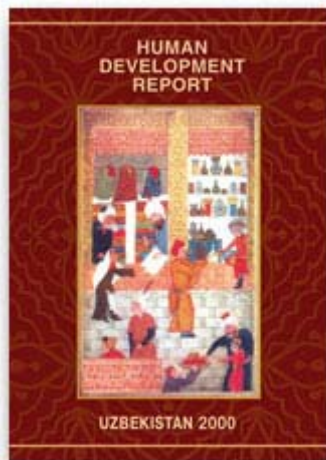


## NATIONAL HUMAN DEVELOPMENT REPORT 2000



Human Development Reports have been published for some years at the global and national level and have highlighted many times the lack of automatic link between economic growth and human development.

The economy is known to be the major source of resources for human development, though economic growth itself does not mean the growth of welfare and extended opportunities for human beings. From historic experience, we know that people can achieve high economic growth rates without achieving any significant progress in the sphere of human development. A lot depends on the structure of economic growth and how it meets the interests of the poor.

Due to these reasons, many countries of the world pay attention not only to the problems of globalization but also to the problems of small and medium business. This sector is different from large production by its technological, economic and social features. This form of business can: reduce unemployment for the least well off; be environmentally sensitive; be based in the regions of a country; and take into account the cultural values within a country.

Thus, we can say that the contribution of small and medium business in strengthening human development is determined not only by its participation in terms of GDP, but also by its contribution to the enlargement of the resource base of social sector. Small and medium business becomes much more significant due to the fact that its operation helps to solve a number of social problems such as: employment of the population; greater equality of income; enlargement and strengthening of the middle class; and the avoidance of negative ecological consequences and excessive urbanization.

These specifics of small and medium business are especially attractive for transition economies, including Uzbekistan where the reform of the former monopolized economy causes and aggravates many of the above problems. If we take into account that the "adaptability" of small and medium business is predetermined by national specifics of family business in our republic, it becomes obvious that major aspects of human development in Uzbekistan should be considered through the focus of this sector formation.

Therefore the strengthening of human development through focusing on small and medium business development in the country is the topic of the Human Development Report 2000. The authors of the Report study problems of this type of entrepreneurship and its impact on the size and dynamics of the most important indices of human development. They propose recommendations on how to develop small enterprises that are trying to assist in taking real measures targeted at raising the standard of living. This Report, like all previous reports, is focused on individual needs and interests.

The authors hope they managed to achieve their task and this Report will be of interest not only for ordinary readers but also helpful for professionals.

## CHAPTER 1. Uzbekistan's human development profile

### 1.1. Human development: a global and local phenomenon

The International Perspective. **The year 2000 is not merely the numeric dawn of the Twenty-First Century. Today, we are on the threshold of a new world order that will herald radical changes in the social and cultural environment of individuals, the transformation of everything from economic management models to international relations and the formation of a new world economic structure.**

What will the new century bring to humanity? Will the world move towards harmonized relations between people and countries, social equity and genuine freedom for the development of human opportunities? Or will the trend be in the opposite direction, toward increased conflict, inequality and stifled development?

The global «Human Development Report 1999» is especially focused on the positive aspects of globalization:

- deeper and more intensive connections between people;
- increased opportunities for human progress;
- wider distribution of the opportunities and benefits of globalization between countries and people;
- an opportunity for human progress and poverty eradication on the basis of global technological breakthroughs.

Despite these gains, “globalization” a phenomenon which is widely recognised and accepted, also contains deep contradictions, which threaten global human development.

#### Driving forces of development in the XXI century

... During the first few decades of the XXI century two forces will considerably transform the scene of development. This will have an impact on approaches to the implementation of development programs and will determine the driving forces and possible interactions between them of such development:

- *globalization* – continuing integration of the world economy due to the expanded flow of goods, services, capital, labor force and ideas as well as joint actions of countries aimed at settling global economic problems;
- *localization* – growth of claims to empower local authorities which will be achieved by a growing concentration of the population of developing countries in centers of urbanization.

Entering the 21st century. World Development Report. 1999/2000. The World Bank.

**First**, the absolute superiority of western countries in the sphere of technological achievements is leading to the formation and consolidation of a system under which multinational oligopolies exercise global management of both world resources and overall economic activity.

**Second**, globalization has not facilitated, but on the contrary, has complicated the achievement of social equality in the world. At the beginning of the century the ratio between the fifth part of the global population living in the richest countries and the fifth part living in the poorest was 11:1; by 1960 this gap had almost trebled to 30:1; by 1990 it had doubled again to 60:1; and it has continued to soar since, reaching 74:1 in 1997.

One of the major reasons for this trend is an old and well documented issue. The structure of production and export of developing countries is usually dominated by the production of raw materials. Elasticity of demand for raw materials is low, as measured both by price and by income. As a result, several obstacles for the sustainable economic growth of developing countries exist: relatively low income growth rates from

the production and export of primary products; a high degree of vulnerability to instabilities in the world economy; and, as a result, price instability for these raw materials.

**Third**, increased technological capacities for communication, among other aspects of the globalization phenomenon, have not been correlated with increased peace and social harmony. On the contrary, there are dozens of conflicts raging across the globe, many of them within the boundaries of individual states. This kind of internal conflict is a particular concern in transition countries, considering the events in Yugoslavia, the Caucasus and Tadjikistan.

Selected global indicators of development showing the gap between rich and poor countries in the 1990-s (as %)

Indicators	20 % of the population living in rich countries	20 % of the population living in the poorest countries
GDP	86	1
Exports	82	1
Foreign direct investments	68	1
Telephone cable	74	1.5

Source: "Global Human Development Report", 1999, p. 3

**Fourth**, the economic disparity between countries encourages migration flows from poor countries to rich ones aggravating social problems including those related to unemployment.

**Fifth**, the global financial market has become increasingly vulnerable to highly unstable fluctuations as a combined result of huge speculations and the increased speed of electronic communication.

**Sixth**, global processes related to multinational crime and mafia structures, involving large amounts of goods, ranging from weapons and drugs to human beings.

Clearly, the world on the threshold of 21 century has not become stable and socially uniform. Understanding this motivates the search for a societal development paradigm that not only incorporates the philosophy of human development but also personifies its practical realization.

In 1997 the crisis in East Asia made many policymakers cautious of further financial globalization. The cost of the crisis was much higher than the costs of other financial crises of recent years. Though money loss cannot be compared with hindered growth, expansion of poverty and inequality could result from such crises, especially in urban areas.

Source: Entering the 21st century. World Development Report. 1999/2000. The World Bank.

**Uzbekistan and globalization. The goal of newly independent states such as Uzbekistan is to integrate to the international system of relations with dignity. Key to this achievement is its own human development.**

Here, "dignity" means that:

1. Uzbekistan should avoid becoming involved in the global system exclusively as a resource and raw material supplier. The strategic task of the country is to become an equal partner in the global market. To accomplish this task the following policies are required:

- breaking with dependency on **static comparative advantage in exporting raw materials in favour of developing the capacity to export high value added products competitively.**

- promoting the educational basis and infrastructure required for developing competitiveness in the “new economy” sectors, with their **portable and high value added products**.

- catching up in the sphere of information technology development.

2. Structural reorganization of economy is required based on an economic orientation that is technologically, organizationally and economically focused on the global market. In practice that means that the country should:

- introduce modern technologies of production, marketing and management;

- create structures in the primary, secondary and tertiary sectors which are capable of competing with the leading world producers in domestic and international markets.

3. Developing a balanced policy for the formation of the internal financial market, as well as participation on the global financial market which:

- prevents financial speculations by economic entities in the internal market that can lead to capital outflow from structural reconstruction of the economy and create conditions for a financial crisis. Control over short-term capital flow in the conditions of globalization is important for the preservation of social and economic stability in transition economies;

- does not allow the inflow of international financial capital to eliminate potentially competitive domestic industries in the process of privatization;

- maintains control over an acceptable size of external debt. High rates of foreign debt growth combined with low export levels can result in a crisis of international indebtedness with possible negative consequences;

4. Resolute struggle against all forms of global criminal activity, including drug trafficking, money laundering and other forms of international corruption.

5. Promotion of human development, with special attention to eliminating the glaring distinction between high levels of education, culture, and professional qualification and rather low levels of income.

#### Similar HPI, different incomes, 1998

Country	HPI	GDP per capita (PPP in USD)
South Africa	0,697	8,488
Salvador	0,696	4,036
Uzbekistan	0,697	2,829
Alger	0,670	4,792

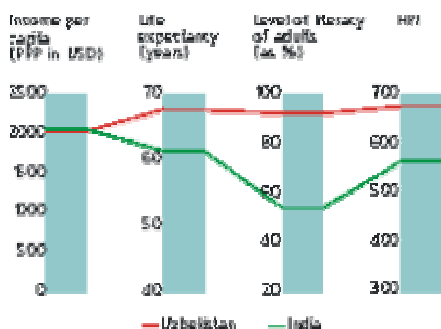
Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan, Global Human Development Report, 2000

From the point of view of the fundamental strategic purposes of development, Uzbekistan is simultaneously solving two opposite, but not mutually exclusive tasks: on the one hand the strengthening of sovereignty and genuine independence of the country in political, economic and ideological spheres; on the other hand the creation of the necessary and sufficient conditions to join in the paradigm of global development.

This strategy, with reference to the present stage of development of the country, is influenced by the specifics of the transition period from a centralized economy to a market economy, from totalitarianism to civil society, from disregard for national traditions and culture - to their genuine revival.

The solution of a key question - whether Uzbekistan can practically achieve sustained human development – depends on the country’s ability to apprehend and adopt a model of technological development and join the global community. It depends as well on its resoluteness in managing the globalization process in a way that encourages an equal rather than subservient role for the country.

#### Similar income, different HPI, 1998



Source: Global Human Development Report, 2000

One key strategy for accomplishing both goals at once that is, of joining the world community while strengthening Uzbekistan’s independence lies in the promotion of a vigorous and expanding community of small and medium sized enterprises (SMEs, also known as SMBs, small and medium sized businesses). Such enterprises serve their local communities by generating jobs and income that is, to a large extent, spent within the community itself. They keep the development initiative in local hands, spread entrepreneurial skills and attitudes among the population and reflect national cultural values. The various ways in which SMB development contributes to human development are discussed in Chapter 2 of this Report.

## 1.2. Uzbekistan: assessment of past experience

### 1.2.1 Human development trends

**Human Development Index** The Human Development Index is a rather conservative parameter as regards its rate of change. Its components such as educational level, life expectancy and GDP per capita, generally do not change sharply either absolutely or by relative world ranking. However, due to the crisis throughout the former Soviet Union, within the three years from 1992 to 1995 the HDI rating of Uzbekistan fell by 13 points. In 1991-1994 the HDI value of Russia fell by 33 points, Belorussia by 22 points, Ukraine and Armenia by 50 points, Georgia by 39, Azerbaijan by 35, Kazakhstan by 32, and Kyrgyzstan by 25 points. HDI in Uzbekistan compared to other countries of the Former Soviet Union had the lowest deviation (0,003).

In the last few years the HDI trend in Uzbekistan has reflected the situation of economic recovery after the crisis. As early as 1997 Uzbekistan’s HDI value had recovered to its level on the eve of the reforms.

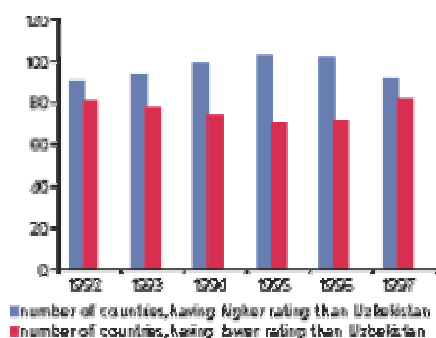
The recent HDI growth was made possible by several factors. On the one hand, despite significant financial difficulties, Uzbekistan managed to preserve public health care and educational levels; on the other hand, the country also achieved positive economic growth rates after 1995. During the entire post-independence period between 40% and 50% of the budget was allocated for social needs.

## Change of HDI in 1990-1998

Country	HDI deviation
Uzbekistan	-0,003
Estonia	-0,005
Belarus	-0,024
Latvia	-0,026
Armenia	-0,029
Kazakhstan	-0,030
Russian Federation	-0,041
Ukraine	-0,049
Tajikistan	-0,050

Source: Global Human Development Report, 2000

## Uzbekistan's place in the world ranked by Human Development Index (HDI)



**Population income.** Economic growth brought about an increase in the incomes of the population. As can be seen from the diagram below, real disposable income per capita began to grow since 1995.

Income differentiation is declining after a rather rapid increase. The Gini coefficient rose in the period of 1991-1997 from 0.261 to 0.421; however, in 1999 it is estimated to have fallen to 0.37. The gap between highest and lowest deciles of income recipients increased in the period of 1991- 1997 from 8.5 to 13.2, but in 1999 it decreased to 10.7. Nevertheless, the rate of income differentiation is still rather high, testifying to significant social inequality in Uzbekistan. One major factor behind this trend is non-harmonized salary payments, both by sector and by geographic location. A negative impact on income differentiation is still caused by hidden unemployment in rural areas, where over 63% of the population live and small and medium businesses are not sufficiently well developed.

It is noteworthy that the structure of family incomes has changed significantly. About 50% is income from new forms of activity developed in market conditions, i.e. incomes from different forms of entrepreneurial activity at the individual and enterprise level. However, there is little evidence for wide spread entrepreneurial activity in the country - in 1999 the share of small and medium businesses as a proportion of GDP was as small as 12.6%. But taking into consideration individual entrepreneurs, both in agrarian and industrial sectors, the figure is 29.1%

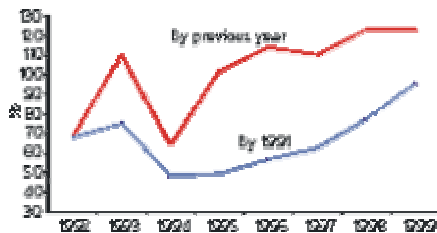
## Income structure of surveyed families

	1996	1997	1998	1999
Payment to hired workers	30,6	33,7	35,3	36,7
Income from entrepreneurial activity	26,5	29,3	25,2	25,8
Pensions, stipends, allowances	13,6	8,3	9,2	12,1
Property income	1,8	0,7	0,4	0,3
Income from dekhkan economies <sup>1</sup> and household plots	20,1	17,1	18,7	16,5
Income from individual labor activity	1,1	5,2	6,4	6,4
Other incomes	6,3	5,7	4,8	2,2

1 Dehkan economies are small family farms, having small inherited plots of land and producing mainly foods for local markets. A dekhkan economy can have the status of a legal entity.

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

#### Dynamics of real disposable incomes of the population of Uzbekistan, 1992-1999



Source: calculations based on data of income and expenditure balance. Ministry of Macroeconomics and Statistics of the Republic of Uzbekistan

**Health of the population.** Life expectancy, which is the basic criterion identifying the health of the population, remains quite stable and is 70.3 years in Uzbekistan. Within the last decade life expectancy of men living in Uzbek cities has notably grown, whilst in many CIS countries this index fell during the economic crisis.

Population health stability is maintained largely by implementation of extensive state programs creating a high standard of public health infrastructure, including the development of clean drinking water supplies. Alongside the development of water supply systems some measures have been taken to improve drinking water quality. In 1991-1999 bacteriological parameters of the quality of drinking water in the municipal water network almost doubled and chemical parameters improved by almost 20%. These parameters also improved for the industrial sector's water network.

Special attention is paid to the health of women and children. It was therefore announced that 1998 would be «The year of the family», 1999 - «The year of women» and 2000 «The year of healthy generations» initiated by the President of the Republic. These initiatives have led to the introduction of complex programs to improve the health of women of child-bearing age as well as the health of children, the establishment of special preventive care and medical centers for children and mothers in hospitals and polyclinics, the expansion of access to various modern contraceptives, as well as the promotion of longer intervals between births. These measures have improved the health of mothers and children. In recent years the birth, fertility and infant mortality rates have declined, as well as the proportion of new borns with low birth weight (less than 2500 grams).

**Life expectancy at birth (number of years)**

	1990	1995	1996	1997	1998	1999
<b>Total population</b>						
Both genders	69,3	70,2	70,2	70,25	70,3	70,3
Men	66,1	67,8	67,8	68,1	68,2	68,2
Women	72,4	72,6	72,7	72,7	73,0	73,1
<b>Urban population</b>						
Both genders	69,3	71,5	71,5	71,5	71,6	71,6
Men	65	69	69	69,1	69,1	69,1
Women	73,2	73,9	74	74	74,1	74,2
<b>Rural population</b>						
Both genders	69	69,1	69,1	69,3	69,5	69,5
Men	66,4	66,7	66,7	66,8	66,9	66,9
Women	70,7	71,4	71,4	71,4	71,6	71,6

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

#### Selected demographic parameters for Uzbekistan, 1991-1999

Indices	1991	1995	1996	1997	1998	1999
Birth rate	34,5	29,8	27,3	26	23	22,3
Mortality rate	6,2	6,4	6,2	5,9	5,8	5,3
Natural increase rate	28,3	23,4	21,1	20,1	17,2	17,0
Total fertility rate	4,2	3,6	3,3	3,1	3,0	2,8
Infant mortality rate	35,5	26	24,2	22,8	21,9	20,2
Prenatal mortality of infants	8,3	5,6	5,0	4,6	4,2	4,1
Death rate at birth	12	7,7	7,2	6,9	6,4	6,2
Maternity mortality	33,3	18,9	12	10,5	9,6	14,6
Mortality of children under 5		42,5	40	37,8	36,7	32,6
Mortality of children under 14		3,2	2,9	2,7	2,5	2,1

Source: Ministry of Health; statistical hand-outs "Natural movement of the population of the Republic of Uzbekistan in 1996-1998", "The Family in Uzbekistan"; Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

Women's health is also improving. The proportion of pregnant women receiving early pre-natal care grew from 73.4% in 1990 to 87.9% in 1999. The majority of births are occurring in the optimal age range of 20 to 30 years, average interval between births is now over 2 years.

As part of 50-year anniversary of the WHO, Uzbekistan was recognized for its promotion of the health of women and children. Two obstetrics centers, the Research Institute of Pediatrics and the Municipal Perinatal Center in Tashkent were recognized as "Children friendly medical establishment".

At the same time a number of negative trends regarding the health of the population have emerged. They are relatively new for Uzbekistan, and result from both medical and social problems, as well as problems in public health care development. They are as follows:

**1. Growth of tuberculosis cases.** Annually 14-15 thousand new tuberculosis cases are identified among the population. Almost 20% of these cases involve children and teenagers with another 75 % TB cases being found among women aged 16 to 55 and man aged 16 to 60, people who are at their prime working age. The number of tuberculosis cases has grown in practically all regions of the republic, but the highest rate is in the Republic of Karakalpakstan, followed by the Navoi region and Tashkent city.

The number of newly diagnosed TB patients with terminal TB increased from 36.7% in 1991 to 41.6% in 1999. Late diagnosis of patients and quickly-progressing infections gave rise to a high mortality rate within the first year of newly diagnosed patients. In 1999 14.6 % of newly diagnosed patients died within the first year of observation. Mortality rate is especially high in the regions of Namangan, Navoi, Tashkent and Bukhara, where this parameter changes from 22.9% to 29.7 %.

Number of tuberculosis cases revealed and diagnosed for the first time (per 100,000 people)



	1991	1995	1996	1997	1998	1999
Total for Uzbekistan,	46,1	43,5	51,5	55	58	62,1
of which:						
Republic of Karakalpakstan	93,8	79,2	95,1	96,6	109,2	115,2
Andijan	49,4	46,5	56,4	57,5	60,5	60
Bukhara	45,4	49,2	69,1	62,5	61	61,8
Jizzak	55,8	49,4	56	56,9	55	61,6
Kashkadarya	40,7	46,7	48,9	53,7	57	60,1
Navoi		49,2	53,6	61,1	68,1	70,2
Namangan	38,1	36,2	39,7	48,5	53,5	60,1
Samarkand	46,8	35,1	38,9	40,2	40,6	45,6
Surkhandarya	39	42,7	47,2	47,4	51,5	54,5
Sirdarya	51,8	51,3	50,9	50,8	76,9	65,7
Tashkent	30,8	33,8	44,7	56,6	53,8	59,8
Fergana	55,3	37,5	40,8	45,4	49,4	50,6
Khorezm	40,9	42,1	43,6	48,5	54,6	58,1
Tashkent city	32,3	50,6	60,2	63,2	66,1	76,6

Source: Data of the Research Institute of Pulmonary Disease and Tuberculosis, Republic of Uzbekistan.

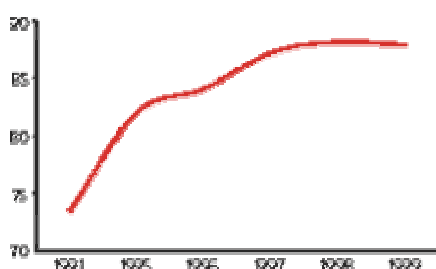
Cases of “family tuberculosis” where more than one member of a family contracts the disease became more frequent. In 1999 1,644 such cases were registered in Uzbekistan.

**2. Increasing drug use.** The highest grow rate in drug use and addiction was observed in the regions of Tashkent, Khorezm, Samarkand, Bukhara and Navoi. As Uzbekistan has as yet being unable to control drug trafficking from neighbouring countries, it is quite possible that the scale of drug addiction and use will increase.

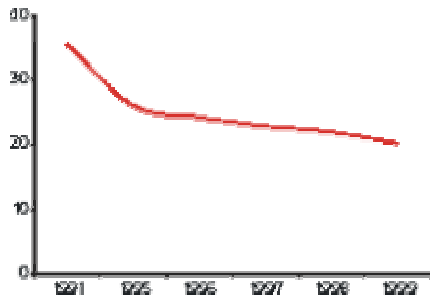
**3. Insufficient use of inadequate funds for health care.** Although large-scale programs in health care are currently being implemented, financial resources to buy modern equipment and maintain hospitals and polyclinics are insufficient.

**4. Low income levels.** Poverty is a serious impediment to appropriate medical treatment, particularly for extended hospital stays. This is a problem not only in medical institutions providing paid treatment, but also in institutions with mixed forms of financing. Medicines, paid observations and surgical operations are particularly expensive.

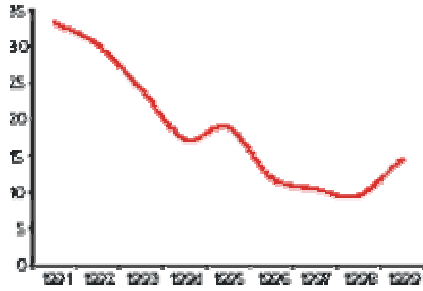
Pregnancy registration in female consulting clinics during the first third of pregnancy (%)



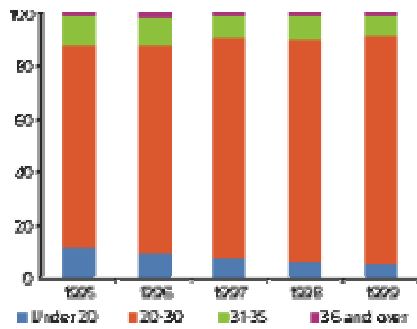
Infant mortality rate (number of infants dying within the first year per 1000 live births)



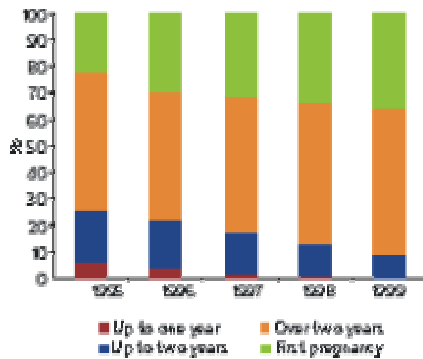
Maternal mortality rate (per 100.000 live births)



Births by mother's age (%)

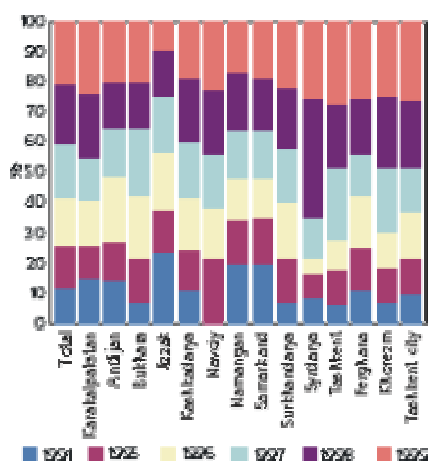


Intervals between births (%)



Source: Ministry of Health, Republic of Uzbekistan

Number of tuberculosis cases per 100,000 children under 14



Source: Data of the Research Institute of Pulmonary Disease and Tuberculosis, Republic of Uzbekistan.

### Educational level

Since independence, the level of literacy of the population rose from 97.7 % (1991) to 99.3 % in 1999, and remains one of the highest in the world.

This is due largely to the fact that adults born in the last century and at the very beginning of this century, among whom many were illiterate, are gradually dying off. At the same time this parameter reflects the social policy priority placed on the education of the population.

Despite the insufficiency of public budget revenues, the share of expenditures for education has remained high. This share fell in 1990-1991 (from 20% to 17.8%), but since 1992 it has continually grown.

In Uzbekistan in 1999 there were 9,718 day schools and 131 night schools providing general education, 373 professional and technical schools, 224 special and 61 higher educational institutions. Research institutes and universities offered 130 post-graduate courses and 75 doctoral courses. There was a wide network of institutions involved in staff training, leading to the training of more than 6.8 million people in 1999 against 6.3 million in 1991.

In 1999 the number of trained personnel at all levels totalled 2,690 per 10,000 people of the population after a sharp decrease in 1995 (2,563 people). Since 1998 the number has exceeded the level of 1991.

The improved literacy rate of the population was also accompanied by a rise in the general level of education. At the beginning of the 1990', 142 out of every 1,000 people had complete or partial higher education, 199 special secondary education, 480 general secondary and 127 partial secondary education. These rates have since risen to 143, 200, 485 and 150, respectively.

