

HUMAN DEVELOPMENT IN UZBEKISTAN: THE CHALLENGE OF TRANSITION

chapter

1

Human development is a process of empowerment designed to increase individuals' life choices by expanding their capabilities. This means ensuring opportunities to lead long, healthy lives, with full access to education and the means to maintain a decent standard of living. Developing these basic choices in the lives of individuals should be the most important goal of any society.

Because of their intrinsic value with regard to quality of life, these basic opportunities, involving longevity, education and income are the core indicators upon which the Human Development Index is based. As such they convey important evaluative significance for the analyses undertaken in the annual National Human Development Reports prepared under the aegis of UNDP.

Nonetheless, these basic indicators by themselves by no means portray the sum total of human development. To evaluate fully the relative human development of a society it is equally important to consider the degree to which the *process* of human development is productive, empowering, equitable and sustainable.

Successful human development enables individuals to make the greatest contribution possible to their society through efficient use of human and other resources. It allows for their full participation in political, social and cultural life through freedom of speech, freedom of press, and democratic electoral systems. Ideally, everyone has equal access to these opportunities through the protection of human rights and equal treatment before the law regardless of material wealth, social status, gender or ethnicity. In ensuring this quality of life, the needs of the present generation are met without compromising the opportunities of future generations, especially with regard to the environment.

While these principles of human development are accepted by most as essential for true growth in a society, there is far less agreement on what constitutes the most practical strategy for achieving these goals for a specific country. Some argue that a choice must be made at times between human development and economic growth, or that it is better to focus primarily on social capital or spiritual development. Others may choose strategies producing short-term social or political gains, without addressing issues of long-term sustainability.

The selection and implementation of a comprehensive human development strategy is complicated further for countries in transition. These societies, in contrast to many developing countries, have had to address the problems of collapsing educational and healthcare systems at a time when public resources are limited. Changes from planned to market economies may take place faster than corresponding changes in the attitudes and values of individuals. This in turn makes maintaining the momentum of reforms more challenging, especially when over the short-term living conditions show little or even negative growth.

In addition, countries undergoing transition in the late 1990s must also deal with the pressures of globalization. In such a closely inter-related global society, it is necessary to devise growth strategies that promote the interests of individual citizens, while simultaneously not working to the detriment of other societies' development prospects. For these reasons, the specific policies and approaches needed to promote human development in the transition countries may differ from the methods taken in developing countries, as they may differ from the policies pursued by mature market economies. Over the past decade, even among the transition countries themselves, a variety of development paths have been pursued in efforts to achieve the ideal goals of sustainable human development with varying degrees of success.

Changes from planned to market economies may take place faster than corresponding changes in the attitudes and values of individuals

In the following sections of this report the process of human development over the past eight years will be explored in more detail taking into consideration the specific development requirements and experiences of the Republic of Uzbekistan.

THE CONTEXT OF UZBEKISTAN

Since Independence in 1991, Uzbekistan has undergone a process of societal transformation, whose ultimate goal is the promotion of human development.

As declared by President Islam Karimov in his 1997 work on Uzbekistan at the Threshold of the XXI Century, «the main target of the reforms is to create the necessary conditions in which every citizen of Uzbekistan, despite his ethnic origin and religion, would have possibilities to reveal his capabilities and gifts, to make his life better and spiritually richer».

In comparison with other transition countries, especially the neighboring republics of Central Asia, Uzbekistan has been forced to meet the challenges of transition with both inherent advantages and disadvantages. These various peculiarities specific to the republic have had a significant influence on the type of path along which reforms can be pursued, as well as the development results that can be achieved.

The initial years of transition saw the emergence of several new social problems in the republic

Sector	Advantages	Disadvantages
Population	High proportion of youth, which strengthen economic production potential. Lack of problems associated with an aging society.	Significant amount of resources required to meet educational and training requirements of youth.
Industry	Limited disruption caused by dissolution of USSR due to relatively low integration in production systems of the FSU.	An industrial base smaller than that of most of the other republics. Outdated technology. Low of industrial diversity.
Trade	Significant resources in the form of cotton and gold that can be sold easily in world markets for hard currency	Industry and consumption are highly dependent on imports.
Agriculture	Large potential for both domestic and foreign markets.	Inefficient, outdated system of production.
Macroeconomics	Strong economy, low level of foreign debt.	Lack of convertibility, strict currency regime.
Human potential	Relatively high levels of life expectancy and literacy in comparison with other countries having similar average levels of income.	Healthcare and educational facilities are inadequate, require repairs, and face insufficient funding levels.

The initial years of transition saw the emergence of several new social problems in the republic. Real spending in education, healthcare and science fell as a result of budget cuts and falling output levels. Living standards declined sharply due to falling wages, social security payments; and depreciating savings. With industrial collapse came greater income disparity and increased unemployment. At the same time, the threat of crime, drug trafficking, terrorism, extremism and corruption among civil servants grew.

These intense challenges have led Uzbekistan to choose its own way of reform, preferring a gradual transition to sudden and complete liberalization. Instead of abolishing the state's role in managing the economy, the state's role has been strengthened in reforming all aspects of social and economic life.

The tables below show the performance of all five Central Asian republics in terms of their HDI at the start of transition and then in 1997. Since the methodology for computing the global HDI changed between 1991 and 1997, the absolute values for the HDI are not comparable. Nonetheless, their relative rankings still offer a good statistical comparison of what has happened in Central Asia over the past several years with respect to HDI and individual HDI core indicators.

