management: the new owner needs work experience in market conditions and a new mentality has to develop among executives and workers in the privatised enterprises. Changes like this do not occur overnight on privatisation: the process takes some time.

- Second, state property was often sold at very low prices. Generally, property bought at such low prices is managed inefficiently as the risk of loss is low if the enterprise goes bankrupt. Alternatively, it is highly profitable to resell the property at the true market price.

- Third, the sale of state enterprises to workers' co-operatives usually had disappointing results. The practice was intended to raise the labour productivity of the enterprises affected. In practice, such sales usually meant that the directors ceased to be professional managers who had to demonstrate their capability on a day-to-day basis as in the old soviet system. On the contrary, when the State ceased to exercise control, the workers became the real managers of the enterprises. In that situation they have tended to feather their own nests rather than have regard to the longer term health of the enterprises that had come so unexpectedly into their ownership at such little cost to themselves. Their knowledge that their chance to exploit their windfall opportunities were essentially short-term tended to make them even more reckless. In 1997, 2,220 enterprises were identified as economically inefficient, of which 145 were declared to be bankrupt. In a one-year period, 136 enterprises were liquidated (including enterprises declared bankrupt in 1995-1996). 148 enterprises had to be resuscitated.

Another mistake made during the privatisation period was the creation of as many share-holding societies as possible. This resulted in many of them becoming insolvent, non-profitable and unable to pay dividends.

Also the public at large did not show a great deal of interest in buying shares. There were some 700,000 shareholders in the country by the beginning of 1998 i.e. about 10 per cent of the workforce. The fact of the matter was that much of the population did not have the means to buy shares this included pensioners, members of big families and those living in rural areas as well as public sector employees, such as those in health, education and cultural activities.

The small number of shareholders is evidence that shares are usually acquired in order to secure control of wealth-creating assets. In fact, it is probably correct to assert that the main motive for the primary share placement in privatised enterprises was the unwillingness of executives of the former state entities to lose control over them.

In many cases there is no motive to form investment portfolios for receiving high incomes from shares. As a result, the outcome is what might be termed "administrative capitalism" rather than a market economy.

The impact of the privatisation process on economic relations has been analysed and the results show the necessity of slowing down the pace of privatisation and shifting the emphasis from quantitative to qualitative changes of the capital markets.

Reflecting this new concern, the extension of the privatisation process in 1997-1998 had regard to the following principles:

- A shift of emphasis from quantitative indices to in-depth restructuring of particular areas of the economy and the development of post-privatisation support mechanisms;
- The expansion of the range of privatisation methods employed to make sure that these take fully into account specific trade and regional features. Among the reforms are improved assessment of the property to be privatised and its sale on a tender base;
- Improvement of economic efficiency through active support of entrepreneurship and restructuring as well as through the liquidation of unprofitable enterprises;
- The involvement of a broader cross-section of society in share buying and further development of the stock market;
- The bankrupting of shareholding societies if they fail to sell their primary share package. In Germany, for example, there are only 3,000 shareholding societies and over 500,000 limited liability companies.

In 1997, the President and the Government took the following measures:

- The packages of shares offered by the State had some restrictions on ownership - the state could not own more than 25% of legal funds; workers' co-operatives could own not more than 26 per cent in enterprises transferred from state to private hands. The remaining 49% was offered for open sale (including to foreign investors);
- Structural transformations in large sub-sectors, including the production of construction materials, in the fruit and vegetable processing industry, the communications industry and in everyday services and trade;
- The participation of foreign investors and international institutions in the development of the securities market in the republic was encouraged; and the placement of derivative securities at the leading stock markets of the world is being considered.

2.2.2. The identity of the real owners

In Soviet Uzbekistan all capital goods belonged to the state. Citizens could own private property, use and dispose of it, but could not make profit from it. Thus, a class of owners interested in the efficient use of capital for profit did not exist.

From the very beginning, therefore, the privatisation process was directed at the formation of a new class of owners able to use their own property efficiently.

Taking into consideration the rapid pace of the privatisation process, a number of issues have to be faced:

- Has a class of owners of capital formed;
- After six years of economic reforms who are the owners;
- What is the social and economic status of the real owners.

One answer to the first question is that more than one million people, mainly the urban population, became new owners as a result of the privatisation of publicly owned housing. (Dwellings in the rural areas were the private property of the citizens even in the Soviet years). Taking this into account, practically all dwellings in the country are now in private hands. All categories of citizens own their own dwellings irrespective of income high, medium or low. However, people with high incomes can afford better dwelling places and may own several houses or apartments that they use for their private purposes or for letting. The legislation allows an individual to freely own, use and dispose of a dwelling considered as private property. This has created the opportunity to form a free market in housing as well as easing the housing problem to a considerable degree.

However, there are many problems in the implementation of private property rights in blocks of flats. These relate to responsibility for structural repairs to the block as well as to the municipal infrastructure that services such blocks.

The easing of the housing problem that has resulted from the creation of a free market in housing is a considerable gain, especially in comparison with the situation that prevailed in the past. However, taking into consideration the relatively high prices for dwellings, it is apparent that newly married couples with low incomes will not be able to buy private dwellings in the medium-term. The proportion of the urban population owning their homes will probably gradually decrease and the proportion of tenants will increase.

As to who are the owners of capital, owners of newly created private companies as well as entrepreneurs engaged in business, even though they are not legally as registered companies, should be included in the term "owners". This category of the population is in business by virtue of its ownership of capital i.e. it constitutes a *rentier* class. In December, 1997, 22.1 per cent of all private incomes was derived from entrepreneurial activity. Entrepreneurs earned more than a half of this. Those who earn a second income from entrepreneurial activity received the rest. Another 5 per cent of all incomes were received from individual labour activity.

Small and medium enterprises prevail among private companies. By the end of 1997, over 100,000 small enterprises and about 20,000 private farms were functioning in the country.

A third class of owners consists of citizens with stocks or shares in joint ventures and collective enterprises. Due to the mechanism of privatisation and the system of incentives for the members of workers' co-operatives to acquire shares, the workers of privatised enterprises directly participate in share buying. All workers of privatised enterprises received shares free of charge. The total number of people owning shares exceeds 700,000. If people with shares in joint and collective enterprises are added to this, the number of shareholders totals about 1 million.

In addition, many families, especially those in rural areas, inherited their personal plots. They have a limited property right on the land (they may own and use it but not dispose of it) which allows them to generate a constant income by using the land and a one-time income if they chose to sell their rights in it. According to budget surveys, the income received from the usage of personal plots accounted for 15.4 per cent of total population income in December, 1997. All rural households have their own personal plots irrespective of their income level and profession. The size of the plots can range up to 0.35 ha depending on the availability of unused land in a particular locality. The total area allocated to households as personal plots was over 650,000 ha in 1997.

Out of all categories of owners of private companies, only those who receive their primary income from their ownership of their property can be considered as real owners. Not all of those who owned shares became real owners; this requires participation in the management of production. Nor did they receive income from their shares on selling them on the secondary market.

The development of the secondary market in shares is closely connected with the improvement of the financial situation at those enterprises transformed into shareholding companies. This development depends on technical modernisation and a reorientation towards competitive production and increased exports.

Of the various economic sectors, trade and services are areas that have been most extensively privatised. In fact, since the beginning of the reform process, practically all shops and everyday municipal services have been affected.

In the industrial sector, the percentage of private owners is highest in the local, light and food processing sub-sectors.

The number of private owners in the state services sector i.e. health, education, cultural facilities and so on is less. However, with the development of private health and education, the opportunities for public sector employees to become owners will increase. In addition, many people could become private owners by buying shares in Privatisation Investment Funds (PIFs).

The government has identified 310 shareholding companies for the implementation of the PIF programme; the shares of these companies are being proposed on a tender base to form PIF portfolios.

At present there are 81 privatisation funds which bought shares in 150 enterprises with a total value of 835 mn soum. Over 69, 000 individuals bought PIF shares totalling 200 mn soum.

The emergence of a class of owners in the rural areas is closely connected with the success of agricultural sector reforms which have transformed collective farms into agrarian co-operatives and promoted the creation of private farms and *dekhan* enterprises.

2.3. Role of the Government in Agrarian Reforms

2.3.1. Costs and benefits of the reform process

Agriculture is one of the most important sectors of the national economy. The success of the economic reforms being carried out in the republic depends on the proper management of what is being done in this area.

The rights enjoyed by agrarian enterprises have increased considerably during the reform years. Product distribution has improved and the material and technical basis of activity in the sector has been enhanced by measures to make available highly productive machinery and so on.

As noted in the previous section, a new class of owners of capital has formed among those engaged in agriculture. The number of privately owned farms has increased 2.7 times since 1993 and their total area has increased 5.7 times and now covers over 400,000 ha.

Economic agencies generally in the agricultural sector are becoming more independent. Market-regulated systems of finance and insurance have been introduced as well as procedures for settling disputes over supplies of produce, machinery, fuel and mineral fertilisers without recourse to the legal system.

The Ministry of Agriculture and Irrigation has been established in order to improve the management of agriculture and irrigation and to oversee their close interrelation.

As already indicated, a market infrastructure, including financial and insurance services to rural producers, has been developed in the rural areas. Specialised banks such as Pakhta, Galla, Mevasabzavotbank, Turan, Tadbirkorbank and Zaminbank have been established to service farms and small enterprises by providing credit against a property pledge. The Uzagrosugurt insurance company was set up to insure rural enterprises against natural calamity as well as economic relations with partners.

The liquidation of the cotton monopoly effected considerable changes in the structure of agricultural production. At the same time, reflecting the difficulties of the transition period, various semi-market relationships emerged resulting in new market structures operating in old administrative frameworks.

Reform has had its downside in the villages.

First, the main task of economic reforms in the rural area, i.e. the formation of a class of real owners of capital, has not yet been fulfilled. As a result, workers on collective farms, co-operatives, state and other collective organisations are still not interested in cutting costs or increasing economic efficiency and production volumes. Some agricultural enterprises changed their management systems only nominally. Public attitudes to work, methods of production, labour practices and production management did not change significantly because the producers were not interested in improving the quality and fertility of land that they rented rather than owned.

To some extent this reflects the way land is leased. Local authorities very often lease it for periods not exceeding one year, although, according to the law, such contracts should last for not less than 10 years. There is evidence of farm executives confiscating land from farmers and tenants without any real reason. Again, this violates leasing regulations and discourages land users from working efficiently or improving land fertility.

Second, many executives of agricultural enterprises and their co-ordinating bodies are not ready to work in the new economic conditions. For example, 1,083 farms were liquidated in 1996, 61 per cent of which failed because of insufficient support from executives of large enterprises. 1,177 farms were liquidated in 1997.

A new economic culture is formed very slowly. Old principles of management have not changed at all at some enterprises, local authorities still interfere unduly in the management of agricultural production and artificial obstacles are created to hinder the economic and technological independence of the producers.

Third, the lack of a proper sense of ownership leads to the inefficient use of labour and material resources, as well as to a rise in the price of agricultural products. In addition, even if production costs are high, enterprises still have to sell their products at the market price. In fact, prices are often lower than the production costs. In 1997, agricultural enterprises as a whole made losses of 12.8 per cent on production costs, cattle-breeding made losses of 1.2 per cent, although cultivation made profits of 1.1 per cent.

Most of the enterprises, especially farms and *dekhkan* farms, cannot make their production profitable. The establishment of a wholesale marketing system has encountered many obstacles and has been delayed. The existing system of contractual relations does not meet current requirements and is characterised by late payments by processing and procurement bodies for agricultural produce, thus aggravating the situation for agricultural enterprises by reducing their turnover to a point where production costs can not be met.

During the period 1990-96, the prices of agricultural machinery, electricity, lubricants and chemical fertilisers increased more than one hundredfold, while the prices of the main agricultural products increased little more than tenfold.

Consequently, the financial situation of many enterprises is extremely unsatisfactory. More than 20 per cent of agricultural enterprises nation-wide made losses in 1997. Enterprises engaged in cultivation made losses of 31 per cent in the Djizzak region and of 18 per cent in Syrdarya. In the cattle-breeding sub-sector, Karakalpakstan made losses of 24.8 per cent, and Namangan of 15.5 per cent.

Box 2.5. The role of agriculture

Agriculture's share of GDP grew from 20.2% in 1996 to 25.1% in 1997. Agricultural products are among the most important exports accounting for over 55% of all foreign exchange earnings.

More than 60% of the population lives in rural areas. Furthermore, a considerable proportion of urban enterprises are oriented either towards the supply of machinery, mineral resources and other products to the villages or towards the processing of agricultural products.

Fourth, because of insufficient financial resources, agricultural efficiency as a whole has decreased, the fertility of the soil has decreased, and cattle-breeding indicators have declined.

There was a significant reduction in pure breeding of agricultural animals and a noticeable deterioration in their fodder base. Privatised livestock farms do not have enough land for fodder production and have virtually no financial resources for the purchase of suitable breeding cattle.

The situation in crop cultivation is not any better. Much of the irrigated land is in bad condition, 400,000 ha of irrigated land of the total 4,300,000 ha are in very poor condition, and 813,000 ha are medium and highly saline soils. Between 1520,000 ha of irrigated lands are withdrawn from agricultural production annually. This problem is aggravated by the lack of water for irrigation.

The positive trends in the Uzbek economy generally have not been apparent in agriculture. As a result, the Government of Uzbekistan has planned to introduce fundamental reforms in this sector in 1998 and has drawn up a special government programme.

Box 2.6. Characteristics of the non-state sector in agriculture

The non-state production sector accounted for 99 per cent of agricultural domestic product in 1997. Of this, private smallholdings accounted for 58.1 per cent, collective enterprises 28.3 per cent, co-operatives 8.5 per cent and *dekhkan* farms 2.5 per cent.

There were 1,406 collective farms, 102 shareholding farms, 375 *shirkat*¹ farms, 72 interfarm enterprises, 20,710 independent farms, 51 closed shareholding societies, 67 *dekhan* farm associations, 526 private livestock farms as well as about 3 mn private farms at the end of 1997.

2.3.2. The formation of a new class of owners in rural areas - panacea or utopia?

The formation of a socially oriented market economy is impossible unless the producers own the means of production and enjoy the rewards of their activities.

This raises the question of land ownership.

Land ownership reform is a main priority in many countries, which is why a lot of international experts advise the introduction of land-ownership in Uzbekistan. However, the matter is not that simple.

To begin with, the very concept of land-ownership differs depending on land usage. Urban areas, railways, business property, personal plots, and farms (arable land) are all forms of land usage,

The Laws of the Republic of Uzbekistan pay close attention to the ownership and use of non-cultivated land. Selling land with planning permission at auction and selling the right to use and own land is authorised by Law. More than one million hectares of land are owned by individual smallholders and farms that are economically independent. The increase in number of personal plots was achieved in two ways by the allocation of land free of charge by local authorities; and by sale of land through auctions (in packets of 0.04 ha for individual housing-construction and 0.06 ha for the personal plots).

A significant growth in cattle-breeding and agricultural production has been observed as a result of the increase in number and more fruitful use of personal plots. Output from such plots has increased considerably; they produce 82 per cent of meat and 88 per cent of milk consumed in the republic and account for 53.1 per cent of gross agricultural production.

However, for land intended for agro-industrial purposes, another approach should be used.

Table 2.7. Dynamics of farm development, 1993-97

	Unit of measurement	1993	1994	1995	1996	1997 per 1.10	1997 as % 1993
Number	Unit	7630	14236	18085	19307	20710	271
Total area	'000 ha	70.6	193.1	264.6	294.7	400.9	568
Per farm:							
- Workers	People	3.8	4.1	5.2	5.3	6.2	163
- Area	Ha	9.4	13.6	14.6	15.3	19.4	206
- Cattle	Head	8.9	12.8	11.9	11.4	11.4	128
Incl.: cows	Head	3.2	3.9	3.6	3.4	3.3	103
sheep/goats	Head	8.7	12.0	12.1	11.5	11.6	133
horses	Head	0.2	0.5	0.5	0.4	0.57	285
poultry	Head	10.4	10.6	7.2	8.6	8.6	83
Milk per cow	Lt.	865	911	1072	672	580	67

In many developed countries land ownership is restricted by Law and controlled by the government and the buying and selling, giving, exchanging and renting of land is impossible without special permission from official bodies. Any land transactions can be prohibited, if they entail an inexpedient distribution of land that could lead to an agricultural enterprise becoming non-viable.

There are prohibitions on land purchase, which apply to people who lack special education and have no land working experience. The government supervises the price of land. In other words, in most open market economies there are considerable legal restrictions on the ownership of agricultural land.

The particular character of the agricultural sector in Uzbekistan necessitates stronger requirements and restrictions on private land ownership and the free buying and selling of land for cultivation that this entails.

First of all, there is the question of the interrelation between land ownership and the right to benefit from irrigation systems and use water resources.

The introduction of private land ownership conflicts with the need to maintain a single complex of inter-enterprise irrigation systems. In the past, both the land for cultivation and the irrigation systems belonged to the state, the land being rented to individuals so called "public land" - and rental payments being collected by the state treasury. This land could not be divided, gifted or inherited although the rigours of this situation were mitigated by an unwritten rule that the right to use the land transferred from father to son. This example highlights the difference between land use and land ownership in Central Asia compared to Europe or America.

Uzbekistan's climate is favourable for a wide variety of crop cultivation (cotton, cereals, rice, vegetables and fruit). Three harvests can be gathered per year and agricultural output not only meets domestic food requirements, but also produces an exportable surplus. However, deserts and semi-deserts cover a significant proportion of the land area of the republic and only 10 per cent of the land is cultivated in such regions. This requires proper irrigation and a significant use of mineral fertilisers and insecticides and special agricultural expertise.

Box 2.7. Agricultural machinery* fleets

In order to improve machinery servicing backup for agricultural enterprises and the efficient use of agricultural machinery, special fleets have been established offering equipment for lease. By 1997 43% of all cultivators and 48% of combine harvesters and rice-harvesting combines, and other equipment were concentrated in such fleets. Today this machinery performs 60% of all ploughing and 55% of cereal harvesting. In early 1998, the existing national agricultural machinery park was supplemented with 8,935 cultivators, 9,180 cotton harvesters, 4,782 combine harvesters, 904 rice-harvesters and 708 forage combine-harvesters. 146 new fleets were added to the existing 180.

It is practically impossible to organise cash-crop production i.e. cotton and cereals - on small farms belonging to individuals working independently, even with modern technology. Therefore, it is inevitable that in the particular conditions of Uzbekistan where cotton and grain cultivation are of paramount importance and are inseparably related to the provision of irrigation and inter-enterprise irrigation systems, that land associated with such production cannot be bought and sold. If this principle was not adhered to there could be serious economic problems, such as a deterioration of the irrigation systems, and the possibility of social conflict sparked off by land division and water use, as well as sharp increases in social polarisation.

However, it is clear that reforms cannot succeed under the old mechanism of land use where the land is not actually owned by an individual, because in such a situation the output of individual producers is not their property. For this reason there has been a fundamental reform of the laws relating to ownership as they affect the agricultural sector.

In early 1998, a number of regulations were promulgated which extended the process of agricultural reform. These included the "The Law on Agricultural Co-operatives", "The Law on Farms", "The Law on *Dekhkan* Farms" and The Land Code.

These measures will allow the formation of a class of owners of agricultural capital to be realised in three main ways:

1. Through the formation of large agricultural co-operative enterprises (*shirkat*): Members of agricultural co-operatives will be allocated a share of the enterprise that will give producers a right to part of the total income. The size of the share will be based on estimates of the value of the land and property of the enterprise. Family contracts are suggested as the best form of labour organisation within agricultural enterprises. Family contracts will resolve the problem of the correct and efficient payment to be made to each family member according to the results obtained. This will mean that the aggregate income of a co-operative enterprise's members will consist of three elements: income from personal *dekhkan* farms; income from activities undertaken in fulfilment of contractual obligations to the co-operative and income from their share in the co-operative.

A positive aspect of this form of ownership is the maintenance of the integrity of the economic structure and the integrity of the irrigation system. Land and resources owned by the enterprises are used efficiently. Members of the enterprise have a real incentive to increase productivity and reduce costs to

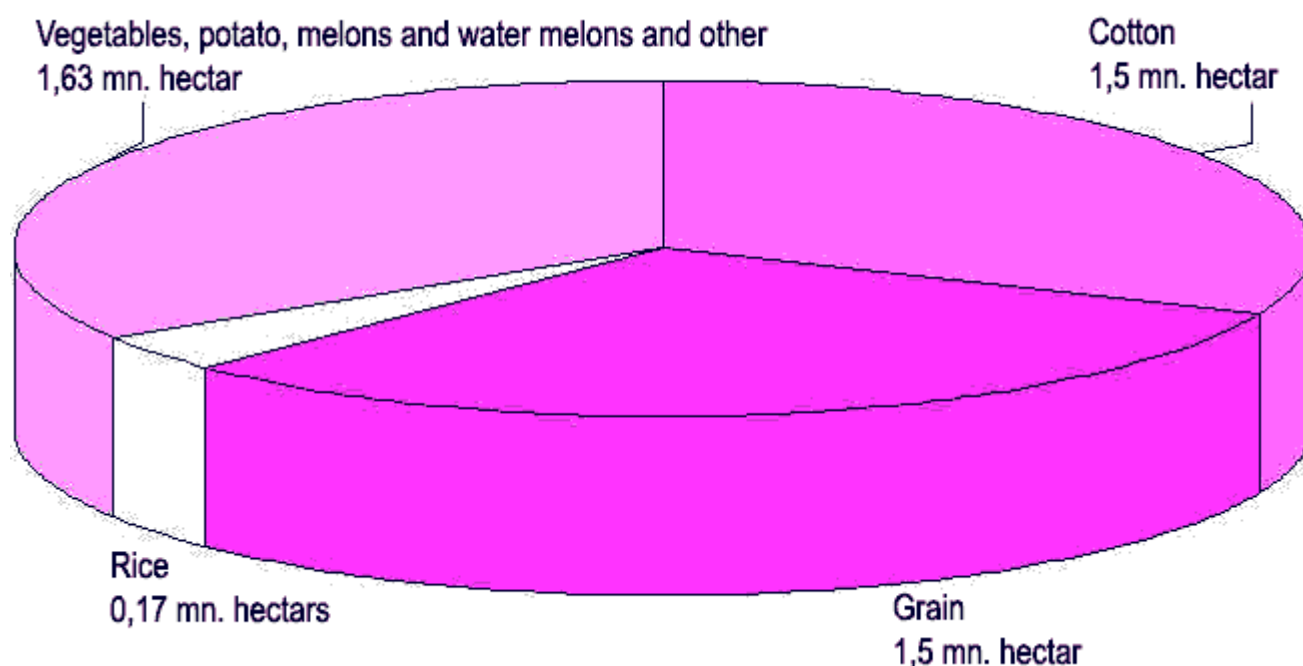
provide a higher income. A shareholder has additional incentives and income resources such as dividends charged on the net income. This should encourage a change in attitudes to land ownership, property rights, and to benefits from labour.

Box 2.8. Improving the material and technical base of agriculture

A practical programme for the further improvement of the material and technical base of agriculture has been drawn up and approved. Under it 799 Case combine harvesters and 544 Magnum universal tractors have already been purchased. The average seasonal capacity of a Magnum cultivator is 1,665 ha. and more than 700 ha. for a Case combine harvester. Tractors with Cummings engines, Case universal and cotton tractors, Maral forage combine harvesters, ploughs, sowing machines and other agricultural equipment are all being constructed by the joint-venture agency, Uzselskhomash-Holding.

The servicing backup is also improving; 22 service-centres for imported agricultural machinery and 140 centres for local equipment will be operational by 2000.

Chart 2.1. The structure of cultivated lands



2. Farms as medium and small-scale agricultural enterprises: Experience has shown that farms need guarantees and protection from bureaucratic tyranny and opportunities to make long-term plans in the confidence that cash payments will be received promptly. A number of fundamental improvements are required: In the relation between enterprises; In the mechanisms for settling disputes between enterprises and members operating *dekhan* farms; and stricter enforcement of contracts between farmers on the one hand and government procurement agencies and processing and trading organisations on the other.

3. The *dekhan* farm: The *dekhan* farm is a personal plot given to the family head as a life-long inheritable possession organised as a small-scale family farm which produces and sells agricultural products produced by the personal labour of family members.

Land for *dekhkan* farms is distributed to all heads of families in rural areas irrespective of whether they look to agriculture as their primary means of livelihood. (For instance, beneficiaries can be physicians, teachers or any other professional). The area of land allocated is decided according to its type and quality. (In irrigated areas it is 0.35 ha, in non-irrigated, 0.5ha, in steppe and desert up to 1 ha).

4. The reform supposes that members of *dekhkan* farm are covered by **state insurance schemes** if the enterprise contributes to the Pension and Employment Promotion Funds.