### Public expenses for education in Uzbekistan (without capital investments)

Indices	1995	1996	1997	1998	1999
Budget expenses for education (bln.soum)	21,5	42,87	71,1	104,2	158,9
Share of public expenses for education in GDP, as %	7,1	7,67	7,28	7,36	7,76
Share of public expenses for education in total budget expenses, as %	21,77	21,16	22,41	22,31	24,12

Source: Ministry of Finance, Republic of Uzbekistan

Structure of enrollment in the educational and training system of the Republic of Uzbekistan, 1991- 1999 (thousands)

	1991	1995	1996	1997	1998	1999	as of % to	
							1991	1995
Total	6329	6204	6352	6495,4	6695,2	6847,3	108,2	110,4
General schools	4721	5145	5293	5496,3	5686,1	5820,9	123,3	113,1
Technical schools	219,3	223,2	221,6	228,8	227,4	242,4	110,5	108,6
Colleges	254,4	194,8	197,2	224,8	249,1	266,8	104,9	137,0
Higher educational institutions	337,4	192,1	165,7	158,2	158,7	166,5	49,3	86,7
Academic lyceums					0,8	7,3		
Colleges with professional training					1,9	30,9		
Post-graduate courses	3	3,8	3,9	3,9	3,9	3,9	130,0	102,6
Doctoral courses	0,15	0,38	0,43	0,42	0,35	0,34	226,7	89,5
Trained for new professions and improved their skills at the enterprises as well as participating in other types of education and training	793,9	444,2	469,3	383	366,9	308,3	38,8	69,4

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

Education of sick and mentally retarded children is also prioritized. Special medical and educational institutions provide necessary treatment and education promoting their development and preparing them for independent life and work.

In Uzbekistan there are currently 86 schools for children with mental or physical disabilities where a total of 20,600 pupils study, 5 sanatorium schools (for a total of 1,400 pupils), including 4 schools for children and teenagers with weak and fading forms of tuberculosis, as well as 17 sanatorium boarding schools for children with various diseases (for a total of 5,400 individuals), among them 8 schools for children with scoliosis.

Thus, Uzbekistan aspires to ensure an adequate level of education for all children.

Additional educational opportunities are also supported. 586 000 children study at 679 art and music schools in the republic, constituting 10.1% of overall educational enrolment, representing an increase of 2% over 1991.

The Government of Uzbekistan pursues a targeted policy to support gifted children and youth. Special centers and funds are created to enable gifted young people to develop their talents. Capable young people are provided an opportunity to study in leading overseas educational and scientific centers.

Number of pupils studying at schools with general education and attending non-school institutions, 1990-1998 (thousands)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	369	377,3	410,6	416,5	437,4	447,1	459	451,4	586
Palaces and houses of schoolchildren	216,7	215,6	194,6	195,1	194,9	189,5	193,3	176,1	196
Centers of technical art	71,7	71,9	83,5	83,2	87,4	85,8	90,4	88,9	133
Clubs of young naturalists	55,3	56,5	61,5	66,9	70,5	71	73,4	72,2	111
Centers and clubs of children's and youth tourism and local lore	11,5	12,8	16,5	16,4	19,6	21,1	18,7	21,1	44
Including tourist bases			0,7	0,7	1	1,3	1,5	2,4	7
Children's parks	1,4	1,4	1,3	1,3	1,5	1,3	2,6	3	10
Children's stadia	1,4	1,2	0,7	0,9	1,5	2,8	5,1	4,1	12
Centers of children's art	...	...	42	42,7	52,4	2,8	64,2	74,3	61
Other non-school establishments	11,1	17,9	10,5	10	10,8	13	11,3	11,7	19

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

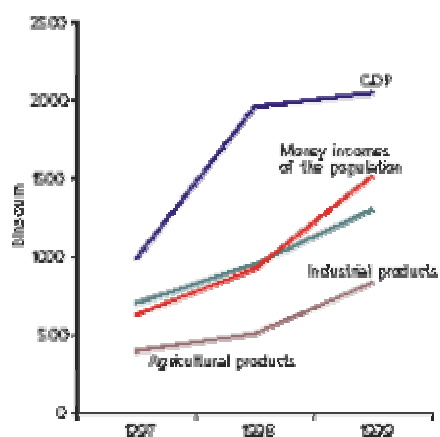
A national program for personnel training was implemented with the support of a number of international and foreign organizations (the World Bank, Asian Development Bank, OECF, GTZ, TACIS, USAID and others), which assist Uzbekistan in the training of staff, publishing of textbooks, provision of handbooks on teaching and methodology, improving the material and technical base of the educational system, increasing management efficiency, and the introduction of experimental methods of teaching.

### 1.2.2. Economic growth trends

In 1991-1995 GDP noticeably decreased, but since 1996 the economy has grown, increasing production in all sectors of economy: industry, agriculture, construction, trade and paid services.

The annual inflation rate fell from a three-digit figure at the beginning of the reforms to 26% in 1999. The main achievement of the monetary policy was the introduction of a national currency in 1994, which made the national economy less vulnerable to external economic shocks.

Dynamics of basic economic parameters



Source: Ministry of Macroeconomics and Statistics

**The main result of fiscal policy** has been a budget deficit appropriate for the stabilization of the economy while fulfilling social commitments. During the period of reforms the annual budget deficit has not exceeded 3% of GDP. The ratio of state budget revenues to GDP fell from 51% in 1991 to 30% in 1999. Last year the share of revenues from direct taxes was reduced and the share of indirect taxes increased, which means that the taxation burden shifted from producers to consumers. The rate of tax collection from large and medium enterprises is high, though the share of the “shadow” sector, which avoids taxation, particularly in small and medium businesses, is still noticeable.

#### Basic indices of social and economic development, 1991-1999

Indices	As % against the previous year (adjusted for inflation)					
	1992	1995	1996	1997	1998	1999
Gross domestic product	88,9	99,1	101,7	105,2	104,3	104,4
Industrial output	93,3	100,1	102,6	104,1	103,6	106,1
Gross agricultural production	93,6	102,2	94,4	105,8	104,1	105,9
Investments into fixed assets	68,0	104,0	107,0	117,0	115,0	102,0
Retail turnover	59,0	95,7	122,2	112,6	114,2	110,5
Paid services to the population	57,4	73,0	109,8	121,4	110,3	113,0
Population number	102,3	102,0	101,9	101,8	101,5	101,5

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

#### Structure of investments by sources of financing (as %)

Sources	1995	1996	1997	1998	1999
Total investments	100,0	100,0	100,0	100,0	100,0
incl. : budget means	22,9	24,0	25,3	22,8	29,4
Funds of enterprises	46,9	46,6	42,4	31,5	22,7
Bank credits	9,6	7,3	7,8	7,2	8,1
Extra-budgetary means	-	-	-	0,4	0,7
Personal resources	6,6	6,0	6,8	18,1	14,5
Foreign investments and loans	14,0	16,1	17,4	19,7	24,4
Other borrowing	-	-	0,3	0,3	0,2

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

In contrast to the institutional policy of some CIS countries which aims to reduce the participation of the government in the economic life of the country, Uzbekistan started market transformations gradually. Structural transformations in the economy using government and private investments, the attraction of foreign investments, and institutional reorganization of key sectors and enterprises was envisaged.

In 1995-96 the share of accumulations in GDP of the republic was relatively high, measuring between 23% and 25%. However, by the end of the 1990's this parameter fell by up to 15-16%, indicating, on the one hand, limited financial resources of the private sector and, on the other hand, the social priorities of the government.

Market transformations have increased the share of trade and services of total GDP. Net taxes and export revenues grew. The share of industrial production of GDP declined because of several factors: non-competitive enterprises were curtailed; unpaid cooperative delivery of products to partners of the former USSR was halted; and many inefficient enterprises were re-structured. At the same time, a new automobile building industry was set up. Production of petroleum and natural gas grew rapidly. Electronics, chemical, pharmaceutical and other industries involving high technology were developed. The share of enterprises with foreign investments increased as a proportion of overall production.

The proportion of heavy machinery is growing in the industrial sector as a result of the refurbishment and reconstruction of enterprises in non-ferrous metallurgy, and in chemical and petro-chemical concerns. In 1995-98, the share of fixed assets increased from 42% to 52.2%. Despite the depreciation of some of these assets (39% at the beginning of 1999 in ferrous metallurgy), the non-ferrous metallurgy industry and the building materials industry are still high, at 34% and 34.1%, respectively.

Structural changes in agriculture provided grain self-sufficiency and a stable position for Uzbek cotton fiber on the world market in the year 2000.

Foreign economic relations are of chief concern in the integration of the Uzbek economy into the world economy. During the period of reforms foreign trade activity of the republic followed standard patterns through imports, exports and foreign investments. This significantly extended the participation of Uzbekistan in the international division of labour. The share of export-import transactions with overseas countries constitutes more than 70% of the structure of foreign trade turnover. The share of machines and

equipment considerably grew as a proportion of imports, while the proportion of food exports declined. This promoted technical refurbishment and the modernization of some enterprises. The share of cotton fiber continues to fall as a proportion of the total volume of exports. This is due to the increased export of nontraditional types of ready-made goods. Over the last two years foreign trade turnover has maintained a positive balance.

#### GDP structure by sectors (as %)

	1992	1995	1996	1997	1998	1999
Industry	26,6	17,1	17,8	15,6	14,9	13,9
Agriculture (agrocomplex)	35,4	28,0	22,4	28,3	26,8	28,0
Construction	9,5	7,1	8,3	7,3	7,5	6,9
Services	29,4	34,7	37,1	36,4	36,4	36,2

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

#### Average per capita income, share of service sector and small business in GDP (1999)

Country	Average per capita GDP, USD	Share of service sector in GDP	Share of small business in GDP
USA	27840	73,7	51
Great Britain	19533	62,6	58
Germany	21330	63,4	64
Russia	6724	53	9,5
Uzbekistan	2829	36,2	12,6*

Source: A. Beresneva. The role of small business in economic development, ECO, 2000, ?8. without products of individual entrepreneurs, including in agriculture (products of farms and dekhans economies)

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

An increased rate of growth of small and medium business as compared with the previous period was an important economic trend in Uzbekistan. Here Uzbekistan is in line with world trends as this trend is specific for a majority of developing countries. In 1999 the share of the population engaged in small and medium business was 7%. The share of small and medium enterprises of overall GDP reached 12.6%. In chapter 2 of this Report the development of small and medium business in Uzbekistan will be described in detail.

In summary the basic trends of economic development of Uzbekistan in the area of human development for 1995-2000 are as follows:

- GDP growth rate exceeded the population growth rate thereby promoting a better standard of living;
- A high rate of investment in fixed assets promoted long-term economic growth;
- A stabilized inflation rate and economic growth promoted an increase in real incomes and a better standard of living.

At the same time, stable economic growth has not yet been achieved, because:

- The economy of Uzbekistan remains more agrarian than industrial;
- The growth of GDP is insufficient, industrial production constitutes less than 20 % of GDP and much of the industry is still dependent upon obsolete equipment and technologies;

- The unemployment rate has not shown significant growth, however it is relatively high and reflects the potential of unused resources in the economy. It has a negative impact not only on the conditions but also national economic health.
- Institutional transformations in education and health care have not yet being completed.

To achieve positive results in structural transformations it is necessary to precisely identify growth sectors, those sectors which can be dynamically reconstructed and adjusted to the requirements of the market, and which also possess a powerful potential for export production.

When approaching the problems of this period in Uzbekistan's development and considering solutions, it is essential that national unity be maintained, regardless of race, religious belief, gender or age.

### 1.3. Uzbekistan: Human Development Challenges of a New Century

What is the image of Uzbekistan in the Twenty First Century? The President of the country, Islam Karimov, has called for national unity with the slogan: "Uzbekistan is a country with a great future". What kind of great future can the country expect in a new century? How this greatness be reached with the help of internal resources and external support?

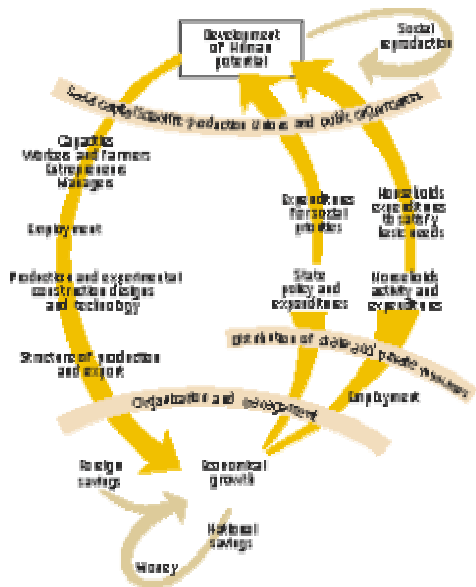
Uzbekistan does not intend to reach its greatness at the expense of the interests of other states. A great future for us means the following:

- The restoration of the valuable cultural, spiritual and scientific heritage of the peoples who inhabited our lands in the remote and recent past;
- The development and consolidation of democratic traditions, **so as to make possible full participation of the people in the decisions that affect their lives;**
- The establishment of an efficient economic structure, so as to provide the resources needed to **eliminate poverty, reduce inequality**, develop education, health care, culture and science, and **thus expand the capabilities of the entire population to lead long, full and rewarding lives.**
- To obtain an appropriate rank in international politics and the global economy, creating conditions for the country and people to be esteemed by the world community and other states.

These are the broad values that reforms pursued in the country are directed to advance. Today, Uzbekistan is a transition country moving toward a decentralized, market-driven economy, successful economic reform is a fundamental precondition for making continuous and sustainable progress in human development. Therefore, we begin this section with a detailed survey of the status of economic reforms in the Republic.

**Mutual dependence: economic growth and human development**





Source: Global Human Development Report, 1996

### 1.3.1. Reforms in the economy

Uzbekistan ranks high among world producers in the production of cotton fiber, gold and some kinds of non-ferrous and rare metals. The country has significant capacities to expand production of textiles, fruits and vegetables, as well as agricultural technology, textile machinery and equipment.

Uzbekistan can strengthen its comparative advantage in the above mentioned sectors by adopting modern organizational and production technologies. The rapid introduction of modern technologies is constrained by a lack of financial resources and incomplete reforms in ownership.

**Reforms in ownership** cover all the branches and sectors of economy in Uzbekistan. In the absence of real property ownership in which the owners hold a stake in the efficiency of their enterprises, benefits from reforms in other sectors will not be fully appreciated. The main mechanisms to reform ownership relations themselves is the privatization of public enterprises, **the encouragement of the autonomous development** of a private sector and attraction of private foreign investments. Since the beginning of the reforms 21,591 public enterprises have been privatized. Currently, the private sector accounts for 65.6% of GDP, including 61.4% of industrial output, 98.7% of agricultural production, and 78% of construction works.

Many medium and large enterprises, including those in essential branches of the economy, have recently been privatized. There is an intention to attract foreign investors into the process because this will promote a more rapid formation of market relations, technical renovation, reconstruction of enterprises, an investment of additional hard currency resources along with new methods of management.

In previous periods the process of privatization has expanded to involve more and more enterprises from various spheres of the economy. But the experience indicated that, while it was rather successful for small business, trade services, small industrial enterprises, such forms of privatization have not brought about much change in the behaviour of medium and large enterprises. In spite of developing shareholders in such companies, many enterprises continue to retain the previous working practices of the earlier non-market system. The major reason for this is the lack of new real owners of enterprises. In many cases, directors or personnel of enterprises owning a significant amount of shares used to hinder reforms that could result in the curtailment of inefficient productions, the loss of jobs and the dismissal of poor directors and managers. Changes in the privatization policy at the current stage are needed. They include the following:

- shifting from mass privatization to the development of relations of ownership, creating favorable conditions for the establishment of efficient management for various types of enterprises, including

management by foreign investors, individuals other than the personnel of these enterprises, as well as by privatization funds;

- improving methods and the network of institutions participating in the privatization process; strengthening the stock exchange, including the establishment of such structures which contribute to the efficient functioning of the securities market and insurance companies;
- establishing a mechanism for strengthening the protection of consumer rights, including the development of public associations;
- moving to the development of a privatization plan for every state enterprise and designing programs for their post-privatization business policy;
- competition-based selection of trustworthy managers to manage the public share of property.

In 1999 Uzbekistan obtained 9.1 billion soums from privatization (as compared to 8.8 bln. in 1998). Of this total, 350 million soums were directed to renovation and modernization of enterprises. 67 units of public property were sold to foreign investors, including 7 units of property complexes. The payments of foreign investors for purchased enterprises and shares amounted to about 16 million USD (as compared to 2.13 million in 1998) and about 1.5 billion soums. Investment liabilities of foreign investors equaled 238.5 million USD and more than 1 billion soums. The overall amount of receipts to the republic's budget for the public share of property made more than 2.3 billion soums.

**Agricultural reform** should be addressed separately. According to existing legislation, agricultural land belongs to the state. Land is the main source of income for the majority of the Uzbek population. Contrary to the situation in many modern states, ancient traditions of land cultivation have been preserved in Uzbekistan, and people can and want to cultivate land and grow crops. If state ownership of the land were to be abolished and the land sold, the demand for land in Uzbekistan would far exceed supply. It would result in an unreasonably high price for the land for the majority of the rural population. This would bring not only to deterioration of the economic conditions of the peasants, but also to social conflicts.

Therefore agricultural reforms of the country are aimed at forming a class of property owners without transferring land into private ownership. This is supposed to be reached by the following means:

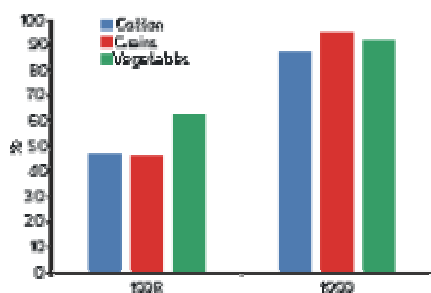
- transforming former collective farms into share holding cooperatives with real shares and the possibility of each member receiving dividends according to the results and work share during the year. In 1999, 898 agricultural collectives were transformed into agricultural cooperatives (shirkats) and amounted to a total of 963 shirkats being formed. This accounts for 53.4% of all agricultural collectives of the country projected for such transformation;
- the introduction of various forms of leasing (collective leasing, family leasing) among the members of cooperative agricultural enterprises by means of allocating to subcontractors the land plots transferred by the state to agrarian enterprises for long-term use. In 1998 some areas were transferred to leasing collectives for the period of one year. In 1999, family leasing collectives obtained plots for the period of not less than three years;
- creating a great number of private farms to which land will be transferred for long-term leasing for a period of up to 50 years and not less than 10 years. By January 1, 2000, 31.100 farms and 1,5 million dekhkan economies were operational. Land areas allocated to farm and dekhkan economies grew from 18.7 thousand hectares to 21.4 thousand hectares during the period 1996-2000. The share of farmers economies activity accounted for 3.5% of total agricultural output in 1998, and in 1999 the figure rose to 4.4%. According to forecasts this indicator is expected to grow significantly in 2000;
- creating conditions for the development of multiple small dekhkan economies having land for life, thereby ensuring long ownership for the development of a commodity based economy.

**Gross agricultural output by economic category (as % of total)**

	1995	1996	1997	1998	1999
Agricultural enterprises	48,1	45,2	35,9	33,7	34,9
Dehkan economies	49,3	51,8	61,3	62,8	60,7
Farmer economies	2,6	3,0	2,8	3,5	4,4

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

Share of agricultural areas leased by subcontractors in 1998-1999



Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

Access to material, technical and financial resources and markets for their products is essential for all agrarian sectors. Thus the process of development of cooperative, farmer and dehkan economies is dependent on the formation of manufacturing and rural market infrastructure. This could also improve the soil fertility and contribute to the efficient usage of land and water resources.

The majority of dehkan economies and farms currently do not have sufficient financial resources to buy agricultural equipment. In such conditions they largely depend on machine and tractor parks which should try to regularly renew the available machines and tractors as well as to cut the cost of provided services.

In 2000, 182 state share-holding communities were established in the republic which include machine and tractor parks (MTP) in the system of "Uzselkhozsnabremont" and 61 alternative MTPs. The share of the latter is constantly growing.

With the aim of strengthening the material and technical base of MTPs, agrarian enterprises gave them machinery in exchange for MTP shares the total value of which is 5.3 billion soum.

169 companies operate in the republic providing diverse services to agricultural producers.

**Reforms in the banking sector** are to ensure high quality service and funding for current and long-term development for the growing needs of the economy. They are directed toward the following goals:

- Further development of a two-level banking system, namely reinforcing the position of the Central Bank in pursuing independent monetary and credit policy, while controlling and supervising commercial banks to ensure they operate within current legislation;
- Promotion of privatization in the banking industry, stimulation of the development of private banks and an increase in the stock-holders' role in bank management;
- Increasing bank stability through the increase of bank's authorized capital, partially achieved by attracting foreign investments;
- Increasing reliability of banking activity and consumer trust in the banking system, thereby increasing the volume of deposits made by the population.

**Structural economic reforms intend to make the national economy technologically advanced and highly competitive** in providing economic, social, financial goods as well as food security for the country.

Effective use of natural and economic resources is required in order to provide stable economic growth and the improvement of welfare for the population.

During the first stage of structural reforms preference was given to the formation of import substitution orientated towards the export of raw materials. However, taking into account the long-term perspective, it would be impossible to achieve a stable growth rate of even 4-5% in the XXI century solely based on a policy of import substitution. In connection with this, at the current stage of economic development, structural reforms must be directed towards further exports, especially in the manufacturing sector.

The aim of re-orientating the structure of economy towards exports is to receive maximum profit and minimize the risks associated with the processes of globalization and integration of Uzbekistan into the world economy. It will be necessary to create and develop competitive enterprises and types of activity which can be adapted to the demands of both domestic and foreign markets. Realizing maximum profit with minimal risk can be done by shifting the economy from its reliance on exports of raw materials to an economy orientated towards the export of finished goods.

According to preliminary calculations and forecasts, in the medium run (2000-2005) the growth rate of manufacturing production needs to be 8-9% per year, while the agriculture sector must grow 7-8% per year. This can be achieved by rapidly developing light industry, the food processing industry, the chemical industry, the production of textile and agricultural technologies, and tourism. The reliance on cotton as a major export must be reduced and the proportion of finished goods with high added value must be increased more rapidly. The rate of inflation according to the GDP deflator must not exceed 0.5-1% per month, which can be ensured through the growth of national savings and the efficient use of foreign investments. Further deep institutional transformations, particularly in the real sector and banking, will give an increase of 1.5-2.0 times efficiency in investments.

For restructuring purposes 282.3 billion soum were channeled to the development of the industrial sector in 1999. It made 56.1% of total investment including 165.4 billion soum (32.8%) in industry; 39.4 (7.8%) billion soum in agriculture (7.8%); 56.2 billion soum (11.2%) in transport.

In addition, it is very important to increase investments aimed at the achievement of better education and health care. From experience we know that this is the major requirement for successful development in the conditions of a global economy. A market economy is an economy where investments mainly belong to the population. It is the population who should have funds and abilities to choose and use economic opportunities provided by global markets. Therefore the basic goal of the reforms should be the provision of the best possible conditions for human development. This includes not only access to quality education and services of health care system but also access to full information (for example through the Internet) as well as the creation of an open forum (including through free and competitive mass media) to discuss ideas. This is discussed in greater detail below.

### **1.3.2. Human Development and Reforms**

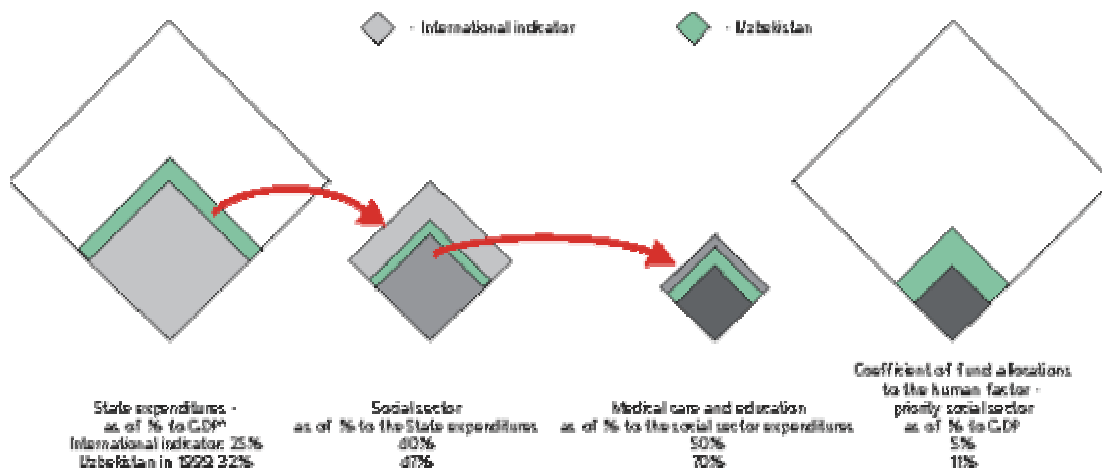
Although successful realization of the economic reforms discussed above is crucial to achieving long-term human development in Uzbekistan, the country has not waited for their completion to begin addressing outstanding human development challenges. Uzbekistan is perhaps one of few developing countries having implemented vitally important social programs in all directions of human development. They are as follows:

- Rural drinking water and natural gas supply projects
- Programs aimed at raising women's social status and roles
- Program of strengthening the family
- Program of raising a healthy generation
- National program for personnel training

- Program of public health reform
- Program of people's spiritual and cultural revival
- Program of rendering assistance to invalids
- Programs of assistance to poor families

This section reviews reforms in the most vital spheres of social life such as education and public health that are paid special attention in the republic.

In Uzbekistan basic medical service and education are considered priorities



\* for Uzbekistan- of GDP

Source: Global Human Development Report, 2000; Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

## Reforms in Education

In Uzbekistan secondary education is guaranteed by the state for all children falling into the relevant age group.

In the period of 1991-1997, only nine years of education were compulsory. At present the “Law on Education” and the National Program for Staff Preparation require a three-year professional or academic education. Thus, the state not only guarantees but also obliges all those of school age to study not less than twelve years. The prolongation of the obligatory education by three years will have a long-term impact for the country. It is of special importance that those having nine years of education have a chance to continue their studies free of charge up to the age of 17-18.

At the same time, the system of education of Uzbekistan faces three major challenges on the eve of the XXI century:

**First**, it is necessary to significantly change the content of the educational process and curricula with the aim of:

- fulfilling the needs of a market economy;

- restoration of historic facts, restoration of forgotten cultural and spiritual traditions of the people living in Uzbekistan.