Human Development Indicators in Central Asian countries, 1991

HDI rank	Country	Life expectancy at birth (years)	Adult literacy (%)	Average income per capita, (PPP\$)
1	Kazakhstan	69	97.5	4490
2	Turkmenistan	66	97.7	3540
3	Kyrgyzstan	68	97.0	3683
4	Uzbekistan	69	97.2	2790
5	Tajikistan	70	96.7	2180

Source: Central Asia 2010, UNDP, 1999

Human Development Indicators in 1997 – a picture of change in Central Asia

HDI rank	Country	Global HDI rank	Life expectancy at birth, years	Adult literacy %	School enrolments %	Average income per capita PPP\$
1	Kazakhstan	76	68	99	76	3,560
2	Uzbekistan	92	68	99	76	2,670
3	Turkmenistan	96	65	98	90	2,109
4	Kyrgyzstan	97	68	97	69	2,250
5	Tajikistan	108	67	99	69	1,126

Source: Global HDR 99

WHERE DOES UZBEKISTAN STAND TODAY?

The following table shows the position of the republic relative to the global community in terms of a range of basic quality of life indicators. The table provides statistical comparisons of Uzbekistan to Eastern Europe and the CIS, the industrial countries of Europe and North America, and also to the world as a whole.

Indicators	Uzbekistan	Eastern Europe and CIS	Industrialized countries	World
Life expectancy at birth (years), 1997	67.5	68.6	77.7	66.7
Adult literacy rate (%), 1997	99	98.7	98.7	78.0
Real GDP per capita (PPP\$), 1997	2,670	4,243	23,741	6,332
Seats in parliament held by women (as % of total)	9.4	9.1	19	12
People not expected to survive to age 60 (as % of total population), 1997	25.1	24.7	10.6	25.3
Maternal mortality rate (per 100,000 live births), 1990	55	62	13	437
Infant mortality rate (per 1,000 live births), 1997	22.8	26	6	58
Tuberculosis cases (per 100,000 people), 1997	52.2	61.3	14.8	68.5
Doctors (per 100,000 people), 1993	335	356	253	122
R&D scientists and technicians (per 1,000 people), 1990-96	2	3.1	4.1	1.3
Urban population (as % of total), 1997	38.2	72.2	77.8	54.4
Population aged 65 and above (%), 1997	4.5	11.4	18.3	6.8
Electricity consumption per capita (kilowatt-hours), 1996	2,004	4,153	9,491	2,370
Annual fresh water withdrawals per capita (cubic meters)	4,100	1,122	1,058	626
Daily per capita supply of protein (grams), 1996	76	85.0	104.8	73.5
Daily per capita supply of fat (grams), 1996	63.7	78.2	133.1	70.4
Daily per capita supply of calories, 1996	2,550	2,800	3,377	2,751
Injuries and deaths from road accidents (per 100,000), 1997	58	138	789	
Divorces (as % of marriages), 1996	12	48	41	

Source: Global HDR 99

Over the past eight years the republic has made some notable development achievements. Uzbekistan has achieved independence in energy and grain supply. It has created more large and medium sized enterprises than in any other republic of the former Soviet Union. It has developed its infrastructure, constructing many new railways and roads. Its towns and cities are becoming more attractive. Many more

rural areas are being provided with gas supplies and drinking water – something long dreamed of by rural inhabitants. Agricultural markets are filling up, as are the shop windows, and many people are starting up their own enterprises.

These achievements cannot hide the many significant challenges of reform that still face the republic, as well as all countries in transition. The table below provides a concise summary of both the development progress and setbacks that have taken place in the republic since Independence.

European Bank of Reconstruction and Development: Overview of progress and setbacks in transition

Progress

Setbacks

Health	
<ul style="list-style-type: none"> Maternal mortality rate decreased from 30 (per 100,000 live births) in 1992 to 10.5 in 1997. Infant mortality rate decreased from 28 (per 1,000 live births) in 1994 to 23 in 1997. 	<ul style="list-style-type: none"> Total health expenditure decreased from 5.5% (as % of GDP) in 1992 to 4.4% in 1996.
Education	
<ul style="list-style-type: none"> Percentage of women in specialized secondary schools rose from 47.5% in 1992 to 54.6% in 1997. 	<ul style="list-style-type: none"> Total education expenditure decreased from 11.6% (as % of GDP) in 1992 to 8% in 1996. Enrolment in education (age 6-23) decreased from 59% in 1993 to 50% in 1997. Female university graduates decreased from 78% in 1993 to 61% in 1997 (female as % of males). Kindergarten enrolment decreased from 34% in 1989 to 24% in 1996.
Employment	
<ul style="list-style-type: none"> Incidence of long-term unemployment decreased from 14% in 1993 to 4.5% in 1997 	<ul style="list-style-type: none"> Women in labor force (% of total) decreased from 46.5 in 1992 to 42.5% in 1997.
Poverty, Inequality, Income	
<ul style="list-style-type: none"> The system of state support for vulnerable groups of the population improved. In 1997 the wages of tutors in orphanages and boarding schools increased by 1.2 times. In 1997, more than 40% of all families obtained allowances. The average allowances per family grew 3 fold. 	<ul style="list-style-type: none"> In 1995, 44.5% of households have per-capita incomes lower than the minimum wage. In 1995, 12% of all households are extremely poor. Between 1990 and 1995, the degree of income inequality increased by almost 30% to a Gini coefficient of 0.341.
Economic Indicators	
<ul style="list-style-type: none"> GDP per capita increased from US\$ 2,510 in 1993 to US\$ 2,670 in 1997. Foreign direct investment increased from US\$ 9 million in 1992 to US\$ 50 million in 1996. Annual inflation rate decreased from 1,568% in 1994 to 65%* in 1997. 	<ul style="list-style-type: none"> Debt service increased from 0.4% in 1992 to 8.2% of current account revenues in 1996.

* NHDR Uzbekistan 1998 - 27.6%
Source: Transition 1999

THE CHALLENGES OF REFORM

Many difficult decisions must be taken during the reform process. Issues involving the pace and scope of reforms, as well as their prioritization, require careful discussion. In preparing to address these critical reform issues, several development challenges arise.