At present *dekhkan* farms can access special bank credit by using the right to life-long inheritable land ownership as collateral.

2.3.3. Feeding the country

Security of food production has been an important question for many governments at different times. How to achieve such security is not susceptible to simple answers. Farmers in a small country such as the Netherlands not only feed all the citizens, but also manage to export a large part of their produce. The labour productivity of agriculture in developed countries is very high: only 5-10 per cent of the population is engaged in agricultural yet these can meet the needs of all the other citizens of the country.

Uzbekistan, on the other hand, is a predominantly agrarian republic, but in the past it imported practically all main foods, including grain, flour, meat, dairy-products, potatoes, various canned and processed foods. All of these could have been produced locally. In fact, the Government of Uzbekistan had difficulty in organising a regular flour and bread supply during the difficult period that followed the break up of the Soviet Union 1991-93.

A highly developed agricultural sector that is able to satisfy the country's requirement for staple foodstuffs is considered as an essential for social and human development. The question of how this might be achieved was partly answered in the previous section i.e. the land should be returned to the real owner, the tiller of the soil. However, this requires a radical reform of production relations in the village as well as a change in the agricultural producer's work attitudes.

In addition, the formation of an owner class in the countryside should be accompanied by other economic reforms. The most important of these are as follows:

- Improvements in land fertility and agricultural efficiency. There has been considerable deterioration in land fertility and soil exhaustion over the past 10-15 years. The area of salinated land that cannot be reclaimed for cultivation or pasture has increased. Presently this area accounts for more than half of all irrigated land. This problem is of special importance to Uzbekistan where the shortage of water restricts agricultural rotation in new arable areas. However, stable harvests are possible if care is taken to maintain soil fertility and land under cultivation as well as by applying modern agro-technical measures.

Table 2.8. Extension of personal plots (PP) by the regions of the Republic of Uzbekistan (% all cultivated land)

	Land for PP by 1/01/91	Including irrigated	Land for PP by 1/01/97	Including irrigated
Karakalpakstan	27,1	21,2	39,6	29,4
Andijan	36,1	31,3	50,6	42,7
Bukhara	42,3	36,2	50,5	41,7
Djizzak	21	15	21,7	18,4
Kashkadarya	40,7	30,1	640,1	43,9
Navoi	0	0	19,6	15
Namangan	29,3	26,3	42,2	37
Samarkand	53,8	43,2	73,5	58,1
Surkhandarya	29,3	23,8	51,7	42,1
Syrdarya	14,2	12,8	18,5	16,4
Tashkent	33,6	27,9	63,7	53,8
Fergana	43,2	35,7	62,9	50
Khorezm	27,9	23,9	37,4	31,8
Uzbekistan	398,5	327,4	601,4	480,3

Table 2.9. Systems of land use in Eastern Europe and Central Asia

Country	Forests	Meadows and pastures	Land for cultivation	Other	Proportion between irrigated land and total cultivated land
Belarussia	33.7	14.1	30.5	21.7	2
Russia	44.9	5.2	7.7	42.2	3
Ukraine	17.1	12.4	57	13.5	8
Bulgaria	35	18.7	38.2	8.1	30

Hungary	19.1	12.4	53.9	14.6	4
Poland	28.8	13.3	47	10.9	1
Uzbekistan	2.9	46.5	10.1	40.5	98

- Management of irrigation water supplies: the gradual introduction of fees for water consumption will encourage the usage of water saving technologies such as a wider use of dripping and sprinkling irrigation as well as improved agro-technical measures.

- Use of fertilisers: harvests can be increased and soil fertility improved by the biological nitrogenation of leguminous crops as well as by the application of a scientifically grounded system of organic and mineral fertilisers.

- The improper use of fertilisers and insecticides is a pressing problem causing soil deterioration and polluting the environment. Their use should be radically improved through observation of obligatory agrochemical conditions and scientifically based standards.

- Radical reform of seed growing and selective breeding programmes in agriculture: Only the highest quality seeds and pedigree cattle can bring about good yields. Over a very long period of time, many farms sowed badly prepared, unprocessed and low yielding varieties of cotton, grain and other agricultural crops. At the same time, world experience shows that crop yields could be increased in Uzbekistan by 20-40 per cent by using appropriate high-yielding varieties. Further fundamental research has to be conducted on physiology, genetics and selection; this is impossible without state support. The research should not be restricted to one laboratory or one institute and should have regard to experience in the wider world.

- Introduction of advanced technology for cultivation and cattle breeding: This includes, *inter alia*, timely soil preparation; the sowing of high quality, high yielding and well processed seeds; timely watering; balanced application of mineral and organic fertilisers in due quantities; other field work such as weeding; treatment of the ground with cultivators and timely crop harvesting. Over recent years grain varieties have been widely introduced in the country which require new technology to produce two crops annually. The necessary techniques are being developed now. Thus, 106 c. of grain, 58 c. of winter wheat and 48 c. of maize were harvested per hectare over a three year period on experimental plots in Fergana province. On experimental plots in Kashkadarya province, one year's harvest gave 55.2 c/ha. of barley, while leguminous crops yielded 71.2 c/ha.

- Development and increases in agricultural product processing capacity: Presently only 18 per cent of fruits, 35 per cent of vegetables and 67 per cent of grapes are industrially processed in the country. Only 40 per cent of the available industrial canning capacity, 26 per cent of sweets factories, 35 per cent of dairy factories and 25 per cent of meat factories are used. Considerable export potential is not fully exploited due to product processing that does not meet international standards.

- Stricter observation of contractual terms in agreements between agricultural enterprises: The untimely performance of contracts for the supply of agricultural products and delays in wage payment can undermine the trust of villagers in the reforms.

- Regulation of monopoly pricing: This is required where agricultural machinery, spare parts, chemical fertilisers and other products are manufactured on a monopolistic basis.

- Development of wholesale markets for all types of agricultural products.

- The creation of the anti-monopolistic mechanism for procurement organisations.

- Provision of support for agricultural producers to export their products: this includes the supply of traditional markets in CIS countries. For example, the establishment of Uzbek wholesale markets and consignment stocks in Russia and other CIS states could promote sales of national produce products in these countries.

Security of the food supply has now been successfully accomplished through increased agricultural production and the active role played by *dekhan*² farms. In 1997, the sale of the main agricultural

products increased. At the same time, in order to achieve a stable supply of these products, the republic continued to import some foods, although this decreased from 29.5 per cent of total supply in 1996 to 19.3 per cent in 1997.

The sale of meat and poultry grew by 47.7 per cent, vegetable oil by 13.8 per cent, dairy products by 22.2 per cent, eggs by 16.7 per cent, bakery items by 24.5 per cent, potatoes by 50.7 per cent, vegetables by 14.8 per cent, fruit and melons by 4.2 per cent. The growth of meat sales was especially noticeable in Andijan (up 4.6 times) and in Fergana (up 4.3 times). There was a marked growth in output of dairy products in Djizzak (4.3 times) and Navoi (2.6 times) and of potatoes in Andijan, Surkhandarya and Fergana - (2.5 times), (2 times) and (2.2 times) respectively.

2.3.4. How to improve the living standards of the rural population

The agricultural sector can feed the country only if production and economic and social conditions are created to improve labour productivity.

During the Soviet years the ideal of eradicating the difference between towns and villages was widely declared. In reality the difference is still very large. Agricultural labour is less mechanised, it is not environmentally sensitive and working conditions are difficult.

Generally-speaking, a rural family is bigger than an urban one with more dependent children. Average incomes of rural citizens are still much behind those of urban citizens. In 1996, the average monthly wage of an agricultural worker was only 54.2 per cent of the average wage; 40.1 per cent of the industrial wage level; 29.5 per cent of the wage levels in construction and communications and only 23.3 per cent of the wage level of those working in credit and state insurance.

The rural population is still the majority in the republic, but it receives only 20 per cent of the total volume of services provided for the population. Presently the urban population is 6 times more likely to receive any particular service than the rural population.

Only by creating a developed infrastructure is it possible to achieve radical changes in the villages. By gradually implementing the programme of gas and drinking water supply to the rural population, the number of people using the centralised water supply has risen from 55 to 64 per cent. Gas supplies have increased from 44.6 per cent to 67.1 per cent in the republic as a whole and in the rural area from 19.3 per cent to 53.6 per cent.

The measures so far undertaken have resulted in considerable changes in the villages: many new houses have been built and general schools and rural medical dispensaries are being constructed - though there is still a need to pay further attention to the development of the social infrastructure in the rural areas. The living standards of the people in the rural areas should be the same as in the urban areas. The implementation of social programmes for the transformation of the villages is a priority task for state regulation in the future.

Out of the total housing stock completed in January-September 1997, 82.1 per cent was in rural areas. In the same period 90.6 per cent of general schools completed, together with 41.1 per cent of kindergartens, 93 per cent of hospitals, 98 per cent of polyclinics, 92 per cent of water mains completed and 95.7 per cent of gas mains were in the rural areas.

Generally the housing stock increased significantly in 1997 as against 1996 to 111.1 per cent. Water mains increased to 117.5 per cent of 1996 levels.

1 For an explanation of the shirkat farm see page 37 above.

+* Leasing parks of agricultural machinery.

2 For an explanation of the dekhan farm, see page 37 above.

Table 2.10. Main Indices of Human Development in 1997
Indices Towns Villages

Indices	Towns	Villages
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Life expectance. (Years)	71, 54	69, 3
Literacy. (%)	99, 7	98, 7
Average period of education. (Years)	13, 9	9, 9
Money incomes (Soum per capita)	2151, 1	1282, 4

Table 2.11. Dwellings and social facilities completed in 1997

	Completed in 1997			Compared to 1996 (%)	
	total	including in rural area	as of % to total	total	including in rural area
Dwellings ('000 m2)	6699,5	5351,1	82,1	109	111
Construted:					
- privately	6240,1	5281,2	84,6	110	111
- by state enterprises	303,5	64,3	21,2	91	161
General schools					
('000 places)	63,9	57,6	90,7	100,6	109
Pre-school establishments					
(places)	920	200	41,1	56	43
Hospital beds	1512	1112	93,02	119	166
Polyclinics (visits)	11700	11400	98,3	133	158
Water supply (km)	1799,4	1642,1	92,3	114	117
Gas mains (km)	4851	4635,1	95,7	96	97

CHAPTER 3

STATE AND SOCIAL REFORMS

A country that is in the process of introducing a new economic system is likely to encounter many obstacles along the way. The introduction of market mechanisms inevitably affects people's interests and is likely to have a significant impact on living standards. (At the initial stage of the reform process, the changes in this latter respect will probably be for the worse).

For this reason the main emphasis of the strategy pursued by the Government of Uzbekistan in guiding Uzbekistan from a command economy to one based on market principles has been on the implementation of a social policy designed to protect the weakest members of society from the worst effects of the transformation. As with all the economic, social and political reforms it is undertaking, the Government of Uzbekistan does not regard the achievement of a market-directed economic order as an end in itself, but rather as a means to an end. That end is, of course, improved living standards and the development of the human resources of the population as a whole.

Thus, the Government of Uzbekistan's new strategy of human development has as its main themes:

- The protection of those least able to cope with the problems of the transition to a market economy;
- The creation of conditions that encourage every able-bodied citizen to make use of his talents to provide an adequate standard of living for himself and his family by his own efforts.

In pursuit of these goals, the Government of Uzbekistan:

- Introduced anticipatory measures to support and protect the people before introducing market reforms;
- Actively intervened to control the situation after reforms were introduced and to ameliorate their worst manifestations;
- Changed the priorities and mechanisms of social security while moving towards the market economy in ways that took account of the current situation and the new opportunities created by the reform process.

This process began in 1991. The measures taken to ameliorate the worst aspects of the transformation process were implemented in two stages:

- **1991-94:** A gradual transformation and improvement of the social security system. In this period inefficient mechanisms were reformed or abandoned and spending brought into line with budget capacities. The main purpose of these measures was to avert a sharp decrease in income levels and, with it, a decline in the consumption of basic foods and essential goods;
- **1995 to date:** A move away from a system which emphasised total social security towards one offering guarantees and support specifically targeted at the most vulnerable sections of the community. This period has been characterised by a gradual improvement in living standards as the main problems associated with the stabilisation of the macro-economy had already been resolved by 1995.

Because the Government of Uzbekistan took good care to ensure that the processes of social and economic reform were interrelated in this way, it has been able to:

- Prevent a sharp decline in living standards and has, thus, maintained tranquillity and stability within the republic;
- Create a new system of targeted social security;

- Enable the population to adapt more easily to a market-directed economy;
- Encourage an increase in economic activity, the development of entrepreneurial activity, and the adaptation of the employment structure to the demands of the market;
- Introduce new conditions and opportunities for advancing the public interest;
- Develop of new approaches to personnel training and preside over the formulation of a national programme to this end, suited to modern requirements.

3.1. New trends in demography and employment

3.1.1. Population trends

During the period 1991-97, the population of Uzbekistan grew by 2.7 mn (12.9 per cent) to 23,563,000. Almost four fifths of the total growth was in rural areas. The proportion of the population living in rural areas increased from 59.9 per cent to 62.1 per cent over the period.

There was a steady downward trend in the annual population growth over the period from 2.38 per cent in 1992 to 1.87 per cent in 1997). However, growth remained high in absolute terms and the character of that growth with its emphasis on the rural population made it necessary to secure at least a minimum rate of economic growth, particularly in the agricultural sector and in rural areas in general.

The character of demographic development was largely determined by economic factors. Thus the recession from 1991-95 caused a decline in living standards and resulted in the following:

- A reduction in the urban birth rate and growth in rural areas;
- Increased emigration from the Republic, especially amongst those living in the cities and large industrial centres;
- A reduction in the marriage rate.

However, improvements in the economic situation from 1996 onward contributed to a reversal of these trends:

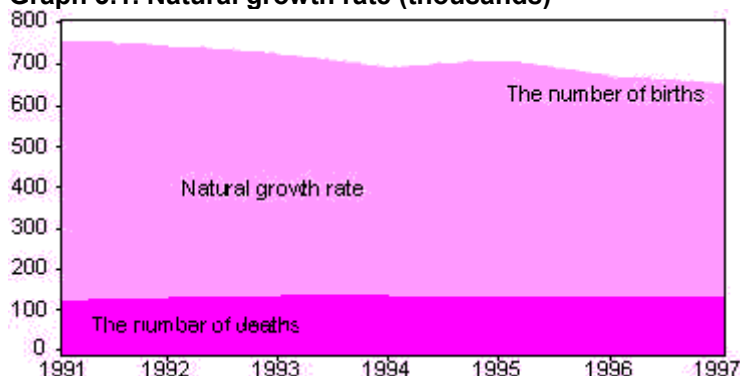
- Urban population growth rates began to rise again while that of the rural population was reduced;
- Emigration from the Republic was sharply reduced;
- The marriage rate began to gradually increase.

So, in the period 1991-94 the absolute growth of the rural population exceeded that of the urban population by 4.3 times. In relative terms, the urban population grew by 3.2 per cent and the rural population by 9.2 per cent. However, in the period 1995-1997 these indicators changed to 3.4 per cent and 7.2 per cent respectively. The ratio between rural and urban population growth rates also indicates significant reduction in the growth rate overall. In 1992, the rural population growth rate exceeded that of the urban population by 2.4 times, in 1995 by 2.7 times, but in 1997 by only 1.8 times.

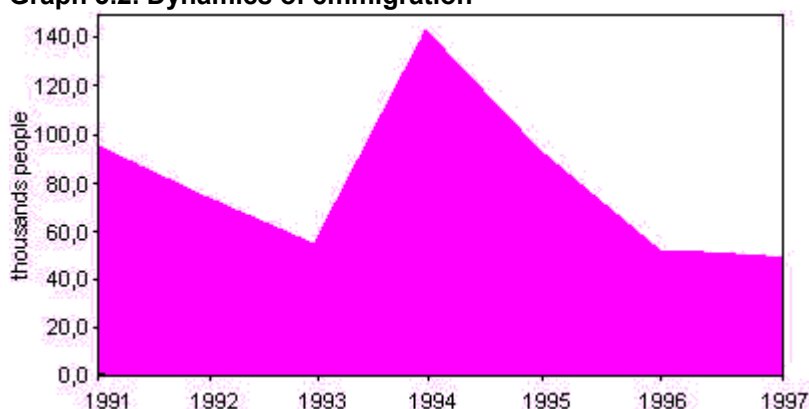
There was a favourable downward trend in the birth rate and the population growth rate in 1997 as compared to 1991. Numbers born fell by 14.3 per cent (from 723,400 in 1991 to 620,000 in 1997). The total birth rate declined from 33.3 per 1,000 in 1991 to 26.3 by 1997. In 1991 the population as a whole grew by 593,100 gradually declining to 534,000 in 1995, and to 472,000 in 1997.

Emmigration in 1995-1997 was only half what it had been in 1991-1994 - 186,000 as opposed to 363,200. The outflow had increased from 95,900 in 1991 to 138,900 in 1994, and then fell away from 89,000 in 1995 to 46,700 in 1997 (see Graph 3.2.)

Graph 3.1. Natural growth rate (thousands)



Graph 3.2. Dynamics of emmigration



In the earlier stage of the reform process (1991-94) with production declining and significant surplus labour, the high emigration rate, which affected more than 70 per cent of the able-bodied population, was expected somehow to resolve the employment problem and decrease the social security burden on the economy. However, emigration mainly affected the industrialised regions (Tashkent-City, Tashkent, Navoi, etc.) and the large industrial enterprises, where there were actual shortages of skilled workers. As a result, emigration increased the distortion in the supply and demand for labour while the need for more rapid training to make good the losses caused additional expense.

However, as already noted, there was a stable downward trend in emigration during the second stage of the reform period (1995-97). In 1997, the emigration rate was at its lowest level for the last 10 years.

The main factors that affect the birth rate are family relationships, which, in turn, depend on the economic condition of the population. The marriage rate, which had practically reached its maximum possible level in 1991 (940 married per 1,000 people in the age of consent), sharply decreased during the first stage of reforms. In 1991, 270,300 marriages were registered (12.9 marriages per thousand head of population), in 1995 the number of registered marriages was 170,300 (7.5 marriages per 1,000). However, in the next few years the number of marriages increased and in 1997 there were 181,100 registrations (7.7 marriages per 1,000).

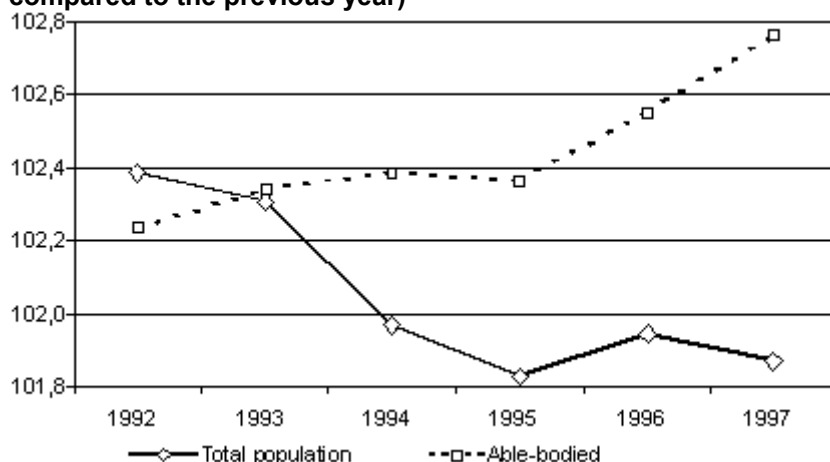
Divorce rates were closely related to marriage rates and changed in a similar fashion during the period of reforms. In 1997, 21,500 marriages ended in divorce, 1,300 more than in 1996, but 1.6 times less than in 1991.

It was significant that the able-bodied population growth outstripped by 2.8 points that of other population groups reflecting the high birth rate (see Graph 3.3). In 1997, this part of the population numbered 11.826 mn, an increase of 1.5921 mn over 1991 or 15.7 per cent. As 54 per cent of this growth (863,100 persons) occurred in the last three years, it imposed an additional burden on training budgets and created tensions in the labour market.

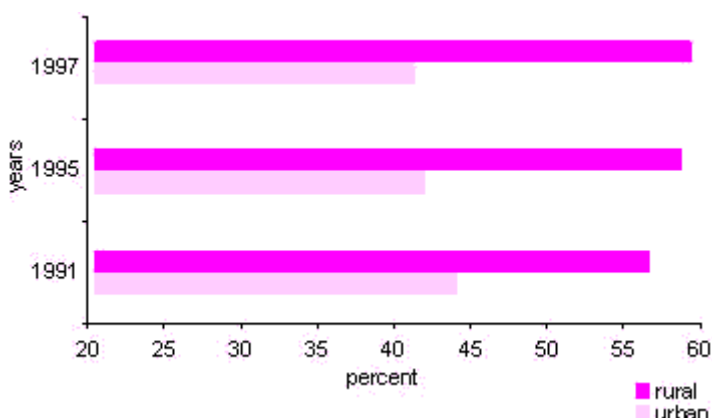
More than three-quarters of the able-bodied population growth occurred among the rural population. In spite of some smoothing of the differential towards the end of the period 1991-97, the rural able-bodied population growth rate still significantly exceeded that of its urban counterpart. In urban areas, the able-bodied population as a proportion of the total declined from 43.7 per cent in 1991 to 40.9 per cent in

1997; in rural areas it increased from 56,3 per cent to 59,1 per cent respectively (see Graph 4). This situation was reflected in a worsening of the problem of unemployment among the rural population and required speedy measures to be undertaken to provide new jobs.

Graph 3.3. Growth rates of the population as whole and able-bodied population growth (% as compared to the previous year)



Graph 3.4. Changes in the proportions of able-bodied people in the urban and rural population (%)



3.1.2. New data on the labour market - hidden unemployment

New trends in employment: The macroeconomic stabilisation programme which began in 1995 and the resulting economic recovery, which was first noted in 1996 and became positive growth in 1997, presupposed positive changes in employment. The extension of economic reforms, active restructuring of the productive sectors economy and the Government of Uzbekistan investment policy involving the creation of new industrial sub-sectors, such as the automotive industry, as well as the establishment of large enterprises producing radio and TV sets and agricultural machinery and refineries - small and medium business development, the development of the market structures and an increase in self-employment all helped to lay the foundations for increased economic activity in the republic.

Special regional job creation programmes for the rural population were drawn up for the period 1996-2002 in order to increase the level of rural population employment and income. These programmes consisted of a package of measures intended to create new jobs, introduce new types of economic activity into rural areas and involve the rural population in work in neighbouring urban enterprises. The expansion of activity in rural areas is to be secured through the development of small businesses, market infrastructure, farming (especially on *dekhan* farms) and smallholding as well as through self-employment.

As a result of such measures, 401,500 new jobs have been created in the rural areas so far. In 1997 the greatest numbers of new jobs were in agriculture (49,400), trade and public catering (34,700), industry (20,900), housing and communal services and non-industrial consumer services (9,800).

Individual activity has been the basis for almost half of all new jobs in rural areas. (These included 12,300 in *dekhan* farms, 13,800 in smallholdings, 61,600 in individual paid employment). The rest of the new jobs were accounted for by increased demand for labour by private and public sector bodies. 38,300 new jobs were created in private sector enterprises, 19,200 in government organisations, 10,900 in joint stock ventures, and 15,900 in collective farms.

New job creation in rural areas affected the structure of rural population employment. According to 1996 data, the number of people involved in non-agricultural sectors in rural areas - including manufacturing, trade, public catering, material and technical supply and marketing - increased as a proportion of the total.