**Second**, it is necessary to give the highest quality professional education to the graduates of educational establishments which will enable them to obtain work in the already saturated labour market;

**Third**, it is necessary to find additional sources to finance education under conditions of budgetary constraint.

The National Program for Staff Preparation responds to these challenges. Its major principles are the following:

• **Introduction of 12-years of compulsory education, including 9-years of general education and 3-years of professional or academic education:** for 4-5 year old children – pre-school education, from 6-7 years – compulsory 9-year education, from 14-15 – three-year academic or professional pre-university education. University education will now consist of two-stages: the first stage will result in a bachelor's degree and the second stage – a master's degree. Post-university education consists of post-graduate courses and doctorate courses.

• **Revision of curricula at all levels of education according to current challenges:** the new curricula should take into consideration the best teaching methods, providing high levels of teaching and high levels of knowledge for the students;

Introduction of educational systems where the students and their families bear part of the cost:

- pre-school education through creation of kindergartens at homes in addition to public kindergartens;
- school education by creating private, fee-collecting schools accredited in accordance with legislation;
- university education through admission of students on a contractual basis;
- developing selection tests for students wishing to enter university.

At the same time, the implementation of the program has some problems. They are as follows:

- The need to prepare a large number of qualified teachers interested in developing the potential of their students. At present there is a lack of teachers at schools, academic lyceums and professional colleges, the problem being especially acute in rural areas.
- The low level of wages contributed to the outflow of teachers from the sphere of education. Within the period of 1997-1999 some 34.8 thousand teachers having relevant education qualifications left the sphere of education, including 26.3 thousand teachers who moved to other spheres of the economy.

**Forms of education received by graduates of the 9-th form in secondary schools (thous. pupils)**

	report		estimated				
	1999/2000 ac.year	2000/2001 ac.year	2001/2002 ac.year	2002/2003 ac.year	2003/2004 ac.year	2004/2005 ac.year	2005/2006 ac.year
<b>Graduates of the 9-th forms</b>	<b>547,6</b>	<b>61,7</b>	<b>541,2</b>	<b>584,8</b>	<b>581,5</b>	<b>533,6</b>	<b>553,9</b>
<b>Those who will continue studies</b>	<b>541</b>	<b>61,7</b>	<b>541,2</b>	<b>584,8</b>	<b>581,5</b>	<b>533,6</b>	<b>553,9</b>
Including:							
Academic lyceums and professional colleges of reformed type	32,6	10,2	112,7	214,8	280,8	533,6	553,9
Professional technical schools of traditional type	124,2	5,8	35,0	10,6	9,9	0,0	0,0
Secondary special schools of traditional type	42,9	5,0	18,8	12,8	7,3	0,0	0,0
10-th forms of secondary schools of traditional type providing general education	341,3	40,7	374,8	346,6	283,4	0,0	0,0
Not included above	6,6	0,0	0,0	0,0	0,0	0,0	0,0

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

The transition to a partly paid education at universities and a more flexible system of payments to university teachers improved the situation but did not settle the problem. At schools, the problem is partly solved by so-called "tutoring", which is an expedient legal way of providing paid education for those who want it. At the same time, given the low income of the population, not all parents can pay for private tutoring of their children. This causes a problem of inequality in the system of education, especially at university, since the preparation for entrance test exams often requires additional classes.

- Insufficiency of good textbooks, methodological materials, additional teaching literature, references, dictionaries and so on, prepared by national authors in the national language. Insufficient use of the latest information and teaching methods for the particular subject is also a major problem. Pupils who four years ago started to study the national language based on the Latin alphabet are particularly affected. They have only the most essential text books. The rest of the information (references, methodologic manuals, etc.) are still only in Cyrillic.

#### Shortage of teachers at schools

Due to the shortage of qualified teachers at the elementary school level over 7.9 thousand people working in elementary school do not have pedagogical or special secondary education. At present only 71.2% of teachers working at secondary schools of the republic have university education as compared to 78.7% in 1992.

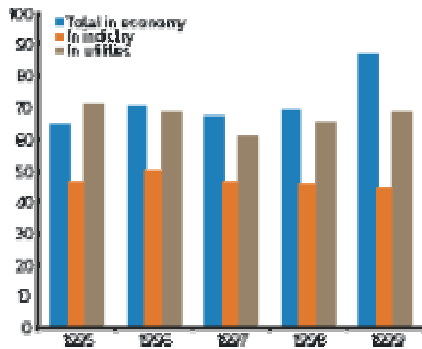
It is estimated that by 2005 only 60-65% of the overall demand for teachers will be met by universities and special secondary establishments, and for some professions – less than 40%. It means that without radical measures over 100 thousand positions at secondary schools will be either vacant or filled by unqualified teachers.

- The complicated situation with financing education is not fully compensated by private finance sources.

Though allocations for education in the budget as a proportion of overall GDP are growing, the share of actual expenses to maintain the sector is declining. This is mainly explained by the construction of professional colleges and academic lyceums and by the growth of investments in education from 6.1% in 1995 to 24.9% in 1999.

The reform of 181 academic lyceums and 1,611 professional colleges is planned by 2005. All the graduates of incomplete (9-form) secondary schools will study in these reformed institutions. Given these costs, the requirement for financing education is estimated to be 1.7 billion soum for 2000-2005, including current needs 1.1 billion soum. This will require both considerable allocations from the budget and the investment of funds from other sources.

Ratio of average wage in education against average wage in other spheres (as %)



Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

- The problem of supporting students financially for the period of their study at universities has not been settled fully. Though some students (40-50%) receive grants from the government, including scholarships, the number of those who study on a contractual basis is growing. Though the fees are not high as compared with international rates, it exceeds the average yearly wage of one employee. In such a situation it is necessary to devise a system of measures and mechanisms of giving loans to university students.

Further implementation of reforms in the educational system will require the following measures:

- the undertaking of some additional measures to raise the prestige of teachers and radically changing the system of encouragement;
- the provision of training and retraining for teachers;
- the improvement of curricular quality, the methods of teaching and the assessment of pupils' and students' knowledge according to international norms;
- the elaboration of programs on social and economic protection of children at pre-school age. The programs should include the access for the children especially in rural areas (at the age of 5-6) to the various forms of pre-school education including education financed from public funds;

**Change in public expenditures for education, 1995-1999 (%)\***

	1995	1996	1997	1998	1999
Total expenditures	100	100	100	100	100
including:					
Current	93,9	92,5	92,3	91,3	75,1
Capital	6,1	7,5	7,7	8,7	24,9

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

- the provision of educational materials utilizing modern computer technologies at the early stages of child development;
- the establishment of new links with the global academic and intellectual community, the exchanging of experience and knowledge necessary for further social and economic development of the country.

**Reforms in health care**



Public health care also faces serious challenges, which determine its development at the beginning of XXI century. The major challenges are as follows:

- **Raising a healthy generation.** One half of the population of the republic consists of children under the age of 16. Relatively high birth rate, especially during previous years, created a lot of problems related to infant and maternity mortality, anemia among women and children from big families, a large number of cases of disease among children and women.

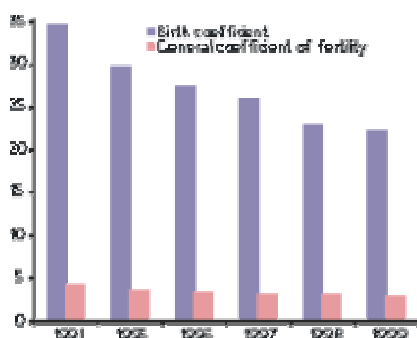
The system of health care should be directed at a reproductive chain of healthy generation formation: from healthy parents to healthy children. Much can be achieved by relatively cheap methods: by distributing information about the best age for marriage and giving birth to a baby, about intervals between child births, about possibilities of inheriting genetic diseases from marriages between close relatives and so on. The role of prophylactic health care, a system of medical examination and early disease detection and the introduction of pre-natal screening is also important.

- **Creation of conditions to fight tuberculosis.** Given the situation in the republic, a special program has been devised with the aim of protect the population from tuberculosis and improving anti-tuberculosis aid, the undertaking of preventative measures, early diagnosis and efficient, free treatment for those infected at all stages of medical service provision.

- **Creation of a system to prevent the spread of narcotics, to fight illegal drug trafficking and to treat drug addicts.** The law “On narcotics and psychotropic medicines” adopted in the republic in 1999 set out the major activities of the state in relation to narcotics, determined rules for exports and imports, storage, sale, distribution, purchase, transportation and posting of narcotics and so on. In addition, the government made a decision to further expand the net of medical and prophylactic establishments to treat those addicted to drugs and alcohol;

- **Provision of a favorable environment for people.** Understood to include access to drinking water, work against soil salinization and decertification, prevention of soil and water pollution from industrial waste.

Birth coefficient and general coefficient of fertility



Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

- **Restructuring of the system of public health** towards the primary level which is less costly but more efficient for the prevention and treatment of diseases; development of prophylactic health care, mass physical training and sport. Redundancy of physicians and beds in hospitals is one of the major shortcomings inherited from the Soviet system. It should be abolished gradually both in the system of in-hospital care and in polyclinic services.

- **Considerably improved quality of medical services**, provided by the health care system. Though the access to medical services is rather good in terms of distribution, the quality of service varies significantly. The qualification of medical personnel in many hospitals and polyclinics, especially in rural areas, is low.

Modern equipment for diagnostics is insufficient and timely, accurate diagnosis of diseases is hampered preventing appropriate treatment.

• **Increased budget for health care, attraction of additional sources of financing.** In order to deepen reforms in budgetary institutions a new form of financing is being introduced. According to this new mechanism budget funds are allocated to some large cost items. The allocation follows the usual norms related to the particular type of activity of each enterprise.

The sources of financing are improved by the sale of services related to the activity of each enterprise, leasing of temporary unused premises and other public property to other organizations, sponsors' aid provided by legal entities and individuals. Budget institutions are given the right to form their own development funds from revenues derived from provided services, 50% of revenues received from leasing of premises and others. However this is not sufficient to cover the overall financial requirements of medical establishments.

Reforms in the public health are aimed at resolving current problems. Their major objective is to improve the health of the population transforming the extensive model of public health development into an intensive one. The state program of reforms in public health adopted in 1998 envisages the following:

- the state is responsible for the provision of medical care to the population, i.e. the provision of certain guaranteed free medical and sanitary services; control over the quality of services provided by various medical establishments irrespective of the forms of ownership; and the creation and maintenance of appropriate competition between them.
- changes in the organization and management of public health is leading to a system of emergency aid being created, the restructuring of the network of medical and prophylactic establishments be in order to reduce the number of beds in hospitals as well as the length and number of hospitalizations per 100 people. Additionally, an improvement in the primary level of public health will be targeted by increasing the number of rural physician's posts, municipal and mahalla physician's posts<sup>1</sup>. Finally new forms of medical services will be developed (treatment in day-time hospitals, in centers of ambulatory surgery) and there should be a gradual shift to servicing by general practitioners.

#### Reform priorities in public health: international aid

Taking into consideration the importance of health protection in rural areas, where over 62% of the total population of the country lives, as well as the scarcity of resources, the Government determined the major priority: strengthening of the primary medical service in rural areas, which means the shift of both services and financial resources from specialized hospitals and polyclinics to RPP providing primary services.

At present primary medical services in rural areas are provided by medical attendant's branches (MAB), rural medical ambulances (RMA), rural district hospitals (RDH) as well as rural physician's posts (RPP) which were constructed along the lines of a standard model and equipped in accordance with the State program of social infrastructure development in rural areas for 1996-2000. As a result, they are better equipped.

The state program of reforms in public health envisages that by 2005 a majority of MABs and RMAs will be closed and replaced by an equal or bigger number of RPPs. Medical servicing used currently will be reoriented towards general practitioners' work: newly trained general practitioners and nurses will work at RPPs. Thus, there will be a re-organized two-tier network of medical institutions in rural areas of the republic.

1. RPPs will be responsible for the provision of primary medical services;

2. Central district hospitals will be responsible for the provision of major in-hospital services to the inhabitants of the district.

Equipping such a wide network of RPPs and training personnel with the relevant education is costly and all the expenses could not be covered by the national republican health budget. Therefore, the government requested a loan from the International Bank of Development and Reconstruction (IBDR) which was received in 1999 to implement the "Health" project.

The "Health" project is implemented jointly with the Program Zdrav/Plus financed by the American Agency for International Development (USAID) and executed by a consultative company ABT Association Inc.

The major objective of the "Health" project and the Zdrav/Plus Program is to improve the health of rural population without a considerable growth in budgetary expenses for the strengthening of the primary public health, reform of the managerial system and financing of rural medical establishments, training physicians as general practitioners.

Strengthening of the primary public health means that the IBDR loan is used to finance deliveries of diagnostic, therapeutic and laboratory

equipment, furniture and transport, computers, training and technical assistance.

Training of practitioners and nurses of general specialization is an important component of the Health project. Within the project it is proposed that year long program for training teachers and practitioners will be devised and implemented, as well as short-term programs for training on a part-time basis for practitioners and nurses of RPPs. The Zdrav/Plus program actively participates in the implementation of this component by providing short-term training in clinics.

One of the major objectives of the Health project is to improve the system of management and financing of primary medical and sanitary aid (PMSA) in rural areas. This component is implemented by the Zdrav/Plus program which envisages (a) granting rural establishments of PMSA the status of an independent legal entity; (b) the creation of a new position – the administrator (financial manager); (c) elaboration and introduction of new mechanisms of financing of PMSA institutions, based on a per capita principle, as well as new methods to stimulate the work of personnel; (d) introduction of new information systems on medical and economic issues.

- improvement in the system of financing of public health by the introduction of more efficient mechanisms of distribution and usage of budgetary funds as well as expansion of alternative sources of financing, including the active development of small private enterprises.

In order to successfully reform the public health system, the following actions must be taken in the near future:

- speed up the elaboration and introduction of a major package of free medical services guaranteed by the government;
- improve the mechanism of financing costs related to efficient provision of services guaranteed by the government;
- devise a system of control over the provision of qualified medical aid and access of the population to it;
- continue with the reorganization of all levels of health care, especially the primary medical service. Primary medical service should be turned into a center of health care, providing sanitary and educational information, preventive and rehabilitation services, as well as being used for training physicians;
- search for new sources of financing, encourage competition among structures providing medical services;
- find foreign sources of funding to support reforms in health care.

In the XXIst century Uzbekistan will face many complex challenges in the sphere of economics and human development. Yet, the objectives are clearly determined: the achievement of a deserved place in international politics, the global economy and world culture.

Given the globality of these objectives, we should not forget that all great things have humble origins, and all complicated things start from simple ones. No matter how important we become, we all start from the cradle. Therefore, the next chapter of this Report deals with problems of small and medium business the “cradle” of the economy which may provide solutions to the complicated problems we confront.

## **CHAPTER 2. The human dimension of small business**

The increasingly globalized economic system can neglect the interests of individual economic entities and even particular countries as a whole, despite the fact that such entities represent its constituent elements. This is one of the central internal contradictions of globalization.

Globalization represents a greater threat to the economies of developing countries than to those of developed countries. Equally, it confronts small and medium businesses with a greater threat than to large companies which produce a highly diversified range of products.

Nonetheless, about 85% of the world's population lives in so-called "developing countries". In a majority of these countries, anywhere from 70% to 90% of the able-bodied population is engaged in small and medium business. Even in developed countries this sector of the economy usually employs from 30 to 60 percent of the able-bodied population. The pressure of the home market as well as the global market is thus felt everywhere. Survival under such conditions is the challenge.

The problems of small enterprises in the globalized economy should not be ignored. If such enterprises are undermined serious consequences will be felt not only for the world economy, but also for international social stability.

The dialectics of development cannot confine itself to encouraging growth "from small to big". To keep the balance of economic and social stability both within each country and in the whole world a constant feedback "from big to small" is also important.

### **2.1. Economic aspects of small business**

#### **2.1.1. How important is small business?**

How important is small business for society as a whole? Research and everyday life experience abound:

- Small and medium businesses employ the majority of the population enabling them to earn a wage. It is the most flexible part of the labour market, absorbing the main part of non-qualified labour resources who possess a low level of working experience but who are willing to work flexible hours. Very often it is the only place where women and young people having a low level of educational and no work experience can find employment. Small and medium business may be the most important factor for national prosperity, as they are a major source of income not only for the business community, but also for the members of their families,.
- Small and medium businesses are a potentially effective means for enhancing the capacities of the population in industry and enterprise, and increasing their adaptability to market relations. Small business opens up opportunities for people to work for themselves and own property. It creates a platform for the social formation of a middle class, which may then be able to promote the progressive development of society based on democracy and social stability.
- Small and medium enterprises increase the effectiveness and vitality of the whole economy. Their flexibility means that they are able to react quickly to the changing demand in consumer goods and services for the population. They can quickly adapt their businesses to new market conditions with relative ease. SMEs require fewer resources for starting-up and their failure does not cause catastrophic economic outcomes. SMEs are improving the regional structure of the economy.

What do small businesses give to individuals?

- Employment and income;
- Opportunity to better control their own future;

- Opportunity to unite a job and a private life to a far greater extent;
- Opportunity of self-realisation, to develop their abilities and talents;

These potential abilities of small and medium business make a prima facie case for their development. In Uzbekistan, the fostering of the SMB sector is treated as a crucial aspect in the social economic development of the country.

### 2.1.2. How to measure small business

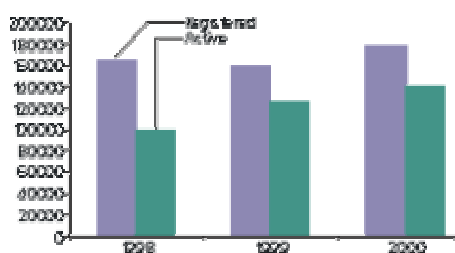
Lately, a number of governmental decisions have enhanced the creation of small and private enterprises, which have resulted in a considerable rise in the part they play in the economy.

When characterizing the role of small and medium business in the economy, four major indicators can be specified. They are their percentage of:

- Total number of registered as well as operating enterprises;
- GDP, volume of industrial and agricultural products, building construction works, commerce and services;
- Number of employees;
- Volume of export production;

In Uzbekistan small and medium business is presented by individual entrepreneurs, micro-companies, small and medium enterprises.

Changes in the number of SMEs



**Individual entrepreneurship** constitutes the largest share of the small business. According to the law of the Republic of Uzbekistan, individual entrepreneurs are people engaged in independent labour activity. They don't form a legal entity and do not have the right to hire employees. Also, the participants of family entrepreneurship, dehqan economies and simple partnerships involved in joint entrepreneurship activity are considered as individual entrepreneurs. The number of individual entrepreneurs in Uzbekistan, according to expert assessments, constitutes not less than 3.5 million people. They are mainly engaged in agricultural production, trade, including public catering, services and craft industry.

In contrast to individual entrepreneurship **microcompanies as well as small and medium entities (SMEs)** are legal entities. According to the ranking scheme adopted in Uzbekistan, the type of SME is determined by the average number of employees and the main type of activity. Normally the maximum number of employees in medium enterprises is 100 people, and in small companies - 40 people, while in micro companies - 10 people.

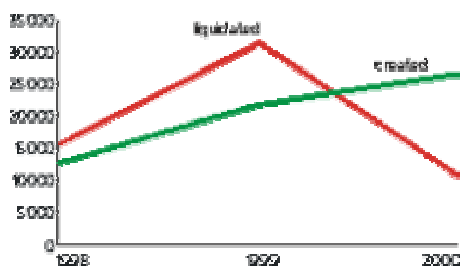
In the year 2000, there were over 140,000 SMEs, the share of micro companies being more than 80%, small enterprises - more than 14% and medium ones about 4.5%. The number of SMEs per 1,000 citizens of the republic averaged 5.6 in 2000.

The share of SMEs in the total number of registered enterprises in Uzbekistan grew from 88% in 1999 to 90% in 2000.

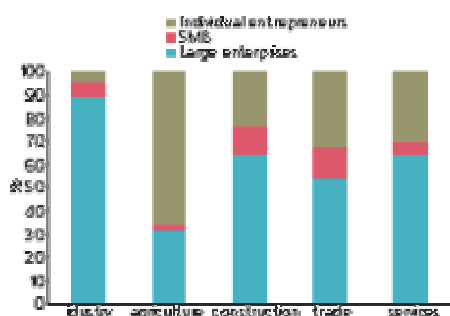
In 1999 the number of SMEs declined by 3,5% against the previous year. The decline in the number of SMEs in 1999 was a result of certain decisions taken by the special commissions and local authorities on liquidation. 31,700 trade enterprises (not operating for three months or more) were removed from the state register, as well as other SMEs (those not operating for six months or more). This decision of the government allowed a more accurate assessment of the real number of SMEs and the type of activity they were involved in. In 2000, the number of SMEs increased by more than 11% against 1999. And for the first time during the last three years a positive balance of their establishment and liquidation was achieved.

As a result of the measures undertaken, the share of operating SMEs in 1999-2000 made up 80.0% against 60.3% in 1998. The remaining 20% per cent includes enterprises that were under formation, liquidation or were temporarily non-functioning (trade and mediating enterprises for less than 3 months, the rest for less than 6 months).

Creation and liquidation of SMEs



Percentage of SME production in the sectors of economy in 1999



Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

The analysis of SMEs activity shows that within the last three years the greatest area of development was agriculture. In 2000, their number exceeded 52,000. The growth rate of agricultural SMEs in 1999 was 11,8%, in 2000 – about 40%. The major share of agricultural SMEs includes farms, the number of which was 20,000 in 1998, in other words over a twofold increase. Such an intensive development of farming was promoted by a governmental decision to liquidate the economically inefficient collective farms and to distribute their land among private farms.

The share of SMEs in transportation and communications, health services and other non-productive fields is also growing.

In 1999, the share of small and medium business as a percentage of overall GDP constituted 29,1% (12,6% being the share of SMEs and 16,5% that of individual entrepreneurship).

The number of SMEs, including individual entrepreneurship, constituted 10,5% of industry, in construction 35,9%, in agriculture 68%, in trade 45,6%, and in paid services 35,9%.

Growth rates and volumes of production have recently increased in the sector of small and medium business. This is explained by the increase of the number of enterprises as well as the growth in labour productivity and improvements made by the introduction of new technologies. Thus, in 1999, industrial production grew by 23% in a year, in construction 11%, in agriculture 4.1%, in trade 6.6%, in paid services 19.5%.

In Uzbekistan, small and medium business plays an important part in supplying goods and services to consumer markets. In 1999, over 9% of all consumer goods were produced in small business. This includes the production of bread and bakery products, rice, confectionery, pasta and sausages, fat, dairy products, cheese, fish, canned fruit and vegetable, flour, soft drinks, ice cream, and mineral water.

SMB enterprises increased the production of high quality foods at a competitive price levels, which became one of the factors for the reduction of food imports. Thus, in 1999, food imports were reduced by 170 million USD (30%) against 1998, causing no damage to the consumer market.

The share of small enterprises in food production is still relatively small, in 1999 representing only 4.6% of all food products produced in Uzbekistan.

Export production of SMB is gradually growing, which is especially important. In 1999, its share in total exports grew 1.8 times against the previous year and constituted a total of 29.4%.

Medium business plays a greater part in exports than small businesses. In 1999, their share of exports from the republic increased 5.2 times and constituted 23.5% of total export. In comparison, the share of small business increased 1.4 times constituting 5.9% of the total. Thus, medium business produces three fourths of food export produced by all SMB entities. The main exports are agricultural, textile, electric, processing and handicraft products.

The government is promoting the expansion of foreign economic investment into SMBs by creating favourable conditions for their development. They are exempted from customs duties when importing technological equipment. The import of new technologies allows SMBs to produce commodities that are competitive in the world market.

Nonetheless, several factors constrain the increase of exports by SMBs. These include complicated preparation and registration of export contracts, time-consuming customs procedures.

In 1999, the import of goods produced by SMBs increased by 1.8 times. The share of imports by SMBs is 35.5% and is higher than its share in total exports by 6.1 percentage points. The biggest part of import falls on small business entities; individual entrepreneurs are involved in two thirds of total imports by SMBs or 18.6% of total imports to Uzbekistan. Major imports are raw materials and spare parts not produced in Uzbekistan.

### **2.1.3. Small business and regional differentiation**

Uzbekistan consists of 14 territorial-administrative units, including the Republic of Karakalpakstan, 12 regions and the capital city of Tashkent. The levels of social and economic development of these territorial-administrative units have always been very different. Despite the measures undertaken by the national government to reduce the differences, the differentiation persists.

The regions can be divided into two broad groups. The first is an agro- industrial group (industrial in Tashkent) and the second one is primarily oriented towards agriculture. The regions of the first group depend less on weather conditions; they are more capable of constantly adapting to changing conditions. This group includes Tashkent City, Tashkent, Navoi, Bukhara, Andijan, Fergana, Kashkadarya and the Samarkand regions. The total share of all these eight regions in GDP was 74.1% in 1999.1

The other group includes the so-called agricultural or agrarian regions. They are Dzhizak, Syr-Darya, Surkhan-Darya, Khorezm and Namangan regions as well as the Republic of Karakalpakstan.

The different levels of industrial development of the regions mirror different living standards of the population. Thus, in 1999, income per capita in Tashkent exceeded the average for the Republic by 2.5 times. It exceeded income per capita in Dzhizak region by 4.2 times, that of Surkhan-Darya region by 3.8 times, and that of the Republic of Karakalpakstan by 3.6 times. There are also large differences in per capita retail commodity turnover, which reflects the difference in the population's disposable income. For example, in the Republic of Karakalpakstan, retail sales per capita were 1.9 times less than the average for Uzbekistan, 2.4 times less in Djizakh, 1.9 times less in Surkhan-Darya region. The retail commodity turnover per capita in Tashkent exceeded the average for the country by 2.9 times in 1999.

It is important to observe that at present the proportion of the population engaged in SME activity in the majority of regions does not differ from the national average ranging from 45% to 50%. It is only Navoi and Khorezm regions and the Republic of Karakalpakstan where this is less than the national average (31%;39% and 40%). The Kashkadariya region has the highest proportion 57%. Out of those engaged in SMB activity, the majority consists of individual and family businesses.

The share of the output of small and medium-sized businesses in regional GDP varies substantially from 20-21% in the Republic of Karakalpakstan and the Navoi region and up to 37-39% in the Dzhizak, Surkhan-Darya and Samarkand regions. At the same time, in the other regions private entrepreneurs produce the main share of GDP. It is only Tashkent where the share of GDP of micro, small and medium-sized enterprises exceeds GDP of private entrepreneurs.