Challenge 1: To protect health and education standards and invest in extensive restructuring of the healthcare and education systems, at a time when state budgets are being reduced. Methods of social support need to change depending on the stage of transition, from direct financial support for all the population to indirect support for all except the most vulnerable population by encouraging employment and promoting small businesses.

Challenge 2: To prevent a sharp rise in inequity of incomes and opportunity despite the tendency of sudden change and market forces to create diverse eco-

conomic conditions and financial outcomes for society. It is also important to stop social injustice and corruption among officials, politicians and others who have control over the redistribution of public wealth.

Challenge 3: To create a framework for a market-based economy that not only reforms the state, but also harnesses the initiative and creativity of the people and embraces their entrepreneurship from the grass-roots level. The advantages of natural resources and a highly educated but low cost labor force must be turned into real outcomes.

Challenge 4: To empower people to participate actively in political life through democratization and to encourage religious and cultural revival, while avoiding ethnic tension, civil conflict and the rise of extremism. Reform can be successful only in a society that has escaped open civil and ethnic conflicts.

Challenge 5: To promote environmental sustainability and to tackle threats to natural resources despite the need to increase rapidly economic activity in the country, and despite the growing pressures of poor communities living on fragile lands.

Challenge 6: To cope with the double pressure of making both a transition to a market economy and integrating into the global economy and community. The lack of capital and technical capacity, combined with a high real exchange rate discourage export production and decrease the competitiveness of the economy. A new strategy is needed for finding a place in the globalized economy of the 21st century.

Challenge 7: To ensure stability and safety in people's lives at a time of increasing new and external influences difficult to control: global drugs trafficking, new forms of terrorism, regional civil and ethnic conflict, and new commercial and cultural influences.

Each of these challenges alone represents a difficult task. As a country in transition, Uzbekistan faces all of them at the same time – a truly daunting endeavor.

This 1999 Human Development Report takes as its theme the degree to which Uzbekistan has dealt successfully with these challenges of transition over the past eight years. The Report examines each of the seven challenges in the following chapters. It analyzes how Uzbekistan has performed in each area, what the results have been for the general population, what reforms have been undertaken, and what further policies are recommended for future efforts to promote human development.

PROTECTING HEALTH AND EDUCATION DURING TRANSITION

chapter 2

The Challenge of Transition

Uzbekistan had already achieved a high level of educational standards and relatively high health standards. These strong assets of human development should of course be protected through the process of transition. This is a challenging goal, however. The systems of healthcare and education services inherited by the country are out-dated and urgently need upgrading. In addition, the initial loss of economic growth in the early 1990s has reduced national resources and put pressure on state budgets for health and education funding. The challenge has been to find innovative ways of modernizing both sectors to meet the current and growing needs of the population, while ensuring adequate financing throughout the period of transition.

FINANCING SOCIAL SERVICES DURING THE TRANSITION PERIOD

The process of transition has limited public budgets in all of the Central Asian Republics due to significant falls in national income levels. In Uzbekistan, national income has fallen, but by a significantly smaller amount than in the other Republics (see fig. 1: Real change in GDP). For all countries, however, including Uzbekistan, the fall in income has made it difficult to continue financing the health and education sectors at previous levels, let alone undertake the sorely needed improvements.

HEALTHCARE DURING TRANSITION

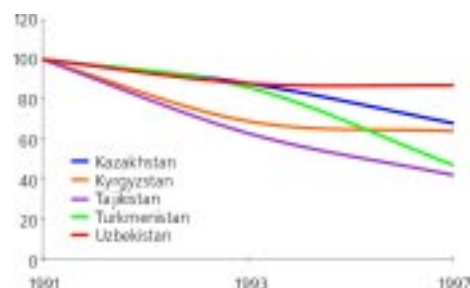
At Independence, Uzbekistan inherited an out-dated health system with inadequate facilities to address the pressing health needs of the growing population:

- Hospitals were inefficient and as a result could not treat many patients.
- Treatment was focused on curative, as opposed to preventative, medicine.
- The training gap between doctors and middle level staff meant that too many demands were placed on doctors' time, while nurses and other mid-level staff were underutilized.

Due to reductions in public budgets, all five republics experienced cuts in health-care spending. More than any other republic, however, Uzbekistan has managed to maintain its spending levels, as shown in the figures below (fig. 2: *Change in real health care spending, Table: Health expenditure, as percent of GDP*).

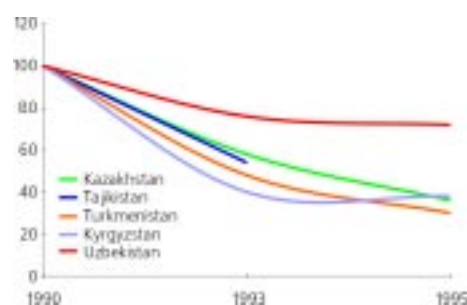
Incredibly, despite the financial pressures caused during the economic disruptions of the transition period, since Independence all of the basic health indicators have improved in Uzbekistan. Between 1990 and 1998 infant mortality fell by more

Figure 1: Real change in GDP



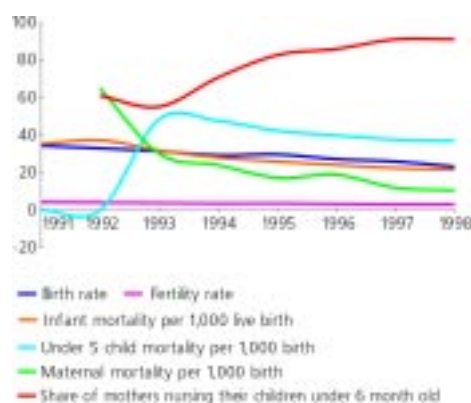
Source: Central Asia 2010, UNDP 1999

Figure 2: Change in real health care spending 1990-1995



Source: Central Asia 2010, UNDP 1999

Figure 3. Health outcomes during transition



Source: national statistics

Health Expenditure, as a percent of GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997
Kazakhstan		3.1	3.6	2.1	2.5	2.2	2.9	2.5	
Kyrgyz Rep	3.8	3.9	3	2.9	2.8	3.5	3.8	3.1	
Tajikistan		3.9	4.4	5.1	5.3	6.3	2.9	1.2	1.1
Turkmenistan		2.9	3.2	2	0.2	0.3	0.5	3	
Uzbekistan				4.8	4.3	3.5	3.6	3.5	3.1