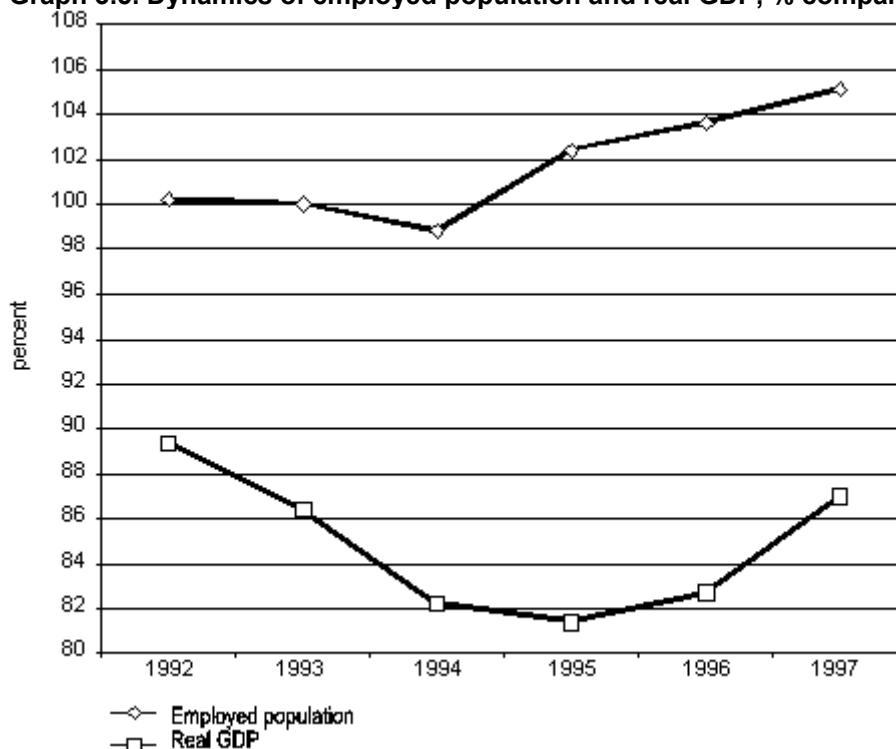
In 1997 the following trends in employment emerged:

- Absolute and relative levels of employment increased. In 1997 the number of people employed grew by 529,700 or (5.6) per cent in comparison with 1994. During 1995-97 more than 600,000 new jobs had been created;
- Able-bodied young people participated more actively in the labour market;
- There were higher rates of growth in the number of those employed in the finance, credit and insurance sub-sectors (almost 40 per cent up on 1994 levels), in trade, public catering and material-technical supply and marketing (26.5 per cent), in housing and communal services and in non-industrial consumer services (24.8 per cent). Employment also grew in manufacturing (3.9 per cent), in transport and communications (5.2 per cent), in construction (5.9 per cent), in health care, sports and in other areas;
- The elimination of redundancy (excess labour) in the agricultural sector got under way. In 1997 the number of people involved in agriculture fell to 97 per cent of 1994 levels.
- Structural changes in employment as between the public and private sectors continued. The number involved in the private sector grew from 59.4 per cent of the total in 1994 to 71.3 per cent in 1997.

Despite these positive improvements, however, the situation in the labour market is still difficult. Significant distortions remain, including:

- **Structural unemployment in agriculture:** It is estimated that agriculture could shed one million of its work force without any loss in production;
- **Job creation rate below the population growth-rate:** This disproportion makes it difficult to absorb young people into the labour market, especially in rural areas. For instance, a labour market survey in Tashkent-City and the Tashkent region has shown that 70 per cent of people seeking their first job are 16-24 years old. The number of working people aged 16-24 years is 16 per cent lower than those in the second age group (25-34 years old). As a result, young people face serious obstacles at the labour market. Therefore, they are obliged more frequently than other age groups to take on low-qualified and lower-paid employment despite having quite high levels of education. The agricultural sector provides more than 20 per cent of jobs for the 16-24 year age-group;

Graph 3.5. Dynamics of employed population and real GDP, % compared to 1991



- **Family commitments:** Approximately one third of young people seeking first time employment are already married - i.e. they are responsible for family support;

- **Distortions in the market:** Significant structural unemployment co-exists with a considerable number of job-vacancies because of shortages of people with relevant education, skills and working experience. On the other hand, low wages discourage many job seekers;

- **Insufficient development of small and medium business:** If addressed, this could create substantial employment opportunities.

Although the results of the pilot survey conducted in Tashkent City and the Tashkent region see above - are still preliminary, they do yield information for further analysis. For instance, they suggest that:

- The level of unemployment in Uzbekistan is, in all likelihood, no higher than in developed countries. According to the survey - carried out to international standards - it averaged 9.8 per cent (11 per cent among men and 8 per cent among women);

- 30 per cent of the population not in the labour force are housewives, 40 per cent pensioners, 17 per cent students and 9 per cent disabled;

- The highest level of employment is among the section of the population aged 35-44. More than 80 per cent of the able-bodied in this age group works. Among men 91 per cent are employed;

- As a rule working people have a high level of education. About 60 per cent went through secondary education, and almost one quarter had gone on into tertiary education;

- The largest group of the working population in urban areas is engaged in the service sector;

- Unemployment is highest among men in the age-range 16-24 (25.2 per cent), lowest among women between 45-54 (2 per cent). In the age groups between 25-44 the level of unemployment is 6.3-6.7 per cent and exceeds the level of friction unemployment;

- Unemployment is highest among people who have only primary education (33.3 per cent), and lowest among those with higher education (3.2 per cent).

Table 3.1. The number of jobs created by rural employment programmes ('000)

	1996	1997
Republic of Uzbekistan	195,0	206,4
Including:		
Karakalpakstan	8,6	10,9
Province:		
Andijan	17,7	14,7
Bukhara	14,2	13,1
Djizzak	5,6	8,7
Kashkadarya	12,7	11,5
Navoi	8,4	5,0
Namangan	16,6	19,8
Samarkand	21,1	25,0
Surkhandarya	13,6	27,1
Syrdarya	3,0	3,5
Tashkent	35,6	19,0
Fergana	23,4	30,4
Khorezm	14,5	17,7

Along with the unemployment, unregistered employment has also become widespread within the Republic i.e. the black economy. This term covers any activity that is not prohibited by the Law, but generates incomes on which taxation is avoided. Although unregistered employment is now on a considerable scale in all the successor states of the former USSR, there is no method by which it can be accurately measured.

However, despite all the negative consequences of tax avoidance for the economy, unregistered employment does alleviate the problem of unemployment for a number of groups in the population that cannot find permanent well-paid jobs. In a survey, conducted in June-July, 1997, among 82,000 individuals engaged in trade and rendering paid services for the population, it was determined that more than 30 per cent of those questioned were not registered with the tax authorities. In some regions such as Khorezm (40.4 per cent), Tashkent-City (38.8 per cent) and Fergana (37.9 per cent), these levels were significantly higher than the average for the republic as a whole.

Table 3.2. Unemployment in developed economies (%)

Countries	1994	1995	1996
Canada	10,4	9,5	9,7
USA	6,1	5,6	5,4
Japan	2,9	3,1	3,4
Australia	9,8	8,6	8,6
France	12,3	11,7	12,4
German	8,4	8,2	9,0
UK	9,6	8,8	8,2
Italy	11,4	11,9	12,0
Spain	24,1	22,9	22,2

Source: OECD Economic review, 1997.

Calculations based on estimates of the volume of money in circulation outside the banking sphere suggest that unregistered employment might cover more than 2.3m people in Uzbekistan. It chiefly occurs

among those engaged in subsidiary employment and in temporary employment in trade and service activities, in part-time and casual employment (such as the so-called *chelnoki*) as well as among those working on personal plots to bring cash or incomes in kind to their families.

Taking into account unregistered incomes, average income *per capita* may be 1.6 times higher than the official figures suggest and actual employment levels probably exceed 90 per cent of the total able-bodied population.

The possibility of earning incomes from various kinds of unregistered and occasional employment temporarily alleviates the difficulties many people encounter in finding permanent jobs. This explains why, despite the relatively low levels of incomes which are officially declared, poverty in the Republic is not high in comparison with the other countries making the transition from command to market economies.

3.2. Small business development achievements and problems

3.2.1. Small businesses and employment

Experience throughout the world testifies that it is the development of small and medium businesses that to a large extent determines the possibilities for expanding employment. Certainly, in the case of Uzbekistan it has allowed for the creation of employment opportunities in those areas and branches of the economy where the establishment of large production is economically inefficient, i.e.:

- Among the able-bodied without the education, qualifications or experience needed to work in larger organisations;
- Among some categories of the more vulnerable elements of the population: invalids, the elderly, women with many children, young people combining their study with work and so on;
- Among able-bodied citizens who lost their jobs because of bankruptcy or liquidation of large enterprises;
- Among the considerable numbers to be found in the able-bodied rural population who cannot find work in their localities, but are, nevertheless, disinclined to migrate to towns.

Taking into consideration the fact that over 70 per cent of the total able-bodied population in Uzbekistan lives in rural area or small towns, small business should have the potential to employ up to 70-80 per cent of the total able-bodied population. In 1997 the Fund for the Support of Private Entrepreneurship and Small Business Development (usually referred to as the Business Fund), the largest non-budgetary fund in the republic, created 7,480 jobs, providing credit to entrepreneurs to the amount of 895 mn soum. As a result of this goods were produced and services provided amounting in value to more than 3.3 bn soum. Under a programme of co-operation with the branch enterprise of the Canadian company Raanany Holding AETK, since 1996 the Fund has concluded 13 contracts for financing investment projects totalling over \$(US) 11.0 mn.

The fund also established 78 *factory makhlliya* zones (employment incentives in the individual makhallya) in the republic that created over 1,000 jobs and produced goods valued at 57 mn soum. Families involved in this project became self-employed and gained a real source of income.

The creation of new jobs in small business relieved central government finances of the cost of unemployment benefits, flooded the market with consumer goods and created new sources of income for the unemployed population.

In 1996, the first credit line of the European Bank for Reconstruction and Development (EBRD) was used under governmental guarantee to develop small-scale entrepreneurial enterprises in the republic. The credit amounted to \$US 60 mn and was granted to 15 joint ventures and 6 share-holding companies, making 21 borrowers altogether. The credits of 1996 were fully taken up.

In 1997, various foreign financial institutes agreed to supply credits to the value of \$(US) 350 to develop small business. These included the EBRD (\$120 mn), the Asian Development Bank (\$50 mn), the OECF

(Japan) (\$50mn), Eximbank of Japan (\$50mn), international financial corporations (\$50mn), the German Credit Agency for Development (DM 5 mn) and the American Fund for the Support of Entrepreneurship in Central Asia (\$26 mn). Foreign credits are used for buying modern technology to produce internationally competitive and import substituting products. These funds will be used for establishing new projects as well as creating new jobs in existing ventures.

3.2.2. *The main niches for small business*

According to available data, on 1 January, 1998, there were 165,000 small and medium size enterprises in Uzbekistan, which means that they constituted more than 80 per cent of all enterprises registered in the republic.

One of their most important advantages is their ability to operate in the economic niches where larger enterprises would be inefficient. Thus, they have considerable potential in retail trade and in the provision of various services. Over 50 per cent of all small enterprises and one quarter of all small enterprise employees are engaged in retailing and public catering. A majority of enterprises in the agricultural trade sector as well as a considerable proportion of retailing enterprises in towns belong to small and medium size enterprises. Small enterprises can operate in these sectors because they do not need large turnovers. It was exactly for this reason that they were the subject of the so-called "small privatisation" that was carried out as the first stage of the privatisation process. Most of the former state trade and servicing enterprises were sold to entrepreneurs at this stage. This approach meant that the problem of the supplying the consumer market could be resolved without too much cost to public funds. It made it possible to avoid a slump and begin to provide high rates of growth of retail trade and service turnover in 1996.

At the same time, world experience shows that the traditional understanding in the republic of the role of small enterprises in trade and middleman activity is not adequate. The opportunities for small and medium size enterprises in production are undervalued and not fully exploited. Having regard to some conditions which are peculiar to the republic, there is potential for small business activity in the following areas:

- Agricultural and horticultural production: Small enterprises are well-suited to produce such items as fruits and vegetables and meat and dairy and products;
- Processing of fruit, vegetables and other agricultural products: It makes good sense to establish small enterprises for the production of canned goods and meat and dairy products in rural areas where there are good conditions for transporting the unprocessed raw materials and abundant labour;
- Production of industrially processed foods: The manufacture of macaroni, sweets and other pastries, food concentrates, ice-cream, mineral water etc. can be carried on successfully in large cities, small towns or villages;

Box 3.1. Criteria of small and medium size enterprises

In Uzbekistan the following enterprises are considered as small and medium size enterprises, irrespective of the forms of ownership:

- **Micro-firms** with an average yearly number of employees of up to 10 people in the productive area, or up to 5 in the area of trade, services and other non-productive sectors of the economy;
 - **Small enterprises** with the average per year number of employees of up to 40 in manufacturing, up to 20 in construction, agriculture and other productive branches and up to 10 in science, scientific servicing, retail trade and other non-productive sectors;
 - **Medium size enterprises** with an average yearly number of employees of between 40-100 in manufacturing, 20-50 in construction, agriculture and other productive spheres, 10-30 in wholesale trade and 10-20 in retail sale, service and other non-productive sectors.
- Garment manufacture: Small and medium size production of knitted and other garments on the basis of fabrics already produced in the republic can also be as easily developed in small villages as in large

cities. Such enterprises operating on a smaller scale can quickly react to the changes of style or demand and restructure their production in accordance with changes in fashion etc.;

- High-tech production: Small enterprises can produce components for complex capital- and knowledge-intensive industries such as automotive and aircraft manufacture, electrical assembly etc.;

- Craft enterprises: Small enterprises can produce craft-made goods such as works of art, traditional domestic articles, etc.;

- Production of construction materials: These include materials for walls, windows and doors, marble and other types of decorative slabs and materials, window shutters etc.;

- Small-size construction and repair works: Small enterprises are particularly suited to the individual dwelling sub-sector of the construction trade;

- Provision of tourism services;

- Supply of private medical, educational and sporting facilities;

Table 3.3. Number of small and medium size enterprises in Uzbekistan (1 January 1998)

Enterprises	Total	Activity		
		Industry	Construction, agriculture, other productive sectors, wholesale trade	Science, retail trade, service, other non-productive branches
Small and micro-firms	148408	5650	68025	74733
Medium-size	17020	1425	8530	7065
Total	165428	7075	76555	81798

- Rendering of transport services.

Large business cannot effectively operate in the majority of these areas, quickly adapting to the requirements of the market. In many cases, large business can only service cities and towns, so there remain a lot of niches for the small business.

At present, about 15 per cent of all small enterprises and 25 per cent of those employed by small enterprises are engaged in various **manufacturing** activities. About 25 per cent of all small business incomes come to these enterprises. About 13 per cent of all small enterprises and 30 per cent of those working in small business are engaged in construction. Small **construction** enterprises account for one third of total small enterprise turnover.

However, as already suggested, the potential of the small business is not fully realised. It accounts for only 1.8 per cent of manufacturing output, 0.2 per cent of agriculture, 12 per cent of construction, and 4 per cent of trade. Industrial workers employed by small enterprises in industry make up only 8 per cent of the total number of people working in the industrial sector, 1.2 per cent in agriculture, 20 per cent in construction and 30 per cent in trade and public catering.

The majority of small enterprises are only just beginning to master modern technologies needed to operate to world standards of quality. As a result they are being very slow to occupy the niches which are available to them in the area of manufacturing.

3.2.3. Small business big problems

Several stages of entrepreneurial development can be singled out in the history of Uzbekistan:

- Second half of XIX Century: Laying of foundations for entrepreneurship and formation of a single Central Asian market;

- Early XX Century: Wide-spread private entrepreneurial activity and development of a market-directed economy;
- The 1920s: Revival of entrepreneurship the years of the New Economic Policy (NEP);
- End of the 1980s: Development of the co-operative movement;
- 1991 to date: Widespread development of entrepreneurial activity at the start of the transition to a market-directed economy.

The small business is acknowledged as the most flexible of all market instruments, specifically oriented to meeting current needs of the population. It is the main engine of entrepreneurial development. There has been much legislative development to take account of the needs of small businesses. These not only provide a regulatory framework for small and medium business, but also create a basis of state support. Thus, in the years since independence, a market infrastructure has been created for such enterprises and they are now expanding their range of activities.

The Republican Chamber of Goods Producers and Entrepreneurs is the largest non-governmental organisation in Uzbekistan. It is oriented towards the support of the small and medium size business. Its structure unites 14 territorial and 215 municipal and regional chambers. At the end of 1997 it had 59,457 members, including 49,175 legal entities and 10,282 individuals.

In the rural areas, the small farmers or *dekhan* producers have united into an Association of Farms. By the beginning of 1998, the number of private farms exceeded 20,000. From 1998, farms will exist alongside *dekhan* units, created on the basis of citizens' private plots.

The activity of small and medium size enterprises is given financial support by such agencies as the Business Fund, the Tadbirkorbank, and the Madad insurance company. These specialise in this area.

There are agencies with a wide net of branches providing consulting, auditing and information services as well as advice on foreign investment to help to overcome the lack of information.

In April, 1997, the Government of Uzbekistan established the Republican Co-ordination Council to stimulate the development of small and private entrepreneurship, its main objectives being as follows:

- To formulate state policy to encourage the development of the small and private entrepreneurship;
- To co-ordinate the activity of state and private sector agencies and organisations;
- To carry out a review of the laws and regulatory mechanisms governing the selection and implementation of investment projects via the mass media;
- To identify priorities in the development of the small business and private entrepreneurship;

Table 3.4. Growth rates of retail trade and service turnover, 1995-97 as compared to the previous year (%)

	Retail turnover	Charged services
1995	122,2	109,3
1996	112,7	121,3
1997	117.1	113.2

- To determine the main changes required to improve the legal basis for entrepreneurial activity;
- To co-ordinate the activity of state and non-state organisations, directly connected with the development of the small business.

Thus, the priority for development of regions has been determined, taking into account their geographic and demographic characteristics, raw material resources, available production capacities and potential for development.

With the object of resolving current problems, the Government of Uzbekistan intends to:

- Ensure that entrepreneurial activity develops equally in all sectors of the national economy;
- Devise a simplified system of accounting and registration for small business enterprises;
- Provide entrepreneurs with access to the latest technologies and know-how with finance from extra-budget funds;
- Expand the market infrastructure in rural areas;
- Develop *dekhan* farms as a form of small rural family business and devise a mechanism to provide real assistance to their owners;
- Simplify the criteria governing the allocation of credit and allow loans based on mortgages to be raised and registered;
- Establish out-of-court procedures for settling claims on mortgages;
- Attract foreign investments to promote small business development;
- Extend policy reforms in such areas as tax and finance, external economic relations, investment as well as encourage the growth of domestic savings;
- Improve the system for producing and training specialists in small business and entrepreneurial activity.

3.3. Satisfaction of public needs as the guarantee of social harmony

A harmonious society is one in which everybody has conditions for comprehensive development; there are no significant differences in living standards between the different social groups and no feelings of antagonism. In such a society people should be able to rise socially on the basis of their level of education and their labour contribution. The young generation should be given special attention and the older generation and invalids are cared for.

Box 3.2. The Republican Business-Incubator (RBI)

This was established jointly by the Government of Uzbekistan and the United Nations Development Programme. At present it has a wide network of branches throughout Uzbekistan. The objective of the RBI is to train specialists for the small business sector and the whole market infrastructure. In 1997, it was financed by the Uzbek Government (30 mn soum) and UN Office (\$US) 165.3 thousand).

There are many utopian ideas on how such a society should be constructed. Although nobody has yet succeeded in creating such a society, the wish itself testifies to the need to strive for harmony and social justice.

If social differences are too pronounced the very poor will in the end come to envy the very rich and the very rich will come to fear the very poor. All social outbursts and revolutions bear witness to the fact that their main cause is social and material inequality. Everybody, rich or poor, needs social harmony and a government policy directed at satisfying public needs. Only by pursuing such policies can governments guarantee social concord.

3.3.1. The role of the state in the realization of public interests

Social policy is the basis for the Uzbek approach to the transition to a market economy. The strategic principles on which it is based are as follows:

- The constitutional guarantee of citizens' rights to engage freely in economic activity, whether as entrepreneurs or by selling their labour, to choose their professions and to determine in which sphere of activity they will operate;
- Targeted social protection, differentiating between the various social groups according to need; this implies;
- Social support to the most vulnerable groups in society;
- Introduction of a strong work ethic;
- Reform of the social sector.

Box 3.3. Small business in Uzbekistan - achievements

- The foundations of the regulatory and legal framework for the development of the entrepreneurship have been laid; priorities for the development of the small business within the overall development of the economy of the country have been determined;
- A market infrastructure encouraging the development of entrepreneurship as a whole and small business in particular has been created;
- The State support programme for small business and private entrepreneurship has been formulated and is now being implemented. The programme includes the study of overseas experience;
- The Goscomimushchestvo system of tax incentives, subsidies, privileged credits and extra-budget funds, together with foreign credits and investments encourages the development of small businesses.

Another very important principle in the development of a socially oriented market economy is that the State as an initiator of reforms is responsible for ensuring that the interests of the people are looked after and that they enjoy a good standard of living. This requires that:

- Measures to protect the interests of the population become an integral part of the stabilisation process in the transition period;
- Until the new system of social security is implemented, the management of material, financial and personnel resources be centralised;
- Social measures promote, rather than hinder, economic reforms and the realisation of long-term strategic objectives;
- Measures to advance the interests of society be implemented gradually.

The state has, therefore, regulated social issues from the very beginning of the reform process. Each stage of the reforms, each draft of a law or governmental decision is considered in the light of how far it corresponds to the interests of people and is useful in promoting those interests. The principles cited supported by relevant policies appropriately implemented and co-ordinated serve as a guarantee of peace and concord in society.

3.3.2. The issue of poverty in the transitional period

Experience has shown that the transition to a market economy cannot be accomplished without encountering complications. In practically all countries that have undergone this process, the first stages of reform have been accompanied by a decline in production, a growth in unemployment, a fall in living standards and by increases in social differentials. By carefully elaborating the principles on which the transition should proceed and implementing measures to ameliorate the worst features of that process,

the Government of Uzbekistan was able to maintain stability in the country and create conditions in which the people were willing to support the reforms being carried out.

However, the transition period exposed a number of issues which during the Soviet period were either not acknowledged or were not openly discussed. The problem of poverty was among them. According to the UN, this is a global problem.

In 1991-1995, money incomes *per capita* decreased to almost half pre-Independence levels. The Gini coefficient grew from 0.26 in 1991 up to 0.32 in 1996. There was also a marked increase in income differentials between the different regions, between towns and villages, and between different social groups. The decile coefficient of population differentiation ranged between 7.6 and 11.6.

Given such conditions, it became necessary to consider the problems of low income and poverty in order to elaborate an efficient policy for supporting those sections of the population on very low incomes. It was important to understand the nature of poverty and its causes.

It should be noted that each country has its own approach to determining what poverty is.

For example, developed countries generally seek not to allow deep differences to develop between the living standards of the poor and the rich layers. This allows them to promote social harmony and to avoid manifestations of discontent. To this end, these countries tend to create a mechanism for the partial redistribution of the national wealth from the rich to the poor via various social programmes. In developing countries, on the other hand, governments try to ensure a minimum income level for the population as well as attempting to attract aid from developed economies. So countries in transition to a market economy need to consider the causes of poverty in order to determine how best to target support to the most vulnerable via changes in the existing system.

It should also be noted that the minimum living wage in one country cannot be appropriate to other countries. Every country has its own particular characteristics that determine living standards. In addition to which that determination is often influenced by political considerations that are expressed in a kind of consensus between three political forces - government, employers and trade unions (the latter roughly representing employees and the population as a whole). The consensus finally arrived at reflects the relative political weight of each of these forces, the situation in the country and its level of development.

Box 3.4. I.Karimov: From the report on the session of Oliy Majlis, 1st sitting, February 1995

The main object of all our reforms and of our economic policy is the individual citizen. It is for this reason that the State will remain responsible for educating and raising a new generation able to sustain national revival. This is a priority for the government.

What constitutes absolute and relative poverty is a matter for decision.

Thus, absolute poverty is determined by estimating the cost of meeting people's minimum needs. In many countries this cost is legally fixed and payments from government funds ensure that everybody is able to meet it. Under this system, benefits are available for families whose actual income is lower than the fixed minimum wage.

Relative poverty is poverty relative to the average living standard fixed in the country. Relatively poor people, for example, in USA, would be considered as comfortably off in many poor countries of Africa, Asia and Latin America.

In developed countries, relative criteria are used to define poverty. In the USA, the UK and Germany, for instance, the official living minimum wage corresponds to 40 per cent of the median income, in Finland, Italy, Greece and Spain to 50 per cent, and in Ireland and Portugal to 60 per cent.¹ It will be noted that, generally speaking, the poorer the country the higher the poverty line has to be fixed in relation to the national average income.

In Romania, Czech Republic and Slovakia, the subsistence level is 50-60 per cent of average *per capita* income. The poverty line is 60-70 per cent of the subsistence level. In Bulgaria the minimum wage is 60-70 per cent of the social minimum, calculated on the basis of a basket of consumer goods, the poverty line being 65 per cent of the minimum wage.²

As can be seen from the table above, if these different approaches to the definition of poverty are applied to Uzbekistan, different results are achieved: the poverty line, the definition of what constitutes poverty, can range from income levels that allow for a daily calorie intake ranging from 724 to 2,348.

The poverty line is the index most often used to analyse poverty and is the basis on which all other poverty indices are calculated allowing for analysis and comparisons by regions, ethnic groups, social categories and so on. Such analysis allows policymakers to follow dynamic changes in patterns of poverty in deciding how best to target income transfers, social insurance and social protection. It allows for the definition of the best directions of spending on economic and human development.