#### Income and retail commodity turnover per capita in 1999

Regions	money income, thousand sums	% to average republican level	retail commodity circulation per capita, thousand sums	% to average republican level
Republic of Uzbekistan	62,3	100	47,071	100
Republic of Karakalpakstan	43,2	69,3	24,232	51,5
Andijan region	63,6	102,1	54,023	114,8
Bukhara region	57,0	91,4	35,991	76,5
Djizak region	36,7	58,9	19,109	40,6
Kashkadarya region	48,8	78,3	30,822	65,5
Navoi region	82,4	132,2	37,775	80,3
Namangan region	40,8	65,5	31,594	67,1
Samarkand region	53,3	85,6	39,584	84,1
Surhandarya region	40,1	64,4	25,308	53,8
Sirdarya region	54,4	87,2	34,116	72,5
Tashkent region	53,4	85,6	42,34	89,9
Fergana region	68,7	110,2	60,741	129,0
Khorezm region	51,4	82,5	32,86	69,8
Tashkent city	154,7	248,3	136,211	289,4

Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

The functioning of SMBs is significantly influenced by the development of a market infrastructure in the region. The latter includes financial intermediaries, such as banks, firms that work with securities, consulting, audit and insurance companies, information agencies, etc. The employees of such establishments should be highly professional. An effective training system for them should exist such a system has been created recently in the Republic.



In the nearest future the main aim for SMB development in Uzbekistan is to double the number of market infrastructure enterprises, thereby increasing their share in GDP of the country. The following are possible ways of achieving these aims:

- Elaboration and realization of regional programs for developing small and medium business and stimulating the personal initiative of individual entrepreneurs to establish private business in branches such as tourism, light and food industries, automobile construction, the metal-working industry, building construction, manufacturing of building materials, transport services, packing production, and conversion of agricultural production.
- Improvement of the financial credit system and widening the access for SMEs to resources and investments.
- Widening and developing the infrastructure for SMB
- Developing wholesale and petty wholesale commerce, widening the access of SMEs to raw resources, equipment, technologies, spare parts, improving the system of production sale, made by SMEs
- Improving the legal basis for the establishment of SMEs and their activities
- Widening the system of business training and skills upgrade for SMBs
- Improvement of the system of accounting, measurement and evaluation of SMB activities.

At the same time, the government should be principally responsible for the creation of favorable macroeconomic conditions, improvement of the legislative and normative base, and other organizational and methodological support at the national level. In addition, regional administration bodies should be responsible for providing direct support for the creation of SMB enterprises and for improving the efficiency of their activity.

**Economic aspects of small business: problems and their solutions**

Existing problems	Solutions (proposals)
<p>1. The records on output and incomes obtained by SMEs are not properly accounted for because of poor accounting</p> <p>2. Absence of a single system for registering the enterprises</p>	<p><b>Regulating a registration system, statistic registration of SMEs, introduction of the international system of statistic research for SME activity</b></p> <ul style="list-style-type: none"> <li>• <b>Introduction of a single system registering the enterprises</b></li> <li>• <b>Introduction of a single register list of the enterprises all over the country</b></li> </ul>
<p>3. Complicated reporting system for SMEs</p>	<ul style="list-style-type: none"> <li>• <b>Simplifying the reporting system</b>, representing the data reported only to statistic agencies and tax collection bodies (adopted by the government decree in 2000)</li> </ul>
<p>4. Complicated accounting system, and SME taxation system</p>	<ul style="list-style-type: none"> <li>• Introduction of a <b>simplified accounting system for small business</b> (introduced in 2000)</li> <li>• Introduction of a <b>simplified system of taxation for SMEs</b> (introduced in 1999, improved in 2000)</li> <li>• Introduction of <b>the fixed tax system for certain types of micro and small enterprises</b> (introduced in 2000)</li> </ul>
<p>5. SMEs protection from controlling bodies</p>	<ul style="list-style-type: none"> <li>• <b>Simplifying the reporting system of small entities to tax agencies</b> – handling the accounting balance once a year (introduced in 2000)</li> <li>• <b>Regulation of the monitoring by controlling bodies</b> (introduced in 1998), reducing check-ups of SMEs to once a year (introduced in 1999)</li> <li>• <b>Permission from the Public Prosecutor required for all controlling bodies to make searches (draw up an inventory ) in the manufacturing and stock premises of enterprises.</b></li> <li>• <b>Sharp reduction of the number of check-ups of enterprises by law-enforcement bodies.</b> Improving the quality of analytical work by law-enforcement bodies fighting economic crime.</li> <li>• Extending the use of "hot lines" (introduced in 1999) for reporting the abuse of controlling agencies</li> <li>• <b>Raising the role of economic courts, establishing the subdivisions of economic courts on a city and regional level.</b></li> <li>• <b>Strengthening the legal protection of small business units</b> (since 2000 this has been operated by the Ministry of Justice).</li> <li>• <b>Creation of a system of special courts (the lower level) for protecting the interests of SMEs</b> against illegal actions of state control bodies</li> </ul>
<p>6. Unequal access to raw-material resources</p>	<ul style="list-style-type: none"> <li>• <b>Step by step liquidation of all types of resource fund distribution</b></li> <li>• Extending the activity of the commodity exchange, wholesale trade, fairs, department stores and so on.</li> <li>• Removing the barriers for getting money from SMEs bank accounts in cash (partly introduced in 2000)</li> <li>• Creation of an information system (advertising, catalogues, internet and others) of data on tenders to sell raw materials, spare parts, equipment, ready-made goods</li> </ul>
<p>7. Slow expansion of foreign economic activity</p>	<ul style="list-style-type: none"> <li>• <b>Creation of a specialized export import agency to promote export goods of SMBs on foreign markets</b></li> <li>• <b>Facilitated system of registration of SMB entities as participants of foreign economic activity</b> (registration was abolished in 2000) and <b>system of registration of export-import contracts</b></li> </ul>
<p>8. Complicated access to credit resources</p>	<p>Creation of additional specialized funds and credit tranches in commercial banks to grant loans to SMB entities (from 1999-2000)</p> <ul style="list-style-type: none"> <li>• <b>Facilitated system of pledged security</b> (facilitated in 2000)</li> <li>• Assistance <b>in designing business plans by small business entities through the allocation of loans and grants from commercial banks</b> and other sponsor agencies</li> <li>• Increased volume of microcrediting for small business entities, permission to receive micro credits in cash (from 2000)</li> </ul>
<p>9. Lack of experienced, highly qualified organizers and leaders</p>	<p>Wide development of business-schools, business-incubators, publication of text-books and methodical literature, manuals, regulatory reference books, information materials</p> <ul style="list-style-type: none"> <li>• Enhancing institutional and human capacities of information and consulting centers</li> <li>• Introduction of business lessons at schools, professional colleges and academic lycéums</li> </ul>

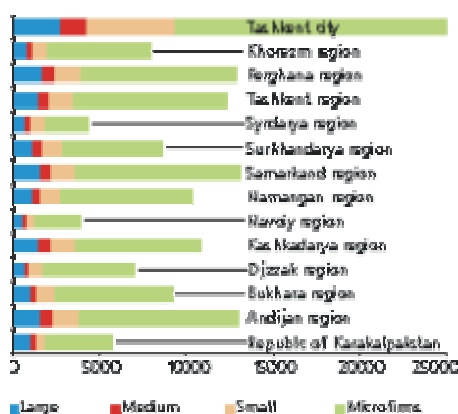
Number of people engaged in small and medium-sized businesses by regions of the Republic of Uzbekistan in 1999

Territory	Total number of business people in economy, thousands	Small and medium business, thousands	Small and medium enterprises, thousands	Share of total number of people (%)		
				Medium and small business	Medium enterprises	Small enterprises and micro firms
Republic of Uzbekistan	8885,0	4152,5	46,7	1,8	5,8	39,1
Republic of Karakalpakstan	483,5	196,7	40,7	1,6	4,4	34,7
Andijan region	827,5	401,7	48,5	1,2	4,9	42,4
Bukhara region	587,0	273,3	46,6	1,1	5,9	39,6
Djizak region	292,0	147,2	50,4	2,0	12,1	36,3
Kashkadarya region	716,0	411,7	57,5	5,2	5,6	46,7
Navoi region	309,0	95,6	31,3	1,5	5,6	24,2
Namangan region	600,5	264,2	44,0	1,2	5,1	37,7
Samarqand region	903,5	393,8	43,6	0,9	4,8	37,9
Surkhandarya region	566,0	265,2	46,9	2,8	9,6	34,5
Sirdarya region	244,0	109,7	45,0	5,6	7,6	31,8
Tashkent region	887,5	458,3	51,6	1,0	4,6	46,0
Fergana region	1015,5	495,6	48,8	0,9	2,6	45,3
Khorezm region	456,0	178,2	39,1	0,4	4,4	34,3
Tashkent city	997,0	461,3	46,3	3,3	8,9	34,1

Share of small and medium-sized businesses in GDP (individual entrepreneurs included)

Territory	1999	SMEs	Individual entrepreneurship
Republic of Uzbekistan	29,1	12,6	16,5
Republic of Karakalpakstan	20,3	8,9	11,4
Andijan region	31,5	9	22,5
Bukhara region	30,4	13,8	16,6
Djizak region	38,6	16,4	22,2
Kashkadarya region	21,6	6,8	14,8
Navoi region	20,3	6,5	13,8
Namangan region	29,9	9,7	20,2
Samarqand region	37,6	10,5	27,1
Surkhandarya region	36,9	14,4	22,5
Sirdarya region	33,3	14,9	18,4
Tashkent region	28,8	12,6	16,2
Fergana region	30,4	12	18,4
Khorezm region	30,4	9	21,4
Tashkent city	32,2	20	12,2

The structure of active SMEs by size in 1999



Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

## Small businesses and regional differentiation

Existing problems	Decisions (proposals)
1. Significant regional differentiation in the level of SMB development	<ul style="list-style-type: none"><li>• Elaboration of territorial programs for SMB development aimed at achieving the average republican level in each region.</li><li>• Introduction of tax and other privileges for SMB development in towns with the greatest economic disadvantages.</li></ul>
2. Different levels of income produced by the SMB activities in the regions	<ul style="list-style-type: none"><li>• Elaboration of measures for increasing the efficiency and expanding the scale of SMB activities, such as: the setting of productivity requirements for state contracts, expanding participation in tenders on various contract and subcontracted work, creation of a system of assistance to improve the marketability of goods and services produced by SMB both for the internal and external market</li><li>• Expansion of the business training system.</li></ul>
3. Inadequate market infrastructure in the regions	<ul style="list-style-type: none"><li>• Development of enterprises and a market infrastructure in large cities and towns which have an undeveloped market infrastructure</li></ul>
4. Insufficient level of professional qualifications of SMB employees.	<ul style="list-style-type: none"><li>• Expansion of a network of business schools and professional training institutions for SMB employees.</li><li>• A 2% tax exemption on profits to be used for the training of SMB employees.</li></ul>

### The SMB Support System

The support system for SMB development includes the following: public associations of entrepreneurs (Chamber of Product Producers and Business people, Association of Dehkan and Farm Economies, Association of Business Women); finance and credit institutions (Business Fund, Fund for Support of Dehkan and Farms Units, Tadbirkorbank); insurance support (Insurance Agency "Madad"); informational and consulting support and business training (informational and consulting centers of the Chamber of Product Producers and Business people, business incubators, business schools); distribution support (regional and specialized markets, Uzoptbirjetorg, Republican Goods and Raw Material Exchange, Agroprom Exchange); about two thousand small wholesale centers, business centers and 23 business incubators.

Measures are being adopted for the expansion of access to modern technology and equipment, including imported products. A more complete infrastructure is being developed for raw material supply. The normative and legal base for SMB activities is being improved and a number of tax privileges are being established.

## 2.2. The human aspect of small business development

The social role of small businesses is at least as important as their economic role. As a catalyst for increasing employment opportunities as well as salaries, small businesses help to create a particular social climate. They efface sharp divisions between social classes and encourage the development of competition, which means more competitive prices of goods. SMBs also facilitates the development of the health care and educational sectors.

### 2.2.1. Employment, income and small business

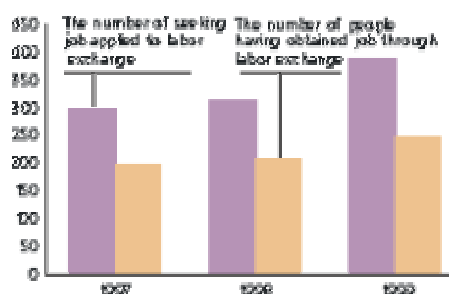
The rapid development of SMBs creates employment opportunities. It is generally acknowledged that SME development is one of the least expensive ways to create new jobs and to invest in production. It is an important means of saturating the market with goods and services and increasing tax revenues, as well as incomes.

In 1999 the government decided to create certain policies aimed at supporting SMB. This gave an impetus to the development of small business in Uzbekistan. In the same year the number of people engaged in SMB increased by 680,000 or 19.6% as compared to 1998, constituting 46.7% of the total employed population in the economy of the country.

The most intensive employment growth rate was observed in medium businesses (38,5%). As of early last year, 3672,5 thousand people were engaged in small businesses. Of them, 57% were engaged in

trade, 14,6% in industry and 10,6% in construction. Implementation of the measures developed by the government will create additional 1,215,000 jobs by year 2015.

#### Dynamics of job placement through labor exchange



Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

**Population incomes and small business.** The demographic situation in the republic is very particular due to the high birth rate. Families that have a greater number of dependants also have lower average incomes per capita. Analysis shows that the number of dependants per working person is high in families that belong to the first, second, and third deciles of familial incomes. The coefficients indicate 2.3 dependants per working person for the first decile, 2 - for the second decile and 1.8 for the third decile. Families belonging to the 10th decile have 0.8 dependants per working person.

The decrees lately adopted by the government are aimed at developing individual and entrepreneurial activity, as family businesses and farming. The intention is to create significant potential for income generation through financial support, access to resources and the creation of jobs for able-bodied members of a household, who are willing to work, including women with children.

According our calculations, the increase in the number of people employed in the small and medium business up to 680.5 thousand people in 1999 (5.2%) provided more than the fifth part of the whole growth of real population income (23.2%). The realization of the emerging measures on the increase of number of people working in this field for 1.2 million people would give the opportunity to bring the share of incomes from SMB to 50% from the total growth of the real population incomes.

#### Percentage of employed in small and medium businesses out of the total percentage of those employed %

	1998	1999
Total percentage of those employed in small and medium businesses:	39,5	46,7
1. medium business (total)	3,9	5,4
2. small business (total)	35,6	41,3
2.1. small enterprises, including micro-enterprises	4,6	5,8

Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

#### Employment: problem overview

Official statistics take into account only the unemployed who are registered at the Labor Exchange Office. The Ministry of Labor thus considers that there are 645,000 unemployed individuals who are willing to work. The estimated unemployment rate based on this figure is 6.8%.

An analysis reveals the following problems:

- The rate and scale of the creation of new jobs still does not meet the demand for employment.

- Low mobility of surplus labor resources in rural areas. Due to low levels of training and the lack of skills, as well as to an inflexible housing market, workers are prevented from migrating to areas with a growing demand for labor.
- The demand for a professional and skilled labor force and its supply are imbalanced.
- The system of training personnel does not allow it to quickly reorient itself to the changing demands of the labor market.

In the nearest future the problems in employment will remain because of expected high inflow into the able-bodied population and active outflow of labor force from agricultural production as well as increase of labor productivity, activization of bankruptcy processes and other reforms in economy.

Estimates show that:

- During 2000-2005 the able-bodied population will grow by 14.5 percent (on average, 303,000 people annually), which is close to the economic growth rate for 1997-1999. The growth rate of labor resources in rural areas (which is over 70% of the total figure) will remain constant. However, in 2006 the annual growth rate of the able-bodied population is expected to decline by 1.9% and by 1.6% in 2010. The average growth rate per year during this period will be about 250,000 people.
- There is a trend of growth in labor productivity that can, between 2000-2005, lead to the release of a considerable part of the labor force, and its reorientation towards new kinds of activities. Therefore if the average growth rate of labor productivity per year in industry and construction will remain at the level of 1996-1999, about 260,000 people may be laid off from their jobs.
- It is estimated that there is a surplus of over 650,000 persons in the agricultural labor force. Furthermore, between 2000-2005, more bankruptcies and the liquidation of unprofitable enterprises will cause not less than 100,000 people who are presently working in non-agricultural sectors of material production to be laid off.

The above data testify that in the near future the situation of the labor market in Uzbekistan, will become even more tense than it was in 1997-1999. In order to meet the growing need for employment in 2000-2005, it is necessary to create not fewer than 3 million jobs (or 500,000 per year). This is 1.5 times more than the number of jobs created within the last four years. The situation may begin to improve only in 2006, due to the decline in the growth of the able-bodied population.

## 2.2.2. Social stratification and small business

As in other post-Soviet countries, the transition to a new economic system in Uzbekistan was accompanied by changes in the social structure.

By the middle of the 1990's, new social categories were formed in the Republic, which differed greatly from traditional ones (e.g. a society of workers, peasants and the national intelligentsia) were replaced by business people, individual proprietors, and the indigent.

The first unstable years of the transition period divided Uzbek society into those who were able to take advantage of the early development of a market economy and those who, due to various circumstances, could not do so. The majority of people belonged to the second category, and they felt robbed, deprived and impoverished.

However, with the creation of favorable conditions for the acquisition of private property and businesses, a new stratum of people who gradually adapted to market conditions appeared. They were able to take advantage of opportunities to generate income from various private enterprises and from the buying and selling of property. The formation of the middle class had begun: it encompassed the representatives of small and medium-sized businesses in all sectors of the economy.

In developed countries the middle class constitutes the foundation of society, since a larger middle class allows for greater political stability.

The following questions are addressed below: What is the size of the middle class in Uzbekistan today? What groups in the population can be regarded as a part of the middle class? What is the percentage of private businessmen and women in the middle class? What problems hinder its growth and what are its perspectives?

Every country's middle class is determined by historical circumstances, cultural mentality and social and economic development. That is why we find it difficult to define "middle class." Nevertheless different techniques have been developed to determine its parameters.

Two approaches to defining the middle class adopted by sociologists can be mentioned here: subjective and objective. The first approach is based on the principle of individual self-enrolment in particular classes. The second does not depend on the individual's opinion of whether or not she fits into a particular social stratum. Instead, it is based most frequently on criteria such as the level of income and character of activity (work), as well as other factors closely related to one another, like education, qualifications, official position, life and consumption standards.

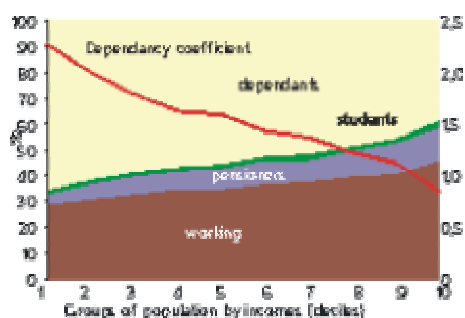
In order to make a comprehensive estimation of the size of the middle class and its social base, it is necessary to divide the population into six groups (unlike the traditional three social groups, rich, middle and poor): those with high living standards, those living above average, average, below average, low and very low. The last two social groups can be considered in determining the cause and the magnitude of poverty. The middle class can be viewed as the aggregate of population groups with above average life standards (potential for wealth stratum), average and below average ones (potential of middle class stratum).

#### Characteristic features of the middle class

1. Level of education	12.3 years
2. Professional and qualification level	Leaders, managers, specialists, professional workers and artisans, agricultural labor, carrying out activities requiring professional skills.
3. Size of the household: people including children	6.1 2.5
4. Availability of living conditions: Sq. meters / one person	Private flat or a house 11.8
5. Private property: a piece of land productive capital	1,200 m <sup>2</sup> Automobile/truck, tractor, sewing machine, cattle, poultry.

Source: Analysis of households budgets from Fergana Valley, Feb. 1999

#### Relation between the level of dependency and incomes of households of 1999



Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

These six categories were used during the sociological survey of the households that was carried out in February 1999 in the Fergana region, in accordance with Eurostat methodology. Responding to questions such as, "What social group can this household belong to in accordance with the size of the income?" (high, above average, average, below average, low, very low), households ranked themselves as follows: 46.7% of household units considered themselves to be "average," 10.3% "above average" and 26.1% below average. Together these groups represent the middle class or approximately 83% of the total population, when these social factors are analyzed. Other groups (about 17%) assessed their income levels as "high," "low" or "very low."

Average per capita income of the households, constituting what we call «the social base of a middle class» is within the range of 81-140% of the regional average. 89% of these households own parcels of

land, on average 1,200 square meters, where they grow products for the needs of the family and for sale. More than a fourth of the households have motorcars and tractors. More than 70% of all registered farms, small family enterprises and mini-firms can be included in this group. The majority of household heads (79.5%) have had some schooling, vocational training or higher. As for their professional activity, almost half of them are heads of enterprises, heads and managers, experts (professionals), service and trade workers, agricultural workers employed for work that requires professional skills, and handicraft workers. According to their type of activity they can be divided into the following categories: in agriculture- 41%, in industry -almost 13%, education- almost 11%, in trade- more than 9%. More than 36% are engaged in small-scale retail trade or various private individual activities. The vast majority household heads (97%) own a private apartment or house.

The above mentioned characteristics suggest the following, tentative definition of a middle class in Uzbekistan. A group of people adapted to the market economy, mobile and focused on the use of their own resources, with a level of income, social status and social and cultural characteristics enabling them to be independent. The formation of a social stratum with such characteristics depends directly on the development of business, expansion and effective property utilization by the population in making a living.

It is not by chance that the results of this survey indicate that a significant percentage (more than 25%) of those we have tentatively identified as the "middle class" are people engaged in small-scale business as their main activity. At least one individual was engaged in small-scale business in more than one third of surveyed households (including farmers). This reveals that small businesses play a significant role in the formation of the middle class, which in turn contributes to the improvement of the economic and political situation in the society.

**Social stratification and small business**

<b>Existing problems</b>	<b>Decisions (proposals)</b>
1. The high level of differentiation between the rich and poor.	<ul style="list-style-type: none"> <li>• Development of small and medium-sized businesses that would alleviate poverty and provide additional income and employment</li> <li>• More focused protection of the poor, especially in matters of payment for accommodation, municipal services, public health services and education</li> </ul>
2. Insufficient percentage of a middle class (without the category "below the average"). It is advisable to increase it by approximately 1.5 times.	<ul style="list-style-type: none"> <li>• Introduction of additional tax benefits for the development of small- and medium-scale businesses is recommended in certain economically undeveloped rural areas (including the cancellation of all taxes for 5 years)</li> <li>• Introduction of a more flexible system of surtax that would contribute to widespread, relatively low percentage rates.</li> </ul>
3. High level of education, professional skills and qualification of the middle class.	<ul style="list-style-type: none"> <li>• Creation of an effective system of preparation, retraining and training of personnel, including those engaged in small- and medium-sized businesses.</li> </ul>

**2.2.3. Small business and social sectors**

During the transition period, the social sectors of the country were the most affected by the insufficiency of budget finances. The economic slowdown resulted in the decline of the flow of revenues into the public budget, and the state was obliged to spend a great deal in order to maintain the social security of the population. Social spending was also negatively affected by more rigid financial policies aimed at overcoming the inflation which resulted in reduced budget expenditures for many programs. This, despite the fact that the need for social expenditures remained at the level of 45-50% of the budget during the past nine years.

Radical change is clearly required. It is equally clear that without private investment in social sectors, the situation cannot be radically changed. Therefore, the next step required is the development of private businesses in social sectors.



#### Expenditures on public health

Parameters	1992	1993	1994	1995	1996	1997	1998	1999
Expenditures on public health as a percent of.								
GDP	4,8	4,3	3,5	3,6	3,5	3,1	3,0	2,9
State budget	11,0	11,0	10,5	11,2	9,7	9,5	8,9	9,1

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan

Internationally, many private enterprises have expanded beyond their traditional purview, medical insurance, into other areas, particularly stationary and ambulatory clinics, as well as private practices, the majority of which can be classified as small and medium scale enterprises. Currently there are 80 private hospitals and 956 ambulatory polyclinic enterprises in the republic. Almost all pharmacies became either completely private or are only partially subsidized by the state (subsidized at a rate of not more than 35%).

Moreover, over 3,000 doctors have received private medical practitioner's licenses. Of 550 doctors who received such licenses in 1999, 27.6% are dentists, 16.7% therapists, 12.4 % gynaecologists, 7.6% pediatricians, 6% neurologists.

Private health care is developing gradually in Uzbekistan with the growth of the average income of the population and with improved control over the quality of services provided in this sector. The number of private enterprises in the health sector is still relatively small.

#### Small enterprises in the public health sector of Uzbekistan

Parameters	Units	1995	1998	1999
Num. of enterprises	Units	319	605	744
Average no. of workers	People	3156	2645	3205
Total revenue from provision of goods and services	1,0 mln soum	157,200	978,206	1,037,582

Source: Ministry of Macroeconomics and Statistics, Republic of Uzbekistan (\* - estimated)

It is clear that not all of the population can pay for services offered by private medical enterprises. Yet the services provided by these enterprises lessen the burden on free, state medical services and allows those with limited incomes to access better medical care as well. Thus a portion of the consumers, namely those who desire and can pay for more comfortable conditions of treatment and a wider variety of services in the private healthcare sector, are diverted away from the free state sector.

The private sector in the sphere of health services has not developed evenly. Concentrations have developed in certain areas and services such as dental care, diagnostic medicine and physical therapy are more likely to be provided by private clinics than state clinics.

Practically every fourth polyclinic is a private one. However, only 1.2% of all first patient visits occur in them. Only 0.85% of all patients are treated in private hospitals. Moreover, despite the increase in the share of total medical care that is chargeable, its size is still insufficient to constitute a stable and significant source of budget funds.

It is difficult to predict the scale of further development of small private businesses delivering health services. However, real demand from the population accompanied by the ability to pay higher fees are

factors that will affect the development of this sector. It is important to establish a balance between private and public health services, in order to ensure their availability to the whole population.

Education:

In addition to their infiltration of the medical services sector, small- and medium-sized businesses have also developed in the sphere of education. There are few obstacles to receiving a primary and/or secondary education in the republic, though its quality is inconsistent. This is a major problem as entry to institutions of higher learning is contingent upon successfully passing entrance exams.