Source: Central Asia 2010, UNDP 1999

than 40% and maternal mortality fell by over 3.5 times. The share of mothers nursing their children under six months old increased almost one and a half times (see fig. 3: Health outcomes during transition). The number of premature births fell by more than 30% and respiratory illnesses in infants fell by 40%. The use of contraceptives more than doubled from 19% in 1993 to 45% by 1998.

Such progress in healthcare has been achieved through several well-designed reforms in the approach to and delivery of healthcare. At the heart of these reforms are four key changes:

- Shift from a multi-level healthcare system to increased focus on local and especially rural health posts.
- Shift in financing towards new priorities: primary and preventative healthcare, with special focus on the mother and child.
- Increased effectiveness of healthcare service provision by training more general practitioners, making better use of nurses, and taking excessive pressure off doctors.
- Improved quality of healthcare delivery by introducing computer-based tracking, testing, and increasing the role of mid-level medical staff in disease prevention.

By giving better treatment at these health posts, fewer patients needed hospitalization and the number of hospitals has been reduced by 15%. In addition, there has been a shift towards out-patient treatment and specialized centers with out-patient beds rising by 3.2 times. As this new system has become more effective.

The new focus on preventative care through check-ups and education has led to more medical visits per person. This has also been made possible by the in-

Health delivery indicators, 1991-1998

Health delivery indicator	1991	1992	1993	1994	1995	1996	1997	1998
Number of hospitals	1388	1365	1361	1358	1357	1334	1230	1175
Out patient centres	-	84	170	194	208	183	222	259
Overnight hospital beds (000s)	259	229	197	183	176	169	155	141
Daytime hospital beds (000s)	7	18	24	28	31	36	42	46

Source: The Ministry of Macroeconomics & Statistics

creased efficiency of the new organizational structure, allowing a higher turnover of patients. The average number of days spent by patients in hospitals fell from 14.9 to 12.9 days from 1991 to 1998. Doctors and nurses were also able to see an increasing number of patients, making more efficient use of their time.

Indicators of medical efficiency

	1991	1992	1993	1994	1995	1996	1997	1998
Number of patients per:								
doctor	278	279	281	294	298	297	286	293
nurse	86	86	86	92	91	92	91	94
hospital bed	81	93	111	122	128	137	150	170
Number of annual medical visits per person	7.2	7.3	7.5	7.5	7.5	8.0	8.2	8.2

Source: The Ministry of Macroeconomics & Statistics

FINDING NEW FINANCING MECHANISMS FOR HEALTHCARE

In order to continue to expand the quality of healthcare services, the Government of Uzbekistan is encouraging the development of fee-based medical services. Already, 59 private hospitals and 15,000 hospital beds are operating on a self-financing basis. Approximately 3,000 doctors are licensed for private practice and more than 2.2 million people received fee-based medical services in 1998.

In 1998, the State Program on the Healthcare System launched a new model for financing healthcare in the republic. Every inhabitant has the right to receive key medical services free of charge. These include: emergency and first aid; primary healthcare and disease prevention, especially in rural areas; immunization and vaccination against infectious diseases; treatment for socially significant diseases; and services for children, teenagers and pregnant women.

Beyond providing these essential services, the aim is to create a fee-based private sector medical service system through privatization of some existing health institutions and establishment of new private institutions. The pace and extent of this process will depend on the growth of income and on the creation of a medical insurance system, which is to be introduced in 2001.

PROBLEMS FACING HEALTHCARE

Despite the tremendous progress that has been made in healthcare since 1991, there are several issues that still require attention. First, the supply of medicines is still erratic. To solve this problem, there are plans have been made. Second, a high rate of infectious diseases continues to prevail - the incidence of syphilis, for example, has more than doubled since 1991. State healthcare financing must be planned not only according to the number of doctors and hospitals, but also by taking into account the incidence of illnesses and such demographics as the sex and age structure of the population, as well as its regional distribution.

PROTECTING EDUCATION THROUGH TRANSITION

Education plays an important role in the Government's strategy of social policy implementation for three key reasons:

- Being educated and knowledgeable is fundamental to empowering the individual to participate in building up a lawful and democratic base of society.
- Education is an essential part of social capital and the basis for reviving the rich intellectual and cultural heritage of the Uzbek people.
- Education supports economic growth by equipping people with the skills they need to make a productive contribution to the economy.

THE EDUCATIONAL INHERITANCE AT INDEPENDENCE

At the time of Independence, Uzbekistan had relatively high achievements in education, financed through the budget of the Soviet Union, with a network of kindergartens, secondary schools, professional-technical, specialized and higher education institutions. Educational standards were high – with over 97% adult literacy and 10 years average schooling for all adults over 25 years. But in terms of preparing the republic for the period of transition and the future, this particular educational legacy has presented many problems involving the quality of schooling:

The fall in income has made it difficult to continue financing the health and education sectors at previous levels

Health Sector Restructuring

"In health, the government has initiated a series of first steps in the right direction to restructure the health sector, moving away from the Soviet model to a model based on more cost-effective primary and outpatient care. The focus is currently in rural areas, with an emphasis on building and rehabilitating primary care clinics. A number of challenges remain, including the rationalization and restructuring of delivery systems in urban areas, and development of an appropriate mix of public and private provision of care. Sustained decentralization of management and allocation mechanisms can reinforce and accelerate these changes. The sector has a significant level of "catching-up" to do on human resource-related training for physicians and nurses, and the introduction of new treatment protocols similar to those found in OECD countries."