Table 3.5. Comparative analysis of poverty definition methods

Criteria of poverty line	Countries	Values for Uzbekistan	
		soum	calories (per day)
40% of median income	USA, UK, Germany	346.8	724
50% of median income	Finland, Italy, Greece, Spain, Laos, Namibia, Zimbabwe	433.5	905
60% of median income	Ireland, Portugal	520.2	1,086
Minimum pension	Hungary, Poland	1,125.0	2,348
65% of a minimum wage	Bulgaria	390	814
65 % of subsistence income (55% average per capita income)	Romania, Czech Republic, Slovakia	626.7	1,308
Income ensuring 2,150 calorie intake per day	China	1,030.0	2,150

The poverty index is that proportion of the population, whose incomes, expenditure or consumption are lower than the poverty line. This indicator identifies the scale of poverty, although it does not differentiate between the various groups falling under the poverty line. Its calculation requires detailed data on incomes and expenditure.

The average income of the poor is the mean income of the population under the poverty line.

Calculated indices of poverty indicate the depth and dynamics of poverty in the country, but do not determine factors and reasons for it. For this purpose a poverty profile is used. This describes the main characteristics of the poor such as territorial location, type of employment, educational level etc.

The results of this exercise and their comparison to the data on households (i.e. family units) broken down by the mean *per capita* income show that in Uzbekistan:

- By the beginning of 1997, 22 per cent of the population or 16 per cent of families had average *per capita* incomes equal to or lower than the poverty line, calculated by weighted method;
- One quarter of all families could be considered as poor (24.7 per cent) each family consisting of 5 and more individuals;
- Poverty occurs most frequently in families with many children 38.3 per cent (4 and more children) and 19.6 per cent (3 children).

Families can be broken up into categories of poverty as follows:

- Extremely poor;
- Poor;
- Needy; and,

- Poorly provided for.

Table 3.6. Indices of poverty in Uzbekistan, quarter IV, 1996 (weighted calculation*)

Index	Calculation
Poverty line, (souv)	648.1
Main poverty index, (%)	22.0
Mean income of the poor, (souv)	463.2
Median income, (souv)	469.5
Modal value of income, (souv)	532.0
Share of the population with income lower than the mean income of the poor, (%)	48.3
Decile ratio of differentiation	2.3
Gini coefficient	0.145

* Weighted according to the scale of consumption by the members of families (Scale of Equivalence). The OECD scale of equivalence was used to calculate incomes/expenses on the basis of recalculation to the adult equivalent, where the first adult of the family has coefficient of 1.0, each following adult, 0.7, and children up to 14 years of age, 0.5.

Table 3.7. Poverty categories by income - IV quarter 1996

Category of poverty	Income (souv)	% all families
Extremely poor	559.3	12.1
Poor	638.5	3.4
Needy	648.1	0.5
Poorly provided for	739.8	5.2
Total		21.2

3.3.3. Social security in Uzbekistan

The present social security system aims to:

- Target families in need, especially those with many children (see Table 3.7);

As the economic reform process progressed and market relationships developed the priorities of social policy also changed and the social security mechanism, the methods used to prevent the growth of inequality and poverty was improved. As a result a new system of measures has developed. The new approach strictly differentiates between different groups of the population, targets social support, and involves private sector enterprises, public organisations and charitable and other non-governmental foundations in the solution of social problems.

Thus the system seeks to avoid sharp increases in inequality by means of state regulation of incomes obtained by different groups of the population. Various approaches are used to ensure the material support of needy families and families on low incomes, as well as to set limits on the earnings of those on high incomes.

The main elements of the regulatory mechanism are:

- Regular increases in minimum pensions, and government grants and public sector wages. In the latest two calendar years the minimum wage was raised from 250 souv (January, 1996) to 750 souv (December, 1997) and the minimum pension from 645 to 1400 souv;
- Targeted social support for poor families and large families by paying them regular money allowances (to be considered in detail below);
- Material support for the temporarily unemployed involving unemployment allowances, free retraining with the payment of stipends during the course of studies together with a 10 per cent allowance for every family dependant;

- A system of allowances, guarantees and incentives for certain groups of citizens and families;
- A unified tariff scale and linking wage levels to the minimum wage;
- The linking of private sector wages to turnover. Total amounts distributed as wages should be increased by 0.7 per cent per each per cent of growth in the value of output (i.e. of goods and services);
- Progressive taxation according to income growth. This principle was reinforced in the New Tax code in force from 1 January, 1998, onwards. Thus, monthly incomes not higher than the minimum wage are not subject to tax. However, on the first group of incomes, up to three times the minimum wage, tax is levied at a rate of 15 per cent while incomes of more than fifteen times the minimum wage are taxed at 45 per cent.

The system of social support for low income families and families with children is specific.

Responsibility for providing targeted support by identifying low income families and rendering material aid is entrusted to the *makhallya* local self-management bodies. Scheme 3.1 below shows how the system operates. As K. Griffin notes in 'Social policy and economic transformation' UNDP, 1995, Pg 152 : the *makhallya* "...is highly decentralized, unbureaucratic and flexible [and] cheap to administer", based on traditional practices and trusted by local people. Experience shows that the people determined by *makhallya* as belonging to poor groups, do as a rule either belong to one of vulnerable groups, or have very low incomes below the minimum wage.

Central and local government budgets are the main sources of finance for the material aid supplied to families with low incomes and families with children.

Responsibility for low income families has been entrusted to the *makhallya* since 1994. This was one of the first measures taken by the Government of Uzbekistan to restore the historical role of this institution and to involve it in the solution of social problems within its area of jurisdiction. Initially even the committee chairmen and secretaries received no remuneration. In 1996 the *makhallya* identified 700, 000 families (14.5 per cent of total families in the republic) as having low income and allocated material aid to them. Average aid accounted for 600 soum i.e. 1.5 times the minimum wage.

Beginning January, 1997, the *makhallya* were empowered to determine the eligibility of a family for social aid to grant and allocate allowances to families with children. Formerly these functions were undertaken by the social security agencies.

In 1997, more than 40 per cent of all families obtained allowances. The average allowance per family grew 3 times to about 900 soum.

The system of state support for vulnerable groups of the population continues to develop and improve. In September, 1997, supplementary wages for teachers were introduced. The wages of tutors in orphanages and boarding schools were increased 1.2 times. In addition, all first year pupils are given a gift set of necessary items. Pupils of primary schools belonging to low income families are given sets of winter clothes.

The experience of the last few years shows that the measures on social protection prevent any increase in income differentiation and avert poverty. Meanwhile, increasing business activity and sustainable economic growth are bringing about a general improvement in living standards of population.

3.4. Pension fund reform: combining the past and the future

An efficiently operating pension system is an important aspect of state social policy. Society has to take care of aged people who contributed to the economic development of the country in the past. The problem is how should their former contribution be measured? What are the criteria of social justice for determining the size of a pension? What is the solution when the economy is in crisis and payments for former contributions weigh heavily on present revenues? These questions could be answered if a pension system could be developed which combined the capacity of society to protect pensioners with their own efforts to secure their future financial status.

Box 3.5. Government of Uzbekistan allowances for certain categories of citizens and families:

- Child benefit allowance amounting to 1.5 times the minimum wage for mothers of children under 2 years old;

- An allowance amounting to the average wage paid to pregnant women for a total of 126 days before and after giving birth to a child;

- A one-off payment amounting to twice the minimum wage at birth;

- An allowance for looking after an invalid child under 16 years old;

- An allowance for those disabled from childhood;

- Full exemption from rental payment and 50 per cent concession for utilities payment for the families of invalids;

- Full exemption from rental payment and utilities payment for those living in rural areas, and 50 per cent concessions for those living in towns and cities for families of teachers, kindergarten teachers and nurses, researchers and teachers in higher educational establishments;

- Full exemption from rental and utilities payments for the families of those awarded the 1st Grade Order For Healthy Generation and for single pensioners;

- 50 per cent concession on electricity charges (up to 110 kwt/hour/month) for the families of invalids;

- Exemption from land tax for families with 5 or more children under 16 and families of invalids;

- 30 per cent tax exemption on all incomes for:

Mothers of two or more children under 16 and with no husband;

Widows with two and more children under 16 and no pension from the bread winner;

One parent caring for those invalided from childhood and needing constant care.

Table 3.8. Family support in Uzbekistan

	Unit	1996	1997
Proportion of all families in receipt of material aid	%	14.5	14.9
Average monthly material aid	Soum	600	1,070
Number of families with children under 16	'000 families	3985.5	3,985.5
The number of families in receipt of allowances	'000 families	3243.8	2,282.3
Proportion of all families in receipt of allowances	%	81.4	40.7
Average allowance	Soum	300	898.9
Average level of social support per family (allowance for low income + allowances for children)	Soum	900	1,968.8
The number of first year pupils given gift sets	'000 pupils	-	630.7
Average value of a gift set	Soum	-	1,218.0
The number of children from low income families obtaining a set of winter clothes	'0000 pupils	-	373
Average price per set	Soum	-	2,579

Scheme 3.1. The mechanism of state family income support

Kinds of support	Money allowances	
Category of families	Low income families	Families having children under 16
The size of allowances	1.5-3 times of minimum wage	1 child - 50% of minimum wage 2 children 100% of minimum wage 3 children - 140% of minimum wage 4 children - 175% of minimum wage
Periods of payment	monthly - 3 months	monthly - 6 months
	if no improvement of situation in the family the allowance is granted for a new term	
Allocated	In the meetings of the citizens in settlements, kishiaks, auls and mahallas (organs of self-management) by open vote on the basis of the application of the family, the survey and the decision of the commission that the family is needy	
Obligatory conditions to adopt	Adherence to the principles of social justice, provision of targeted material support to really needy families; Not to allow dependency on social support; to strengthen the responsibility of the family for material well-being of its members, especially of children, creating necessary conditions for their physical and mental development, increasing educational and professional levels	
Paid	By the branches of Narodniy Bank at the place of living of a family, from the accounts of the organs of self-management on the basis of the lists of those eligible to get receive aid.	
Sources of financing	Funds of local budgets; non-budget sources, public and charitable foundations, funds of enterprises, donations	Funds of republican budget, local budgets, non-budget sources
Control over efficient use of the allocated funds	Chairman of the Council of Ministers of the Republic of Karakalpakstan, Khokims of regions, towns and districts, Ministry of Finance of Karakalpakstan, Khokims of regions and City of Tashkent	Deputy Prime-Minister of the Republic, Ministers of finance, labor, Chairman of the Council of Ministers

3.4.1. Present situation

Uzbekistan inherited a state pension system from the former USSR. This covers the main part of population excluding the unemployed, low income families and citizens unable to work. Social protection for these categories is implemented by other systems and separate legislation.

Pension security is implemented in accordance with the Law "On State Pension Security". There are no private pension schemes.

According to the Law there are three kinds of pensions:

- For old age;
- For disability;
- For loss of the family breadwinner.

The Law establishes two main requirements for pension security:

1. Meeting criteria i.e. old age, inability to work, loss of breadwinner;
2. Record of service.

If both these requirements are not met the right to pension security is lost.

Throughout the world there are two distinct types of pension arrangement:

1. That based on **shared responsibility**, by which the working generation makes payments to provide funds for the former generation's pensions. The coming generation, in its turn, finances Pension Funds for the generation working at present;

2. That based on **personal** contributions, in which every worker during his economically active life tries to accumulate the means for pension security in old age.

The pension system of the republic is based on shared responsibility. This system was inherited from the former USSR when financing was based totally on state budget contributions.

However, there was a partial reform of the system in 1991, chiefly characterised by an attempt to establish pension size in accordance with the pensioner's length of service and average monthly wage. An attempt was also made to finance the pension system from specially established Pension Funds.

Financing problems: After the break up of the USSR, almost all the successor countries faced the problem of how to ensure timely pension payments. Many of them have yet to solve that problem.

In Uzbekistan, although the 1991 reform did change the order for the establishment and payment of pensions, it could not resolve the main problem of funding. The reform did not take properly into account the regional and national characteristics of the republic or the prevailing economic situation. The Pension Fund of Uzbekistan, created in 1991 was insolvent from the beginning because of under-funding. Before August 1991 the Pension Fund deficit had been fully subsidised from the centre. After the break up of the USSR, Uzbekistan had to deal with the problem within the limitations of its national budget.

Social issues and the problems of financing social security were both given attention by the Government of Uzbekistan. New legislation and decrees were adopted and responsibility for the Pension Fund was transferred to the Ministry for Social Security. The collection and targeted spending of pension contributions was tightly controlled. As a result of these measures the stabilisation of pension system finances was achieved in late 1996-early 1997.

However the financial problems of the pension system have still to be fully resolved. These problems relate to:

- The lack of a reserve fund, providing at least three months pension requirements;
- The high level of the obligatory contributions;
- Failure to pay obligatory contributions;
- Lack of legislation determining how and to what extent those engaged in entrepreneurial activity or emigrating to other countries to work should contribute to the fund;
- Diversions from the fund for other purposes, such as the payment of benefits for those unable to work (e.g. invalids from childhood, invalids under 16, aged people with nobody to care for them).

Legislation and its imperfections: As mentioned, the pension system of Uzbekistan is based on that of the former USSR, so the imperfect legislative foundations of that system continue to affect the pension legislation of the republic.

The main imperfection of the system is the failure to make pension contributions commensurate with the size of pension payments.

In the first place, citizens do not participate adequately in the scheme. For instance, to obtain pension rights, women have to contribute to the fund for 20 years, while men have to contribute for 25 years. Women achieve pensionable age at 55, men at 60. Taking into account that the life expectancy of women is 72 years, and of men 67 years, it can be concluded that women draw more than twice as much as men from the Pension fund, but their contribution on the revenue side is considerably lower.

Secondly, in establishing pensions there is a considerable difference in the estimated participation of men and women in revenue contributions. In one year women participate to the extent of 2.75 per cent (to make up 55 per cent of the basic amount of the pension over twenty years) while men participate to the extent of 2.2 per cent (55 per cent over 25 years).

Thirdly, the legislation exempts certain categories and groups from contributions to the fund. For example, those engaged in military service do not make any payments.

Fourthly, the legislation grants incentives for the majority of categories and groups of population which increase the burden on the fund. For example, one year of military service is counted as two years of work, and periods of unemployment counted as though they were spent in work for instance, for those looking after first group invalids and invalid children under 16, the wives of serving officers in the armed forces, those caring for children under three, etc. There are some additional payments made towards pensions although these additions are not covered by contributions.

One other feature that makes legislation imperfect is the disproportion between the contributions to the fund from employers and employees. The employer pays an obligatory monthly contribution to pensions of 36 per cent of his wages bill. The employee pays 1,5 per cent of his wage. This considerably distorts views on the sources of the Pension Fund. Employees tend to be of the opinion that the fund is formed from their contributions when in fact they only contribute 4 per cent of the total and the employers 96 per cent. Furthermore, the levels of wages, out of which pension contributions are deducted, are understated. It would be better to increase wage levels and re-distribute the burden of Pension Fund contributions. This would allow workers to perceive a closer relationship between their contributions and the pension they were going to obtain later.

A similar situation occurs in almost all post-socialist countries. In the developed Western countries the ratio between the contributions of employers and employees is 50:50 or at least 60:40 so employers and the employees take equal responsibility for the formation of Pension Funds. For example, in the USA and Germany the ratio is 50:50.

Another problem is that the considerable and fast growing self-employed population either does not contribute to the Pension Fund or its contribution is insignificant. Again, this reflects inadequacies in the pensions system.

According to calculations of the Ministry of Social Security, the dependency rate - i.e. the ratio of the number of pensioners to the number of workers making contributions - is rather high accounting for 0.7. On the other hand, the substitution rate the level of the pension as compared to wage levels - is rather low at 0.33.

The analysis shows that only 42 per cent of the able-bodied population make obligatory contributions to the Pension Fund. The other 58 per cent escape payment on the grounds of unemployment, or because they are self-employed and no contribution is levied on them.

The fact that pensions amount to only 33 per cent of the average wage is evidence of errors in the amendment rate used for updating the wage-basis of pensions in the last six years. The Amendment rate is used to establish and recalculate pensions, and should ensure that the basic average should be not be less than 55 per cent of the average wage.

Reliable stock-taking and up-to-date data processing are non less important problems that have to be solved to ensure the proper functioning of the pension system of the republic, though neither the Ministry of Social Security nor the Pension Fund has the necessary software to facilitate timely registration of pensioners or their contribution to the fund - hampering the introduction of legislative changes which would allow pensions to be calculated on the basis of average wages for the whole period of labour activity.

During the transition period, there has also arisen the problem of drawing up and legalising documents for pensions and checking on their reliability. Many enterprises and agencies change their names, are reorganised or liquidated; people work at several enterprises simultaneously, and some wages are paid in kind. All this complicates the work of social protection. As the transition proceeds similar problems are likely to mount up. It is necessary to work out new techniques for registering length of service and wages on the basis of new computerised technologies.

The financial problems of providing for pension protection arise from the practice of privileged pension protection. No developed state in the world has as many privileged pensions as Uzbekistan - i.e. pensions granted before the generally established age.

In the planned economy, privileged pensions were used to compensate for harmful working conditions and lower wages were paid to certain categories of professions. In market conditions, when enterprises themselves establish wage levels the initial purpose of the privileged pension is wholly discredited.

However, people who work in harmful environments still believe that society as a whole must compensate them for those conditions. It is necessary to change the mentality of both employees and employers by introducing compensatory mechanisms for harmful working conditions into the way wages are calculated. In any case, the introduction of new technology makes it possible to refuse privileged pensions as no longer justified. If the enterprise does not introduce such technology, it should itself compensate the worker for early retirement. Society should not have to bear an additional financial burden.

The transition to a free market economy and the development of an open, democratic society has to involve the shedding of the dependency mentality that is the legacy of seventy years of soviet power. The main problem is that the majority of elderly people consider that the state has to support them. The new generation, on the other hand, understands that security in old age must depend on the individual's own efforts. However, the shortcomings of the legal basis of the present system of social security do not encourage the abandonment of out-moded attitudes and a shift to a real system of social insurance.

3.4.2. Suggestions for change

The financial solvency of Pension Funds has to be an important matter for any country. The issue of pension system reform is under discussion all over the world. Even developed countries, such as Germany and USA, are having to consider the possibility of increasing the pension age.

For post-socialist countries this problem is even more pressing. Changes introduced to further the move towards a market-directed economic order must not be of such a nature that they encourage a negative attitude towards the whole reform process. On the contrary, the changes must exercise a positive influence and promote moves towards better living standards and a more secure old age.

As already indicated, many countries are beginning to consider the possibility of solving the problem of stabilising the finances of their pension systems by increasing the pensionable age. For the developed countries of the West, this is very important. Average life expectancy in these countries is high with a result that the population is getting older and the ratio of the pensioners to the workers is growing. In these conditions a review of the pension age with a view to increasing it could give positive results although it is already high. (On the other hand, room for manoeuvre is often limited. For example in the USA the retirement age is already 65 for both sexes.)

Post-socialist countries such as Hungary, the Baltic States and Kazakhstan have already lifted the retirement age. Russia is also considering a bill to increase it gradually over the next 20 years.

The lifting of the retirement age could have positive benefits for the financial situation of the Pension Fund in Uzbekistan. However, there are many other measures that could be taken to this end:

First: the abolition of privileged pensions; This would allow an increase in the retirement age by, on average, 1.5 years for men and by 2 years for women. Analysis suggests that this could decrease the annual burden on the Pension Fund by 16 per cent;

Second: equalisation of men's and women's retirement age: This would allow an increase of three years in the average retirement age and decrease the annual Pension Fund burden by 27 per cent;

The implementation of these two measures would increase the ratio of average pension to the average wage up to 47 per cent against 33 per cent at present. There seems to be a real possibility of introducing an indexing mechanism by using new adjustment coefficients and so equalising minimum wages and pensions.

Another problem facing the Pension Fund is the need to find additional sources of finance. Such sources might include:

- The elimination of non-funded expenditure: For instance, it is necessary to abandon the principle of pensions based on length of service and move towards the notion of length of insurance. This would mean that only periods of activity when pension contribution were made should be taken into account in calculating pensions;
- Observing the law which enjoins that servicemen's pension contributions should be paid from the state budget;
- Making payments to elderly people with nobody to care for them; to those with insufficient length of service by means of social security benefits rather than from the Pension Fund. These categories would be grouped with child invalids under 16 and invalids from childhood. Such allowances could also be used to boost the pensions of particularly deserving groups (e.g. those with war service, honorary titles and war work).

It is calculated that the implementation of these suggestions would allow for Pension Fund expenditure to be reduced by about 40 per cent.

One of the most efficient ways of reforming the pension system would be the introduction of an accumulative pension principle. However, accumulative pension systems should not be seen as an alternative to a system with shared responsibility. In case of shared responsibility the state, jointly with public, provides constitutional guarantees for citizens in the area of pension security. Within the accumulative system, these guarantees would have to be given by the state from the budget. That is why an accumulative pension system would have to be created as an addition to present arrangements, helping the state to provide better living standards and decrease the burden on the state pension system. On the other hand, accumulative pension funds are powerful sources of investment in the economy. The experience of developed countries shows that such funds are a major tool for economic development.

The establishment of accumulative Pension Funds should be carried out by non-governmental agencies and participation in them a matter of freedom of choice. An efficient legislation base needs to be created to regulate the functioning of such non-governmental Pension Funds. Their investment activity should be implemented through a network of specialised companies.

Reforms in the social sphere need a new basis of legislation that meets the demands of a market-directed economy. It is necessary to separate the notions of state and non-state systems of social insurance. To this end, it is necessary to formulate and enact a package of measures including:

- A law "On State Social Insurance": This would determine the obligatory social security systems, their main functions and responsibilities and their relations with society;
- A law "On Non-Governmental Social Insurance": This would identify non-obligatory social security systems, their rights and responsibilities and their relation to and interconnection with the state system of social insurance;
- A law "On Non-Governmental Pension Funds"; This would determine how such funds should be created and function, their responsibilities and their relationship with participants;
- A law "On Social Support to Needy Families"; This would determine the people who have a right to benefits, the terms and amounts of such benefits, how payments would be made and the agencies which would establish and pay the allowances.

It is also necessary to introduce considerable changes in the pension system or to formulate and enact a new law "On State Pension Protection for the Citizen". The law should reflect the new economic and social situation in the country and take into account the needs of the market.

3.4.3. The next steps

To ensure the implementation of pension reform it is important to adopt and enforce a concept of social insurance reform. Such a concept should determine the agenda for introducing reforms, designate the objectives and responsibilities to be sought at each stage of the process and establish the main directions of the proposed changes. The design of the concept should be approved and implemented before the end of 1998 and work on its implementation begun.

In the first stage, after the Concept is adopted, it would be necessary to adopt laws "On State Social Insurance" and "On Non-Governmental Social Insurance".

At the next stage, 1999-2000, it would be necessary to work out and adopt a new law "On State Pension Protection of the Citizen" taking into account the changed social-economic conditions in the country.

Simultaneously a law "On Non-Government Pension Funds" should be adopted. Such a law would govern the provision of additional social protection.

The following stage 2001-2002 needs the adoption of a law "On Public Assistance to Needy Families", the main task of which would be to provide a targeted social security net.

End notes

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2 M.Mozhina. Methodic questions to determine a living wage. Economist, N2, 1994

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CHAPTER 4

TRANSITION TO DEMOCRACY

4.1. Democracy in Uzbekistan

4.1.1. *The need for democracy*

The introduction of democratic forms and practices into all spheres of public life in Uzbekistan is seen as essential to ensure that the reforms are irreversible and the recently acquired independence of the country is sustainable. Events of the 20th century have shown that only a democratic and civil society ruled by law can maintain social progress and stability whilst guaranteeing human and civil rights.

The democratization process is seen in Uzbekistan as an evolutionary process in which individuals and the state absorb widely accepted democratic values into their own local culture, history and social mentality. It means the modernization of society and its institutions whilst the adoption of the positive aspects of democracy will ensure that the nation flourishes.

In the modern world, the principle of democratic development has become so universal that its importance and effectiveness cannot be denied. State policies and public life in Uzbekistan increasingly recognize the universal nature of the values, principles and norms of democratic development.

Sociological surveys, conducted by the non-government Center "Izhtimoiy Fikr" (Public Opinion) show that experts (including leading public figures, scientists and professionals) understand the universality of democracy as the following:

Firstly, that democratic forms of government and a respect for human rights should be a principle requirement in all countries (67%);

Secondly, that democracy should be implemented at every level of public life, including provincial life (82%).

Thirdly, that democratic practices should be introduced in all areas of government, including economic management, politics, public administration, the law and cultural affairs (79%).

The fundamental contradiction of democratization in Uzbekistan is that the need for democracy goes far beyond the existing possibilities of its full realization.