Though the share of finances allocated to education from the state budget is growing, it is still not sufficient. Poor equipment in laboratories, a shortage of textbooks in libraries, low wages for university teachers and tutors in preschool establishments are all factors that contribute to the poor quality of education in the republic.

National legislation allows for the organization of private preschool establishments and private educational establishments at practically any academic level, provided that they operate under state accreditation and receive appropriate licenses. Such establishments have at their disposal the means to support teachers and to better equip classrooms and laboratories. At the same time, there are practically no private educational establishments providing pre-university and university education. This is due to the fact that the government fully finances general secondary education and partly subsidizes specialized secondary and higher education. The lack of facilities in this area is also a reflection of the lack of sufficient income in Uzbek society to support such institutions. Educational services and research that enable universities to become financially independent from state financing are insufficiently developed. The share of revenues from commercial activities declined from 8.9% to 5.2% in 1999; revenues from research activity decreased from 7.9% to 4.5%.

Under these conditions, small and medium businesses in the sphere of education have been engaged in providing business training for SMB employees.

Some 12,000 people have been trained in only 23 business incubators since 1996. 104 small and medium-sized enterprises have received assistance totalling 268 million sums and 950,000 USD for implementing investment projects that were carried out together with the UNDP. As a result, more than 3,000 new job openings were created.

In order to encourage the development of small- and medium-sized businesses, attention should be paid to the following:

- All types of small and medium private educational establishments providing services at pre-school and vocational levels should be completely exempt from taxation.
- Creation of independent business schools under the auspices of higher educational establishments should be promoted; they should be exempted from taxation for a period of no less than 5 years, beginning from the moment of establishment; further on, privileged taxation of income from educational activity should be introduced. Educational establishments should not be subject to property tax and VAT.
- The part of an educational establishment's income (not less than 2% of the total) directed for training of the staff should be exempted from taxation.
- Private tutoring should be legalized.

#### **2.2.4 Small-scale businesses and competition**

The role of small businesses in the development of a competitive environment is difficult to overstate. Wherever competition exists, it compels goods manufacturers to constantly apply new technologies, improve labour productivity, and decrease or restrain products prices. In other words, competition continuously forces manufacturers to use resources more economically to achieve the most effective

combination of factors of production in use. Competition is the less expensive and most efficient mechanism for economic control.

Unfortunately, there is as of yet real competitive market in Uzbekistan. According to data from the Republican Center for the Study of Supply and Demand in Commodity Markets under the Ministry of Macroeconomics and Statistics, only 1.5% of small enterprise heads in the goods producing sector mentioned competition among other main business problems, while 5.5% did so in the service sector. On the one hand, this means that competition with big enterprises does not, as a rule, restrict the development of small- and medium-scale businesses. However, such a weak pressure testifies to a general lack of competition.

At the same time, this indicator in the trade sector is much higher: 83% of all trading enterprises consider competition one of their major problems. This is not surprising. It is in this sector that a product meets the tastes, habits and income of the buyer.

The Republican Center for the Study of Supply and Demand in Commodity Markets under the Minmacroeconomostat surveyed the business activity of 620 retail-trading enterprises in Tashkent. According to the results of the survey, 43.5% of trade enterprises are in strong competition with other enterprises; 17% of trade enterprises feel themselves strong enough with regards to the consumer market. Competition does not seem to adversely affect their activity. Franchise shops are the most indifferent to competition: 20% of them do not feel its impact at all. Wholesale shops come next, which 18% feeling no competitive pressure. Among retail trade enterprises, 15% do not feel any competitive pressure. Thus, the number of enterprises that are not subject to competitive pressure is still quite high.

Micro-companies and small enterprises with 5 to 10 employees are subject to the most vigorous competitive pressures. Medium-sized enterprises experience less competitive impact. Such research suggests a strategy for supporting small and medium businesses: the smaller the business, the greater the support needed.

During the first stages of small business formation, a majority of small enterprises heads «did not perceive» the presence of competitors. The total commodity goods deficit at the beginning of the 1990's created an illusion that the market, particularly the commodity market, did not have any limits and consumers would buy out any and all goods supplied.

Yet due to the lack of market experience, entrepreneurs did not understand that consumer demand is not only the desire to buy but also the capacity to pay. The desire was not a problem, but the purchasing potential in both producer and consumer goods sectors sharply decreased with the start of reforms. The problem of inadequate sales soon led entrepreneurs, especially those at the head of small businesses, to cut prices. Thus, with the development of SMEs competition moved into the sphere of prices and the quality of goods.

### **2.2.5. Small Business and the Grey Economy.**

Critics of SMB development often say that this sector is home to a great deal of grey activity, i.e. activity that is illegal, borderline illegal, or, at minimum, is not officially registered. Large business enterprises cannot conceal large volumes of work for long periods of time, while tax evasion is widespread among small businesses, not only in transition countries, but in developed countries as well.

The existence of widespread, grey activity has multiple negative impacts:

- Budget income suffers from a failure to pay taxes;
- Such activities fail to comply with established norms of labour legislation, including observance of safety precautions, etc.;
- There is a lack of control over the quality and safety of goods and services produced in such sectors;

- In certain circumstances, for instance when large volumes of cash is in circulation outside the banking system, grey activity can have a negative effect on currency stability, the exchange rate and price levels;
- Grey activities offer incentives for corruption in the sphere of state management and control;
- Grey capital lends itself to politically and socially destabilizing practices, such as financing terrorist criminal activity and the purchasing of weapons and drugs.

These problems generated by grey business activity are grave enough to demand closer scrutiny.

#### What hinders business?

In September - November 2000, the Center for the Survey of Public Opinion, "Ijtimoyi fikr", interviewed over 4,000 entrepreneurs. The objective of the survey was to reveal how entrepreneurs assess the work of hokims of regions and cities, high officials of other regional administrative bodies in their support of the development of private enterprises, small and medium businesses and dekhan and peasant farms. Respondents assessed the results of their business activity as follows: 4.9% as "excellent", 48.6% as "good", 37% as "satisfactory" and 9.3% as "unsatisfactory". The survey showed that a majority of those questioned cannot pursue successful business activity, as a result of the lack of financial resources and of the difficulty in buying material and technical resources. This is the opinion of 38% and 20% of respondents, respectively. The second group of factors as identified by 10% of respondents is related to the lack of support on the part of hokimiats and the unwillingness of banks to cooperate with small and medium businesses. The third group of factors hindering the activity of entrepreneurs is the insufficiently developed infrastructure related to the support of business activity (identified by 15% of respondents) and the chronic lack of information (10%, respectively). 72.4% of those questioned feel that the work of regional (municipal) hokimiat and that of khokim of the region (city) to support and protect entrepreneurs actually helps to create conditions conducive to business and farming activity, while 19% did not. Some 7.6% of respondents say that there were cases of blatantly illegal interference with the activity of their enterprises from officials of regional (municipal) hokimiat. The survey also showed that practically all territorial administrative bodies are corrupted, characterized by bribery and blackmail. Owners of peasant farms have many problems related to the drawing up and implementation of contracts with organizations that can affect the efficiency of their agricultural work. The provision of agricultural machinery and its repair was mentioned as a problem by 17%, and 15% mentioned the problems having to do with mechanical lubricants, 13% with fertilizers and 10% with seeds. Thus the access to material and technical resources as well as raw materials remains among the major problems faced by owners of peasant and dekhan farms.

How widespread is grey business in Uzbekistan? Unfortunately, no special investigation of this matter has yet been carried out. However, calculations of the amount of grey business based on the volume of cash in non-bank circulation give rise to an estimate of not less than 22-24% of GDP. At least half of this activity occurs in SMB enterprises. Separate sociological surveys show that as much as 20% to 40% of small- and medium-sized enterprises are engaged in grey activities, including the illegal manufacture of goods, and the production of goods and services without payment of appropriate taxes. Moreover, according to the same surveys, up to 85% of registered enterprises engage in the practice of double booking, so that up to half of all commercial contracts do not get recorded in the official set of receipts. Professional auditors are familiar with schemes which allow enterprises to escape official taxation by setting up false firms (almost as a rule, small and micro-enterprises). This can be done both legally and illegally.

It is also difficult to officially register private entrepreneurs if they function without the mediation of an attorney. For example, in 2000 the number of private entrepreneurs increased by more than 4.5% against the previous year. They numbered about 3.8 million individuals (about 85% of all those engaged in small and medium business). Out of this number only 200,000 were officially registered by local authorities as individuals involved in a business activity.

In Uzbekistan, many significant privileges are granted individual businessmen working without legal mediation (i.e. low cost of patents, privileges in receiving cash from the banks, etc.). As a result, many SMB business people ceased to work legally during the last two years and began working individually. The volume of work remained the same, or even expanded, although this shift significantly narrowed the base of taxation, increased non-bank circulation and promoted a decrease in the value of the national currency in the unofficial market.

Surveys of business people revealed a number of objective reasons why entrepreneurs engage in grey activity. Taking into account the great role small and medium-sized businesses play in creating employment for, and providing income to, a significant portion of the population, measures should be adopted to eliminate or minimize the disadvantages of legalization, so as to encourage legal business practices in the SMB sector.

Existing problems	Decisions (proposals)
1. High level of total taxation (republican and local taxes), obligatory contributions to extra-budget funds, e.g. the highway fund, employment fund or pension fund.	<ul style="list-style-type: none"> <li>• Reduction of payments to extra-budget funds. Maintain such funds with profit, not turnover.</li> <li>• Change of scale of income tax, with substantial increase of the threshold value for progressive rates</li> </ul>
2. High level of compulsory contributions imposed on businesses by local authorities. This money is invested in the construction of prestigious buildings, where various sports and mass events are held.	<ul style="list-style-type: none"> <li>• Introduction of penalties for local officials who impose such compulsory sponsorship of various activities.</li> </ul>
3. Various constraints that hinder the efficiency of commercial decisions: contract registration, controls placed on bank accounts, meddling in business affairs by supervising bodies.	<ul style="list-style-type: none"> <li>• Removal of the power of control of commercial banks over the use of money by their clients;</li> <li>• Revision of supervisory powers of state administrative bodies; avoid excessive control of the market economy.</li> <li>• Change of the methods of control over the activity of economic entities, i.e. penalize economic entities which engage in illegal activities.</li> </ul>

### 2.3. How the government can act to support small businesses

In order for every individual who is inclined toward entrepreneurial activity to be given a chance to realize his/her aspirations and to make use of his/her capabilities, an environment should be created to motivate and support him/her at the very beginning of this difficult road to economic freedom and well-being. In transition economies, the government should play an important role in the formation of such an environment. It should create a stable legal base, ensure macroeconomic stability and maintain those structures that can support the development of small businesses.

#### Creating a Macroeconomic Environment for the Development of Small- and Medium-Sized Enterprises

The government of Uzbekistan emphasizes the importance of the development of SMEs, but the Uzbek authorities have yet to create a macroeconomic environment that is sufficiently conducive to the development of SMEs. The following are six areas where improvements are needed, in order to improve the situation:

- First, SMEs need price stability. With inflation rates in double digits, SMEs find it difficult to properly plan their production and their sales.
- Second, the exchange rate plays an important role for SMEs, in the import of raw materials and capital goods as well as for the export of their output.
- A third and related concern for SMEs are the administrative restrictions on convertibility and trade. This has become the single most important obstacle to doing business in Uzbekistan.
- Fourth, SMEs need access to financial credit, especially as they are being set up.
- Fifth, SMEs by their very nature deal with relatively small transactions and are therefore dependent on unhindered access to cash sources.
- Finally, the tax system needs to be adapted to the requirements of a market economy where the government does not have immediate access to any bank account.

Source: from the speech of Dr Ch.Rosenberg, Resident Representative of the IMF in Uzbekistan, at International conference "Business and Ecology: International Experience of Support and Development of Private Entrepreneurship of Small and Medium Enterprises", Tashkent, March 26, 1999

#### 2.3.1. Starting capital: the difficult search for small sums

Finding startup capital is the first difficult task in founding a small business. In order to start a business, even the smallest one, it is necessary to have the funds for organizing the firm and obtaining premises, equipment, raw materials and labour. Although such startup capital for small firms can be rather modest, finding it is a significant obstacle for many Uzbek citizens who would like to start-up their own business.

Start-up capital can come from the entrepreneur's own pocket or from funds attracted from outside (e.g. sponsors or loans). The majority of persons who had intended to start a business in Uzbekistan at the beginning of the transitional period did not have a sufficient amount of startup capital. This can be explained by a number of factors. The citizens of the former USSR, on the average, were not wealthy, and the massive inflation not only consumed their available savings, but also made it unprofitable for the banks to give credit.

The Business Fund established by the state, which accumulated a significant part of the money received from privatization and redirected it toward credit for SMBs, was not able to satisfy the enormous demand for capital. Commercial banks were not only uninterested in providing credit in risky situations but also did not have sufficient capital themselves to fully meet the demand from small- and medium-sized businesses.

This created an environment conducive to corruption, since the majority of entrepreneurs were unable to obtain financial resources needed to start their businesses, even after making numerous attempts to apply for support at various bureaucratic levels.

On the other hand, failure to repay loans was common, as was their use for non-business purposes, e.g., for the purchase of personal automobiles and real estate. The majority of the entrepreneurs planned their loans inefficiently, which resulted in the bankruptcy of their business.

In these complicated circumstances, a legal and regulatory system for granting credits to small- and medium-sized businesses has been gradually established in the country.

The legalization of conditions for the development of micro-crediting through commercial banks according to a simplified mechanism of granting credits of fixed amount was of special importance for the expansion of the access of individual entrepreneurs of small and medium businesses to credit resources.

Along with credit from internal sources, foreign credit lines were also arranged. The total amount of foreign investments already utilized for development of small- and medium-sized businesses during the reform period exceeds \$200 million.

At the same time, the demands of small- and medium-sized businesses for financial resources are not completely satisfied due to the following reasons:

- High risk for the banks in granting long-term credit. The insurance system for such credit is practically non-existent and this significantly influences the interest rate on such loans;
- Inadequate qualifications of SME managers, which hampers their ability to use loans efficiently;
- Low quality of business plans for projects receiving credit;
- Constraints on getting the total amount of the credit in cash as the borrower wishes;
- Constraints on granting credits for trading and mediating activity.

Along with bank credit sources, the development of alternative institutions and crediting methods would be expedient. In some regions (for example, the Republic of Karakalpakstan and Kashkadarya region) several projects are being implemented by various schemes of crediting from funds of foreign organizations. Such initiatives allows a more in-depth study of possible mechanisms of micro-crediting for entrepreneurship and small businesses through non-bank structures, in particular, through non-governmental organizations. Other types of micro-credit methodology appropriate for Uzbekistan should also be more widely promoted. The most urgent issues, including legal and regulatory bases, should be discussed with all stakeholders.

#### **The list of legislative documents regulating the crediting problems of small and medium business**

1. The Procedure of Crediting Citizens of the Republic of Uzbekistan in National and Foreign Currency registered by the Ministry of Justice of the Republic of Uzbekistan on April 15, 1994, N65.
2. Main Conditions of Extending Micro-Credits by the Business Fund to Private Entrepreneurs and Small Businesses Approved by the Cabinet of Ministers of the Republic of Uzbekistan (Decree of the Cabinet of Ministers of April 26, 1995, N 291).
3. Insurance Procedure (Including the insurance of pledges presented as a security for the credits extended to small and medium enterprises (private enterprises and small business) approved by Decree N292 of the Cabinet of Ministers of the Republic of Uzbekistan of July 26, 1995.
4. Rules for Crediting and Repayment by Private Farms registered by the Ministry of Justice of the Republic of Uzbekistan on November 28, 1995 under N194.
5. Decree N232 of the Cabinet of Ministers of the Republic of Uzbekistan "On Improving Incentives of Development of Small and Medium-Sized Businesses" dated May 27, 1998.
6. Procedure of Crediting Self-Employed Entrepreneurs as well as Small and Medium-Size Businesses by Commercial Banks from Credit Lines Extended from Extra-Budgetary Funds, registered by the Ministry of Justice on July 20, 1999 under N755.
7. Procedure for Micro-Crediting by Commercial Banks of Self-Employed Entrepreneurs and Peasant Farms Operating without the Establishment of Legal Entities in National and Foreign Currency, registered by the Ministry of Justice of the Republic of Uzbekistan under N902 on February 29, 2000.
8. Procedure for Micro-Crediting of Peasant Farms and Other Small Business Actors Operating with the Establishment of Legal Entities in National and Foreign Currencies, registered by the Ministry of Justice of the Republic of Uzbekistan under N903 on February 29, 2000.
9. Regulations on the Requirements to Crediting Policies of Commercial Banks registered by the Ministry of Justice of the Republic of Uzbekistan under N 905 on March 2, 2000.
10. Decree of the Cabinet of Ministers of the Republic of Uzbekistan of March 4, 2000 "On Support to Farmers, Private Entrepreneurs and Other Small and Medium-Size Business".
11. Edict of the President of the Republic of Uzbekistan "On Further Liberalization and Reorganization of the Banking System" of March 21, 2000, N UP-2554.
12. Procedure for Crediting Peasant Farms as well as Small and Medium-Size Business by Commercial Banks in National Currency, registered by the Ministry of Justice of the Republic of Uzbekistan N 907 on March 7, 2000.
13. Decree of the Cabinet of Ministers of the Republic of Uzbekistan "On Additional Interventions to Reform the Banking System" of March 24, 2000.
14. Decree of the Cabinet of Ministers of May 19, 2000, N195
15. Law of the Republic of Uzbekistan on Guarantees of Freedom of Enterprise of May 25, 2000.

Micro-credit is a significant tool of support for small businesses as well as for the expansion of self-employment, especially among women. It may also prove effective for the alleviation of poverty. But assisting in motivating enterprise, micro-credit can facilitate the transition of many citizens from poverty to entrepreneurship.

#### **2.3.2. Market and Business Freedom**

In a centralized economy, the state plans the activity of all enterprises, laying the responsibility for mistakes in planning on the society as a whole. A market economy in theory does not allow the state to directly interfere in the activity of enterprises.

International experience shows that the greater the freedom in economic activity, the faster a competitive market environment will develop. However, there is pressure on states to encourage the establishment of market institutions. These duties of a state include maintaining a competitive environment, effective anti-monopoly policy enforcement, and protection of competition.

Market reforms resulted in the following:

- Most raw materials are sold at freely established prices and without centralized distribution;
- An infrastructure of exchange has been established in the internal market;
- Large and small wholesale markets for agricultural products, other food items, and construction materials have been formed;
- An information network, including advertising in newspapers and magazines is being developed;
- The opportunity for free disposal of private and borrowed resources for the purchase of necessary goods and raw materials has been developed.

#### **Assisting micro-credit development through joint consultations**

Taking into consideration the importance of meetings between various stakeholders, allowing for the discussion of the most pressing issues as well as approaches to deal with them, the Center for Economic Research (CER) organized a round table on micro-credit within the framework of preparation for the National Human Development Report 2000.

The major objectives of the round table were as follows: (1) discussion of the most relevant methodological and practical issues of micro-credit development in Uzbekistan and elaboration of uniform approaches to their solution; (2) elaboration of recommendations aimed to remove obstacles on the way to expand micro-credit in the republic.

The participants of the round table, particularly government officials, were very interested in the micro-credit experience of projects financed by UNDP and NOVIB in the Karakalpakstan and Kashkadarya regions. Project managers emphasized that their work was mainly directed at (1) improving the living conditions of low-income groups of the population through the expanded self-employment and subsistence activity; (2) strengthening of NGOs as structures providing micro-credit; (3) creation of an environment for successful micro-credit introduction. All these projects employed non-banking structures, based on group crediting, in which collective responsibility substitutes for pledged security, and credit can be granted in cash.

Representatives of non-governmental organizations actively supported the initiative to legalize and extend micro-credit granting by non-bank structures. They spoke at length about the potential of non-governmental organizations in the sphere of micro-credit and existing legal constraints.

The following problems were raised during the discussion:

- different interpretations of the concept of micro-credit used by domestic administrative, financial and banking structures, as well as international institutions.
- advantages and disadvantages of micro-credit schemes implemented through the banking system by domestic donors;
- basic obstacles in the way of micro-credit development implemented by international organizations outside of the banking system.

After the discussion, the proposals and recommendations of the participants of the round-table were summarized as follows: CER is to form a workgroup that should prepare, jointly with representatives of all interested parties, a program listing priority measures to remove obstacles on the way to micro-credit development, and submit it to the Government for consideration.

At present further liberalization of economic relations is of special importance in Uzbekistan, where the government has been the major initiator of all market reforms.

Further transformations should achieve the following objectives:

- The creation of equal access for small private enterprises (in comparison with state enterprises) to the raw materials and other resources that are still distributed by the government;
- To enable wholesale buyers to import necessary raw materials and other resources, whose production is impossible, unprofitable or insufficient in the republic;
- To create a legal basis for free access by depositors to their own financial resources, both in cash and non-cash forms;
- To stimulate the expansion of information about commodity markets.



Some problems were solved or mitigated by measures to liberalize the banking system adopted by the government of Uzbekistan at the beginning of 2000. They established that dehqan, farms and other SMB enterprises that have foreign investments are entitled to receive cash resources from their accounts within the limits of the cash proceeds submitted for the previous 90 calendar days. Private entrepreneurs without cash proceeds are entitled to receive cash up to 50% of the circulation for the previous quarter.

Agricultural producers and farms are provided with state support in obtaining access to raw resources, technical equipment, fuel and oil, chemical fertilizers and animal forage. The problem of the allocation of fuel and oil to farms has largely been solved. Their demand is taken into account as special provision in the balances of state resources.

The Agro Industrial Exchange system practices the allocation of broker places to the SMB enterprises on a preferential basis, reduction of the commission tax during registration of contracts and exemption from the commission tax of direct manufacturers of agricultural products that are being sold on exchange tenders. All this lowers overheads and makes products more competitive.

The system of registration of SMB enterprises as participants in foreign trade activities was simplified. Earlier this function was assigned to the Ministry of Foreign Economic Affairs. Today, local authorities register SMBs as legal entities for engaging in foreign trade activities and opening foreign currency accounts in authorized banks, without additional registration at the Ministry of Foreign Economic Affairs.

In order to expand the commodity market and promote domestic products abroad, it is necessary to actively use the Internet and mass media outlets. Progressive technologies should be actively promoted at fairs and exhibitions.

In order to increase the volume of commodity production and rational use of resources available in the republic, a modern system of storage and transportation of raw materials should be created which would cover all territories of the republic. At the same time, all ownership forms of enterprises in this sector should compete on equal ground, and SMBs should have equal access to orders.

The number of small-scale consumers is considerable in the republic. At present it is growing sharply due to the development of entrepreneurial activity, particularly in rural areas. Therefore the prospect of the development of small-scale wholesale trade is optimistic.

#### Implementing a microcredit program in Karakalpakstan: a success story

Feruz Nizamaddinova lives in Kegeyli region. She is 34. Her family consists of seven people: two of them work and two are pensioners. She has participated in a micro-credit program since August 1998. Before that, she worked as a teacher in a secondary school. The family was poor and it did not have money to start a business. At a critical moment Feruz heard by chance about the micro-credit program at the hokimiat. She became a member of the newly established microcredit group called "Gulmira". In September that year she received her first loan. At present she is engaged in the resale of sheep. During the time of her participation in this program, the welfare of the family has improved considerably: she bought cattle for her family and saved some money. Now she plans to enlarge her business by setting up a farm. The family received material and moral incentives from the program, and improved its welfare from the loan.

2. Aisha Amanbaeva lives in the Nukus region. She is 40 and married. Her family consists of five people, two of whom are working. In January 2000 Aisha heard from her neighbors about the micro-credit program operating in this region. She organized her own microcredit receipt group, "Aisha" and became a client of this program. She received her first loan in February. Before she entered this program she had worked in a sewing shop for 18 years. Eventually, she had her own private sewing shop. Having received this loan she managed to enlarge her activity and hired two additional seamstresses. Previous to her successful loan, Aisha did not have enough money to pay for fabrics and purchased them on credit (at a price higher than the market price). Now she can buy fabrics directly at a lower price. The most important thing for her is her family's improved welfare. A month ago she got an additional loan and opened a cafe next to her sewing shop. In the future she plans to open more establishments.

3. Saule Sarsenbaeva is 22 years old and married. She lives in the Nukus region. Her family consists of seven people, two of whom are working. Saule worked in Aisha Amanbaeva's sewing shop as a seamstress for 6 years. The young seamstress was advised by Aisha to join the "Aisha" microcredit group, and in February 2000 she received her first loan from this program. With this money she opened her own shop to sew traditional clothing. At present Saule's business is flourishing. She managed to purchase two sewing machines. She has savings to buy fabrics of better quality, which will hopefully attract more customers. This program allowed Saule to start her own small, profitable business. This business improved the welfare of Saule's family.

Source: Results of survey of Micro-credit program's customers in Karakalpakstan

#### Problems that are still difficult to solve

Most of obstacles on the way to more liberal entrepreneurial activity can be removed in the short-run. However some problems need more time to be resolved. The following are areas that still need some work:

- Access of SMB enterprises to foreign exchange to be able to freely exchange their funds in national currency into hard currency;
- Access of SMBs to credit resources in hard currency;
- Access to accurate information about the state of national and international markets;
- Access to international-standard technology;
- The end of a high level of monopolization of some key national markets;
- An increase in the level of business experience, of education and qualifications of local entrepreneurs.

### **2.3.3. Less inspection, more trust**

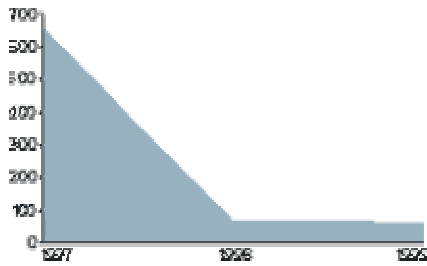
One of the legacies of the centralized economy is the desire by government agencies to have universal and continuous control over all activities of all enterprises. State enterprises financed from budget resources should be subject to government control. However, private business cannot thrive under such a rigid form of trusteeship, but rather require a high degree of autonomy. Currently, entrepreneurs used to be under an excessive level control, particularly expressed in the form of registration requirements. An enormous number of documents was required from entrepreneurs in order to conduct everyday business transaction. Much time and money is required in order to obtain these documents. A lot of barriers have now been removed thanks to gradual simplification of the laws regarding registration of enterprises and individual businesses. The Law on Guarantees of Enterprise Activities adopted in 2000 is of special importance. It significantly reduces the time as well as the number and complexity of required documents in the registration process.