Source: "Social and Structural Policy Review", p. 102, World Bank, August 1995

- an ideological framework was focused on state planning and Soviet philosophy;
- a focus in educational programs towards average performing students;
- a passive learner style of teaching;
- tight planning and control over the style of teaching;
- heavy orientation of education and vocational training towards administration and the framework of a planned economy;
- extremely inadequate school buildings. Of the 8,000 educational institutions, more than half were housed in altered apartments and more than one third lacked central water facilities. Only one school in ten had adequate heating and drainage systems.

Such conditions and traditions posed a risk to much of the country's educational potential. They also raised the risks of exacerbating social tensions, especially with respect to the problems of unemployed youth and the changing employment market.

FINANCING EDUCATION THROUGH TRANSITION

Due to the fall in national income, as well as the loss of funding from the center, education budgets, like healthcare, were reduced. More than other Central Asian republics, however, Uzbekistan was able to maintain a relatively higher spending level because the fall in national income was not as severe.

EDUCATION OUTCOMES

Over the period of reforms, educational enrollment levels have suffered. Again, however, in Uzbekistan, the reduction has not been as large as in other Central Asian countries. Across all levels of education, there have been heavy demands on resources, enabling fewer school children to attend classes. The level of kindergarten enrollment, for example, has been maintained better than in other republics, but it is still low and cannot provide an adequate base for long-term education. Secondary school enrollment of children remains relatively high.

EDUCATION REFORMS AND POLICIES

Many reform measures have been taken during the past years of the transition period. The goal has been to raise the quality of education to meet the needs of the rapidly growing young generation and to reorient its focus towards the new demands of a market-based economy. Many positive changes were achieved:

- A network of more than 800 home-based kindergartens has been launched, teaching art, music, foreign languages and basic computer literacy.
- New educational institutions have been created: 240 lyceums and 136 grammar schools. In addition, since 1991, the number of specialized schools has grown by 6%, with institutes of higher education growing by 30%.

Education Expenditures as a Percent of GDP								
	1989	1990	1991	1992	1993	1994	1995	1996
Kazakhstan		6.4	7.5	4.1	4.1	3.2	4.2	4.4
Kyrgyz Rep	7.5	8	6	5	4.2	6.1	6.5	5.5
Tajikistan				11	8.9	8.5	5.2	3.3
Turkmenistan		9.5	7.2	4.8	6	5.3	4	2.9
Uzbekistan				10.2	9.5	8.3	7.4	7.7

Source : Central Asia 2010, UNDP, 1999

The impact of rapid population growth has forced double shifting to be introduced to cope with the volume of students

Kindergarten enrolments, % of age cohort

Country	1989	1990	1991	1992	1993	1994	1995	1996
Kazakhstan	55	53	52	46	40	29	24	-
Kyrgyz Rep.	31	30	27	23	13	9	7	8
Tajikistan	16	15	14	11	10	9	-	-
Turkmenistan	33	32	30	34	30	-	-	-
Uzbekistan	34	37	36	31	29	26	25	20

Source: Central Asia 2010, UNDP, 1999

- Secondary special education institutes have been restructured offering important vocational training and adult education in business, banking, taxation, auditing and customs management and special courses for farmers.
- Curricula have been revised to reorient pupils towards a market-based approach to the economy and an independent and entrepreneurial way of thinking. History, geography and literature courses have also been rewritten.
- Elementary school children are now taught in the Uzbek language written in Latin script.

Despite these steps forward, many problems remain:

- The introduction of a nine-year compulsory education, and competitive entrance to higher education, means that 80,000-100,000 young people every year finish their basic education, yet have limited, additional educational opportunities. There is inadequate data on education quality and quantity. Enrollment data is based on the number of children registered, but does not reflect attendance. There is a lack of consistent standards set for quality and continuity across schools.
- Textbooks are clearly in short supply. Most school libraries have only 70-75% of their textbook needs fulfilled. As a result, many students do not receive adequate access to information. Many schools are also lacking basic teaching equipment, for example, in chemistry laboratories.
- An education system based on eleven years of schooling as preparation for higher education impedes students from receiving opportunities to study abroad where twelve years of preparation is the norm. In some regions of the country, for example in the Karakalpakstan region, many school buildings still lack the most basic amenities. The impact of rapid population growth has forced double shifting to be introduced to cope with the volume of students.

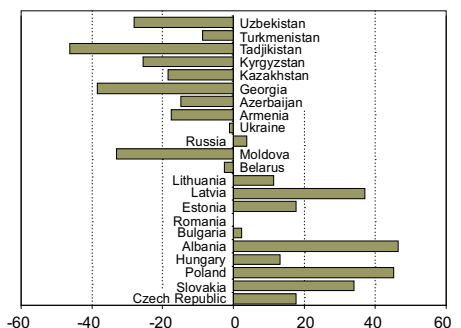
THE SECOND STAGE OF EDUCATION REFORMS

A country that lags behind in education fails to meet the needs of future generations and cannot meet the demands of a transformation to a market-based economy. The Government of Uzbekistan recognizes this and so in 1997 a second stage of educational reforms was launched to combat many of these remaining problems.