4.1.2. *The main emphasis of the democratization process in Uzbekistan*

The Government of Uzbekistan recognizes the importance of local culture and traditions in the formation of a democratic model for Uzbekistan which consists of the following main tenets:

1. The development of a unique model of transition to a market economy - based on the rejection of 'shock therapy' practices - as practised particularly in the Russian Federation. The model includes targeted social protection for the most vulnerable groups (low-income, disabled, families with many children, single elderly people, students etc.), and the adaption of international experience in pursuing socio-economic reforms in the specific conditions of Uzbekistan.

2. Eschewal of dramatic reforms - envisaging a gradual and consistent approach to reforms which seeks to lay the foundation for legal and economic rights and freedoms, introduce democracy into social and political affairs, modernise the institutional structure and re-orientate national identity and culture towards democratic principles.

3. Democratization of state power mechanisms - state power is being separated into three branches, the legislative, executive and judicial, operating under the authority of the Constitution. This process is not advancing as rapidly as could be expected, though the move towards ending the omnipotence of the

state and the formation of a democratic law governed state as a socio-political entity which reflects all relationships and interests within society is definitely in progress.

4. Establishment of non-government democratic institutions - these are completely new organizations for Uzbekistan which are involved in the protection of human rights, the surveying of public opinion, the strengthening of newly created political parties, the emergence of non-government non-profit organizations and the development of an independent and free mass media.

5. Establishment of a civil society in Uzbekistan - encompassing both widely known democratic political and non-political institutions and an original system of citizens self-governance through the 'makhallya', a modernized neighborhood-based community group which builds solidarity and cooperation between families. (The role of the makhallya in targeting benefits to the needy was discussed in Ch. 3).

6. Emancipation of public thinking and behaviour - rejection of the anti-democratic ethos encouraged during Soviet rule while learning from the example of developed countries which have gained prosperity from practicing democracy.

The citizens and society as a whole in Uzbekistan have yet to realize and use their right to participate in state management or receive information on how they are ruled and how their interests are expressed through the representative institutions. **A great deal is being done and is still to be done to promote democracy.**

Uzbekistan is undergoing transformation in all aspects of public life in the long process of building the basis for a market economy, the effectiveness of which is a prerequisite for the success of all the reforms.

Despite the new democratic institutions which are still in their infancy and the increasing spread of private property rights among a broader cross section of society, many of the former patterns in economic and social life have not yet changed. The market reforms will only succeed with the full support of democracy from all spheres of society.

Uzbekistan came through the potentially traumatic process of gaining its independence relatively easily. Independence was proclaimed on 31 August 1991 and was re-enforced through a referendum on state independence on 29 December 1991 and the adoption of the Constitution on 8 December 1992.

Box 4.1. Democracy and national culture

I.A. Karimov, "Uzbekistan on the threshold of 21 century"

"Democracy is not just a theory or political process, it is also a way of life in the mentality, traditions, cultures and thinking of a people. One could declare democratic principles, politicians might try to plant democracy 'down from the top', but then democracy would not grow into our day-to-day life. Democracy should become a value, appreciated by society and every individual".

4.1.3. Social cohesion and stability

The primary features of the reform process that have promoted social cohesion and stability in society are as follows:

First: While leaving behind any legacy of the past which may impede progress, Uzbeks are still pragmatic about everything that can be derived from historical experience and the nation's cultural heritage and traditional oriental mentality. Guarantees for democratization include the secular nature of state power and civil society, accompanied by a deep respect for the ethical and cultural role of all religions, among which Islam has the most adherents.

Second: The gradual - albeit as condensed as possible - approach to the introduction of democratic reforms of government not only secures social stability, but also allows for the establishment of sound legislative, educational and psychological conditions for the emerging civil society.

Third: The state leadership is committed to explaining its policy on reform and transition to a market economy to the people and justifying it to them. The state has assumed the function of reformer while providing citizens with incentives for better use of their rights under the Constitution and laws. It should be

recognized that it is the leadership of the country which has been most critical of existing drawbacks by taking on board criticism and suggestions from the public.

Fourth: A balance of socio-economic interests has been achieved and maintained among the new 'middle' class and other social groups. Religious stability and the ethnic balance have also been maintained (there are about 120 ethnic groups in Uzbekistan, Uzbeks represent 78%).

Fifth: Most importantly, the country, despite all hardships, remains at peace and is going through market transformations step-by-step whilst opening up new opportunities for the energetic, well educated and industrious.

4.2. Democracy in the Constitution and laws of Uzbekistan

4.2.1. The function of the legal framework

The Constitution of Uzbekistan is the legal guarantee for the democratic development of the country. In the most difficult phases of reforms, with completely new problems to be solved, so-called 'constitutional space' is of great importance, covering all that is permitted or prohibited by the norms of the Constitution. The legal framework represents a standard for drafting and law-making activities, its norms are used as criteria while discussing innovations.

4.2.2. The role of the Constitution

The Uzbek Constitution secures not only the existing legal system but also promotes the legal ideals of rights and freedoms that should be achieved. The Constitution provides enough room for legislators to act and for legislative initiatives to function.

The Constitution and the law are the principle tools for achieving democracy in Uzbekistan, provided for in Chapter 3 of the Constitution. Several fundamental notions are synthesized into one integral document which encourages democracy in several ways, particularly:

- Grass-roots democracy (Section 2);
- Political rights of citizens (Section 8);
- Functions of higher state and management bodies (Section 5 - State Authority Organization).

The Constitution, by placing the human being as the supreme value of state and society, is politically shaping the legal basis for interaction between the individual and society. The task of the overall state machinery is to ensure that every institutional or other transformation is made within the framework of the law.

4.2.3. The Constitutional Court

Laws and other legislative acts must be in conformity with the Constitution. This principle is guaranteed by the entire system of state authority, but above all, by the Constitutional Court. In early 1998, the Constitutional Court ruled on a number of cases related to the need to bring existing laws into line with the Constitution. Some laws were recognized as unconstitutional and abrogated.

For example, a Resolution of the Constitutional Court of 26 February 1998 recognized as unconstitutional Article 5, para 17 of the "Statute For Allocation and Payment of State Social Insurance Allowances", adopted by the Council of Trade Unions, Social Insurance Fund under the Cabinet of Ministers, Ministry of Labor, Ministry of Social Security and Ministry of Finance.

Box 4. 2. Reform of the electoral system

The new Law "On The Central Electoral Commission of the Republic of Uzbekistan" is an example of the perfection of the election system.

Officials of this body are guaranteed independence from political parties and the state apparatus. The Commission must operate transparently and be guided by the Constitution and Election laws. The Commission has been given substantial rights to make proposals with regard to the improvement of election laws and supervision of their realization by state and political structures. The electorate and nominees for parliamentary deputies have free access to the Commission to rectify infringements of their constitutional rights.

The improvement of the election laws, like other complex and diverse democratization processes, is conducted strictly within the limits of constitutional law.

The Court indicated that Article 38 of the Constitution provides employees with the right to paid rest leave. According to article 133 of the Labor Code, all employees are entitled to annual rehabilitation leaves while maintaining their jobs and preserving average wages.

Part 1 of Article 285 of the Labor Code specifies that temporary sick leave allowance is paid when a person takes care of another sick member of his/her family. At the same time, according to article 5, para 17 of the 'Statute For Allocation and Payment of State Social Insurance Allowances', if a family member falls sick during the paid annual leave of an employee who has to take care of the sick person instead of resting, sick leave is not granted and annual leave is not extended for the days spent on treatment of the sick person. Therefore, the constitutional rights to rest and the social protection of employees who are taking care of a sick member of their family have been violated.

Based on a verdict of the Constitutional Court, the offending clause was cancelled and an amended "Statute" adopted on 13 March 1998.

4.2.4. Democratic content of the legislation

The development of legal mechanisms for the promotion of democracy are well illustrated by the Law on "Preparation of Legislative Acts in the Republic of Uzbekistan", 30 August 1997. Here it is laid down that laws should be relevant and based upon the practicalities of modern society and legislative acts must be of a direct-action nature. Executive bodies may adopt secondary legislation in order to enforce the law, rather than amend or add to it. This is a fundamental distinction in approach towards the legislative process compared with the Soviet period. Since 1998, the Ministry of Justice of Uzbekistan has publicized information on state registration of secondary legislation adopted by ministries, state committees and agencies (Official Government Paper "Khalk Suzi People's Word" in Uzbek and Russian). New laws must be published in the Government-owned mass media as a prerequisite for them to come into force.

A further important principle for adequate support of democratization is the systematic character of the legislation. Laws must be inter-connected, based on the Constitution and promote the development of a national legal framework.

Along with the improvement of the legislative system, the Government of Uzbekistan insists upon the accurate and consistent enforcement of laws and strict compliance to them.

The business of drafting and enacting laws is entrusted to the Kengash (presidium) of Oliy Majlis, the supreme representative body of parliament, composed of the Parliamentary Chairman, his deputies, chairmen of permanent deputy commissions and committees and heads of parliamentary groups of political parties. This body makes decisions on a regular basis on the execution of laws, and submits unsolved issues to Parliament, as necessary. Among the law-making activities of the Oliy Majlis, priority is given to the improvement of human rights legislation and further introduction of democratic principles into the legislative system. The decisive role in making the legislative process more democratic is undertaken by the deputies of Oliy Majlis.

Monitoring current legislation is an on-going process in Parliament that analyzes the systematic character, non-contradictory and effective operation of the legislation, with regard to the Constitution and the law. A process of codification is underway bringing the laws of Uzbekistan into line with international law.

Legislative acts should represent the will of the people and provide for a trade-off of interests between various political and social groups. The preparation of legislative drafts is carried out in the light of public

scrutiny with due account taken of public opinion. To this end, members of the Oliy Majlis, civil servants and non-government associations all participate in the process. In addition, academic and other educational institutions, scientists, specialists and legal experts from various sectors are invited to help in the development of draft laws. Drafts may also be presented for wider public discussion through the mass media.

To better comprehend the concept of the Law "On Development of Legislative Acts", some fundamental principles and notions used in the preparation of all draft laws are listed below:

- The will of the people of Uzbekistan;
- Trade-off between interests of various political and social groups;
- Open policy on the drafting process;
- Consideration of public opinion;
- Popular consultation and discussion.

Observing these fundamental principles should provide for the legitimacy of laws and increase their level of public support. This approach is seen as a necessary condition for securing obedience to the law as the people of Uzbekistan are well aware of the so called "telephone call law" of Soviet times which existed for the untouchable party elite.

The law-making process lags behind the requirements of the reforms and the practical needs of public life. Priority is given to economic and socio-economic legislation and in providing for important public needs, especially in education and information provision. At present, only a third of the members of Parliament work on a permanent basis. Many problems could be solved through a more professional approach to the drafting of laws in Uzbekistan. There is a need for more international technical cooperation in training deputies and their aides to increase levels of competence in drafting legislation.

Box 4.3. The results of legislative work since independence

The Constitution of Uzbekistan; Nine Codes, principally, the Civil Code, Criminal Code, Civil Procedural Code, Economic Procedural Code and over 300 laws form the emerging national legislative environment and legal system. Respect for the law is unrealistic without greater legal awareness and active participation in the legislative process among the people of Uzbekistan. The Parliament of Uzbekistan has approved a National Program for 1997-2000, designed to raise the level of legal awareness in society.

4.3. The democratization and modernisation of Uzbekistan

4.3.1. Maintaining traditions

Traditional social structures co-exist with the new structures emerging in the country. The old structures continue to evolve with society and at the same time influence the methods of applying democracy in a country of close-knit multi-generational families and neighborhood communities the **makhallya**.

4.3.2. The Makhallya (Self-governance body)

The Makhallya is a local community network with a millennium-long history in Central Asia; at present, its legal status is being modernized to help nurture the roots of democracy in towns and villages.

During Soviet rule, the system of makhallya-based communities was allowed only limited functions, though makhallya were able to deal with problems through solidarity and mutual help in a humane community based atmosphere. Today, it is not just villagers or residents on traditional streets who are associated into makhallyas but also dwellers of industrial districts and multi-storied buildings.

Makhallya self-governance bodies have an important role to play in the national system of democratic counter-balances for Khokims (regional heads of representative and executive powers). The Law of 2 September 1992 specifies that self-governance bodies in villages and town blocks are represented by citizens' assemblies who may elect a chairperson and his advisors for a 2.5 year term.

The functions of the rejuvenated makhallya are as follows:

- To promote the citizens' right to manage public and state affairs;
- To involve citizens in solving local problems in social and economic matters;
- To hold public events and assist authorities in enforcing laws;
- To promote ethnic cohesion in a multi ethnic society.

The makhallya have their own property, financial assets and budget. They may open small businesses, cooperatives, workshops, handicraft shops, and obtain bank credit for these purposes. One of their most important powers is the right to approve decisions of the "**Aksakal**" (elected leader) on the lease of land to enterprises, agencies or individuals. Legal formalities for social protection schemes are carried out through self-governance bodies, as well as the distribution of allowances to the most needy groups. (See Chapter 3.

The makhallya are situated throughout the country and, in effect, consolidate the whole non-government system of interaction with the population at the local level.

4.3.2.1. The function of the Aksakal

The **Aksakal** is the elected leader of a makhallya who represents the interests of self-governance bodies and individuals at state level and in the courts. The Aksakal is a public official, charged with the authority of interaction with state officials at district or city level. Khokims, as a rule, take careful account of the opinion of the Aksakal.

The President of Uzbekistan has issued a Decree 'On Promotion of Self-governance Bodies', which strengthens their rights to develop handicrafts and small businesses. The economic prowess of the makhallya is being increased, leading to calls that their leaders acquire certification and skills enabling them to carry out their functions more efficiently. The official leaders of makhallyas are not necessarily aged people, though, an overwhelming majority are over 40, their age does not normally exceed 65-70. There is a trend when the Aksakal is an older person, that his advisors are middle-aged and vice-versa. Advisors would normally represent streets, multi-storied buildings or kinship communities in traditional makhallyas. **In general, Uzbek society could be regarded as a community of cooperating families.**

4.3.3. Family and democratization

The introduction of democracy in an oriental society such as Uzbekistan is predetermined by family relations. (In this context the term 'family' is used to refer to an extended family nexus rather than the nuclear family more familiar in the West). Public discussions are quite frequent in villages (not so in towns) involving the most authoritative members of the community solving sensitive family problems. Quite often, this approach proves to be more effective than official procedures for family disputes.

The Family Code of Uzbekistan (1998), which was developed on international legal principles, recognizes the family as the primary cell of society. Indeed, the state itself is often characterised as 'one big family' in the public mind. The family is seen as the most stable and self-sufficient component of the socio-political system under formation. It tends to be self-supporting economically, even in difficult market conditions; the solidarity of relatives in communities and families in makhallyas can exercise a powerful influence over local authorities, khokims of cities and districts, grass-roots organizations of political parties and non-government associations.

The solid ethical culture of Uzbek families, based on oriental and Islamic philosophy, compensates for the lack of legal culture among citizens and authorities, and drawbacks in law enforcement mechanisms.

The family has the following roles to play in the public life of Uzbekistan:

- Assisting the efficient working of the legal system in areas of social protection and the maintenance of civil order. Local self-governance needs the support of families which are central in the process of humanizing the state;
- Acting as *fora* for informal discussions on the most important issues of reform. Family solidarity and media development (especially electronic media) promote stability in public attitudes and behaviour;
- Influence state authorities and agencies through their leaders and deputies to better tune the legal and socio-economic mechanisms of reforms;
- Increase interaction between the state and the local community by pursuing local interests; influencing the law making process in a way that helps people adapt to the new socio-economic and psychological environment thereby preventing social conflicts and maintaining relatively low levels of social tension.

To underline the importance of the family, the Government of Uzbekistan has declared 1998 as the Year of Family.

Despite the social changes taking place because of market reforms and the introduction of greater democracy, the tenacious quality of Uzbek family life is still the cement of society. It is vitally important to ensure that families which choose a Western style of living preserve spiritual and traditional family values, such as responsibility for the behaviour of family members and an awareness of their role in community and public affairs. At the same time, many traditional families need assistance in empowering women and youth to help them become involved in the new economy and develop their education and outlook.

4.3.4. Entrepreneurs and the middle classes: their influence on public opinion

There are many objective difficulties in making the political and social system more democratic, though one important aid to the process is the emergence of a middle class. The **middle class** can be seen as a catalyst in changing public opinion and can become an active political "engine" for sustainable development after the reform period. The existing generation of entrepreneurs have had to adapt to both the centralized Soviet system, followed by the hardships of the transitional period. The socio-political views of current businessmen, therefore, are often different from Western standards.

A cardinal necessity in the process of democratization is to **change public attitudes towards private ownership**. Although the liberalization of the legal status of businesspeople is extremely important, it cannot resolve the problems related to the increase in social expectations among the population. To try and gauge these public attitudes, a sociological survey entitled "Society and the Entrepreneur" asked the general public whether entrepreneurs could become the leading force for progress in Uzbekistan a) at present b) in the next 10-15 years.

The answers suggest that in the short run (till 2000), such technically active groups of the electorate as the intelligentsia or highly professional workers of state-owned enterprises are unlikely to support entrepreneurs as the leading force. A third of highly qualified privately employed workers are also dubious about this. However, two thirds of the latter, as well as 85% of students in economic faculties, positively appraised the role of businesspeople in achieving social progress.

There is a significant variation in attitudes (35%), between those who are employed in the public and private sectors with regards their view of the positive role of business, though this difference is reduced when the longer term view is taken.

Businesspeople themselves are very modest in assessing their readiness to participate in state management or the political process, both at present and in the future. Among the reasons they gave are:

- Deficit of political culture or any experience of state management; and
- Reluctance to give up business for the sake of a career in representative or executive authorities.

The democratic enlightenment of entrepreneurs - by which is meant raising their interest in political culture and encouraging their sense of civic responsibility - has become a priority in Uzbekistan. The Chamber of Manufacturers and Entrepreneurs, political parties, NGOs and the mass media have all been asked to play their part in encouraging entrepreneurs to take their civil responsibilities seriously. The political future of Uzbekistan greatly depends on the willingness and preparedness of entrepreneurs to enter the public sector.

4.4. The development of political pluralism

When Uzbekistan became independent in 1991, the totalitarian Soviet state, which existed to implement the decisions of a political party that monopolised the instruments of power, was replaced with a national state, committed to promoting a civil society subject to the rule of law.

However, the lack of democratic experience or institutions combined with other factors to delay the realisation of this objective. This situation will only be changed as a result of the development of a democratic political culture among significant groups of citizens working alongside the reforming State.

In other words, the State could not achieve its goals on its own. It needed a partner to agree and implement an informal social contract on the promotion of public cohesion and on ways of approaching the transition to a socially oriented market economy.

Critical to the development of a civil society is the development of the democratic institutions of political pluralism, non-government organizations, human rights organizations and a free and democratic press. These make it possible for citizens to make political choices and to decide which of the competing political groups shall enjoy their support.

Box 4.4. The political position of the President of the Republic of Uzbekistan

Article 4 of the Law "On Political Parties" states that the President, being a guarantor of citizens' rights and freedoms, shall suspend or cancel membership or participation in political parties for the period of tenure.

4.4.1. Political parties: Legal opportunities and practical trends

The quality of democracy is determined more by the ability of specific political groups to express the basic interests of civil society than by the number of political parties. In Uzbekistan, the notion of "political party" is normally understood as a large institution with a wide ranging influence over society, represented by state authorities, and most importantly, with the potential to solve major problems that society may face.

According to research carried out in the Republic, political parties are expected to fulfil the requirements outlined below:

First: respect of the law and the Constitution. The notion "political party" can only be applied if the party is guided by the law and its Charter and registered with the Ministry of Justice of Uzbekistan. The state guarantees protection of the rights and legal interests of political parties, creating equal conditions for them to attain chartered objectives. Article 34 of the Constitution has been further developed in the Law "On Political Parties" (26 December 1996). State authorities, enterprises, institutions and their officials may not interfere with the internal activities of political parties or impede their activities in any way, provided that the activities are carried out in conformity with the law and their corresponding charters.

Vice versa, the law explicitly specifies that any interference of political parties in the activities of state authorities and their officials is prohibited. (Article 5 of Law "On Political Parties"). This compares with the state of affairs that prevailed in the Soviet period when leaders of the ruling party-monopoly dictated their will to the state authorities and defied the law, this situation has been rectified and the law specifically states the unlawfulness of such situations.

Second: Article 6 of the Law "On Political Parties", states that political parties should have at least 5000 members. This requirement assumes, of course, that parties have sufficient facilities to count their

members. It should be recognised that some parties have difficulties in determining exactly how many members they have.

The biggest party, the National-Democratic Party is composed of 470 000 members, which is 8 to 80 times more than others. However, international experience shows that it is not the number of members that matter, but the political potential of the party and its ability to seek public support.

The Constitution (Article 77) and Law "On Political Parties" offers parties the opportunity win representation in Parliament (Oliy Majlis) and local councils. If their representatives are elected to these bodies, they receive the right of initiate legislation, to appeal to Government and local authorities, and to publicize their party agendas. Political parties are established in the Oliy Majlis of Uzbekistan, the Jokargy Kenes in the Republic of Karakalpakstan (autonomous state within Uzbekistan) and in state representative bodies. Party-based groups make extensive use of their right to put forward candidates for committees and chairpersons in representative bodies. A party representative in such a post, has the opportunity of effectively protecting the interests of the electors, society and the state.

4.4.1.1. The main activities of political parties

Each party stands on a particular political platform, outlined as follows:

- The National Democratic Party emphasizes social protection during the transitional period;
- The Adolat Party has proclaimed as its priority the raising of awareness of legal rights as a guarantee of social stability in the process and realization of the reforms;
- Vatan Tarakkiety Party promotes the economic and political role of private owners;
- Milliy Tiklanish Party is based on a revival of spiritual heritage, history and culture.

The National Democratic Party operates mostly in major and medium sized enterprises. The Adolat Party is well established in higher educational institutions and in territorial organisations in districts and cities; Vatan Tarakkiety and Milliy Tiklanish are a network of local parties organized in the districts and cities.

Political parties are most active in Tashkent, Samarkand, Bukhara, Andijan, Fergana and Karshi. All political parties actively seek the involvement of authoritative people and the youth in their activities.

Each political party, to a certain extent, declares a certain amount of support for their activities from the government, though at the same time they are independent in choosing their own methods of implementing their programmes.

Leaders and activists of political parties recognize that many people are indifferent to their slogans and are unlikely to support them in elections. To address this, political parties try to attract more young people into their leadership, and at the same time, invite more authoritative people from makhallyas to help propagate their policies. With this aim in mind, public opinion surveys are carried out and political campaigns organised on national holidays or festivals.

It is extremely important that political parties should become democratic institutions, linking the people and their rulers. More genuine competition between the parties in proposing new reforms and ways in which these should be implemented is desirable.

4.4.2. Non-government (Non-profit) organizations (NGPO)

The public are able to participate more in society through membership of political parties or NGOs, though the latter do not participate in elections to representative bodies and avoid political and ideological struggles.

The Ministry of Justice of Uzbekistan keeps track of more than 300 public associations, whose Charters make it possible to refer to them as NGOs. Some international experts believe that official registration is not necessary in Uzbekistan and communicate with such entities regardless of whether they are

registered or not. NGO's register with judicial bodies to allow them the rights of a juridical entity and to become a fully-fledged partner in relations with state bodies and other public associations.

NGOs are one of the new civil mechanisms under construction in Uzbekistan. These voluntary self-governing organizations, established upon the initiative of citizens or legal entities are varied and can be divided into the following groups (illustrated by specific examples):

1. Nation-wide non-government organizations, specializing in servicing the social interests of specific major groups of the population:

- The Makhallya Foundation - exists to coordinate the activities of the makhallya nationwide (see 4.3.2. above);
- The Women's Committee of the Republic of Uzbekistan - linked with government structures at all levels by assignment of its leadership to official posts, has established partner organizations such as the Business Women Association and the Association of Women Scientists etc;
- Association of Disabled of the Republic of Uzbekistan - has a reported coverage of 600 000 people;
- Youth Foundation "Kamolot";
- Veterans' Fund "Nuroni".

2. Specialized national and international foundations

- ECOSAN, the most powerful NGO in the country in financial terms, dealing with health and environment issues
- Soglom Avlod Uchun Foundation and Foundation for Talented Youth "Umid" - patronized by the President;
- The Historical and Cultural Foundation of Amir Temur;
- Press Democratization and Support to Journalists Foundation;
- Save the Aral Sea Foundation;
- Forum of Cultural and Scientific Personalities of Central Asia.

3. Human Rights Protection NGOs. So far, only one such organization has been registered, The Centre for Protection of Human Rights. Two or three other groups, claiming they are human rights protection organizations are considered ideologically biased and politicized, which contradicts national laws and international standards for NGOs.

4. Various national public associations of intelligentsia, unions of writers, journalists, actors, artists, composers, architects, film actors, judges and attorneys.