The Law on Licensing adopted in the same year brought much greater order to regulating the functions of governmental bodies. It meant not only simpler and more precise licensing mechanisms, but also a clear mechanism for their termination and cancellation. The practice of annual renewal of licenses has been stopped. Instead, licenses for certain activities can now be issued, as a rule, for the period required by the entrepreneur. In specific cases, the term of license can be limited to five years.

About 60 business supervising bodies operated in Uzbekistan until 1996. They repeatedly “tortured” businesses with countless numbers of groundless inspections. Many enterprises were subjected to more than 20-30 inspections a year. Such «attacks» of supervising bodies frequently resulted in bankruptcy and liquidation of enterprises. In order to hide from such inspections, a lot of entrepreneurs went “underground”. Extortion and bribery took place under such conditions. Such barriers to entrepreneurial activity were difficult to overcome.

A number of presidential decrees and governmental decisions have been issued for creating an enabling environment for the development of business since 1996, culminating in the law coordinating and limiting the activity of supervising bodies in 1999. In accordance with these decisions, a Coordination Plan for inspections of businesses is annually drawn up. The Republican Council on Coordination of Activity of the Supervising Bodies approves it. Inspections outside of this plan are prohibited. Any business is entitled to deny admission to inspectors who do not present the required authorization for the inspection.

**Illegal inspections conducted without permission of the Republican Council**



Source: State Tax Committee of the Republic of Uzbekistan

Today, activities of supervisory bodies are limited in the following ways:

- **Number of supervisory bodies.** Their number has been reduced twice since 1996. All controlling and auditing agencies of the former ministries and departments have been eliminated (except for the Ministry of the Finance, State Tax and Customs Committees). The system of intra-institutional control has thus been largely abolished. Instead, the activity of administration is being controlled by shareholders.
- **Number of inspections.** The legislation allows no more than one inspection per year, in which all interested supervisory bodies may participate. Diligent tax-payers with positive audit results should be inspected not more often than once every two years. In practice no more than 40% of all registered enterprises are inspected during a given year.
- **Duration of inspections.** Any inspection should not exceed 30 calendar days. Only in exceptional cases under the decision of Republican Council on Coordination of Activity of Supervising Bodies, can the inspection be prolonged for an additional 30 days.

#### Rights of inspected economic entities

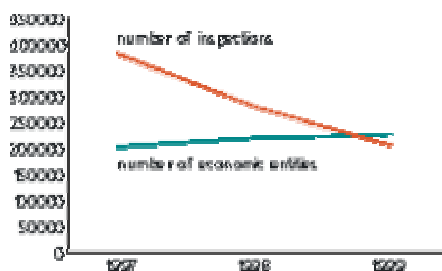
Rights of inspected economic entities Inspected economic entities have a right to:

- Have relevant information during inspection of their activity;
- Demand from inspecting officials a document showing the decision of an authorized body or its district branch as well as some other documents as a basis for inspection;
- Forbid people without relevant authority to inspect their premises and activities;
- Disregard requirements of inspecting agencies on issues out of their competence;
- Refuse submit materials not relevant to the subject of inspection;
- Appeal on the results of inspection in the form fixed by the law.

- **Access of inspectors.** Every supervising body limits the number of officials admitted to inspections. Only qualified officials with direct inspection functions are allowed to conduct the inspections.
- **Off-schedule inspections (in some specific cases).** Every supervising body is obliged to coordinate and justify off-schedule inspections with the Republican Council on Coordination of Activities of Supervising bodies.

The mechanism for created in Uzbekistan is unique one for the countries in transition and can serve a transition model from overall central control to initial stage of market trust, which is only possible with law-abiding enterprises. The mechanism allowed the number of inspections to be cut by 26.6% in 1998 against the previous year and in 1999 by 26.9%, though the number of business actors was growing from year to year. In 1997 each economic actor was inspected twice and in 1999 - less than once.

#### Number of economic entities against the number of inspections conducted



Source: State Tax Committee of the Republic of Uzbekistan

Nevertheless, surveys of entrepreneurs indicate that excessive intervention in their economic and financial activities remains a problem that has not been completely solved. It can be achieved by:

- Cessation of double inspection from various government agencies (to avoid inspection of the same activities of enterprises);
- Introduction of new methods to select enterprises reasonably believe to be in violation of laws may be inspected. This will be determined by the inspecting agencies themselves.
- Transition from the system of “catching” violators of law to the system of prevention of possible violations;
- Introduction of a data base on inspected entities with aim to provide this information to all inspecting agencies;
- Raise the role and quality of annual compulsory and initiative auditing inspections, usage of auditor’s conclusions to control the activity of enterprises without additional inspections.

The above brings to a conclusion that in the course of development small-scale businesses and enterprises in Uzbekistan were able to:

- Create a relevant legal and regulatory base for entrepreneurial development;
- Specify priorities for small business development; devise and implement the State program to support small businesses and enterprises;
- Form the basics of a market infrastructure, promoting entrepreneurial development as a whole and small business in particular;
- Create a system of tax incentives, subsidies, soft loans from budget and out-of-budget funds; attract loans from international financial institutions and encourage the development of small business;
- Devise and implement a mechanism of micro-financing for legal actors and individuals, in foreign and national currencies.

## CHAPTER 3. Improving and transforming governance: From strong state to strong society

### 3.1. From state control to control by society

As was shown in the previous chapter, the viability of a healthy small and medium business sector as well as the development of entrepreneurship greatly depends on the reduction of state control over this sphere. Ideally, the government should be responsible for the creation of a framework for entrepreneurship: creation of the legislative and economic conditions for its development as well as of a system of rational control for implementing this framework.

At present, there are at least three main factors causing excessive and unjustifiable interference of government bodies and officials in the activity of enterprises:

- Inability to make the need for reduced interference in entrepreneurial activity conform to the need for law enforcement aimed at barring abuses prejudicial to society;
- The wish of government officials to have more “levers of power” to use in wielding their authority for blackmail, bribery and so on;
- A weak civil society, which cannot fully control the activity of the government and its managing structures.

This imbalance in society is the result of a natural process. The totalitarian system within which society existed some years ago did not allow an individual to be politically and economically independent, and closed all channels for civil organizations or other structures to exist independently of the state. Such factors as a monopolistic environment and a weak understanding of laws hinder the formation of civil society and create, in the relations between government and society, a vacuum that is filled by executive authority.

The removal or at least the lessening of these problems presupposes:

- **Development of a necessary legal base to reduce the power of government bodies in controlling enterprise activity and strengthen the role of non-governmental and public agencies.** For example, legal conditions are being created to increase the role of auditing companies in the assessment of enterprises' financial situation and thus cut the number of inspections by taxation and financial bodies. At the same time, due to the weak legal base, the agencies that are charged with protecting consumers' rights in fact do nothing and cannot control the activity of producers. Instead, the state anti-monopoly agency, taxation bodies, and various republican councils and commissions perform most of the functions that should be executed by civil society.
- **Restriction of the ability of officials to directly regulate and allocate resources.**

There is an urgent need to adopt a law on government service, which would specify the sphere of responsibilities and duties of government officials.

- **Development of legislation fostering citizens' participation in governance and their exercise of control over government bodies.** The legislative base for exercising control over government bodies has almost been created. Its establishment has been under way since independence, along with the construction of a civil democratic state. Rapid changes taking place in the country and the continuous acquisition of new experience and new knowledge entail the necessity of introducing necessary amendments to existing laws and of adopting new ones. Work is under way on amendments to be included in such laws as “On nationwide discussing of the draft laws”, “Procedures for considering citizen petitions and applications by state bodies”, “On local government authority” and “On citizens' self-management bodies”.

Country	Number of parties in the parliament	Percentage of seats controlled by the leading party
Poland	6	33,8
Hungary	7	35,8
Czech Republic	6	29,6
Slovakia	7	40,6
Uzbekistan	4	21,6

\*Taking into account the unification of the National Democratic Party with the "Vatan taraqqiyoti" party.

Source: "Mirovaya ekonomika I mezhdunarodniye otnosheniya" (World economy and international relations), 75, 2000; "Narodnoye slovo", 19 December 1999.

**Increase in the activity of political parties**, including their participation in national parliamentary legislation; in protecting the interests of voters; and in the improvement of the legal framework. It is noteworthy that the transition of political parties from their "infancy" to maturity still lies ahead. The population at present is hardly aware of their programs. The parties do not have close relations with those social groups they claim as their social bases, and the preconditions exist for the establishment of new parties with clear-cut and realistic goals. For example, there is a need for a party representing entrepreneurs, since entrepreneurship is developing dynamically and a number of problems exist in the development of enterprises.

- **Strengthening the role of local self-governing bodies (mahallas) in the control of public life.** The mahallas are a unique element of the country's public life. The population fully trusts them. They form public opinion towards many events happening on their territories, and establish specific codes of behaviour that should be followed by any person living in them. The Mahalla itself, without any other controlling agency, can stop any illegal activity, and induce people, including those engaged in entrepreneurial activity, to observe legal norms.

Strengthening the role of local authorities should be paralleled by the achievement of transparency about their operations and activities, and the strengthening of accounting mechanisms for elected bodies.

- **Creation and institutional strengthening of non-governmental structures that are capable of taking on part of the public control functions over both enterprise activity and the activity of government agencies.** The system of private audit, insurance and law firms, associations of auditors, bookkeepers, solicitors and consumer protection agencies should be strengthened. These kinds of non-governmental structures should be gradually entrusted with control functions now performed by government agencies to protect the public interest, including in the entrepreneurial sector.

The role of non-governmental organizations, now totalling over 2,000, should be especially important in this process. Unfortunately, most of these organizations are financially weak and lack clearly specified functions.

- **Strengthen the role of the mass media in protecting the interests of society both from law infringements in the sphere of entrepreneurship and from abuse by government agency officials.** Unfortunately, the requirement that the mass media obtain the consent of high officials before publishing critical articles has not yet disappeared. National newspapers, magazines and television seldom engage in serious investigative journalism exposing inappropriate behaviour by enterprises or government structures. Moreover, there are cases of "ordered," biased or even false publications, aimed at involving controlling agencies unfairly in the competition between entrepreneurs. Though there is now a libel law, there have in fact been no cases yet in which anybody has been held legally responsible for libel. Moreover, there are few publications that provide consumer information about the quality of products available on the market.

#### The role of the mass media

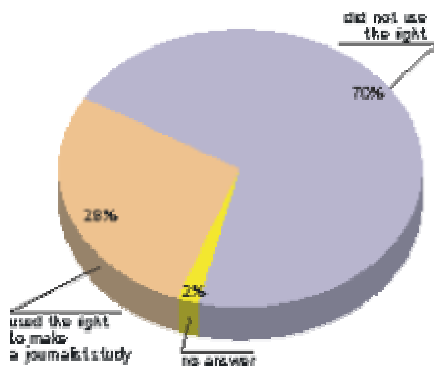
The role of the mass media must be strengthened as an institution of public control over the enactment of laws, and over the execution of their responsibilities by government agencies and officials. Every citizen should have the opportunity to express his or her opinion through the mass media. A poll of mass media representatives was conducted by the International Journalists' Training Center in Uzbekistan. The question "Does the present day mass media of Uzbekistan receive adequate respect in society?", was answered in the negative by 64% of respondents. This clearly testifies that the "fourth power" has not fully emerged as yet. In response to the question "What is more important

for normal functioning of the mass media?", only 3% of respondents said that there should be more laws concerning mass media, 70% noted that the number of laws could be less but they should be observed; 24% answered as follows: it is necessary to introduce freelance journalism, strengthen the financial base of mass media, promote and support gifted and creative journalists. Thus, the legal and regulatory base to some extent satisfies the representatives of the mass media, though the problems appear to lie in the implementation of the laws by the authorities.

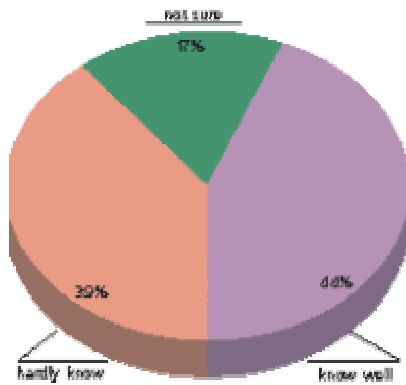
- **Achieve a shift in popular attitudes about the essential role of citizens in protecting their own interests as consumers of goods and services.** Active participation of the state in the political life of the country constrains the links between the government and citizens, as when citizens and civil society organizations not only have no influence on legislation and policy making, but also cannot protect their own interests, consumer rights among them.
- **Creation of conditions for citizens, including those engaged in enterprise activity, to protect their interests from unwarranted interference by government agencies.** Therefore it is necessary to:
  - Strengthen economic judicial activity. At present territorial economic courts exist only in regional centers. Rural entrepreneurs, in order to protect their interests in economic courts, must apply to regional courts, making numerous visits costing them dearly in both time and money;
  - Develop various anonymous services like telephone hot-lines, which can be used by citizens to address government agencies whenever their rights and interests are infringed.
- **Institutional strengthening and capacity building of the agencies dealing with legal services, particularly of solicitor offices and courts, so as to create conditions for protecting the interests and rights of citizens as consumers of goods and services.**

The strengthening of judicial power requires a fuller separation of legislative, executive and judicial powers. A more precise division of power and functions among government branches should lead to more efficient control and balance in the relations between the three kinds of power.

Results of poll on journalists



Results of poll on journalists' knowledge of their rights



### 3.2. Towards the division of power and transfer of authority “from top to bottom”

Since the break-up of the Soviet Union engendered major economic transitions, issues concerning the public administration system have played a secondary role compared to the role played by issues of price liberalization, foreign trade, privatization and entrepreneurial activity. Transformation in the system of public governance has been treated as if it were an unimportant task partly because of its complexity and partly due to the hope that successful economic reform would stimulate democratic changes in representative, executive and legislative bodies. This despite accumulated experience showing that the bureaucratic system of governance and its obsolete frameworks are not only outdated under market conditions, but also that they constitute a major obstacle on the way to economic reforms.

The task of modernizing the governance system is a huge one due to the scale of the problem, as well as to the close ties between this mechanism and the economic, political, social and cultural life of society. Capacity building is of great importance as some skilled workers quit the civil service for the promise of enrichment in the private sector. Besides, many upper level civil servants have limited knowledge about the fundamentals of working in government bodies in conditions of market economy and democracy or they don't want to carry out reforms that could affect their own positions.

The present day main task is to establish equilibrium among various governing levels, as well as the representative, executive and legislative bodies at every level. It is necessary to decentralize the power of decision makers, while developing, simplifying and strengthening the structure of local authority, distributing the functions between the levels of public administration and placing financial resources according to the functions distributed. The establishment of new forms of reporting by executive bodies to representative ones, and the reporting by representative bodies to their constituents is a key to successful implementation of the reforms.

The nine years of independence have been a period of state formation based on the idea of democratic development and formation of a legal state. Political, economic, cultural and historical specifics of Uzbek society have determined major features of the Uzbek model of transition from totalitarianism to democracy. Its most important feature is an active role of the state as the major initiator and pursuer of political, economic and social reforms. At present the most important objective is the gradual transition from static stability to dynamic stability. Putting it differently, the country should move from a system in which the state is the leading force in the life of society to one in which the government and the developing civil society interact. The government remains a major regulator, determining and maintaining the legal framework and conditions for the activity of all participants in the public process. Active reforms have resulted in an integrated system of public governance, although there are still urgent problems of inefficiency of the system established as well as of effectiveness of the execution of responsibilities by the various units of the system.

#### Constitutional Authorities of the President of the Republic of Uzbekistan

The head of the state and executive authority of our country is the President, who serves also as Chairman of the Cabinet of Ministers. The Constitution determines his authorities in 21 articles, among which are the following duties and powers:

- Represent the Republic in domestic and international relations;



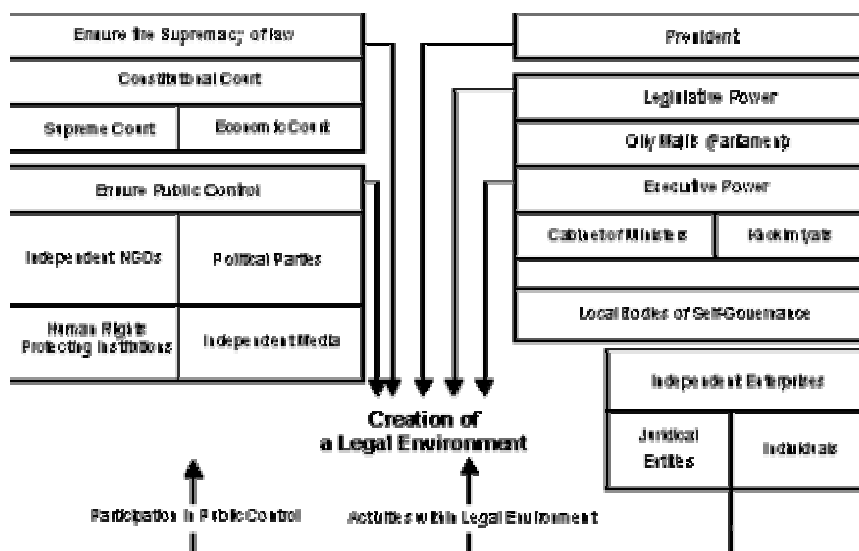
- Conduct negotiations, sign treaties and agreements on behalf of the Republic of Uzbekistan;
- Form the administration and lead it, ensure interaction between the highest bodies of state authority and administration, set up and dissolve ministries, state committees and other bodies of administration of the Republic of Uzbekistan;
- Appoint and dismiss judges of regional, district, city and arbitration courts;
- Appoint and dismiss hokims (heads of administration) of regions and the city of Tashkent with subsequent confirmation by relevant Soviets of People's Deputies. The President shall have the right to dismiss any khokim of a district or a city, should the latter violate the Constitution or the laws, or perform an act discrediting the honor and dignity of a hokim;
- Suspend or repeal any acts passed by the bodies of the state administration or khokims;
- Sign the laws of the Republic of Uzbekistan. The President may refer any law, with his own amendments, to the Oliy Majlis for additional consideration and vote;
- Proclaim a state of emergency;
- Rule on matters of citizenship and on granting political asylum;
- Exercise other powers vested in him by the Constitution.

**Three branches of power.** From the very beginning, the structure and organization of state power in Uzbekistan was based on the major democratic principle of separation of state power into executive, legislative and judicial branches. Uzbekistan is considered a presidential republic, where the president serves both as a head of the state and the head of executive power. An obvious trend in the system of division of power towards enhanced executive power received its justification from the need to implement efficiently the tasks of economic and political reforms. The enhanced authority of the executive was specifically included in the Constitution (Basic Law) of the Republic of Uzbekistan adopted in 1992.

The major objective of economic reforms and public development itself is the formation of a democratic society and a legal state based on a market economy. Achieving this requires constant reform and improvement in the system of governance, in accordance with the great changes taking place in the society. The understanding of these changes was expressed in a wide-scale programme adopted by the government aimed at liberalizing the political and economic life of Uzbekistan.

The reform of the system of state power is necessitated mainly by the fact that an asymmetrically strong executive combined with feeble legislative and judicial powers preserves the weakness of democratic institutions. Therefore, further progress toward democracy now requires institutional restriction of executive power.

#### **The State Structure of Uzbekistan**



**Legislative power.** A strong parliament, certainly, creates more problems for the executive power. But it is necessary, as it is one of the bases for the whole system of state power. Only short-run stability in society can be based on one kind of power. A more complex public life, the emergence of new social groups and layers, each with its own interests demanding expression, and the need to obtain their democratic assent for new policies, all demand strengthening of legislative power at all levels, from national to local. Legislative bodies should become centers of public and legal expression, agreement and settlement of various and often contradictory interests. The reform of the legislature planned for the next 5-year period envisages it being strengthened by the creation of a two-chamber parliament instead of the current single-chamber one. The lower chamber should work on a regular basis, as is done in many democratically developed countries. It should become a real institution of legislative power, able to constantly improve the legislative basis of political, economic and social life in the country.

The practical activity of the Parliament should include all means of parliamentary checks on the activity of the executive power: approving or rejecting the accounts of the government on budget implementation, receiving and generating information on current issues, holding parliamentary hearings, checking on observation of laws, carrying out parliamentary investigations, and even expressing distrust in the government.

The development and strengthening of legislative power creates the basis for further development of the separation of powers, a high level of Parliamentary competence, the supremacy of law and the presence of a vigorous civil society.

#### Powers of the Oliy Majlis of the Republic of Uzbekistan

The country's highest state representative body is the Oliy Majlis (Supreme Assembly) of the Republic of Uzbekistan, which exercises legislative power.

According to the Constitution of the Republic of Uzbekistan, the exclusive powers of Oliy Majlis are covered by 24 articles as follows:

- The adoption and amendment of the Constitution and laws of the Republic of Uzbekistan;
- Determination of the guidelines of domestic and foreign policies of the Republic of Uzbekistan and approval of long-term projects;
- Approval of the budget of the Republic submitted by the Cabinet of Ministers, and control over its execution; determination of taxes and other compulsory payments;
- Scheduling of elections to the Oliy Majlis, elections to local representative bodies, and for the President of the Republic, and formation of the Central Election Committee;
- Election of the Chairman and Vice-Chairmen of the Oliy Majlis, Constitutional Court, Higher Arbitration

## Court and Supreme Court of the Republic of Uzbekistan;

Ratification of the decrees of the President on the appointment and dismissal of the Prime-Minister, the First Deputy Prime Minister, the Deputy Prime Ministers, the members of the Cabinet of Ministers, heads of State Committees, Procurator-General, and Chairman of the Central Bank.

**Judicial power.** The judiciary shall function independently. The judicial system created in the Republic of Uzbekistan consists of regional, district, town and city courts. The Supreme Court and Higher Economic Court are at the top of the system. A special position in the system of courts is given to the Constitutional Court of the Republic. Given the goals of democratic development, when courts are aimed at the protection of civil rights, the present judicial system should be reformed to provide real independence to judges. The major tasks in the reform of the judicial system of Uzbekistan are as follows:

- eliminate the procurator's control over the legality of judge's decisions. This will give real independence to judges when taking decisions. The procurator should be only one party in court proceedings;
- simplify the activity of basic level courts. Many citizens try to settle their problems out of court, as they are scared by the red tape of legal procedure. Establishment of specialized courts on criminal and civil cases should be one of the ways to settle this problem;
- provide adequate financial resources to the courts;
- enhance capacities of the staff of judges, providing them with training and retraining;
- create a really independent and strong Bar.

## The powers of local representative bodies

The principal authorities of the Soviets of People's Deputies in regions, districts, cities and towns are as follows:

- Approve the local budget submitted by hokim and the report on its implementation; approve the programs for territorial development, general plans and rules for regional or city construction;
- Determine the size of local taxes, duties and fees; grant tax relief on local taxes, duties and fees deducted to the local budget in accordance with the appropriate law;
- Appoint and dismiss hokims and their deputies, and hear reports on their activity;
- Approve decisions of hokims in cases envisaged by the law on local authorities;
- Approve the regulations of the Soviets of People's Deputies and the provisions on regular and other commissions of the Soviets of People's Deputies; introduce amendments in the above mentioned documents.
- Form, elect and abolish regular and temporary commissions and other bodies of the Soviets of People's Deputies, change their membership, hear reports on their work;
- Approve and withdraw powers of people's deputies, give consent for their being impleaded in cases and according to the order set up by the law;
- Hear reports of heads of departments, administrations, and other structural subdivisions of executive power;
- Consider requests of people's deputies and make decisions on these;
- Abolish decisions of hokims and Soviets if they are inconsistent with the law;
- Confirm the structure, the office staff and wages fund for the workers of Hokim's office (hokimiyat).

Regional, district and city Soviets of People's Deputies exercise other authority vested in them to settle problems relevant to the protection of the rights and interests of citizens, provide for social and economic development, protect the environment, etc.

**Executive power.** Reform of the executive power includes:

- 1) Legal approval (adopting a law “On ministries and state committees” and introducing the amendments into the law “On local bodies of state power”) of the mechanism of gradual transfer of authorities and functions from central executive bodies to lower ones. A part of the functions and authorities should be transferred from the government to non-government bodies, in particular to the bodies of self-governance.
- 2) Enhance the capacities and strengthen the discipline of the civil service officials;
- 3) Change the sector principle of governance to a functional one.

Authorities of local bodies of executive power

Hokim of the region, district, city:

- Ensures the observance of laws and other acts of Oliy Majlis, decrees of the President of the Republic of Uzbekistan, decisions of the Cabinet of Ministers, decisions of the higher bodies of state authority and relevant Soviets of People’s Deputies;
- Undertakes measures, connected with the observance of public order and crime-fighting, ensures the security of citizens, the protection of their rights and health, and manages activities during natural catastrophes, epidemics and other states emergency;
- Submits for approval of the Soviets of People’s Deputies major directions of economic and social development of the region, district, city, major articles of regional, district, city budgets and reports on their implementation;
- Submits for the approval of the Soviets of People’s Deputies decisions on appointment and dismissal of his deputies and heads of structural subdivisions of executive power;
- Appoints and dismisses heads of subdivisions of hokimiat’s office;
- Abolishes the decisions of lower level hokimiats and submits to the Soviets of People’s Deputies the decisions on the abolition of acts of lower Soviets of People’s Deputies, if they contradict the Constitution of the Republic of Uzbekistan, laws and other acts of Oliy Majlis, the President of the Republic of Uzbekistan, the Cabinet of Ministers, the decisions of higher level Soviets of People’s Deputies and hokim;
- Controls the work of structural subdivisions of bodies of executive power, heads of which are appointed and dismissed by the relevant Soviets of People’s Deputies;
- Submits proposals on disciplinary responsibility of officials in case of their non-observance of acts of the Soviets of People’s Deputies and hokim;
- Considers applications and submits proposals on awarding by the government;
- Serves as an official representative of the region, district and city in the republic and abroad;

Receives citizens, considers claims, applications and proposals of citizens.

**Transfer of executive powers “from top to bottom”.** The building of civil society suggests gradual and regular transfer of functions from the state to local authorities, civil society structures and bodies of self-governance.

Other functions such as those related to implementing market reforms, promoting business, ensuring private ownership and employment, satisfying the consumer market, developing social infrastructure, enhancing the well-being and social security of the population, should be settled by local authorities and self-governing bodies of citizens.