There has been greater decentralization of decision-making in creating educational programs. Schools now have some twenty different teaching curricula from which to select the ones most relevant to their needs and teaching styles. There is also greater emphasis on shaping the whole individual, instilling values and understanding about each person's role as a member of a community. Greater emphasis is given to the historical and cultural heritage of Uzbekistan and special attention is given to the needs of talented pupils who have the potential of rising to a high level of intellect. The education system has been restructured to reflect these goals, with the basic elements of pre-school, elementary, and comprehensive school followed by obligatory special and vocational training which can in turn lead to higher education and ultimately to doctoral degrees. There is also an emerging program of ongoing adult education based on vocational training needs.

There have already been some positive results. More new institutions have been established, including 14 additional lyceums and 103 professional colleges.

Figure 4: Change in secondary school enrollment of children, 1989-1996 (%)



Source: UNICEF, «Education for all», 1997

New standards have been set requiring accreditation of all schools to ensure consistent quality. The Asian Development Bank has extended a loan to the Government of Uzbekistan of \$40 million to purchase new textbooks for the schools. An additional loan of \$50 million has been extended to strengthen the emerging network of vocational education institutions.

REBUILDING SCIENCE IN UZBEKISTAN

The importance of science for furthering human development cannot be overestimated: it is essential for making technological breakthroughs to solve some of the most pressing problems facing humankind. With science changing at an unprecedented pace, it is important for every country to play a role in contributing to global scientific knowledge.

Despite the difficulties of the transition period, the essential network of scientific institutes has been preserved in Uzbekistan and new international ties have been developed. In 1998, there were some 25,500 researchers and professionals working in nearly 300 science institutions across the country. The number of Doctors of Science rose by 8% from 1994 to reach nearly 2,500 in 1998, with the number of Candidates of Science rising by 9% to reach nearly 15,500.

With a rich and famous heritage of scientific innovation, Uzbekistan has also contributed to modern research in many fields, including microelectronics, astronomy, biophysics, genetics and geology. The country's scientists are known for their important contributions to probability theory, hydrometeorology and superconductive materials.

A great deal of scientific research has also been conducted in the fields of health and agriculture.

During the transition period, the share of the state budget allocated for scientific endeavors has been at 0.5 - 0.6% of total budgetary expenditures. In 1999, the field of science was allocated 3.5 billion soums from the state budget. Several measures have been taken to ensure that the republic maintains its place in this important area of global interaction.

In 1994, a special financing mechanism was introduced whereby part of the revenue from sales of scientific and technical products through state orders is reinvested in financing innovative projects to manufacture new and competitive products using modern technologies.

At the invitation of leading scientific organizations in the United States, United Kingdom, France, Japan, Austria and the Republic of Korea, approximately twenty of the republic's science employees have been sent abroad for long assignments to carry out joint scientific research. In 1998, almost 300 teachers and 300 students went abroad to study and participate in scientific conferences. At the same time, more than 300 teachers from abroad came to Uzbekistan to work in universities and other scientific research facilities.

In addition to basic and theoretical research, scientific research in Uzbekistan is focused on the needs of the country. These needs are defined by the country's basic scientific and technical characteristics: high energy use per capita but low use of alternative energy sources, particularly solar energy; limited arable land area and increasing environmental degradation; and a relatively low level of computers and computer networks. Given these conditions, some of the key areas under research include:

- Using genetic engineering to produce new breeds of silkworm to meet increasing global demand for silk production in global market;
- Developing solar thermal systems for generating the heating needs of households, agricultural production and processing industries;
- Developing more efficient methods of irrigation and water storage.

Educational reforms

"In education, the reform agenda of the Government has many desirable elements. A major strength is acknowledging the fundamental changes necessary in education to respond to the needs of a newly independent country with a market economy. However, in order to translate this goal into a more concrete set of objectives and reform measures, it will be important to avoid overly-deterministic approaches to education planning, which in turn reflect ideas of a labor market that may be too rigid in a market economy. The ongoing refinement and implementation of educational reforms also needs to be done with a close awareness of fiscal restraints, the financial capacity of different sectors of society, and the equity of treatment and access so that commitments are not made that either can not be fulfilled, or can only be fulfilled at the expense of basic education for all children in Uzbekistan."

Source: "Social and Structural Policy Review", p. 102, World Bank, August 1995

SEEKING EQUITY

chapter 3

One of the challenges of transition is to prevent further inequity from growing in society – between rich and poor, men and women, urban and rural, and from region to region. The most vulnerable groups in society need to be protected during abrupt changes in social and economic circumstances so that transition does not lead to an ever-growing divide between the have's and the have-not's in society.

There are several reasons why the process of transition can have a significant impact on increasing inequity in society.

The shift from a state-controlled to market-based economy brings sudden changes in economic incentives and rewards, creating economic opportunity for some and adversity for others. These opportunities will be reinforced for those already better off: urban dwellers, men, and the wealthy. New attitudes and a new set of skills are also required for people to quit their dependence on the state and gain an entrepreneurial spirit – a change that is much harder for some to make than others. Inequity can arise also in terms of access to health and education services, prices and goods availability, and other social services. As such, equity represents one of the most important aspects of the human development process.

A strategy has been created whereby the potential for growing inequity has been reduced through the gradual introduction of reforms

UZBEKISTAN'S APPROACH TO SEEKING EQUITY DURING TRANSITION

All Central Asian republics started the transition period in a difficult situation with regard to equity. Although health and education outcomes are relatively high and evenly spread, there was an inherited bias towards urban dwellers.

It is sometimes difficult to assess accurately the degree to which development policies have ensured equity. Similarly, it is also difficult to know what would have happened with regard to equity in a country if a different set of policies had been pursued. One way of gauging Uzbekistan's relative success in this area is through a comparison with the performance of other countries in Central Asia.

Uzbekistan is one of only a few countries in the post-soviet area that, in the rush of market reforms, has not forgotten about the main target of reforms - the people – and chosen a socially-oriented market economy. A strategy has been created whereby the potential for growing inequity has been reduced through the gradual introduction of reforms. Legislative support for this concept has been provided through a range of national laws and resolutions.