5. National Cultural Centres (over 100), representing the ethnic minorities, aimed at maintaining the culture, traditions and spiritual values of the ethnic minorities living in Uzbekistan.

6. Nation-wide Charity Associations and Foundations, Children's Fund, Fund for Social Protection of Orphanages, Republican Students' Fund.

7. Field Associations, based on members' common interests - these are usually environmental organizations (most often among the beneficiaries and recipients of foreign grants under NGO development programs in Uzbekistan).

- Tourist or singers' clubs;

- Associations of parents of disabled children.

8. Public institutions, the non-government sociological Centre "Public Opinion", publisher of "Uzbekistan Humanitarian Magazine", International Non-Government Centre for Training Journalists.

9. Field non-government social institutions, such as Samarkand Trust Centre "Sabr", providing psychological assistance to women and adolescents in critical situations.

The issue of the relationship between the source of financing and the status of NGOs is the subject of debate among NGO activists and international experts. The prevailing opinion is that the most important characteristic of an NGO is its area of activity as a civil organization.

A noticeable feature of the development of NGOs in Uzbekistan is the trend among the various foundations, centres and associations, established as semi-governmental organizations (with state organizational and financial support), to transform into non-governmental ones. This seems to be a particular feature of NGO development in Uzbekistan. At the same time, the concept of 'NGO' itself is viewed with some suspicion by some traditionally minded sectors of the public who do not fully understand the relationship between NGOs and the state.

4.4.3. The legal position of NGOs

NGOs in Uzbekistan have experienced some difficulties in development because of a lack of specific provision for them in current legislation. To fill this gap, the National Centre of Uzbekistan for Human Rights, jointly with the OSCE Bureau for Democratic Institutions and Human Rights and other international organizations initiated a review of international experience of NGOs and prepared proposals to develop national legislation for NGOs in the republic.

The legislation will specify the following with regards to NGOs; they:

- Have the right to register their Charters with the Ministry of Justice (or its regional offices) provided that they conform with the Constitution;
- Have the right to receive sponsorship support from any citizen or legal secular organizations to implement their socially oriented projects;
- May establish branches in regions of the country or be founders in other NGOs;
- Conduct creative, charitable, cultural and other socially useful activities;
- Provide legal assistance, as necessary, to citizens or other NGOs;
- Under the provisions of their Charters, may establish international contacts with foreign NGOs;
- May **not** participate in election campaigns or other political activities;
- Shall **not** carry out activities, undermining spiritual or cultural values of the Uzbek people;

With regard to the future, it is expected that NGOs will develop rapidly within city makhallya and among the youth and retired people. Social projects, implemented by NGOs and supported by khokimiats are being put into place.

A systematic review of the effects of the work of NGOs is being undertaken to help finalize the legislative work needed for their full and effective development.

4.4.4. Opposition as a political institution

Public opinion and the Government of Uzbekistan have come to understand the need for an opposition as a normal political institution. However, the difficult lies in the extent to which politically active and thinking people are prepared to fill the role of a constitutional opposition.

It is extremely important that the opposition should be legitimately formed, it should respect constitutional norms and be aware of its responsibility to maintain the stability of the government and public institutions. Alternative proposals for state mechanisms should be well justified. The difficulties of the "maturing" process faced by an opposition reflect the objective hardships of introducing democratic institutions into a state undergoing transition from a totalitarian regime to a free society.

Analysis undertaken by social scientists to discover to what extent people are ready to accept political opposition demonstrated that nearly a half of respondents feared that the activities of an opposition might undermine social stability and negatively affect economic development.

The process of establishing a democratic opposition in the country will take time. It is also likely that competitiveness among political groups and criticism of existing parties will increase.

Box 4.5. Broadcasting opportunities

The opportunities offered by the Government to the BBC, Radio Freedom and Voice of America for uninterrupted broadcasting on Uzbekistan, have proven to be a valuable information source giving the public the chance to draw their own conclusions on opposition and government proposals.

4.4.5. Human Rights Institutions

The state and society face the thorny challenge of changing the mentality of generations by creating a new political and legal culture which denies extremism or intolerance in society, and promotes the rights and freedoms of every individual.

The first international document to be ratified by Uzbek Parliament after the declaration of independence was the **Declaration of Human Rights (1948)**, since then the Government of Uzbekistan has acceded to over 90 international conventions and treaties, including 38 acts on human rights.

Uzbekistan has established and maintained the following national institutions for the protection of human rights:

- An Ombudsman for Human Rights under Oliy Majlis (1995);
- The Institute for Monitoring Current Legislation, under Oliy Majlis (1996);
- The National Centre for Human Rights;
- The Centre for Public Opinion Studies (1997).

Box 4.6. TACIS Project "Women and Democracy"

Implemented by the Association of Women Scientists "Olima", jointly with the Billstone Public College (UK). The core of the project is represented by the curriculum "Democratic Transformations in Society". On completion of the course on women and democracy, provided by Billstone Trainers both in Uzbekistan and UK, graduates receive international certificates entitling them to teach in Training Centres in Uzbekistan. Uzbek participants have obtained qualifications as consultants and experts in the development of small and medium-sized enterprises among women, conflict management in families and the promotion of women employees rights. Women are now much stronger in dealing with problems in their local communities.

The **Ombudsman** has extensive legal authority in Uzbekistan and is responsible for improving the level and quality of interaction between the individual and the state, especially in educational and awareness-raising activities. The ombudsman receives and investigates complaints on the violation of human rights, proposes measures to redress violated rights, and may seek the prosecution of offenders.

The Ombudsman's duty is to review and analyze the human rights situation in the country, uncover violations, analyze Uzbek laws in respect of their conformity to international human rights conventions and to develop programmes to strengthen human rights protection.

Measures, taken by the Uzbek Ombudsman to protect rights and freedoms are in line with the practices of about 100 countries. Uzbekistan was first among the countries of Central Asia to introduce the Ombudsman institution.

The ability of the Ombudsman to communicate his/her findings to appropriate bodies after investigating a complaint has proved to be an important legal protection against human rights violations. According to Article 1 of Law "On the Authorized Person of Oliy Majlis for Human Rights", such findings may be channeled to government agencies, the makhallya, officials of enterprises, agencies and institutions or non-government associations for action. Deliberate violations are reported by the Ombudsman in his annual report to the Parliament.

In 1998, an initiative was taken to create a mechanism for interaction between the Ombudsman and NGOs active in the area of human rights protection. As a result of a round table, involving UN experts, the following recommendations were made:

- Regular consultations should be held between the Ombudsman and NGOs on issues related to human rights, falling in the purview of the NGOs, to exchange information on the extent of protection needed for individual citizens;
- The development of a joint work plan to improve public control over the protection of rights;
- Develop a joint information bank covering the most vulnerable groups, such as children, women, the disabled and convicts;
- Instigate training programs for NGO activists to conduct their activities within legal boundaries;
- Proposals on the improvement of human rights legislation should be prepared and submitted by the Ombudsman to the Oliy Majlis.

Box 4.7. Grants to small NGOs

Counterpart Consortium (USA) has extended a number of grants to support small-scale NGOs operating locally which address problems faced by disabled children, women and the environment. The main aim of such grants is the formation of a group of interested people around a leader in the social sector. Systematic consultations with recipients devoted to group activity help to develop their perception of and relationship to society.

Over 100 fundamental laws on human rights are in force in Uzbekistan. The following can be identified as the most important:

First: New laws on citizens' personal rights. For instance, laws on freedom of religion and religious organizations (new draft), on education, appeals of citizens, appeals to the courts against activities violating human rights and freedoms, alternatives to military service etc.

Second: New legislation ensuring the realization of political rights. Laws on political parties, mass media, elections of the President, to the Oliy Majlis, to local Councils of deputies, etc. and the electoral rights of citizens, trade unions etc.

Third: New laws providing a foundation for the economic and social rights of citizens. This is a rapidly developing area of legislation, some 70 laws have already been adopted, including laws on property ownership, entrepreneurship, leasing, land use, privatization of state housing, protection of labor, insurance, employment, protection of consumers rights, etc.

Fourth: Accession to international agreements on human rights. Uzbekistan ratified 19 of the 22 main agreements specified by the UN Secretariat. They include the Universal Declaration of Human Rights, International agreements on civil and political, economic, social and cultural rights, Convention on the Rights of Children and Protection of Motherhood.

Adherence to internationally accepted principles of law is dictated by national and state interests. For Uzbekistan, this means the recognition of the prevalence of international laws, commitment to human rights protection, fidelity to ideals of democracy, maintenance of civil peace and ethnic cohesion.

In the field of human rights, there are a number of challenges ahead, which are being met in the following ways:

1. Some international conventions have been acceded to only recently so the process of amending laws to ensure a new approach to freedom of speech and property ownership is still underway. Committees of Oliy Majlis are doing their utmost to bring national laws into line with international norms. At every session of the Parliament, new laws on human rights are discussed and passed.
2. The public is not fully aware of its rights in Uzbekistan. Non-governmental organizations can educate and enlighten the public on issues of rights protection by facilitating seminars, workshops, training courses and publishing information bulletins, brochures and textbooks on human rights. A new course, entitled "Human Rights", has been incorporated into the curricula of the training institutions of the judiciary, prosecutors and investigators.
3. Staff cuts effect, first of all, women, especially those with many children. Some men do not allow their wives to work outside their family, some of the strictly religious demand that women cover their faces in public places or if they work among men. The Government of Uzbekistan is determined to combat discrimination against women and has reinforced this commitment in the new version of the Law "On Religion and Religious Associations" (1998).

An International Conference, "Role of Women in Public Life", held by the Bureau for Democratic Institutions and Human Rights of OSCE in Tashkent, OSCE Liaison Office for Central Asia, UNDP Women In Development Program and the Government of Uzbekistan, has indicated some progress in the area. Foreign experts, however, believe that there is still a lot to be done to attain true equality of sexes in the country. The introduction of gender projects will contribute to this process by gathering statistical data about the gender situation.

4. Parts 2 and 3 of Article 26 of the Constitution state that "no one can be subject to torture, violence or other cruel or humiliating acts". This norm of the Constitution has been further developed in Article 110 of the Criminal Code of Uzbekistan. Torture is strictly banned in the activities of law enforcement bodies.
5. Measures, taken in the last few years to liberalize the regime for convicts, have relieved only the strictest limitations in their everyday life and the cruellest forms of punishment for indiscipline. Unfortunately, it should be recognized that UN standard procedures for convicts are not always observed.

The challenges faced by the criminal and procedural system of the country can only be solved through strict compliance with articles of the Constitution and observance of the international commitments of Uzbekistan.

6. The public is critical of the activities of law enforcement bodies. This is a problem that exists not only in Uzbekistan, and a profound analysis is needed to see how the issue is dealt with in democratic states. However, to ease the problem, a chair of theory and practice in human rights protection has been established under the Ministry of Interior, and a special text-book devoted to human rights has been developed for law enforcement officers on the initiative of the National Centre for Human Rights.

Specialized programs have been developed and are being implemented by the National Centre for Human Rights, Academy of Public and State Construction under the President and the Centre of Retraining under the Ministry of Justice, devoted to solving the human rights problems and focusing on officials of khokimiats, social services, military officers, law enforcement bodies, prisons and health agencies.

Box 4.8. Duties of the Ombudsman

The law makes it compulsory for agencies and officials who have been found to have violated rights, to consider their response within one month and inform the ombudsman about measures taken.

The Ombudsman receives over one thousand applications a year, varying from consultations to applications to executive authorities or prosecutors. Each application must be processed and acted upon within a scope of measures decided by the Independent Expert Council under the Ombudsman. At the XI Session of Parliament, a report was submitted on the activities of the Ombudsman in 1997, containing,

inter alia, a summary of complaints by category and how effective attempts were to seek response from the relevant authorities.

4.5. The "Fourth Estate" the mass media

4.5.1. The role of the media

There was a very clear need for media reform in Uzbekistan after the breakup of the Soviet Union which exercised complete control over all publications and broadcasts. This need for reform has now moved into the legislative sphere. At the initial stages of state independence, most mass media were successful in communicating to the public the essence and importance of the creation of an independent Uzbekistan as a sovereign object of international law and functioned as the mouthpiece of national interests in a multi-ethnic society. The mass media continue to contribute to the preservation and strengthening of peace and inter-ethnic cohesion and does a good job explaining provisions of the Constitution and laws while commenting on the course of reforms. At the same time, the deepening of democratic reforms makes it necessary for the mass media to improve their professional skills and promote dialogue on the best approach to important issue and problems society faces.

Box 4.9. UN assistance to the development of the office of Ombudsman

The UN Office in Uzbekistan has provided extensive assistance in establishing and developing the Ombudsman institution (Authorized Person of Oliy Majlis for Human Rights). UN Experts participated in the development of the draft law on the ombudsman and in preparing a newsletter "Human Rights Service in Uzbekistan".

4.5.2. New legal opportunities and problems of the mass media

The legal environment for the Uzbek mass media was strengthened by Laws "On Guarantees and Free Access to Information", "On Protection of Professional Activities of Journalists" (both laws of 24 April 1997) and "On Mass Media" (26 December, 1997). The new legal environment needs to be considered in tandem with the professional problems of the mass media in order to better understand the best ways to solve them. A Special Committee of the Oliy Majlis considered the situation while undertaking a review of media law enforcement in the Samarkand region and identified two main problems:

First: the level of professional skills among journalists;

Second: the actual implementation of laws relating to the media by state officials.

Box 4.10. Protection of mothers

The law prohibits the dismissal of women in case of pregnancy or maternity leave. Mothers of large families are provided with certain privileges, including reduction of working hours.

Analysis has demonstrated that for most journalists it is difficult to keep some bias from their work. It is also common knowledge that editorial offices are reluctant to apply Article 13 of the Law "On Guarantees and Freedom of Access to Information", which specifies penalties against officials who violate the right to information.

Bureaucrats are knowingly using Article 11 which states the penalties for propagating unreliable information to influence editors. Editors-in-chief and journalists rarely take the risk of using the legal system to protect themselves. Generally, there is a reluctance to publicly affront an individual or firm or risk or being the subject of a fine for libel.

There are, however, professional mechanisms for the journalists to effectively apply the law.

Box 4.11. Prisoners' rights

A system of professional retraining is being created for the prison staff, with special attention to the protection of human rights.

4.5.3. Legal protection of journalists

A new feature of Uzbek legislation is the introduction of special penalties for violation of the law on the protection of journalists. The Uzbek Journalists Organizations and the National Centre for Human Rights report no indications of any assaults against the life, honour or dignity of journalists in the last few years.

Yet, studies have revealed that the culture of self-censorship among journalists and editors-in-chief is deeply ingrained and difficult to shift. The situation is such that anti-democratic traditions remain and Philistine caution dominates the arena, exacerbated by the media's reluctance to appeal to the law instituted for its protection.

The Law "On Mass Media" allows for a more democratic interaction between the state and media.

Another new legislative feature is contained in Article 11, specifying that the right to establish mass media can be used both by businesses and individuals in Uzbekistan. According to Article 20, a new opportunity has been provided for the establishment of private media with local investment. The Law prohibits any interference by sponsors in the professional activities of mass media bodies and their officials. The court is the final arbiter which may decide whether to suspend the activities of a mass media body (Article 16) or refuse it registration (Article 17).

The Law regulates the rights of editorial staff on a democratic basis. A general meeting of staff members approves the charter of the media by a simple majority vote, provided that at least two thirds of the staff have attended the meeting, and the decision is endorsed by the founders. Publishers, editorial offices or individuals who previously had to distribute their product through state-owned post offices are now free to distribute their product as they wish.

The popularity of a mass media body depends ultimately on those who create its contents. Many newspapers just re-print texts of official messages with no analytical reports, casting little light on the essence of adopted laws and receiving no feedback from readers. A journalist is expected to provide an in-depth analysis of presented information rather than just a summary of news.

Box 4.12. The National Centre of the Republic of Uzbekistan for Human Rights

The centre is the coordinating agency for the "Democratization, Human Rights and Governance in Uzbekistan" programme jointly implemented with UNDP. Contacts are being established with the UN Centre for Human Rights and a National report has been submitted to the organization. As a follow-up to Uzbekistan's accession to the Vienna Convention and Action Plan, the Centre has developed and is now implementing the **National Program of Action for Human Rights**.

The Centre has also developed human rights educational and information programs for deputies of Oliy Majlis and politicians. A series of seminars has been held for this category of trainees. A specialized bulletin is published, containing quarterly updates on the human rights situation.

The **Centre for Studies in Human Rights and Humanitarian Law** has been established on the initiative of the Ministry of Justice with the assistance of the Office of the UN High Commissioner for Refugees. The Centre is a public educational organization, engaged in the distribution and propagation of knowledge in the area of human rights and democracy.

4.5.4. Strengthening the media's role as the "Fourth Estate"

A number of conditions are required to ensure that the mass media do indeed become the "Fourth Estate":

- All branches of government, political parties and NGOs, their heads and officials shall serve as an example of compliance to the law on mass media;
- Courts should protect journalists and the mass media from vexatious prosecutions and intimidation;
- An effective and up-to-date national system for training and re-training journalists should be established;
- Conditions should be created in which the public, NGOs and cultural and scientific authorities support dedicated journalists;

- The creation of incentives for private investment in the mass media, re-equipment of publishing facilities and information management systems;
- The Uzbek mass media should maintain the international links it has established.

Box 4.13. International Assistance

Various International Organizations, dealing mainly with human rights, have been accredited in Uzbekistan, such as the Mercy Corps, Soros Foundation, Eurasia Foundation, Counterpart Consortium and USAID (US), Konrad Adenauer Foundation and Friedrich Ebert Foundation. In addition, the Helsinki Watch Organization has established an office.

The human rights situation is constantly reported by the BBC, Voice of America and Ozodlik (Freedom).

4.5.5. An independent mass media: the first real steps

Independence of the mass media in selecting their priorities, hiring journalists and logistics arrangements is a prerequisite for the realization of opportunities for the free development of the press, granted by the Constitution and Laws of Uzbekistan.

Most presently active journalists were brought up when the press was just a tool used by the authorities to manipulate public opinion. Many journalists at that time lost their critical ability and the skills needed to analyse a problem and encourage discussion about negative phenomena. This heritage of the past still impedes the development of the mass media in the Republic.

Another, equally important reason for the weakness of the mass media is the lack of professional qualifications and experience among the younger generation who might be able to bring a new mentality to journalism.

Box 4.14. News Journalism in Uzbekistan

"Pravda Vostoka" and "Business Vestnik Vostoka" newspapers have established their own legal service and developed criteria for legal analysis of published materials. The newspapers "Hurriyat" and "Uzbekiston Adabiet va Sanati" have established an effective network to gather information from the field and urge local officials to cooperate. The newspapers "Uzbekiston Ovozi", "Golos Uzbekistana", "Vatan", "Milliy Tiklanish" use information from party members and sympathizers. Journalistic investigations are carried out on this basis.

4.5.6. Improvements in the quality of journalistic output

One important measure being taken to help improve the mass media is the creation of the **International Centre for Training Journalists**. This organisation was co-founded by the Academy of State and Public Construction, Konrad Adenauer Foundation, Foundation for Democratization of the Press and Support to Journalists, the Youth Foundation "Kamolot". The centre established a round table to discuss "Inter-ethnic relations in Uzbekistan and their coverage in the media" which has become the first in a series of meetings designed to raise awareness among the Centre's students.

The Centre also provides specialized courses for mass media officials, press secretaries of khokimiats, ministries and agencies. Along with legal issues related to journalistic activities, they also discuss problems on the development of a free democratic press. The statements made by foreign experts with regard to the interaction between the state and mass media in their countries and an ethical code for journalists were of particular interest and relevance to Uzbekistan.

A seminar, devoted to the **"Role of Journalists in the process of democratization"** was held with participation of leading experts from the Journalism Faculty of Mainz University, Radio "German Wave", 2nd German TV Channel, Centre for Training Journalists un der Frankfurter Allgemeine Zeitung Newspaper.

Box 4.15. Study tours on western media

IREX, BBC, Konrad Adenauer Foundation, organized a series of study tours and meetings of editors of leading newspapers, radio programs and TV in USA, UK and Germany, providing an excellent opportunity to study Western experiences of the relationship between the state and the mass media. As a

result, new features appeared on Uzbek TV, namely, dialogues and discussions on important topics such as "Society and Religion", "Economic Integration in the Post-Soviet Space and the Role of Uzbekistan", "The Political Situation in Neighboring Countries".

Participants of such seminars are able to use their acquired knowledge of the foreign media, to develop their own TV and radio programmes and newspapers articles under the guidance of international experts.

A broad discussion on the legal foundations for journalistic activities was initiated at the International Conference on "International Legal Acts, Agreements and Impact on Uzbek Legislation". The Conference helped participants better understand issues of international law and their implementation in national legislation, as well as related violations.

Participants of the Seminar **"Women and Society"** stated that the "Uzbek Mass Media poorly reflect the image of a modern woman and do little to encourage a new mentality among women".

The Centre for Retraining Journalists signed an agreement with the Journalism Department of Tashkent State University. Teachers of this leading educational institution take retraining courses at the Centre and deliver, in return, specialized lectures and seminars. Students also have a chance to participate in conferences, seminars and round tables.

Box 4.16. From BBC reports

Information markets in Uzbekistan have undergone a positive change. In 1998, almost simultaneously, two radio stations appeared, "Europe +" and Radio "Grand". Previously, only state-owned companies had the right to broadcast.

Both stations transmit on Tashkent and Tashkent region in the FM range. The two stations work around the clock to amuse and entertain their listeners.

Radio "Grand" staff speak about themselves:

We were founded by the International Public Center for Retraining of Journalists and Edelweis-Aly Company. The Company obtained a license from Uzbek Post and Telecommunications Agency for projecting, constructing and operating TV and radio facilities. Among sponsors of the "Grand" is the Uzbek-British JV "Asian Systems Communications". The first Project of the Grand Station is to shift to stereo broadcast for Tashkent. "Grand" also provides training facilities for students of the International Public Centre for Retraining Journalists.

4.5.7. The media and business

Though international assistance cannot be underestimated, a lot can be done by local business structures as businessmen put increasing demands on local information markets. UzBusinessInform Agency has become a partner of the mass media by providing up-to-date information about local and international business. The Centre of Innovations and Management, jointly with mass media, Chamber of Manufacturers and other parties involved, have organized a Business Press Club. Club members discuss problems faced by SMEs and resolve day-to-day situations. Many of the discussions are published in the press.

The Business Vestnik Vostoka" (Oriental Business Newsletter) concluded that people starting up business need the support of the mass media after placing a questionnaire in the newspaper and reviewing readers replies.

Box 4.17. Competitions to encourage journalism

The National Business Fund and Chamber of Manufacturers and Entrepreneurs have organized a competition for journalists to present the best coverage of small and medium enterprise development (Tashabbuz).

The State Property Committee of Uzbekistan has organized special courses for journalists who cover business activities in the Centre of Market Skills Development.

The data collected by BVV on the composition of its readers.

First: 41.1% of them are managers with an average of 28 years experience and higher education. In this group, 47% work in the private sector.

Second: employees of state enterprises and joint venture operations are willing to join private business (35.7%), among them 46% are people who prefer to work independently and 11.7% fear losing their job.

Third: so called "self-employed" (12.4%), consisting of those who would like to increase their incomes.

The readers believed there is a lack of transparency in "information cuisine", especially on legal issues (52.9%), in business and financial issues (47%), on technological information (29%). This shortage of clear information continues to be the Achilles' heel for businesspeople in Uzbekistan and increases the difficulties already encountered by government bodies charged with the regulation of these matters.

Box 4.18. Topics for journalistic discussion suggested by foreign partners

- A new generation in Uzbek journalism;
- How can the mass media make a profit?
- What is business journalism?
- Role of mass media during critical periods of history;
- Mass media and environment;
- Legal environment for journalists;
- Journalists and election programmes.

These topics reflect important areas in the actual creation of independent journalism in Uzbekistan.

Statistical Annexes

I. GENERAL INDICATORS OF HUMAN DEVELOPMENT

Table 1. Human development index

	1993	1994	1995	1996	1997
Life expectancy at birth (years)	69.3(1990)	70.1	70.2	70.2	70.25
Adult literacy rate (%)	97.7	98.74	98.96	99.06	99.13
Mean years of schooling	10.9	11.4	11.4	11.4	11.4
Literacy index	0.98	0.987	0.990	0.991	0.991
Schooling index	0.73	0.76	0.76	0.76	0.76
Educational attainment	2.69	2.73	2.74	2.74	2.74
Real GDP per capita (PPP\$)	2510 _x)	2438 _{xx})	2440	2508	2670
Life expectancy index	0.74	0.752	0.753	0.753	0.754
Educational attainment index	0.89	0.896	0.895	0.895	0.896
GDP index	0.398	0.378	0.387	0.398	0.425
Human potential development index	0.676	0.675	0.679	0.682	0.692
urban	...	...	0.698	0.699	0.708
rural	...	...	0.666	0.670	0.677
GDP per capita rank minus HDI rank	...	11	...	...	...
The level of correspondence of the state to the Human Development Report	94	100	...	...	...