Currently, self-governing institutions of citizens and local power bodies are empowered with a wide range of authority aimed at settling problems of domestic life and social security, and promoting business and employment. The main goal is to create an efficient mechanism for exercising this authority.

A “mahalla” is the local self-governing institution of citizens in Uzbekistan. This kind of a structure is appropriate for Uzbek society, coming as it does out of a rich historical experience of local governance by people based on their place of residence.

#### The number of self-governance bodies by regions

Regions	The number of self-governance bodies	Including judicial entities	Headed by women
The Republic of Karakalpakstan	291	280	11
Regions:			
Andijan	964	913	48
Bukhara	242	242	37
Jizzakh	265	212	15
Namangan	833	722	58
Navoiy	307	301	19
Samarkand	1196	1056	46
Syrdarya	628	280	20
Surkhandarya	732	732	44
Tashkent	1506	517	82
Ferghana	960	960	56
Kashkadarya	743	516	21
Khorezm	1020	260	14
Tashkent city	446	446	22
<b>TOTAL</b>	<b>10133</b>	<b>7437</b>	<b>493</b>

Source: Ministry for Macroeconomics and Statistics, Republic of Uzbekistan

#### Authorities of local self-governing bodies

Meeting of citizens and mahalla of a city (town):

- Elects the chairman (aksakal) of the meeting of citizens and his advisors, chairmen and members of committees by major activities of the meetings, hears their reports on quarterly basis;
- Approves the activity program and estimated expenses of the governing body of citizens, schedule of measures, directed at the development of the territory, sanitary improvement of settlements;
- Submits to appropriate district electoral commissions candidatures of members of local electoral commissions for the election of the President of the Republic of Uzbekistan, Oliy Majlis of the Republic of Uzbekistan, regional, district and city Soviets of People' Deputies on quarterly basis hears reports of the heads of regional, district and city khokimiats on issues covered by the activity of self-governing bodies;
- Assists in environmental protection matters;
- Submits to relevant government agencies proposals on the change of borders of administrative and territorial units, mahallas, on the change of names of mahallas, streets, squares and other places;
- Directs its representative to the regional commission to consider issues of granting land plots;
- Exercises other powers vested in it according to the law.

The meeting of the mahalla of the city, besides the above powers, makes decisions on the provision of material aid to poor families and giving allowances to needy families with children, promotes targeted and efficient usage of funds disbursed for the social protection of families.

The mahallas have been an important factor for maintaining social and political stability and reinforcing civil society. The activity of meetings of citizens as self-governing institutions was fixed in the Constitution (Article 105) and in the law “On self-governing institutions of citizens” (September 2, 1995). Mahalla meetings of citizens were granted some rights to settle problems of social support and assistance to local small business development, to realize measures to improve the life of citizens and the social infrastructure. There are at present about 10,000 mahallas and they cover the whole territory of the republic, both in urban and rural areas.

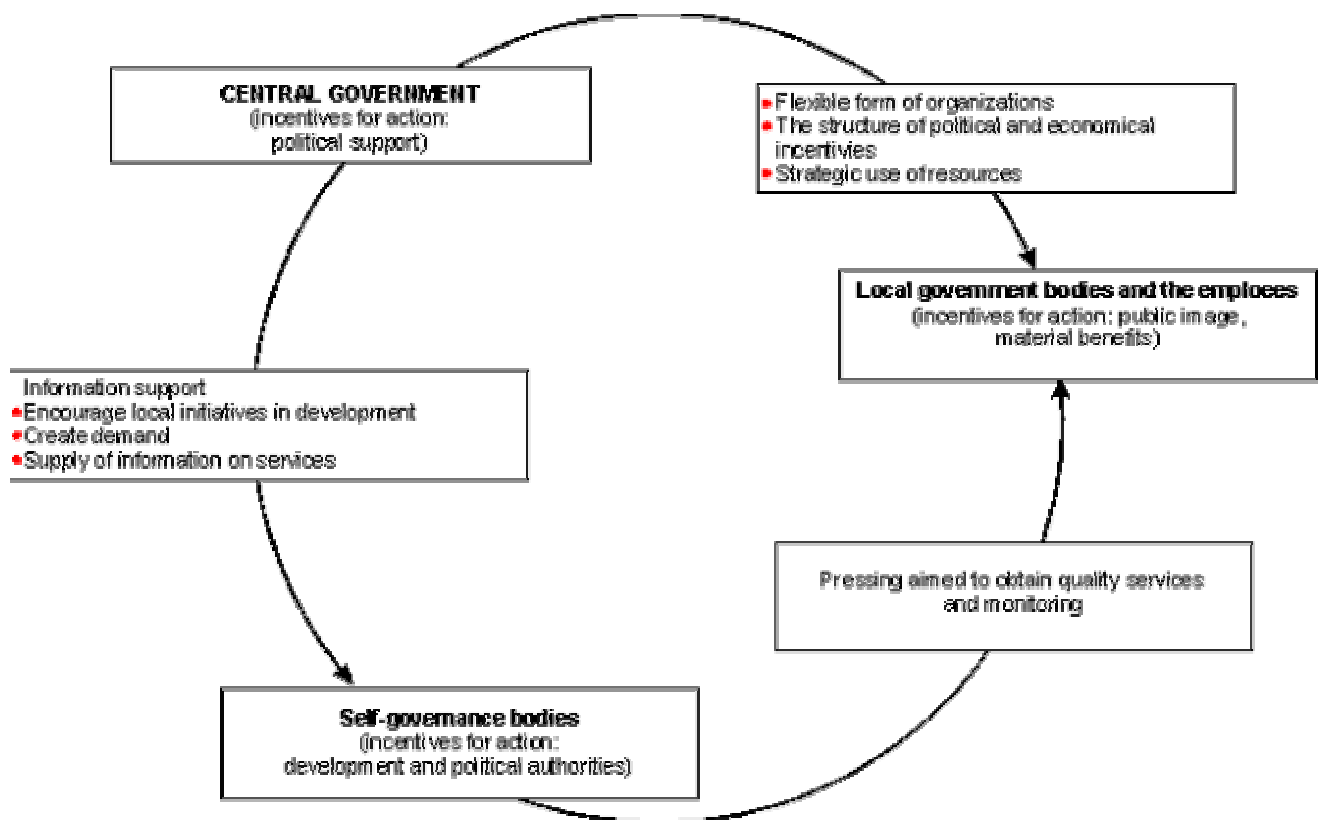
The efficacy of the mahalla as a self-governing institution has proved itself. Now it is necessary to heighten the status of mahalla, reinforce its authority and augment its functions. These measures should include the following:

a) **strengthening financial resources of the citizens' bodies of self-governance.** This should be done not only by budgetary means, used for social support of the population, but also by fast development of entrepreneurship, setting up small enterprises and organizations for serving the public. The role of mahalla meetings in providing mini-credits for small businesses should be an especially important part of the program on small enterprise support.

b) **transferring a part of the authority of state bodies to local self-governing bodies;** An example of such a transfer is the creation of "Mahalla posbony" to assist bodies of internal affairs (police) in protecting public order. Conciliation commissions are created in each self-governing institution from aksakals, veterans, women and youth, representatives of culture and clergy to affect those earlier convicted, chronic alcoholics and other people at risk of committing crimes. Thus, in Bukhara region alone in May, 2000, these commissions assisted in taking legal measures on 140 different cases of law infringement; they participated in disclosure of over 10 crimes, and revealed more than 650 violations for which administrative responsibility is stipulated.

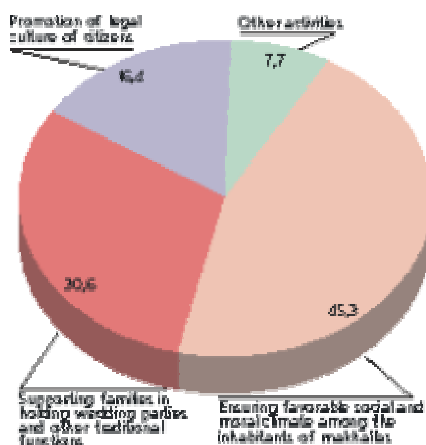
The most important direction in the delegation of authority from the state to society is the development of non-governmental organizations able to undertake a series of functions formerly performed by the state. An overwhelming majority of NGOs existing in the republic at present (over 2,300) are basically oriented toward the solution of local problems and their activity is directed at carrying out cultural, ecological and economic tasks. A majority of NGOs have weak links with state bodies so far. NGOs have no expertise in coming up with initiatives for law creation, at either the local or national level.

The Union of the State and Civil Society could promote rapid development and improvement of services



Source: Das Gupta, Grandvoinet, and Romani forthcoming.

### The structure of local self-governance bodies' activities in 1999



The formation of a civil society including a developed institution of legally protected private property, full-fledged local governance, a properly operating court system, public agencies not controlled by the government and free mass media is a long process. The direction of development is especially important for fully developed institutions of civil society: if civil society does not stop developing, the potential exists for further democratization. The development of civil society and democratization are interdependent processes.

In the long-term, the creation of a government accountable to the people depends on civil society. Civil institutions should directly affect the state administration through control over the activities of government.

It is doubtlessly true that a developed civil society and efficient control on the part of citizens over the activity of state bodies constrain and confine the authority of the state and its bodies. But it is important to understand that it is impossible to have a developed democracy without a strong civil society. Fully comprehending this can facilitate their achievement of global public objectives.

#### The way the bodies of local self-governance work

The program of activity of the self-governing body of Honobod kishlak (village) approved by the meeting is noteworthy in this regard. The program consists of 5 major directions of work:

1. setting up small enterprises, cooperatives and other organizations aiming to settle the problem of unemployment;
2. using funds donated by local residence to develop the social infrastructure of the area;
3. improving the material and housing conditions, rendering aid to poor families;
- 4-5. trade and municipal servicing of the population, improving the neighborhood area, creating the places for rest, sports and children's play grounds.

While planning their work the chairman of the meeting and his advisors consider mainly the everyday needs of the population. Thus two years ago a priority objective for Honobod kishlak was to supply gas to all village houses and to improve their living conditions. To settle the problem the funds of enterprises located on the territory of this kishlak were used.

The heads of the bodies of self-governance pay much attention to the development of entrepreneurship. The number of small enterprises, dekhan economies and farms is constantly growing.

The chairman of the meeting and his advisors find active people, able to start up their own business, render them aid by allocating plots of land and buildings and providing help in preparing necessary documents to the khokimiat of the region. It is noteworthy that inhabitants of this kishlak will be primarily employed by these new small enterprises and farms. Within only one year three small enterprises and six dekhan economies and farms were created, employing about 300 people.

The population of the kishlak takes an active part in the construction of guzars, construction and repair of public schools and general

improvement of the area.

The body of self-governance in mahalla named after Usman Nosir widely uses hashars, which made possible the construction of a public school, a two-storied tea-house, a medical service center and a cultural center over a period of 3-4 years. The chairman of the meeting and his advisors, considering the organization of leisure for the inhabitants as one of the most important directions of their activity, started encouraging physical training among the inhabitants. A stadium was constructed using money raised from enterprises. At present various competitions such as the national wrestling "kurash", calisthenics and other sports take place there. Mass events to celebrate Navruz (Spring Festival) and Independence day, activities which significantly stabilizes the situation in the mahalla.

## Statistical Annexes

**Table 1. Human development index**

	1995	1996	1997	1998	1999
Life expectancy at birth (years)	70,2	70,2	70,25	70,3	70,3
Adult literacy rate (%)	98,96	99,06	99,13	99,15	99,15
Mean years of schooling (years)	11,4	11,4	11,4	11,4	11,4
Literacy index	0,990	0,991	0,991	0,992	0,992
Schooling index	0,76	0,76	0,76	0,76	0,76
Educational attainment	2,74	2,74	2,74	2,74	2,74
Real GDP per capita (\$PPP)	2440	2508	2670	2829	2990
Life expectancy index	0,753	0,753	0,754	0,755	0,755
Educational attainment index	0,895	0,895	0,896	0,897	0,897
GDP index	0,387	0,398	0,425	0,439	0,449
Human development index (HDI)	0,679	0,682	0,692	0,697	0,707
Urban	0,698	0,699	0,708	0,716	0,724
Rural	0,666	0,670	0,677	0,687	0,695
GDP per capita rank minus HDI rank	-	-	13	-	-
HDI rank	104	-	92	106	110

**Table 2. Humanitarian Development**

	1995	1996	1997	1998	1999
Scientists and technicians ( per 10.000 people)	12,3	12,2	11,0	11,0	11,0
Enrolment in education (% age 6-23)	49,6	47,2	50,1	45,2	49,9
Enrolment in tertiary education (per 1000 people)	24,4	22,3	29,5	30,5	32,4
As % of constant population	0,1	0,1	0,1	0,1	0,1
Females as % of constant population	0,05	0,05	0,05	0,05	0,05
Daily newspapers (copies per 100 people)	7	6	7	7	8
Television sets (per 1.000 people)	103	91	84	73	61
Radio sets (per 1.000 people)	122	106	94	81	65

**Table 3. Profile of human distress**

	1995	1996	1997	1998	1999
Unemployment rate (%)	0,4	0,4	0,4	0,5	0,5
Injures from road accidents (per 100,000 people)	5,2	4,9	4,8	8,6	8,6
Sulphur and nitrogen emissions ( NO2 and SO2 per capita)	21,0	20,6	20,3	18,2	18,2
Reported crimes (per 10,000 people)	29,4	28,4	28,3	28,7	30,9
Including					
Intentional murder and attempted murder	0,5	0,5	0,5	0,4	0,4
Intentional grievous bodily injury	0,4	0,4	0,4	0,3	0,3
Intentional homicides by men	3,5	3,7	3,0	3,2	3,1
Reported rapes	2,5	2,6	2,1	2,2	2,3



**Table 4. Human development financing**

	1995	1996	1997	1998	1999
Total expenditure on education (as % of GDP)	7,6	7,9	7,3	7,4	7,9
Total expenditure on health (as % of GDP)	4,3	4,4	4,0	3,6	3,3
Real GDP per capita (PPP \$)	2440	2508	2670	2829	2994
State expenditure on education (as % of GDP)	7,4	7,7	7,3	7,4	7,8
State expenditure on health (as % of GDP)	3,6	3,5	3,1	3,0	2,9

**Table 5. Male-female gaps (females as percentage of males)**

	1995	1996	1997	1998	1999
Life expectancy	107,1	107,2	106,8	107,0	107,2
Population	101,4	101,3	101,1	101,0	101,0
Schooling	92,4	91,7	90,9	90,2	90,2
Secondary school enrolment	91,2	87,2	78,7	96,6	91,2
Secondary school graduates	90,1	85,9	87,0	87,2	91,6
University full-time enrolment	63,7	74,8	69,5	91,2	62,9
University graduates	63,7	65,0	61,0	61,6	63,7
Labor force	74,2	74,5	73,9	75,4	79,2
Unemployment	150,0	194,8	174,4	146,0	175,0
Gender empowerment index	0,374	0,373	0,372	0,375	0,376

**Table 6. Status of women**

	1995	1996	1997	1998	1999
Life expectancy at birth	72,6	72,7	72,7	73,0	73,1
Average age at first marriage (years)	20,2	20,6	21,4	21,0	21,0
Maternal mortality rate (per 100.000 live birth)	18,9	12,0	10,5	9,6	14,6
Secondary school enrolment (as % of total)	43,0	46,5	49,7	49,1	47,7
Secondary school graduates (as % of women in total secondary school graduates)	47,6	46,2	46,5	49,3	49,7
Full-time enrolment in tertiary education (as % of total)	41,9	42,8	41,0	37,1	38,6
Women in labor force (as % of total)	42,6	42,7	42,5	43,1	44,2

**Table 7. Urban and rural demographic profile**

	1995	1996	1997	1998	1999
Population (millions) at the end of the year					
Total	22,9	23,4	23,8	24,2	24,5
Urban	8,8	8,9	9,0	9,1	9,2
Rural	14,1	14,5	14,8	15,1	15,3
Annual population growth rate (%)					
Total	2,0	1,9	1,8	1,5	1,5
Urban	1,1	1,3	1,3	1,1	0,9
Rural	2,5	2,3	2,1	1,8	1,8
Average family size					
Total	5,4	5,4	5,5	5,6	5,5
Urban	5,2	5,0	4,7	4,7	4,6
Rural	5,6	5,9	6,0	6,1	6,1
Contraceptive prevalence rate (%)	38,2	42,7	45,1	57,8	56,1
Population older working age (%)					
Total	7,6	7,6	7,6	7,6	7,6
Urban	9,5	9,4	9,4	9,4	9,2
Rural	6,5	6,5	6,5	6,5	6,4
Life expectancy at age 60 (years)					
Total	15,3	15,3	15,4	15,5	15,5
Urban	17,5	17,5	17,6	17,7	17,7
Rural	13,5	13,5	13,8	14,1	14,2
Men					
Total	11,3	11,3	11,9	12,0	12,0
Urban	13,3	13,3	13,5	13,5	13,5
Rural	9,5	9,5	9,7	9,8	9,8
Women					
Total	19,3	19,5	19,6	20,0	20,2
Urban	21,5	21,6	21,7	21,8	22,0
Rural	17,3	17,4	17,3	17,7	17,7

**Table 8. Urbanization**

	1995	1996	1997	1998	1999
Urban population at the end of the year (as % of total)	38,4	38,0	37,8	37,6	37,6
Annual growth rate of urban population (%) (for 5-year period)	1,1	1,1	1,1	1,1	1,1
Population in cities of more than 1 million as % of:					
Total population	9,3	9,2	9,0	9,0	8,8
Urban population	24,2	23,9	23,7	23,8	23,5
Population of the biggest cities (cities of more than 100,000 and over) as % of:					
Total population	22,7	23,4	2,0	21,8	21,8
Urban population	58,6	58,3	58,0	57,3	58,0

**Table 9. Medicine and health care**

	1995	1996	1997	1998	1999
Death from circulatory diseases (as % of all cases)					
Total	46,5	46,7	47,2	50,0	50,6
Urban	50,3	50,0	51,0	48,6	53,4
Rural	43,5	44,0	44,2	47,8	48,4
Death from malignant tumor (as % of all cases)					
Total	6,9	6,8	6,8	6,8	7,3
Urban	9,5	9,1	9,1	9,1	9,4
Rural	4,8	4,9	4,9	4,9	5,6
Registered alcohol consumption (liters per adult)	1,3	1,9	0,6	1,2	1,0
Population per doctor	298	302	328	296	302
Number of hospital beds per 10,000 people	79,0	72,5	65,9	58,2	56,4
Number of hospital beds for pregnant women per 10,000	43,2	47,7	46,0	46,7	43,9
State expenditures on health (as % of total state expenditures)	11,2	9,7	9,5	8,9	9,1
Total expenditures on health (as % of GDP)	4,3	4,4	4,0	3,6	3,3

**Table 10. Education profile**

	1995	1996	1997	1998	1999
Enrolment of 6-23 year-olds (%)	49,6	47,2	50,1	45,2	49,9
Average years of schooling.					
Men	11,4	11,4	11,4	11,4	11,4
Women	11,9	12,0	12,1	12,2	12,2
Women	11,0	11,0	11,0	11,0	11,0
Secondary school graduates (%)	111,9	111,3	110,4	108,4	107,9
Secondary school graduates (% of total school age population)	100+	100+	100+	100+	+100
Secondary specialized school graduates (as % of school graduates, vocational and specialized school students)	44,0	43,6	43,9	41,5	41,9
19 year-olds still in full-time education (%)	24,9	20,8	17,6	17,3	18,7
University equivalent full-time enrolment (%)	85,8	86,4	85,1	84,2	84,8
University equivalent full-time graduates (as % of graduate age population)	13,0	12,2	10,5	8,7	8,2
State expenditures on education (as % of GDP)	7,4	7,7	7,3	7,4	7,8
Expenditure on tertiary education (as % of all level expenditures)	15,5	15,7	15,8	15,9	15,8

**Table 11. Employment**

	1995	1996	1997	1998	1999
Labor force (as % of total population)					
Total	37,4	37,5	37,3	37,2	37,0
Urban	17,5	18,0	17,9	17,8	18,1
Rural	19,9	19,5	19,4	19,4	18,9
Engaged (as % of total population)					
In agriculture					
Total	41,2	40,9	40,4	39,4	36,2
Urban	1,3	1,6	1,6	1,5	1,4
Rural	39,9	39,3	38,8	37,9	34,9
In industry					
Total	12,9	12,9	12,8	12,7	12,7
Urban	11,4	11,5	11,4	11,3	11,3
Rural	1,5	1,4	1,4	1,4	1,4
In services					
Total	23,7	24,0	26,9	26,7	23,0
Urban	16,4	17,3	20,2	20,2	20,4
Rural	7,3	6,7	6,7	6,7	8,7
Future labor force replacement ratio (%)					
Total	240	224	219	218	216
Urban	191	177	175	175	174
Rural	274	258	252	248	243
Percentage of employees unionized	100	100	100	100	100
Weekly working hours (per person in manufacturing)	40	40	40	40	40
Expenditure on labor market programs (as % of GDP)	0,5	0,4	0,3	0,4	0,4

**Table 12. Unemployment**

	1995	1996	1997	1998	1999
Unemployed (thousand people)					
Total	31,0	33,9	35,4	40,1	45,2
Urban	14,1	15,4	16,5	18,3	16,5
Rural	16,9	18,5	18,9	21,8	28,7
Unemployment rate, (%)					
Total	0,4	0,4	0,4	0,5	0,5
Urban	0,4	0,4	0,4	0,4	0,4
Rural	0,4	0,4	0,4	0,5	0,6
Regional unemployment disparity (the bottom 25 % of all regions compared to the top 25 %), times	2,1	2,0	2,0	2,1	1,7
Ratio between the number of unemployed and secondary and higher school graduates in current year	5,5	6,9	7,5	8,7	8,0
Male	3,8	4,3	5,4	6,4	5,2
Female	7,7	10,1	9,8	11,4	10,9
Incidence of long-term unemployment (as % of total)					
-6-12 months	5,5	5,0	4,5	6,4	8,8
-more than 12 months	2,9	2,4	1,8	1,7	3,5

**Table 13. National income accounts**

	1995	1996	1997	1998	1999
Total GDP (bln.soums)	302,8	559,1	976,8	1416,2	2048,4
Agricultural production (as % of GDP)	28,0	22,4	28,3	26,8	28,0
Industry (as % of GDP)	17,1	17,8	15,6	14,9	13,9
Services (as % of GDP)	34,6	37,1	36,2	36,2	36,0
Private consumption (as % of GDP)	50,6	55,2	60,8	62,9	64,3
Public consumption (as % of GDP)	22,3	22,1	20,5	20,6	19,9
Gross domestic investments (as % of GDP)	24,2	23,0	18,9	14,8	15,3
Gross domestic savings (as % of GDP)	27,1	22,7	18,7	16,5	15,8
Tax revenues (as % of GDP)	27,5	26,3	22,8	24,2	30,4
Government spending (as % of GDP)	32,6	36,4	32,2	34,4	32,2
Export (as % of GDP)	31,6	34,2	29,8	23,7	19,5
Import (as % of GDP)	28,7	34,5	30,0	22,0	19,0

**Table 14. National resources balance sheet**

	1995	1996	1997	1998	1999
Population density (people per sq. km.)	51,4	52,4	53,4	54,0	54,8
Cultivated land (as % of land area)	10,1	10,1	10,1	10,1	10,1
Forested and wooded land (as % of land area)	3	3	3	3	3
Irrigated land (as % of arable area)	95	95	95	95	95

**Table 15. Trends in economic performance**

	1995	1996	1997	1998	1999
GDP annual growth rate (%)	-0,9	1,7	5,2	4,3	4,4
GDP per capita annual growth (%)	-2,7	-0,2	3,3	2,6	2,8
Tax revenues (as % of GDP)	27,5	26,3	22,8	24,2	30,4
Direct taxes (as % of total taxes)	40,1	47,1	48,0	42,3	39,0
Budget deficit (as % of GDP)	2,8	1,9	2,4	2,1	1,8
Exports (as % of GDP)	31,6	34,2	29,8	23,7	19,5

**Table 16. Communication profile**

	1995	1996	1997	1998	1999
Television sets (per 1.000 people)	103	91	84	73	61
Cinema attendance (per capita)	0,3	0,2	0,2	0,1	0,3
Newspaper copies (per 100 people)	7	6	7	7	8
Book titles published (per 100.000 people)	5,2	4,3	4,8	4,1	3,6
Private cars (per 100 people)	3,8	3,6	3,6	3,8	3,8
Telephones (per 100 people), units	7,1	7,0	6,7	6,5	6,4
Telephones (per 100 rural dwellers), units	2,2	2,0	1,9	1,8	1,7
Parcels, letters (per 100 people)	0,6	0,2	0,01	0,02	0,02
Long distance calls (per capita)	2,5	2,5	3,1	3,3	4,1
Letters mailed (per capita)	0,4	0,4	0,4	0,4	0,4

**Table 17. Rural-urban gaps**

	1997			1998			1999		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Life expectancy (years)	70,25	71,5	69,33	70,3	71,6	69,6	70,3	71,6	69,5
Mean years of schooling	11,4	13,9	9,9	11,4	13,9	9,8	11,4	14,0	9,2
Schooling index	0,76	0,93	0,66	0,76	0,93	0,65	0,75	0,93	0,61
Literacy rate	99,1	99,7	98,7	99,2	99,7	98,8	99,2	99,7	98,8
Literacy index	0,991	0,997	0,987	0,991	0,997	0,988	0,992	0,997	0,988
Education level	2,742	2,924	2,634	2,742	2,924	2,626	2,744	2,884	2,586
Gross first, second and third level enrolment ratio	70,6	80,4	65,7	70,6	80,4	65,7	70,6	80,4	65,7
Education attainment index	0,896	0,933	0,877	0,897	0,932	0,879	0,897	0,933	0,878
Development index dispersion taken into account	0,892	-	-	0,893	-	-	0,893	-	-
Real GDP per capita (PPP\$)	2670	-	-	2829	-	-	2994	-	-
Life expectancy index	0,754	0,775	0,738	0,755	0,776	0,743	0,755	0,778	0,742

**Table 18. Rural-urban gaps (100=parity between urban and rural areas)**

	1995	1996	1997	1998	1999
Population	161,5	163,1	164,5	165,6	167,2
Population growth rate	227,3	191,7	161,5	163,6	200,0
Life expectancy	96,6	96,6	96,9	97,2	97,1
Average family size	107,7	118,0	127,7	129,8	129,8
Labor force	120,3	120,3	126,5	127,3	127,1
Population elder than working age	68,4	69,1	69,2	69,1	69,6
Death from circulatory diseases	68,8	65,8	65,0	77,8	67,2
Death from malignant tumors	39,9	40,2	41,0	42,7	44,3
Life expectancy at age 60	77,1	77,1	78,4	80,6	80,2
Employed as % of total employed	116,8	117,2	116,9	108,8	101,0
Unemployment rate	100	100	100	150	150
Provision of services to households:					
Water supply	77,0	77,3	80,6	82,4	83,5
Sewage service	75,0	74,4	73,0	70,8	67,8

Notes: The data are on the basis of the average level of urban area with an index of 100. The lower is 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 average level in rural areas is higher than the average level in urban areas.