There has been concerted focus on equalizing incomes, social investments and opportunities. These investments include special attention to rural livelihoods and the targeting of other vulnerable population groups.

Real GDP per capita (PPP\$)

	1992	1997
Uzbekistan	2,650	2,670
Turkmenistan	3,400	2,109
Kyrgyzstan	2,850	2,250
Kazakhstan	4,270	3,560

Increase in poverty, line = \$120 PPP pc per month at 1990 prices

Country	% of population in poverty 1987-88	% of population in poverty 1993-94	% increase
Russia	2	43	20,500
Kazakhstan	5	50	900
Kyrgyz Rep.	12	84	600
Turkmenistan	12	57	375
Uzbekistan	24	47	96

Source: Central Asia 2010, UNDP, 1999

Growth in income inequality

Country	Gini 1989	Gini 1993	change	% change
Kazak	0.289	0.327	0.038	13.1
Kyrgyz	0.287	0.353	0.066	23
Turk	0.307	0.358	0.051	16.6
Uzbek	0.302	0.333	0.031	10.3

Source: Central Asia 2010, UNDP, 1999

Basic access to sanitation and water supply, 1993 (%)

	Total	Urban	Rural
Sanitation	23	46	5
Water supply	62	82	50

Source: UNICEF from the Ministry of Health. Signs of Hope

RESULTS IN EFFORTS TO ACHIEVE EQUITY

Income inequality

Uzbekistan began the transition period with the lowest level of average per capita income of all the transition countries.

Over the first few years of the transition period, all of the Central Asian republics saw a sudden loss of national income and state revenues, causing the income gap to widen and poverty to increase. Among all five republics, however, Uzbekistan experienced the smallest increase in income inequality, both in terms of those living below the poverty line and in terms of the distribution of incomes, measured by the Gini coefficient.

URBAN-RURAL INEQUALITY

At Independence, there was a strong degree of inequality in rural areas. The pricing of agricultural produce had traditionally taxed rural producers to the benefit of urban areas. The focus of physical and social infrastructure construction was also in the cities. In addition, rural areas have a particularly high population growth rate. Over 60% of the population live in rural areas and of these people, over 40% are under age the age of sixteen.

While there are few indicators portraying initial urban-rural inequality, data from 1993 shows how basic infrastructure access was heavily biased towards urban areas.

There is an urgent need to offset these trends. High rural population growth could trigger massive and unsustainable migration into urban areas of youth in search of jobs. The Government of Uzbekistan has set several goals to address this problem. It has identified the need to improve the distribution of resources between urban and rural areas and accelerate rural economic growth through agricultural reform. Simultaneously, it is necessary to raise rural employment and enterprise creation, while building the infrastructure essential for improving rural living conditions.

The role of Makhalla in social protection

In 1994 the Uzbek government came up with an original solution to the problem of targeting social assistance. It introduced a new "last resort" cash benefit for low-income families, administered by traditional pre-Soviet local community groups, the mahallas. The mahallas are asked to identify the most vulnerable in their community, and to decide on the eligibility of applicants for assistance using their local knowledge of living standards and a variety of indicators to evaluate household welfare and need. The Uzbek government therefore draws on an existing institution - and an important part of the country's social capital that enjoys a strong element of trust at least among the rural population - to manage the allocation of new state benefits. Since 1997 child benefits, which were previously available to all families with children under 16 years, have also been targeted on a discretionary basis through the mahallas.

In the transition period, all of the post Soviet states have been faced with the problem of ensuring that a safety net is in place for the most vulnerable in society. The combination of full employment and subsidies for most basic commodities meant that there was no need for such a last resort cash assistance benefit in the pre-transition period. The task of establishing eligibility for the new "last resort" benefits, however, is not simple. Use of cash income to evaluate household eligibility would be controversial, since it would be difficult to account for informal earnings and income in-kind derived from small, domestic agricultural plots. It would also require an investment in administrative structures and human resources to carry out the evaluations. The mahalla system has the combined advantage of relying on an existing community institution, and using a variety of welfare indicators (the committees are advised to look at, for example, access of the household to an agricultural plot, ownership of consumer assets, etc.). The scheme should also discourage fraud, since every case is discussed at an open community meeting held by the mahalla.

Household survey data for the Fergana oblast (a representative sample of 550 households carried out in February 1999**) have been used to evaluate the success of the mahalla scheme in targeting the state benefits to the most vulnerable. The data show that there is wide knowledge of the low-income scheme, and that over 68% of respondents had either applied or would apply if in need. Analysis suggests that the scheme is also successful in improved targeting of limited resources. For example, 12% of families in the lowest income quintile (in Fergana) received child benefits in 1995, compared to 40% in 1999.

* Based on an article (forthcoming in the journal MOST) by Aline Coudouel and Sheila Marnie.

** The survey was sponsored by GTZ, as part of technical assistance provided to the State Statistical Department aimed at the introduction of a new national household budget survey.

Four main lines of action have been pursued to achieve these goals.

Land and agricultural reform

In 1998 legislation was passed to allow long-term leasing of land with the right to inherit and mortgage. In addition, over 1 million hectares of land – 27% of all cultivated land in the republic – was allocated to rural communities for farming purposes. Agricultural reform has focused on: creating farming cooperatives; developing wholesale markets for produce; improving the supply of information to farmers and their ability to manage their accounts; providing training for agricultural outreach officials; and improving farming technology and techniques in cotton and grain growing, cattle breeding, fertilizer use and irrigation.

Employment and Enterprise Programs

A program was launched for 1998-2000 to increase rural employment through promoting small private business; providing new educational courses in business management in rural areas; employing people in the construction of rural infrastructure; and through supporting rural association and unions.