? 1996 Human development report

??) 1997 Human development report

Table 2. Humanitarian development

	1993	1994	1995	1996	1997
Scientists and technicians (per 10,000)	13.9	14.7	12.3	12.2	11.0
Enrolment in education (% age 6- 23)	58.9	50.8	49.6	47.2	50.1
Full-time enrolment in tertiary education (thousands)	28.7	25.0	24.4	22.3	29.5
as % of total population	0.1	0.1	0.1	0.1	0.1
females as % of total population	0.06	0.08	0.05	0.05	0.05
Daily newspapers (copies per 100 people)	13	12	7	6	7
Television sets (per 1,000 people)	130	115	103	91	...
Radio sets (per 1,000 people)	148	135	122	106	...

Table 3. Profile of human distress

	1992	1993	1994	1995	1996	1997
Total unemployment rate (%)	0.2	0.3	0.4	0.4	0.4	0.4
Injuries from road accidents (per 100,000 people)	17.3	12.1	4.5	5.2	4.9	4.8
Sulphur and nitrogen emissions (kg of NO2 and SO2 per capita)	25.7	24.2	24.2	21.0	20.6	20.3
Reported crimes (per 10,000 people)	43.6	41.0	32.9	29.4	28.4	28.3
including :						
intentional murder and attempted murder	0.5	0.5	0.5	0.5	0.5	0.5

intentional grievous bodily injury	1.4	0.5	0.4	0.4	0.4	0.4
intentional homicides by men	3.3	3.7	3.6	3.5	3.7	3.0
reported rapes	1.9	2.1	2.2	2.5	2.6	2.1

Table 4. Human development financing

	1992	1993	1994	1995	1996	1997
Total education expenditure (as % of GDP)	11.6	11.4	8.5	7.6	7.9	...
Total health expenditure (as % of GDP)	5.5	5.7	4.6	4.3	4.4	...
Real GDP per capita (PPP \$)	2650	2510 _x)	2438 _{xx})	2440	2508	2670
GDP per capita (exchange rate \$)	980	970 _x)	950 _{xx})	955	981	...
State education expenditure (as % of GDP)	10.2	9.5	8.3	7.4	7.7	...
State health expenditure (as % of GDP)	4.8	4.3	3.5	3.6	3.5	...

x) 1996 Human development report

xx) 1997 Human development report

Table 5. Male-female gaps (females as a percentage of males)

	1992	1993	1994	1995	1996	1997
Life expectancy	109.1 (1985-1986)	109.5 (1990)	106.9	107.1	107.2	106.8
Population	102	101.8	101.7	101.4	101.6	101.7
Schooling	...	88	93.2	92.4	91.7	90.9
Secondary school enrolment	96.1	96.1	92.4	91.2	87.2	78.7
Secondary school graduates	78.6	81.8	89.6	90.1	85.9	87.0
University or equivalent full-time enrolment	78.3	72.3	69.4	63.7	74.8	69.5
University graduates	78.4	78.5	69.6	63.7	65.0	61.0
Labor force	77.3	76.4	76.7	74.2	74.5	73.9
Unemployment	179.3	120	143.6	150.0	194.8	174.4
Gender empowerment index *			0.374	0.374	0.373	0.372

*) Estimated according to 1995 Human development report methodology

Table 6. Status of women

	1992	1993	1994	1995	1996	1997
Life expectancy at birth	71 (1985-1986)	72.4 (1990)	72.5	72.6	72.7	72.74
Average age at first marriage (years)	21	21	20.5	20.2	20.6	21.4
Maternal mortality rate (per 100,000 live birth)	30.1	24.1	17.3	18.9	12.0	10.5
Secondary school enrolment (as % of total)	49	48.9	48.0	43.0	46.5	49.7
Secondary school graduates (as % of total graduates)	44	45	47.3	47.6	46.2	46.5
Full-time enrolment in tertiary education (% of total)	39.3	40.3	41.1	41.9	42.8	41.0
Women in labor force (% of total)	46.5	45.9	43.5	42.6	42.7	42.5
Parliament (deputies) (% of total seats)	9.4	9.4	9.4	9.4	9.4	9.4

Table 7. Demographic profile

	1985	1990	1995	1996	1997	2000*
Population (millions) at the beginning of the year	17.9	20.3	22.6	23.0	23.3	24.4
Annual growth rate of population (%)	2.3	2.3	1.7	2.0	1.9	1.8
Population doubling date (at current growth rates) at the beginning of the year	...	...	2034	2036	2038	...
Crude birth rate	37.4	33.7	29.8	27.3	26.0	25.8
Crude death rate	7.2	6.1	6.4	6.2	5.9	6.2

2000.* - forecast

Table 8. Urban and rural demographic profile

	1992	1993	1994	1995	1996	1997
Population at the end of the year (millions)						
Total	21.6	22.1	22.5	22.9	23.4	23.8
Urban	8.5	8.6	8.7	8.8	8.9	9.0
Rural	13.1	13.5	13.8	14.1	14.5	14.8
Annual population growth rate (%)						
Total	2.3	2.3	1.7	2.0	1.9	1.8
Urban	0.9	1.1	0.7	1.1	1.2	1.2
Rural	3.3	3.0	2.3	2.5	2.3	2.2
Average family size						
Total	5.5 (1989)	5.5	5.4	5.4	5.4	5.5
Urban	...	5.4	5.4	5.2	5.0	4.7
Rural	...	5.6	5.5	5.6	5.9	6.0
Contraceptive prevalence rate (%)	...	19	...	38	42.0	45.2
Population aged 60 and over (%)						
Total	7.7	7.7	7.7	7.6	7.6	7.6
Urban	9.5	9.5	9.5	9.5	9.4	9.4
Rural	6.6	6.5	6.5	6.5	6.5	6.5
Life expectancy at age 60 (years)	1990					
Total	13.8	...	15.2	15.3	15.3	15.4
Urban	13.8	...	17.3	17.5	17.5	17.6
Rural	14.7	...	13.3	13.5	13.5	13.8
Men						
Total	8.5	...	11.3	11.3	11.3	11.9
Urban	6.7	...	13.3	13.3	13.3	13.5
Rural	10.7	...	9.5	9.5	9.5	9.6
Women						
Total	19.0	...	19.2	19.3	19.5	19.6
Urban	20.3	...	21.2	21.5	21.6	21.7
Rural	17.8	...	17.0	17.3	17.4	17.4

Table 9. Urbanization

	1985	1990	1995	1996	1997	2000
Urban population (as % of total)	40.7	40.9	38.7	38.4	38.2	35.3
Urban population annual growth rate (% over five years)	2.4	2.3	1.1	1.1	1.1	0.4
Population in cities of more than 1 million as % of :						

total population	10.9	10.3	9.3	9.2	9.0	8.1
urban population	26.8	25.3	24.2	23.9	23.7	22.7
Largest cities population (population in cities of more than 100,000) as % of:						
total population	24.6	24.5	22.7	23.4	22.0	...
urban population	60.6	60.0	58.6	58.3	58.0	...

Table 10. Medicine and health care

	1992	1993	1994	1995	1996	1997
Death from circulatory diseases (as % of all causes)						
Total	43.4	45.4	46.2	46.5	46.7	47.2
Urban	...	50.2	51.3	50.3	50.0	51.0
Rural	...	41.8	42.5	43.5	44.0	44.2
Death from malignant tumour (as % of all causes)						
Total	7.9	7.3	6.8	6.9	6.8	6.8
Urban	...	10.4	9.7	9.5	9.1	9.1
Rural	...	4.9	4.6	4.8	4.9	4.9
Registered alcohol consumption (litters per adult)	2.5	2.5	1.7	1.3	1.9	...
Tobacco consumption (kg per adult)	1.7 (1985)	0.2	0.1	0.1	0.1	0.1
Population per doctor	282	282	296	298	302	328
Number of hospital beds per 10000 people	...	91.0	83.0	79.0	72.5	...
Number of hospital beds per 10000 pregnant women	108.3	45.4	44.0	43.2	47.7	...
State expenditure on health (as % of total state expenditure)	11.3	11.5	10.7	9.8	9.8	...
Total expenditure on health (as % of GDP)	5.5	5.7	4.6	4.3	4.4	...

Table 11. Education profile

	1992	1993	1994	1995	1996	1997
Enrolment of 6-23 year-olds (%)	57.2	58.9	50.8	49.6	47.2	50.1
Average schooling						
Total (years)	...	10.9	11.4	11.4	11.4	11.4
men	...	11.6	11.8	11.9	12.0	12.1
women	...	10.2	11.0	11.0	11.0	11.0
Secondary school graduates (%)	110.4	104.9	102.8	111.9	111.3	110.4
Secondary school graduates (as % of total school age population)	100+	100+	100+	100+	100+	100+
Secondary-specialized school graduates (as % of school graduates, vocational and specialized school students)	41.1	41.3	38.2	44.0	43.6	43.9
19 year olds still in full-time education (%)	30.8	26	26.2	24.9	20.8	17.6
Universities equivalent full-time graduates (as % of graduate age population)	15.8	17.7	13.0	13.0	12.2	10.5
State expenditure on education (as % of GDP)	10.2	9.5	8.3	7.4	7.7	...
Expenditure on tertiary education (as % of all levels)	15.8	15.3	15.9	15.5	15.7	...
University and equivalent full-time enrolment (as % of total number of those enrolled)	65.9	79.2	79.1	85.8	86.4	85.1

Table 12. Employment and income

	1992	1993	1994	1995	1996	1997
Labour force (as % of total population)						

Total	48.7	48.8	48.8	48.9	48.7	48.8
Urban	22.6	22.5	22.3	22.2	20.5	22.1
Rural	26.1	26.3	26.5	26.7	28.7	26.7
Engaged in agriculture (as % of total employed)						
Total	43.6	44.6	44.4	41.2	40.9	40.4
Urban	1.5	1.7	1.4	1.3	1.6	1.6
Rural	42.1	42.9	43.0	39.9	39.3	38.8
Engaged in industry						
Total	13.9	14.1	13.1	12.9	12.9	12.8
Urban	12.1	12.0	11.2	11.4	11.5	11.4
Rural	1.8	2.1	1.9	1.5	1.4	1.4
Engaged in service sector						
Total	28.8	28.5	31.4	23.7	24.0	23.8
Urban	19.2	19.0	21.2	16.4	17.3	17.1
Rural	9.6	9.5	10.2	7.3	6.7	6.7
Future labor force replacement ratio (%)						
Total	263	263	248	240	224	219
Urban	...	...	192	191	177	175
Rural	...	...	280	274	258	252
Ratio between highest						
10 % and lowest 10 % of incomes	...	6.18	5.83	6.02	6.83	7.51
Ratio between highest 20 % and lowest 20 % of incomes	...	4.36	3.22	3.26	3.79	4.04
Percentage of labour force unionized	100	100	100	100	100	100
Weekly working hours (per person in manufacturing)	40	40	40	40	40	40
Expenditure on labour market programmes (as % of GDP)	...	0.3	0.4	0.5	0.4	0.3

Table 13. Unemployment

	1993	1994	1995	1996	1997
Unemployment (thousands)					
Total	13.3	21.8	31.0	33.9	35.4
Urban	6.0	9.9	14.1	15.4	16.5
Rural	7.3	11.9	16.9	18.5	18.9
Unemployment rate (%)					
Total	0.3	0.3	0.4	0.4	0.4
Urban	0.1	0.1	0.2	0.2	0.2
Rural	0.2	0.2	0.2	0.2	0.2
Regional unemployment disparity (the bottom 25 % of all regions compared to the top 25 %)	1.7	1.8	2.1	2.0	2.0
Ratio between the number of unemployed and secondary and higher school graduates	4.8	5.1	5.5	6.9	6.8
male	3.9	3.8	3.8	4.3	3.0
female	5.4	6.6	7.7	10.1	3.8
Incidence of long-term unemployment (as % of total)					
-6-12 months	14	11.2	5.5	5.0	4.5
-more than 12 months	2	3.5	2.9	2.4	1.8

Table 14. National income accounts

	1993	1994	1995	1996	1997
Total GDP (billion soums)	5.1	64.9	302.8	559.1	987.4

Agricultural production (as % of GDP)	27.8	34.5	28.1	22.4	26.8
Industrial production (as % of GDP)	22.3	17.0	17.1	17.8	15.9
Services (as % of GDP)	31.6	33.1	34.6	38.7	36.6
Private consumption (as % of GDP)	57.7	64.3	50.6	55.2	60.7
Government consumption (as % of GDP)	24.5	21.2	22.3	22.1	20.7
Gross domestic investments (as % of GDP)	14.6	18.3	24.2	23.0	18.8
Gross domestic savings (as % of GDP)	17.8	14.5	27.1	22.7	18.6
Tax revenue (as % of GDP)	32	28.3	27.5	26.3	22.8
Government spending (as % of GDP)	39.2	33.3	32.6	36.4	32.2
Exports (as % of GDP)	33.7	16.8	31.6	34.5	29.5
Imports (as % of GDP)	30.5	20.6	28.7	33.0	29.7

Table 15. National resources balance sheet

	1992	1993	1994	1995	1996	1997
Land area (thousands of sq. km)	447.4	447.7	447.4	447.4	447.4	447.4
Population density (people per sq. km)	48.5	49.6	50.4	51.4	52.4	53.4
Cultivated land (as % of land area)	9.97	10	10.2	10.1	10.1	10.1
Forested and wooded land (as % of land area)	3	3	3	3	3	3
Irrigated land (as % of arable area)	93	93	94	95	95	95

Table 16. Trends in economic performance

	1993	1994	1995	1996	1997
GDP annual growth rate (%)	-2.3	-5.2	-0.9	1.7	5.2
GDP per capita annual growth rate (%)	-4.5	-7.1	-2.7	-0.2	3.2
Tax revenue (as % of GDP)	32	28.3	27.5	26.3	22.8
Direct taxes (as % of total taxes)	48.8	36.3	40.1	47.1	48.0
Budget deficit (as % of GDP)	3	3.5	2.8	1.9	2.4
CPI annual growth (%)	...	2170.0	98.5	64.4	27.6
Exports (as % of GDP)	33.7	16.8	31.6	34.2	29.5

Table 17. Communications profile

	1993	1994	1995	1996
Television sets (per 1, 000 people)	130	115	103	91
Cinema attendance (per capita)	1.5	0.6	0.3	0.2
Newspaper copies (per 100 people)	13	12	7	6
Book titles published (per 100, 000 people)	6.1	5.2	5.2	4.3
Private cars (per 100 people)	4.1	4.3	3.8	3.6
Telephones (per 100 people)	7.2	7.1	7.1	7.0
Telephones (per 100 rural dwellers)	2.3	2.3	2.2	2.2
Parcels, letters (per 100 people)	2.2	0.6	0.6	0.2
Long distance calls (per capita)	3.1	3.1	2.5	2.5
Letters mailed (per capita)	1.8	0.8	0.4	0.4
Surfaced roads (as % of total roads)	95.0	95.4	95.6	96.1

Table 18. Rural-urban gaps

	1996			1997		
	Total	Urban	Rural	Total	Urban	Rural
Life expectancy (years)	70.2	71.5	69.1	70.25	71.5	69.33
Mean years of schooling (years)	11.4	13.8	10.0	11.4	13.9	9.9
Schooling index	0.76	0.92	0.67	0.76	0.93	0.66
Literacy rate	99.1	99.7	98.6	99.1	99.7	98.7
Literacy index	0.991	0.997	0.986	0.991	0.997	0.987
Education level	2.742	2.904	2.642	2.742	2.924	2.634
Enrolment rate (all levels)	70.2	80.4	65.3	70.6	80.4	65.7
Education attainment index	0.895	0.933	0.875	0.896	0.933	0.877
Development index dispersion taken into account	0.891	...	...	0.892	...	...
Real GDP per capita (PPP\$)	2440	...	...	2670	...	...
Life expectancy index	0.753	0.775	0.735	0.754	0.775	0.738

Table 19. Rural-urban gaps (100=parity between urban and rural areas)

	1993	1994	1995	1996	1997
Constant population	157.0	159.4	161.5	163.1	164.9
Growth rate	272.7	328.6	227.3	191.7	183.3
Life expectancy	100.7	96.7	96.6	96.6	96.9
Average family size	103.7	101.9	107.7	118.0	127.7
Labour force	116.9	118.8	120.3	120.3	120.8
Population older than the capable working age (60 years and over)	68.7	68.4	68.4	69.1	69.2
Deaths from circulatory diseases	72.6	71.2	68.8	69.1	69.2
Deaths from malignant tumours	41.2	40.8	39.9	40.2	41.0
Life expectancy at age 60		76.9	77.1	77.1	78.4
Employed as % of total employed	135.2	136.5	116.8	117.2	116.9
Unemployment rate	200	200	100	100	100
Provision of services to households:					
water supply	70.4	70.4	77.0	77.3	80.6
sewage service	57.1	74.1	75.0	74.4	73.0

Notes:

The data are on the basis of the average level of the rural area with an index of 100. The lower the figure, the higher is the distortion, the closer the figure is to 100 the lower is the distortion. Figures exceeding 100 indicate that the mean level in rural areas is higher than the level in urban areas.

Table 20. GDP per capita by regions

	Real GDP per capita					
	(PPP \$)			as % of average		
	1995	1996	1997	1995	1996	1997
Republic of Uzbekistan	2440	2508	2670	100	100	100
Northern Uzbekistan	2202	2363	2162	90.2	94.2	81.0
Karakalpakstan	1769	1698	1596	72.5	67.7	59.8
Khorezm	2705	3127	2808	110.8	124.7	105.2
Central Uzbekistan	2402	2346	2479	98.5	93.6	92.9
Bukhara	2485	2582	2739	101.9	102.9	102.6
Djizzak	2302	2014	2040	94.3	80.3	76.4
Navoi	3850	3636	4112	157.8	145.0	154.0
Samarkand	1639	1734	1867	67.2	69.1	69.9

Syrdarya	3649	3217	3062	149.5	128.3	114.7
Southern Uzbekistan	2029	2064	2330	83.2	82.3	87.3
Kashkadarya	2253	2361	2784	92.3	94.1	104.3
Surkhandarya	1750	1693	1764	71.7	67.5	66.1
Eastern Uzbekistan	2656	2766	2923	108.9	110.3	109.5
Andijan	1789	1994	2567	73.3	79.5	96.1
Namangan	1872	1915	1916	76.7	76.3	71.8
Fergana	3290	3324	2906	134.8	132.5	108.8
Tashkent	2615	2625	2931	107.2	104.7	109.8
Tashkent-city	3447	3790	4580	141.3	151.1	171.5

Table 21. Human development index (HDI) by regions

	Life expectancy	Life expectancy index	GDP index			Educational level			HDI		
			1995	1996	1997	1995	1996	1997	1995	1996	1997
Republic of Uzbekistan	70.251	0.754	0.387	0.398	0.425	0.895	0.895	0.896	0.679	0.682	0.692
Northern Uzbekistan	70.422	0.757	0.347	0.374	0.341	0.893	0.893	0.897	0.659	0.675	0.665
Karakalpakstan	69.982	0.750	0.276	0.264	0.247	0.894	0.894	0.896	0.634	0.636	0.631
Khorezm	70.933	0.766	0.430	0.500	0.447	0.893	0.893	0.898	0.688	0.720	0.703
Central Uzbekistan	70.925	0.765	0.380	0.371	0.393	0.895	0.895	0.897	0.683	0.677	0.685
Bukhara	70.742	0.762	0.394	0.410	0.436	0.895	0.895	0.885	0.760	0.689	0.695
Djizzak	72.224	0.787	0.364	0.316	0.320	0.893	0.893	0.950	0.667	0.665	0.686
Navoi	72.570	0.793	0.619	0.584	0.663	0.896	0.896	0.894	0.754	0.758	0.783
Samarkand	70.368	0.756	0.254	0.270	0.292	0.897	0.897	0.887	0.624	0.641	0.645
Syrdarya	69.735	0.746	0.586	0.515	0.489	0.893	0.893	0.888	0.691	0.718	0.708
Southern Uzbekistan	69.534	0.742	0.319	0.324	0.368	0.894	0.894	0.893	0.662	0.653	0.668
Kashkadarya	69.084	0.735	0.356	0.373	0.443	0.895	0.895	0.896	0.689	0.667	0.691
Surkhandarya	70.097	0.752	0.272	0.263	0.275	0.893	0.893	0.890	0.629	0.636	0.639
Eastern Uzbekistan	70.232	0.754	0.422	0.445	0.466	0.897	0.897	0.901	0.701	0.698	0.711
Andijan	70.163	0.753	0.279	0.313	0.408	0.896	0.896	0.886	0.637	0.654	0.682
Namangan	70.116	0.752	0.293	0.300	0.300	0.895	0.895	0.908	0.639	0.648	0.653
Fergana	70.307	0.755	0.527	0.533	0.464	0.896	0.896	0.889	0.752	0.727	0.702
Tashkent	70.179	0.753	0.415	0.417	0.468	0.898	0.898	0.892	0.689	0.689	0.704
Tashkent-city	70.367	0.756	0.553	0.609	0.740	0.900	0.900	0.936	0.769	0.755	0.811

II. DEMOGRAPHY AND EMPLOYMENT

Table 22. Population density and rural population % by regions

	01.01.96		01.01.97		01.01.98	
	Population density (people per sq.km)	Rural population (as % of total)	Population density (people per sq.km)	Rural population (as % of total)	Population density (people per sq.km)	Rural population (as % of total)

Uzbekistan	51.4	61.6	52.4	61.8	53.4	62.1
Republic Karakalpakstan	8.6	51.6	8.7	51.7	8.9	51.8
Regions:						
Andijan	485.8	70.0	495.7	70.0	506.3	70.0
Bukhara	34.0	67.5	34.6	67.8	35.1	68.0
Djizzak	43.5	68.1	44.4	68.4	45.3	68.7
Kashkadarya	69.5	73.9	71.5	74.0	73.2	74.2
Navoi	6.8	59.8	6.9	59.5	7.0	59.4
Namangan	226.1	62.1	231.4	62.2	236.4	62.2
Samarkand	151.7	71.5	155.1	71.8	158.3	72.2
Surkhandarya	76.1	79.4	78.2	79.6	80.3	79.9
Syrdarya	124.3	69.1	126.1	68.9	127.9	69.1
Tashkent	148.0	58.7	149.5	58.8	151.4	59.1
Fergana	352.0	70.6	359.1	70.8	365.7	71.0
Khorezm	194.6	75.3	198.7	75.5	203.0	75.6
Tashkent-city	7046.3	...	7094.0	...	7149.7	...

Table 23. Number of women by age groups by 1.01.97 (as % of total population)

	Total	Urban	Rural
Total	50,3	50,8	50,0
including at the age of:			
under 5	48.8	48.8	48.8
5-9	49.2	49.1	49.2
10-14	49.5	49.4	49.6
15-19	49.6	49.6	49.5
20-24	49.5	49.5	49.5
25-29	50.5	48.3	52.1
30-34	51.1	50.9	51.3
35-39	50.5	51.2	50.1
40-44	50.7	51.5	50.1
45-49	51.1	52.1	50.1
50-54	49.7	51.7	47.7
55-59	51.4	53.5	49.5
60-64	52.0	54.2	50.1
65-69	54.7	58.6	51.4
70-74	61.3	66.0	56.9
75-79	68.6	70.9	66.3
80 and over	68.3	72.5	64.3

Table 24. Population aged under 16 (at the beginning of a year; thousands)

	1995			1996		
	Total	Urban	Rural	Total	Urban	Rural
Total	9656	3199	6457	9800	3226	6574
including:						
0-2	1979	612	1367	1954	599	1355
3-6	2614	845	1769	2640	844	1796
7	649	219	430	640	215	425
8-15	4414	1523	2891	4566	1568	2998

Percentage of children under 16 to total population	43,0	36,9	46,8	42,8	36,8	46,5
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Table 25. Able-bodied population aged 15 and older by 1.01.98 (thousands)

	Total			Urban			Rural		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
Population aged 15 and older	14195.3	6941.8	7253.5	5910.7	2854.1	3056.7	8284.6	4087.7	4196.8
Literacy rate	99.13	99.20	99.06	99.71	99.71	99.71	98.71	98.84	98.59
Literacy index	0.991	0.992	0.991	0.997	0.997	0.997	0.987	0.988	0.986

Table 26. Average family size

	1989			1997		
	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan	5.5	4.7	6.2	5.5	4.7	6.0
Karakalpakstan	6.6	6.2	7.1	6.4	6.1	6.7
Regions:						
Andijan	5.9	5.2	6.2	5.9	5.9	5.8
Bukhara	5.1	4.4	5.7	5.2	4.4	5.6
Djizzak	6.2	5.1	6.8	5.9	5.3	6.2
Kashkadarya	6.0	5.2	6.4	6.0	5.1	6.3
Navoi	-	-	-	5.1	4.7	5.4
Namangan	5.6	5.4	5.8	5.7	5.6	5.8
Samarkand	5.8	4.8	6.3	5.5	4.4	6.0
Surkhandarya	5.9	4.9	6.1	5.8	5.1	6.1
Syrdarya	5.4	4.5	5.9	5.7	4.9	6.0
Tashkent	5.1	4.3	6.0	5.3	4.7	5.7
Fergana	5.5	4.6	6.1	5.6	5.2	5.8
Khorezm	6.9	5.9	7.4	6.4	5.5	6.6
Tashkent-City	4.2	4.2	...	3.6	3.6	...