**Table 19. GDP per capita by regions**

	Real GDP per capita					
	(PPP \$)			As % of average		
	1997	1998	1999	1997	1998	1999
<b>Republic of Uzbekistan</b>	<b>2670</b>	<b>2829</b>	<b>2994</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Northern Uzbekistan</b>	<b>2162</b>	<b>2316</b>	<b>2549</b>	<b>81,0</b>	<b>81,9</b>	<b>85,1</b>
Karakalpakstan	1596	1784	2023	59,8	63,1	67,6
Khorezm	2808	2923	3148	105,2	103,3	105,1
<b>Central Uzbekistan</b>	<b>2479</b>	<b>2654</b>	<b>2984</b>	<b>92,9</b>	<b>93,8</b>	<b>99,7</b>
Bukhara	2739	3206	3863	102,6	113,3	129,0
Djizzak	2040	2051	2278	76,4	72,5	76,1
Navoi	4112	3650	3948	154,0	129,0	131,9
Samarkand	1867	2274	2464	69,9	80,4	82,3
Syrdarya	3062	2679	3100	114,7	94,7	103,5
<b>Southern Uzbekistan</b>	<b>2330</b>	<b>2466</b>	<b>2354</b>	<b>87,3</b>	<b>87,2</b>	<b>78,6</b>
Kashkadarya	2784	2668	2458	104,3	94,3	82,1
Surkhandarya	1764	2215	2225	66,1	78,3	74,3
<b>Eastern Uzbekistan</b>	<b>2923</b>	<b>3143</b>	<b>3297</b>	<b>109,5</b>	<b>111,1</b>	<b>110,1</b>
Andijan	2567	2673	2796	96,1	94,5	93,4
Namangan	1916	1841	1965	71,8	65,1	65,6
Fergana	2906	2892	3106	108,8	102,2	103,7
Tashkent	2931	3105	3165	109,8	109,7	105,7
Tashkent city	4580	5287	5543	171,5	186,9	185,2

## Addendum to the main tables

### I. Demography and employment

Table 20. Human development index by regions

	Life expectancy	Life expectancy index	GDP index			Educational level			HDI		
			1997	1998	1999	1997	1998	1999	1997	1998	1999
<b>Republic of Uzbekistan</b>	<b>70,3</b>	<b>0,76</b>	<b>0,425</b>	<b>0,439</b>	<b>0,466</b>	<b>0,896</b>	<b>0,897</b>	<b>0,897</b>	<b>0,692</b>	<b>0,697</b>	<b>0,706</b>
Karakalpakstan	69,98	0,75	0,247	0,271	0,310	0,896	0,896	0,896	0,631	0,639	0,652
Andijan	70,16	0,75	0,408	0,414	0,434	0,886	0,886	0,886	0,682	0,684	0,691
Bukhara	70,74	0,76	0,436	0,500	0,606	0,885	0,886	0,886	0,695	0,716	0,751
Djizzak	72,22	0,79	0,320	0,314	0,351	0,950	0,950	0,950	0,686	0,684	0,696
Kashkadarya	69,08	0,73	0,443	0,413	0,380	0,896	0,896	0,896	0,691	0,681	0,670
Navoi	72,57	0,79	0,663	0,572	0,620	0,894	0,896	0,896	0,783	0,753	0,769
Namangan	70,12	0,75	0,300	0,280	0,300	0,908	0,908	0,908	0,653	0,647	0,653
Samarkand	70,37	0,76	0,292	0,350	0,381	0,887	0,887	0,888	0,645	0,665	0,675
Surkhandarya	70,10	0,75	0,275	0,340	0,342	0,890	0,891	0,890	0,639	0,661	0,661
Syrdarya	69,74	0,75	0,489	0,415	0,483	0,888	0,888	0,888	0,708	0,683	0,706
Tashkent	70,18	0,75	0,468	0,484	0,493	0,892	0,892	0,892	0,704	0,710	0,713
Fergana	70,31	0,76	0,464	0,449	0,484	0,889	0,889	0,889	0,702	0,698	0,709
Khoresm	70,93	0,77	0,447	0,455	0,491	0,898	0,898	0,898	0,703	0,706	0,718
Tashkent city	70,37	0,76	0,740	0,835	0,876	0,936	0,938	0,936	0,811	0,710	0,856

**Table 21. Population density and rural population % by regions**

	01.01.98		01.01.99		01.01.2000	
	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	53,4	62,1	54,0	62,4	54,8	62,4
Karakalpakstan	8,9	51,8	8,9	51,7	9,0	51,6
Region:						
Andijan	505,0	70,0	513,7	70,1	522,0	69,8
Bukhara	35,2	68,0	34,9	68,7	35,3	68,8
Djizzak	45,3	68,7	46,0	68,9	46,2	69,4
Kashkadarya	73,2	74,2	74,2	74,4	75,9	74,5
Navoi	7,0	59,4	7,0	59,5	7,1	59,5
Namangan	235,9	62,2	256,3	62,4	260,8	62,4
Samarkand	158,3	72,2	156,9	72,6	159,5	72,8
Surhandarya	80,3	79,9	84,9	80,0	86,6	80,0
Sirdarya	127,9	69,1	132,0	68,6	150,2	67,7
Tashkent	286,0	59,1	288,6	59,4	290,1	59,6
Fergana	365,9	71,0	393,9	70,8	399,4	70,7
Khorezm	203,0	75,6	213,3	76,0	217,4	76,1

**Table 22. Able bodies population aged 15 and older by 1.01.2000 (thousand people)**

	Total			Urban			Rural		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
Population aged 15 and older	14704,7	7203,6	7501,0	6038,9	2922,4	3116,5	8665,8	4281,3	4384,5
Literacy rate (percentage of illiterate population to population aged 15 and older, difference from 100 %)	99,20	99,23	99,09	99,71	99,71	99,71	98,78	98,90	98,65
Literacy index	0,992	0,992	0,991	0,997	0,997	0,997	0,988	0,989	0,987

**Table 23. Average family size**

	1989			1999		
	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan	5,5	4,7	6,2	5,5	4,6	6,1
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	5,9
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	5,8	5,6	5,9
Samarkand	5,8	4,8	6,3	5,6	4,4	6,1
Surkhandarya	5,9	4,9	6,1	5,8	5,1	6,2
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	5,7	5,2	5,9
Khorezm	6,9	5,9	7,4	6,4	5,5	6,6
Tashkent-city	4,2	4,2	-	3,6	3,6	-

**Table 24. Life expectancy at birth (years)**

	1995	1996	1997	1998	1999
<b>Total</b>					
Both sexes	70,2	70,2	70,25	70,3	70,3
Men	67,8	67,8	68,1	68,2	68,2
Women	72,6	72,7	72,7	73,0	73,1
<b>Urban population</b>					
Both sexes	71,5	71,5	71,5	71,6	71,6
Men	69,0	69,0	69,1	69,1	69,1
Women	73,9	74,0	74,0	74,1	74,2
<b>Rural population</b>					
Both sexes	69,1	69,1	69,3	69,5	69,5
Men	66,7	66,7	66,8	66,9	66,9
Women	71,4	71,4	71,4	71,6	71,6

**Table 25. Birth and mortality rates by regions**

	Number of life births per 1,000 people			Number of deaths per 1,000 people		
	Total	Urban	Rural	Total	Urban	Rural
<b>Uzbekistan (total)</b>						
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
1998	23,0	19,0	25,5	5,8	6,7	5,3
1999	22,3	18,5	24,7	5,3	6,4	4,7
<b>Republic of Karakalpakstan</b>						
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
1998	22,8	21,7	23,7	6,2	6,2	6,1
1999	23,8	22,1	25,3	5,7	5,9	5,6
<b>Regions:</b>						
<b>Andijan</b>						
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
1998	23,9	23,1	24,3	5,6	6,2	5,3
1999	21,9	21,7	22,0	5,1	6,2	4,7
<b>Bukhara</b>						
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
1998	21,5	16,9	23,6	5,1	5,4	4,9
1999	19,9	15,7	21,8	4,5	4,9	4,3
<b>Djizzak</b>						
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
1998	24,8	18,5	27,6	4,9	4,2	5,2
1999	24,7	19,8	26,8	4,3	4,3	4,3
<b>Kashkadarya</b>						
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
1998	27,1	22,0	28,9	4,7	4,7	4,7
1999	27,5	21,9	29,4	4,3	4,2	4,3
<b>Navoi</b>						
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
1998	20,3	17,7	22,0	5,8	6,3	5,5
1999	19,7	17,4	21,3	5,0	5,7	4,5
<b>Namangan</b>						
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
1998	23,6	23,8	23,5	5,4	5,6	5,3
1999	23,1	22,9	23,2	4,9	5,2	4,6

<b>Samarland</b>						
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	28,2	20,1	31,4	5,8	7,0	5,4
1998	23,8	16,9	26,4	5,7	6,8	5,3
1999	24,4	17,0	27,2	5,1	5,9	4,8
<b>Surkhandarya</b>						
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
1998	27,7	20,1	29,6	5,2	4,7	5,3
1999	26,2	19,4	28,0	4,7	4,5	4,7
<b>Syrdarya</b>						
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
1998	23,1	19,1	24,6	5,7	7,0	5,1
1999	22,3	19,4	23,7	5,2	6,7	4,5
<b>Tashkent</b>						
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
1998	20,6	17,3	22,9	6,6	8,1	5,5
1999	19,0	16,2	20,9	6,3	7,7	5,3
<b>Fergana</b>						
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
1998	23,4	20,0	24,8	5,7	6,5	5,3
1999	21,1	18,8	22,9	5,1	6,2	4,7
<b>Khorezm</b>						
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
1998	24,1	20,7	25,2	6,0	6,4	5,8
1999	25,1	21,2	26,3	5,2	6,1	4,9
<b>Tashkent city</b>						
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	-
1998	15,9	15,9	-	8,3	8,3	-
1999	15,1	15,1	-	8,2	8,2	-

Table 26. Unemployment rate by regions\*)

	1996			1997			1998			1999		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan (Total)	0,3	0,3	0,3	0,3	0,3	0,4	0,4	0,3	0,4	0,4	0,3	0,6
Karakalpakstan	0,9	1,1	0,7	1,2	1,6	0,9	1,4	1,6	1,1	1,5	1,6	1,3
Regions:												
Andijan	0,3	0,1	0,4	0,2	0,1	0,4	0,3	0,2	0,4	0,3	0,1	0,6
Bukhara	0,1	-	0,1	0,1	0,1	0,2	0,2	0,1	0,3	0,2	0,1	0,5
Djizzak	0,4	0,3	0,4	0,3	0,1	0,4	0,2	-	0,4	0,4	0,4	0,4
Kashkadarya	0,2	0,1	0,2	0,2	0,1	0,3	0,2	-	0,9	0,2	0,1	0,2
Navoi	2,1	1,1	3,3	2,5	1,2	4,1	3,0	1,6	1,7	2,8	1,4	5,5
Namangan	0,3	0,4	0,2	0,3	0,1	0,4	0,4	0,2	0,4	0,5	0,5	0,5
Samarkand	0,2	0,2	0,3	0,3	0,3	0,4	0,3	0,2	0,6	0,5	0,3	0,6
Surkhandarya	0,1	-	0,1	0,1	-	0,2	0,1	-	0,4	0,1	-	0,2
Syrdarya	0,5	0,3	0,7	0,3	0,2	0,4	0,4	-	0,2	0,4	0,4	0,4
Tashkent	0,2	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,2
Fergana	0,1	-	0,1	0,1	-	0,1	0,1	-	0,4	0,1	-	0,2
Khorezm	0,2	0,2	0,3	0,3	0,6	0,1	0,4	0,3	0,1	0,5	0,3	0,6
Tashkent city	0,4	0,4	-	0,1	0,1	-	0,1	0,1	-	0,3	0,3	-

Table 27. Ratio of employed in urban and rural areas (as % of total employed)



	Total	1995		Total	1997		Total	1999	
		Urban	Rural		Urban	Rural		Urban	Rural
Uzbekistan	100,0	44,6	55,4	100,0	47,9	52,1	100,0	49,7	50,3
Karakalpakstan	100,0	48,5	51,5	100,0	50,2	49,8	100,0	52,9	47,1
Regions:									
Andijan	100,0	44,9	55,1	100,0	47,5	52,5	100,0	49,6	50,4
Bukhara	100,0	39,5	60,5	100,0	39,1	60,9	100,0	60,5	39,5
Djizzak	100,0	31,5	68,5	100,0	36,0	64,0	100,0	38,7	61,3
Kashkadarya	100,0	23,7	76,3	100,0	27,1	72,9	100,0	25,2	74,8
Navoi	100,0	59,7	40,3	100,0	55,7	44,3	100,0	67,3	32,7
Namangan	100,0	27,1	72,9	100,0	36,7	63,3	100,0	38,6	61,4
Samarkand	100,0	38,9	61,1	100,0	40,9	59,1	100,0	39,0	61,0
Surkhandarya	100,0	24,6	75,4	100,0	30,9	69,1	100,0	35,6	64,4
Syrdarya	100,0	38,6	61,4	100,0	42,6	57,4	100,0	23,0	77,0
Tashkent	100,0	45,6	54,4	100,0	47,7	52,3	100,0	51,5	48,5
Fergana	100,0	38,8	61,2	100,0	41,9	58,1	100,0	43,9	56,1
Khorezm	100,0	40,6	59,4	100,0	45,8	54,2	100,0	33,7	66,3
Tashkent city	100,0	100,0	-	100,0	100,0	-	100,0	100,0	

## II. Economy

**Table 28. Composition of GDP, %**

	1995	1996	1997	1998	1999
GDP – total:	100	100	100	100	100
Value added	86,9	85,6	87,6	85,6	85,0
Including:					
Industry	17,1	17,8	15,6	14,9	13,9
Construction	7,1	8,3	7,3	7,5	6,9
Agriculture	28,0	22,4	28,3	26,8	28,0
Services	34,7	37,1	36,4	36,4	36,2
Including:					
Trade	5,2	7,0	8,4	8,4	9,3
Transport and communications	7,3	6,8	6,5	6,8	6,5
Other branches	22,2	23,3	21,5	21,2	20,4
Net taxes, including import tax	13,1	14,4	12,4	14,4	15,0
Ratio between foreign trade turnover and GDP	60,3	68,7	59,8	45,7	38,5
Export	31,6	34,2	29,8	23,7	19,5
Import	28,7	34,5	30,0	22,0	19,0

**Table 29. Share of medium and small private entrepreneurship in gross regional product, 1999 (as % of GDP)**

	Total	Including:	
		Small and medium enterprises	Individual business
Republic of Uzbekistan	29,1	12,6	16,5
Republic of Karakalpakstan	20,3	8,9	11,4
Regions			
Andijan	31,5	9,0	22,5
Bukhara	30,4	13,8	16,6
Djizzak	38,6	16,4	22,2
Kashkadarya	21,6	6,8	14,8
Navoi	20,3	6,5	13,8
Namangan	29,9	9,7	20,2
Samarkand	37,6	10,5	27,1
Surkhandarya	36,9	14,4	22,5
Syrdarya	33,3	14,9	18,4
Tashkent	28,8	12,6	16,2
Fergana	30,4	12,0	18,4
Khorezm	30,4	9,0	21,4
Tashkent city	32,2	20,0	12,2

**Table 30. Employed at small, medium and micro enterprises and agencies by sectors**

	1999		
	Thousand people	as % of total	As % to 1998
<b>Total</b>	<b>675,4</b>	<b>100,0</b>	<b>97,1</b>
Including:			
Industry	108,1	16,0	103,4
Agriculture	249,7	37,0	114,2
Construction	76,5	11,3	83,4
Транспорт	4,4	0,7	110,0
Trade and public catering	140,4	20,8	91,1

**Table 31. New private sector and informal sector**

	1994	1995	1996	1997	1998	1999
Share of the population engaged in a new private sector as % of total employment	2,1	3,1	3,5	3,2	3,4	6,4
Share of the population engaged in an informal sector as % of total population	21,9	22,1	19,5	31,5	35,2	38,1
Share of informal sector in GDP (%)		21,6	20,9	28,9	28,3	29,0

**Table 32. Capital investments by sectors and sources (%)**

Years	For production purposes	Industry	including:		For non-productive purposes	Financed by state budget
			Agriculture and forestry			
1992	49	25	16		51	69
1993	56	31	15		44	75
1994	63	41	11		37	27
1995	68	45	8		32	27
1996	68	38	6		32	26
1997	64	32	7		36	27
1998	59	29	6		41	24
1999	56	33	8		44	29

**Table 33. Social and cultural amenities in operation**

Years		Comprehensive schools	Pre-school	Hospitals	Policlinics (thous.	Clubs and cultural
		(thous. seats)	establishments	(thous. beds)	visits per shift)	buildings (thous. seats)
		(thous. seats)	(thous. seats)			
1995	Total	48,8	3,2	1,6	3,6	2,2
	Urban	12,1	1,8	1,0	2,6	-
	Rural	36,7	1,4	0,6	1,0	2,2
1996	Total	64,4	1,8	1,3	9,6	1,6
	Urban	10,1	1,2	0,6	0,8	-
	Rural	54,3	0,6	0,7	8,8	1,6
1997	Total	64,1	1,0	1,5	11,7	0,4
	Urban	6,2	0,8	0,4	0,3	-
	Rural	57,9	0,2	1,1	11,4	0,4
1998	Total	74,2	0,185	0,8	11,9	0,55
	Urban	9,7	0,185	0,32	0,7	-
	Rural	64,5	-	0,48	11,2	0,55
1999	Total	33,5	0,575	0,68	9,0	
	Urban	3,1	0,480	0,43	1,4	
	Rural	30,4	0,095	0,25	7,6	

### III. Education

**Table 34. Pre-school enrolment (as% of all pre-school aged children)**

	1995	1996	1997	1998	1999
Total	24,5	19,5	17,6	16,1	16,2
Urban	40,3	33,0	31,6	30,0	31,1
Rural	17,1	13,2	11,2	9,8	9,5

**Table 35. Enrolment in specialized secondary and higher schools**

	1995	1996	1997	1998	1999
Specialized secondary students (thous.)	194,8	197,2	224,8	249,1	266,8
Of which women (%)	51,8	54,2	54,6	52,1	51,6
Number of students in higher schools (thous.)	192,1	165,7	158,2	158,7	166,5
Of which women (%)	38,9	39,4	37,9	38,1	37,4

**IV. Health care****Table 36. Number of people per doctor, nurse and hospital bed**

	1995			1997			1999		
	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	291	93	153	302	95	177
Karakalpakstan	354	81	131	327	88	165	346	94	208
Andijan	313	94	121	310	93	138	312	92	152
Bukhara	326	84	147	316	81	176	310	82	205
Djizzak	385	96	197	388	94	182	415	107	198
Kashkadarya	365	100	154	330	98	182	355	101	207
Navoi	310	88	135	313	91	181	322	93	209
Namangan	302	96	116	300	95	138	336	99	166
Samarkand	295	104	135	296	109	156	314	114	174
Surkhandarya	385	104	179	374	109	206	390	109	239
Syrdarya	350	79	121	354	82	144	357	82	150
Tashkent	395	90	141	379	93	177	387	96	203
Fergana	377	90	119	381	91	132	389	91	158
Khorezm	331	97	148	329	99	173	334	102	209
Tashkent city	134	76	87	126	76	106	126	76	125

**Table 37. Mortality rate by selected causes of death and regions (per 100,000 people)**

	1997				1998				1999			
	All causes of death	From circulatory illnesses	From malignant tumore	From respiratory illnesses	All causes of death	From circulatory illnesses	From malignant tumore	From respiratory illnesses	All causes of death	From circulatory illnesses	From malignant tumore	From respiratory illnesses
Total	580,5	274,3	39,5	84,3	584,3	291,9	39,5	85,9	534,8	270,8	39,0	69,5
Including:												
Urban	686,8	350,3	62,2	64,2	671,6	326,2	61,4	62,9	637,7	340,4	59,8	54,5
Rural	515,3	227,6	25,5	96,7	531,1	253,9	26,2	105,6	472,6	228,7	26,5	78,5
Including:												
Men	611,8	256,4	41,9	92,6	606,6	270,9	41,7	92,9	562,8	255,2	41,2	75,7
Women	549,7	291,9	37,0	76,2	562,3	312,6	37,3	79,0	507,1	286,2	36,8	63,3
Karakalpakstan	599,0	192,0	46,1	121,7	616,2	190,3	46,9	134,7	572,4	177,1	45,3	124,6
Regions:												
Andijan	527,7	285,5	30,8	94,7	559,0	308,0	36,0	86,2	514,9	284,9	36,5	69,5
Bukhara	487,4	243,7	31,7	72,4	508,6	269,0	32,3	65,7	450,0	243,0	32,5	48,8
Djizzak	494,5	194,6	30,0	99,9	488,4	192,3	31,3	99,9	432,5	182,2	30,9	68,0
Kashkadarya	462,9	154,2	20,3	66,7	471,3	210,9	17,0	103,8	425,5	195,7	20,1	86,7
Navoi	571,0	250,8	52,6	68,3	580,3	258,9	55,1	63,6	501,2	237,2	47,2	48,6
Namangan	513,2	251,6	26,5	109,2	542,5	278,9	28,5	122,2	485,2	244,0	25,7	99,6
Samarkand	584,5	298,2	32,0	84,2	572,4	303,6	31,4	81,9	509,3	269,8	32,0	62,1
Surkhandarya	529,4	197,4	24,2	121,7	521,1	214,8	24,2	110,9	465,9	203,6	25,9	83,3
Syrdarya	573,1	265,6	40,2	66,6	566,7	265,8	44,2	71,8	525,0	267,9	39,4	43,7
Tashkent	682,1	360,2	47,0	74,0	659,7	360,4	45,4	63,5	631,0	346,0	46,9	52,0
Fergana	549,3	231,7	34,2	67,8	565,2	261,5	33,3	69,5	512,6	240,7	33,5	60,5
Khorezm	550,5	284,1	25,4	114,0	598,5	335,0	29,0	117,0	516,7	290,9	26,1	89,4
Tashkent city	874,5	502,8	104,4	41,2	829,5	496,7	99,7	33,1	818,8	488,4	100,8	33,4

**Table 38. Infant mortality rate (number of children died under age one, per 1,000 live births)**

	1995			1997			1998			1999		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan	26,0	28,7	24,8	22,8	25,2	21,7	21,9	24,4	20,7	20,2	23,2	18,9
Karakalpakstan	31,5	35,2	28,1	26,6	27,6	25,6	24,9	27,8	22,4	22,9	25,7	20,6
Andijan	23,5	28,0	21,6	18,2	23,1	16,2	18,6	27,3	15,1	17,3	26,4	13,4
Bukhara	21,0	20,5	21,1	16,3	21,3	14,5	20,5	22,4	19,8	18,3	22,4	16,9
Djizzak	25,1	25,1	25,2	24,4	24,3	24,4	21,1	19,6	21,6	19,0	20,1	18,7
Kashkadarya	24,0	24,6	23,8	21,6	21,8	21,5	20,7	21,9	20,4	20,8	23,4	20,2
Navoi	28,1	43,0	20,9	25,0	29,7	22,4	22,2	25,6	20,3	19,7	24,8	16,8
Namangan	26,8	32,0	23,7	22,1	25,2	20,2	22,8	28,0	19,6	20,4	26,7	16,7
Samarkand	24,2	22,8	24,7	21,5	24,7	20,7	19,9	22,6	19,2	17,3	18,5	17,1
Surkhandarya	29,5	31,8	29,1	28,1	27,7	28,2	24,5	24,1	24,6	21,0	23,7	20,5
Syrdarya	23,1	24,7	22,5	20,9	24,0	19,8	21,0	18,6	21,9	20,2	16,1	21,7
Tashkent	24,6	23,9	24,9	23,9	22,8	24,5	22,1	21,4	22,4	20,5	18,9	21,3
Fergana	27,3	29,5	26,6	21,5	22,8	21,0	22,3	24,2	21,7	22,3	24,3	21,6
Khorezm	25,9	27,7	25,3	25,1	34,4	22,6	24,7	34,4	22,1	22,4	30,7	20,2
Tashkent city	31,3	31,3	-	26,4	26,4	-	22,7	22,7	-	21,7	21,7	-

## V. Ecology

**Table 39. Amount of harmful emissions into the atmosphere (thousand tons per year)**

Cities	1995	1996	1997	1998	1999
Tashkent	16,0	15,3	13,3	11,8	12,7
Andijan	1,0	9,6	8,7	7,7	6,2
Navoi	48,3	43,7	42,2	42,6	28,2
Samarkand	7,8	7,1	8,1	8,3	8,2
Almalyk	106,6	105,4	105,9	103,6	100,0
Angren	91,6	111,2	111,8	101,0	112,6
Bekabad	9,1	7,7	6,8	7,4	7,3
Chirchik	7,5	6,7	6,3	6,5	5,6
Kokand	3,9	4,3	5,4	5,3	2,9
Fergana	70,7	72,5	67,8	55,0	49,4
Margilan	0,5	0,4	0,3	0,3	0,1
Nukus	2,6	2,9	3,0	3,7	3,4
Urgench	6,0	3,4	10,2	13,1	1,3
Bukhara	7,1	14,6	9,2	8,0	3,1
Djizzak	3,2	2,3	6,5	3,7	3,3
Karshi	129,0	85,0	75,9	65,4	2,7
Namangan	5,7	6,7	6,5	6,7	4,3
Termez	2,1	2,0	1,9	1,4	0,5
Gulistan	1,6	1,6	1,4	1,4	1,0