Table 27. Number of families by dwelling type (as % of total) 1997.

	Total		Including:	
	Out of total number of families	%	Urban	Rural
Families living in:				
Individual flat	22.4	100	94.5	5.5
Hostel	0.9	100	62.5	37.5
Individual home	67.8	100	24.9	75.1
Part of home	6.3	100	36.4	63.6
other	2.6	100	45.9	54.1

Table 28. Life expectancy at birth in the Republic Of Uzbekistan (years)

	1985-1986	1990	1995	1996	1997
Total	68.2	69.3	70.2	70.2	70.25
Male	65.1	66.1	67.8	67.8	68.1
Female	71.0	72.4	72.6	72.7	72.7
Urban population					

Total	68.9	69.3	71.5	71.5	71.5
Male	65.0	65.0	69.0	69.0	69.1
Female	72.4	73.2	73.9	74.0	74.0
Rural population					
Total	68.2	69.0	69.1	69.1	69.3
Male	65.7	66.4	66.7	66.7	66.7
Female	70.4	70.7	71.4	71.4	71.4

Table 29. Birth and mortality rates by regions

	Number of life birth			Number of deaths		
	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan (total)						
1993	31.5	23.9	36.5	6.6	7.2	6.3
1994	29.4	23.2	33.3	6.6	7.3	6.2
1995	29.8	23.8	33.5	6.4	7.3	5.8
1996	27.3	22.2	30.5	6.2	7.4	5.5
1997	25.5	20.8	28.4	5.8	6.9	5.2
Karakalpakstan						
1993	30.2	28.0	32.3	6.8	6.8	6.8
1994	26.2	24.4	28.0	6.9	6.8	7.0
1995	25.6	24.7	26.5	6.5	6.6	6.5
1996	25.1	25.2	25.0	6.3	6.6	6.1
1997	24.9	24.4	25.4	6.0	6.1	5.9
Regions :						
Andijan						
1993	32.9	29.8	34.2	6.6	7.2	6.4
1994	29.8	27.5	30.8	7.0	7.4	6.9
1995	30.9	30.6	31.0	6.2	6.8	6.0
1996	27.2	28.7	26.6	5.6	6.4	5.2
1997	25.0	25.2	24.9	5.3	5.9	5.0
Bukhara						
1993	29.5	20.7	33.9	5.9	5.5	6.0
1994	28.3	20.5	32.2	6.0	5.9	6.0
1995	27.3	19.9	30.9	5.4	5.7	5.3
1996	24.6	17.6	27.9	5.4	6.0	5.1
1997	23.3	18.8	25.4	4.9	5.6	4.6
Djizzak						
1993	35.3	28	38.8	5.6	5.5	5.7
1994	33.4	27.4	36.3	5.7	5.2	5.9
1995	34.2	26.9	37.6	5.7	5.3	5.9
1996	31.6	22.6	35.7	5.2	5.0	5.3
1997	28.3	21.1	31.6	4.9	4.5	5.2
Kashkadarya						
1993	37.2	26.5	40.9	5.4	5.0	5.6
1994	34.2	27.7	36.5	5.2	4.8	5.4
1995	36.2	29.4	38.6	5.1	4.7	5.2
1996	33.1	25.8	35.7	5.2	5.0	5.3
1997	29.9	23.9	31.9	4.6	4.6	4.7
Navoi						
1993	30.5	22.4	36.1	6	5.7	6.2
1994	28.9	22.1	33.4	6.2	6.2	6.3
1995	26.8	21.9	30.1	6.3	7.2	5.7
1996	24.7	22.4	26.1	6.3	7.4	5.6
1997	22.7	20.0	24.5	5.7	6.2	5.4

Namangan						
1993	35.4	33.1	36.7	6.6	6.8	6.5
1994	32.5	30.9	33.4	6.3	6.5	6.3
1995	33.2	33.0	33.4	6.1	6.3	5.9
1996	29.9	30.1	29.8	5.8	6.2	5.6
1997	25.6	25.1	26.0	5.1	5.3	5.1
Samarkand						
1993	34.1	24.5	38.1	6.6	7.3	6.3
1994	33.2	25.5	36.3	6.6	7.3	6.4
1995	33.4	26.0	36.5	6.2	7.1	5.9
1996	30.5	22.3	33.7	6.2	7.5	5.7
1997	29.3	20.1	31.4	5.8	7.0	5.4
Surkhandarya						
1993	39.9	28.3	42.7	6.3	6	6.4
1994	35.0	25.0	37.5	6.1	5.2	6.3
1995	37.5	25.6	40.5	5.7	5.0	5.9
1996	34.4	24.0	37.1	5.8	5.5	5.8
1997	32.8	22.1	35.5	5.3	5.1	5.4
Syrdarya						
1993	30.7	23.7	33.9	5.3	7.7	5.7
1994	28.0	22.6	30.4	6.0	7.1	5.5
1995	27.2	23.6	28.8	5.8	7.4	5.2
1996	25.6	22.2	27.2	5.9	8.0	4.9
1997	24.7	21.7	26.1	5.7	7.8	4.8
Tashkent						
1993	26.5	20.1	31.2	7	7.9	6.3
1994	25.1	19.9	28.8	7.1	8.4	6.2
1995	25.4	20.0	29.3	7.2	8.7	6.1
1996	23.9	19.9	26.7	7.2	8.8	6.2
1997	22.4	18.7	25.0	6.8	8.6	5.6
Fergana						
1993	33.2	26.4	36.2	6.9	7.8	6.5
1994	30.9	25.2	33.3	6.6	7.5	6.2
1995	30.9	25.3	33.2	6.2	7.3	5.8
1996	27.4	22.7	29.4	5.8	7.1	5.3
1997	25.3	21.1	27.1	5.5	6.8	5.0
Khorezm						
1993	33.7	29.0	35.2	6.5	6.3	6.5
1994	30.7	27.0	31.9	6.4	6.2	6.5
1995	29.2	26.6	30.1	6.0	6.4	5.9
1996	27.4	24.5	28.4	5.8	6.1	5.6
1997	27.2	23.7	28.4	5.5	6.0	5.3
Tashkent-city						
1993	17.4	17.4	-	8.3	8.3	-
1994	17.7	17.7	-	8.8	8.8	-
1995	17.7	17.7	-	9.2	9.2	-
1996	17.1	17.1	-	9.3	9.3	-
1997	16.9	16.9	-	8.7	8.7	-

Table 30. Unemployment rate by regions

	1994			1995			1996			1997		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan (total)	0.3	0.1	0.2	0.3	0.1	0.2	0.4	0.2	0.2	0.4	0.2	0.2

Karakalpakstan	1	0.6	0.4	1.4	1.0	0.4	1.8	1.2	0.6	1.3	0.8	0.5
Regions :												
Andijan	0.5	0.2	0.3	0.3	0.1	0.2	0.2	-	0.2	0.3	0.1	0.2
Bukhara	0.2	0.1	0.1	0.1	-	0.1	0.1	-	0.1	0.2	0.1	0.1
Djizzak	0.2	-	0.2	0.2	-	0.2	0.3	-	0.3	0.5	0.1	0.4
Kashkadarya	0.3	0.1	0.2	0.2	0.1	0.1	0.3	-	0.3	0.3	-	0.3
Navoi	0.4	0.2	0.2	0.8	0.2	0.6	1.8	0.8	1.0	2.9	0.9	2.0
Namangan	0.2	0.1	0.1	0.2	0.1	0.1	0.4	0.2	0.2	0.4	0.2	0.2
Samarkand	0.2	-	0.3	0.3	0.1	0.2	0.3	0.1	0.2	0.4	0.1	0.3
Surkhandarya	0.3	0.1	0.2	0.1	-	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Syrdarya	0.3	0.1	0.2	0.2	-	0.2	0.6	0.1	0.5	0.5	0.1	0.4
Tashkent	0.2	0.2	-	0.1	0.1	-	0.2	0.1	0.1	0.2	0.1	0.1
Fergana	0.2	0.1	0.1	0.1	-	0.1	0.1	0.1	0.2	0.1	0.1	
Khorezm	0.8	0.3	0.5	0.3	0.1	0.2	0.3	0.1	0.2	0.3	0.1	0.2
Tashkent-city	0.3	0.3	-	0.1	0.1	-	0.1	0.1	-	0.1	0.1	-

* Officially registered unemployment

Table 31. Ratio of employed in urban and rural areas (as % of total employmen)

	1995			1996		
	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan	100.0	44.6	55.4	100.0	47.9	52.1
Karakalpakstan	100.0	48.5	51.5	100.0	50.3	49.7
Regions :						
Andijan	100.0	44.9	55.1	100.0	47.5	52.5
Bukhara	100.0	39.5	60.5	100.0	39.1	60.9
Djizzak	100.0	31.5	68.5	100.0	35.7	64.3
Kashkadarya	100.0	23.7	76.3	100.0	27.1	72.9
Navoi	100.0	59.7	40.3	100.0	62.5	37.5
Namangan	100.0	27.1	72.9	100.0	36.6	63.4
Samarkand	100.0	38.9	61.1	100.0	40.9	59
Surkhandarya	100.0	24.6	75.4	100.0	29.1	70.9
Syrdarya	100.0	38.6	61.4	100.0	42.6	57.4
Tashkent	100.0	45.6	54.4	100.0	47.6	52.4
Fergana	100.0	38.8	61.2	100.0	40.9	59.1
Khorezm	100.0	40.6	59.4	100.0	45.8	54.2
Tashkent-city	100.0	100.0	-	100.0	100	-

III. ECONOMY

Table 32. Composition of GDP (%)

	1993	1994	1995	1996	1997
GDP, total:	100	100	100	100	100
Value added	90.6	91.8	86.9	85.6	87.3
Including :					
industry	22.3	17.0	17.1	17.8	15.9

construction	8.9	7.2	7.1	8.3	8.0
agriculture	27.8	34.5	28.1	22.4	26.8
services	31.6	33.1	34.6	37.1	36.6
including:					
trade	6.2	7.5	5.2	7.0	8.3
transport and communications	5.5	5.8	7.3	6.8	5.9
Other branches	19.9	19.8	22.1	23.3	22.4
Net taxes, including import tax	9.4	8.2	13.1	14.4	12.7
Ratio between foreign trade turnover and GDP	64.2	37.4	60.3	68.7	59.2
export	33.7	16.8	31.6	34.2	29.5
import	30.5	20.6	28.7	34.5	29.7

Table 33. Main indices of energy production

	1971	1994	1995	1996
Extraction as % of resources				
coal	...	0.1	0.1	0.1
natural gas	...	1.8	1.8	1.8
oil	...	2.3	3.2	3.2
Energy consumption (oil equivalent)				
kg per capita	1500	1867	1857	1876
GDP per kg (US\$)	...	0.5	0.5	0.5
Share of energy imports as % of total exports	...	23.5	1.7	1.1
	1971-80	1980-94	1980-96	
Average annual growth rates (%)				
energy production	0.7	2.6	2.6	
energy consumption	6.6	1.6	1.7	

Table 34. Capital investments by sectors and sources

Year	For production purposes	Including		For non-productive state purposes	Financed by state budget
		Industry	Agriculture and forestry		
1992	49	25	16	51	69
1993	56	31	15	44	75
1994	60	36	12	40	27
1995	67	48	7	33	27
1996	66	38	5	34	26
1997	63	32	5	37	27

Table 35. Social and cultural amenities in operation

		Comprehensive schools (thous. seats)	Per school (thous. seats)	Hospitals (thous. beds)	Polyclinics (thous. visits per shift)	Clubs and cultural buildings (thous. seats)
1994	Total	72.6	8.2	2.8	6.1	5.2
	Urban	10.6	3.3	1.2	3.8	0.3
	Rural	62.0	4.9	1.6	2.3	4.9
	Total	47.9	3.1	1.6	3.9	2.2

1995	Urban	13.5	1.7	1.0	3.0	...
	Rural	34.4	1.4	0.6	0.9	2.2
1996	Total	63.5	1.6	1.3	8.8	1.6
	Urban	10.8	1.1	0.6	1.6	...
	Rural	52.7	0.5	0.7	7.2	1.6
1997	Total	63.9	0.9	1.5	11.7	0.4
	Urban	6.3	0.7	0.4	0.3	...
	Rural	57.6	0.2	1.1	11.4	0.4

Table 36. Current and capital state expenditure on education and health care (as % of total expenditure on each sector)

	1992	1993	1994	1995	1996
Education expenditure, total	100	100	100	100	100
-current	92	92	98	92	96
-capital	8	8	2	8	4
Healthcare expenditure, total	100	100	100	100	100
-current	91	91	97	89	98
-capital	9	9	3	11	2

IV. EDUCATION

Table 37. Provision of places in pre-schools (as % of all pre-school aged children)

	1992	1993	1994	1995	1996
Total	30.7	29	26.1	24.5	19.5
Urban	47.6	45.4	42.2	40.3	33.0
Rural	22.6	21.3	18.5	17.1	13.2

Table 38. Enrolment in specialised secondary and higher schools

	1992	1993	1994	1995	1996	1997
Specialized secondary students (thous)	251.0	240.1	210.0	194.8	197.2	224.8
of which women (%)	47.5	44.6	46.8	51.8	54.2	54.6
Number of students in higher schools (thous.)	316.2	272.3	230.1	192.1	165.7	158.2
of which women (%)	39.3	39.3	39.6	38.9	39.4	37.9

V. HEALTH CARE

Table 39. Number of people per doctor, nurse and hospital bed

	1995			1996			1997		
	Number of people			Number of people			Number of people		
	per doctor	per nurse	per hospital bed	per doctor	per nurse	per hospital bed	per doctor	per nurse	per hospital bed

Uzbekistan	298	91	130	302	93	139	328	99	150
Karakalpakstan	354	81	131	353	85	159	347	84	163
Regions:									
Andijan	313	94	121	333	94	127	400	134	136
Bukhara	326	84	147	318	85	157	363	88	175
Djizzak	385	96	197	397	97	175	401	99	181
Kashkadarya	365	100	154	366	100	165	352	100	170
Navoi	310	88	135	363	100	139	384	101	187
Namangan	302	96	116	307	95	127	321	109	139
Samarkand	295	104	135	294	107	144	291	106	155
Surkhandarya	385	104	179	391	109	188	397	111	203
Syrdarya	350	79	121	357	79	139	381	81	144
Tashkent	395	90	141	394	91	151	397	92	178
Fergana	377	90	119	371	92	124	410	93	132
Khorezm	331	97	148	323	94	162	336	98	172
Tashkent-city	134	76	87	132	77	92	171	88	98

Table 40. Number of people vaccinated against infectious diseases (as % of relevant age groups)

	1992	1993	1994	1995	1996	1997
Whooping-cough (1 year)	78.4	44.7	65.2	86.1	95.0	97.4
Diphtheria (1 year)	83.2	49.2	66.8	87.8	95.7	97.8
Poliomyelities (1 year)	85.3	45.9	79	98.1	96.5	100.0
Tetanus (1year)	...	67	88.6	87.8	95.5	96.4
Measles (2 years)	84.1	82.2	20.9	60.3	98.2	92.2
Mumps (2 years)	62.9	51.3	37.1	0.3	0.2	0.15

Table 41. Mortality rate by selected causes of death and region (per 100.000 people)

	All causes of death	From circulatory illnesses	From malignant tumours	From respiratory illnesses
1995				
Total	638.3	297.0	43.8	104.7
urban	730.6	367.6	69.4	77.5
rural	580.4	252.8	27.7	121.7
Out of total:				
men	670.8	275.2	47.3	116.3
women	606.4	318.5	40.4	93.3
Karakalpakstan	653.5	217.2	48.6	143.1
Regions:				
Andijan	619.7	299.5	31.7	146.9
Bukhara	544.9	261.0	32.4	90.3
Djizzak	571.2	218.3	39.1	114.4
Kashkadarya	508.8	190.0	17.7	98.7
Navoi	625.7	247.7	57.3	94.0
Namangan	607.0	301.2	29.6	142.9
Samarkand	622.0	322.3	32.2	106.9
Surkhandarya	568.7	205.8	27.9	138.5
Syrdarya	584.4	262.5	49.7	77.5
Tashkent	718.7	371.3	63.5	72.0
Fergana	623.4	271.9	34.4	82.0

Khorezm	601.4	302.9	30.6	123.6
Tashkent-city	921.8	510.4	113.3	52.0
1996				
Total	623.6	291.3	42.2	97.1
urban	738.0	369.3	66.9	76.1
rural	552.6	242.9	26.9	110.1
Out of total:				
men	659.0	273.2	45.1	106.8
women	588.7	306.1	39.3	87.6
Karakalpakstan	632.7	197.5	50.5	128.4
Regions:				
Andijan	559.1	288.9	31.5	109.3
Bukhara	540.4	266.9	32.9	89.1
Djizzak	520.4	201.7	34.8	112.8
Kashkadarya	522.9	180.1	20.7	81.7
Navoi	630.5	264.9	61.5	86.7
Namangan	578.8	286.0	27.8	130.4
Samarkand	619.1	313.6	32.5	97.6
Surkhandarya	575.4	223.2	29.5	132.9
Syrdarya	588.5	265.0	45.0	82.4
Tashkent	724.8	374.2	53.3	87.6
Fergana	581.3	249.4	31.7	78.6
Khorezm	575.9	301.5	31.1	106.9
Tashkent-city	929.5	517.0	109.1	56.1
1997				
Total	580.5	274.3	39.5	84.3
urban	686.8	350.3	62.2	64.2
rural	515.3	227.6	25.5	96.7
Out of total:				
men	611.8	256.4	41.9	92.6
women	549.7	291.9	37.0	76.2
Karakalpakstan	599.0	192.0	46.1	121.7
Regions:				
Andijan	527.7	285.5	30.8	94.7
Bukhara	487.4	243.7	31.7	72.4
Djizzak	494.5	194.6	30.0	99.9
Kashkadarya	462.9	154.2	20.3	66.7
Navoi	571.0	250.8	52.6	68.3
Namangan	513.2	251.6	26.5	109.2
Samarkand	584.5	298.2	32.0	84.2
Surkhandarya	529.4	197.4	24.2	121.7
Syrdarya	573.1	265.6	40.2	66.6
Tashkent	682.1	360.2	47.0	74.0
Fergana	549.3	231.7	34.2	67.8
Khorezm	550.5	284.1	25.4	114.0
Tashkent-city	874.5	502.8	104.4	41.2

Table 42. Infant mortality rate (number of children dying under age one, per 1.000 live births)

	1994			1995			1996			1997		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan	28.2	28.8	27.9	26.0	28.7	24.8	24.2	26.8	23.0	22.8	25.2	21.7
Karakalpakstan	34.9	38.5	31.9	31.5	35.2	28.1	27.6	30.2	25.2	26.6	27.6	25.6

Regions:												
Andijan	26.3	32.1	24.0	23.5	28.0	21.6	19.2	24.9	27.5	18.2	23.1	16.2
Bukhara	25.9	25.0	26.2	21.0	20.5	21.1	19.0	18.8	19.0	16.3	21.3	14.5
Djizzak	28.8	28.0	29.1	25.1	25.1	25.2	23.0	26.6	21.9	24.4	24.3	24.4
Kashkadarya	25.9	26.2	25.8	24.0	24.6	23.8	24.8	24.8	24.8	21.6	21.8	21.5
Navoi	29.7	34.2	27.7	28.1	43.0	20.9	27.6	32.3	21.4	25.0	29.7	22.4
Namangan	26.5	30.6	24.1	26.8	32.0	23.7	23.7	27.8	21.2	22.1	25.2	20.2
Samarkand	29.6	28.0	30.0	24.2	22.8	24.7	23.9	26.4	23.3	21.5	24.7	20.7
Surkhandarya	32.9	28.0	33.7	29.5	31.8	29.1	27.9	26.0	28.2	28.1	27.7	28.2
Syrdarya	24.1	25.8	23.5	23.1	24.7	22.5	22.1	23.9	21.5	20.9	24.0	19.8
Tashkent	24.5	23.2	25.1	24.6	23.9	24.9	25.4	23.1	26.5	23.9	22.8	24.5
Fergana	30.0	30.8	29.7	27.3	29.5	26.6	23.2	25.2	22.6	21.5	22.8	21.0
Khorezm	28.4	30.3	27.8	25.9	27.7	25.3	23.6	27.8	22.4	25.1	34.4	22.6
Tashkent	25.5	25.5	...	31.3	31.3	...	28.9	28.9	...	26.4	26.4	...

VI. NUTRITION

Table 43. Annual foodstuffs consumption per capita

	Meat and meat content products (in meat equivalent)					Milk and milk content products				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Uzbekistan	27	27	33	33	35	176	177	173	160	160
Tashkent-city	57	48	59	59	62	199	200	189	170	166
	Bread products					Vegetables, melons				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Uzbekistan	164	162	152	157	165	123	122	130	120	126
Tashkent-city	127	123	111	125	131	113	103	110	99	115

Table 44. Annual foodstuffs consumption per capita by regions

	Meat and meat content products (in meat equivalent)			Milk and milk content products			Bread products			Vegetables, melons		
	1994	1995	1996	1994	1995	1996	1994	1995	1996	1994	1995	1996
Karakalpakstan	31	26	27	146	100	80	112	117	139	91	67	92
Regions:												
Andijan	21	20	20	141	144	145	191	196	205	152	138	160
Bukhara	35	37	40	162	188	196	121	129	151	149	110	126
Djizzak	38	40	44	221	196	206	191	204	197	245	232	238
Kashkadarya	30	28	33	161	148	153	185	184	190	91	100	96
Navoi	36	41	45	165	162	165	121	126	148	90	66	62
Namangan	23	22	24	147	144	148	179	182	179	121	139	137
Samarkand	30	32	32	148	130	146	141	142	155	136	130	144
Surkhandarya	35	39	39	192	179	171	166	167	186	121	96	98
Syrdarya	35	39	41	250	222	221	214	216	223	206	146	150
Tashkent	36	36	38	192	170	157	127	137	156	147	166	178
Fergana	24	22	22	164	150	144	169	173	180	95	89	103
Khorezm	31	29	33	236	230	243	125	131	165	168	128	139

Table 45. Alcohol and tobacco products consumption per capita

	Alcohol (litres absolute)	Tobacco (kg)
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	1990	1993	1994	1995	1996	1990	1993	1994	1995	1996
Uzbekistan	2.2	1.4	0.9	0.7	0.8	0.9	0.1	0.1	0.1	0.1
Tashkent-city	2.7	3.1	2.6	1.5	1.5	1.9	0.3	0.1	0.2	0.2
Adult population	3.4	2.5	1.7	1.3	1.9	1.4	0.2	0.1	0.1	0.1

VII. ECOLOGY

Table 46. Amount of harmful emissions into the atmosphere (tons per year)

City	1993	1994	1995	1996	1997
Tashkent	21.4	18.0	16.0	15.3	13.3
Andijan	10.3	8.4	1.0	9.6	8.7
Navoi	53.6	52.3	48.3	43.7	42.2
Samarkand	8.1	8.2	7.8	7.1	8.1
Almalyk	125.6	110.7	106.6	105.4	105.9
Angren	98.2	82.8	91.6	111.2	111.8
Bekabad	14.2	10.3	9.1	7.7	6.8
Chirchik	13.1	8.3	7.5	6.7	6.3
Kokand	5.1	4.3	3.9	4.3	5.4
Fergana	84.5	64.3	70.7	72.5	67.8
Margilan	0.4	0.5	0.5	0.4	0.3
Nukus	3.2	2.5	2.6	2.9	3.0
Urgench	6.9	5.7	6.0	3.4	10.2
Bukhara	7.9	9.3	7.1	14.6	9.2
Djizzak	8.4	4.6	3.2	2.3	6.5
Karshi	102.1	123.9	129.0	85.0	75.9
Namangan	6.3	5.2	5.7	6.7	6.5
Termez	3.2	3.0	2.1	2.0	1.9
Gulistan	2.1	2.0	1.6	1.6	1.4