As a result, rural employment has grown significantly since 1996, beginning to close the gap between urban and rural unemployment – but with rural population growing even faster, it is very difficult to overcome the problem.

There has been a sustainable trend in increasing employment of the able-bodied rural population through the creation of new jobs. These positive results, however, have only succeeded in slowing the growing rate of disparity between rural and urban employment levels. The ratio of employment of the urban/rural able-bodied population is still slowly deteriorating from 1.19 in 1996 to 1.21 in 1998.

In efforts to raise rural productivity, it has become possible to increase non-monetary rural incomes. As a result, although urban monetary incomes have grown 6% faster than rural incomes, monetary incomes account for only 68% of rural incomes. When non-monetary incomes are also taken into account, the compara-

Agricultural production and rural employment

According to a report prepared for the World Bank, state policies designed to improve rural income and agricultural production have been inconsistent and counter-productive. For example, although stated policy objectives have been to increase cotton efforts, “administrative control over production and marketing has brought a decline in yields.” Similarly, increases in wheat production have been achieved through mandatory expansion in areas where producers lack wheat cultivation experience. As a result, “yields are low and more lucrative products have been displaced. Mandatory production of wheat has probably reduced rural earnings.” In addition, loss of land previously devoted to feed crops has had a negative effect on the livestock sector. As such, “the approach to implementing the wheat program ... impedes growth in productivity of the sector as a whole, and undermines growth in rural incomes.”

The World Bank report goes on to comment on rural employment: “In order for rural employment to increase, households need rising incomes... Under present price and trade policies, rural standards of living appear to be falling, ... and the scope for increasing rural employment... is limited.

The report also comments favorably on a new set of policies prepared in preparation for a World Bank financed Agricultural Enterprise Restructuring Project, under which rural households would “receive secure tenure to ... parcels of land, ... and freedom to decide what to produce and how to market it.”

Source: “Uzbekistan: Social and Structural Policy Review,” World Bank, August 1999

Employment of able-bodied population

	1996	1997	1998
Population total (thousand people)	23130,4	23560,5	23954,0
urban	8817,6	8931,4	9037,9
percentage	38,1	37,9	37,7
rural	14312,8	14629,1	14916,1
percentage	61,9	62,1	62,3
Able-bodied population, thousand people	11508,3	11823,8	12176,1
urban	4750,0	4844,3	4954,2
percentage	41,3	41,0	40,7
rural	6758,3	6979,5	7221,9
percentage	58,7	59,0	59,3
Employed population, thousand people	8561,0	8680,0	8800,0
urban	3898,8	3944,8	3990,1
percentage	45,5	45,4	45,3
rural	4662,2	4735,2	4809,9
percentage	54,5	54,6	54,7

Source: The Ministry of Macroeconomics & Statistics

The structure of aggregate incomes of families in 1998

	urban	rural
Total	100,0	100,0
including:		
Monetary incomes	87,9	68,1
Out of them:		
Payments for hired labor	56,8	17,5
Incomes from entrepreneurship	5,9	5,3
Incomes from individual labor activities	5,6	6,2
Pensions, stipends, allowances	7,8	9,6
Incomes from personal farmholds	5,3	27,2
Other incomes	6,5	2,3
Personal natural consumption from farmholds	12,1	31,9

Source: The Ministry of Macroeconomics & Statistics

Hidden unemployment

In her dissertation on "Wages in Transition," Jeni Klugman provides a detailed analysis of unemployment issues in Uzbekistan. She notes that despite World Bank and other independent predictions and a significant fall in national income, official state statistics do not show a substantial increase in unemployment during the transition period. An accurate understanding of the Uzbekistan labor market requires registered, hidden, and open unemployment trends to be taken into consideration. According to Kulgman's analysis, based on a joint European University/University of Essex household survey (EESU) conducted in 1995, official unemployment statistics addressing only registered unemployment are problematic: "the magnitude of the problem is significantly understated [and] a misleading impression is given about the composition of the unemployed, and the demographic groups worst affected."

According to the EESU household survey, the measure of unemployment is much higher than the registered rate. Some 9.5% of those surveyed, about 20 times larger the rate of registered unemployment, described themselves as "not working but actively seeking work." Hidden unemployment, in which workers are formally attached but not paid their wages on time, reached nearly 25%. Interestingly, those demographic groups experiencing the highest levels of unemployment are those who have completed vocational or secondary education, as opposed to those with partial schooling (next largest level of unemployment) or full higher education (lowest level of unemployment). Klugman notes, however, that because the EESU survey has been conducted only once during the transition period, it is difficult to determine the role of transition policies in affecting unemployment trends.

Source: "Wages in Transition", Jeni Klugman, Australian National University, Dec. 1998

tive aggregate outcome is reversed. Since 1997, rural aggregate incomes have grown 7% faster than urban aggregate incomes.

Building rural infrastructure

During the transition period, there has been a concerted effort to improve rural infrastructure for healthcare, education, housing, sanitation, water and gas supplies. Since 1996 investment has strongly favored rural areas in order to overcome

Distribution of newly built social infrastructure, 1996-98

	Total	Rural	Rural as % of total
Hospital, beds	3583	2322	65
Schools, seats	200.1	175	87
Housing	20801	16987	82
Water pipelines, km	5466	5013	92
Gas pipelines, km	14985	14256	95

Source: The Ministry of Macroeconomics & Statistics

the initial bias of urban provision. This has resulted in a sudden increase in access to basic social services. For example, of all the 980 medical assistance dispensaries operating in rural areas in 1998, 60% have been built after 1996.

As a result of these investments, rural infrastructure indicators are improving. Urban/rural disparities of access to clean water, adequate sanitation and gas supplies are falling. Although there are continuing differences in urban/rural indicators of human development, these are relatively small.

GENDER INEQUITY

Women play many important roles in every society. In addition to providing the main source of care and stability for the family, they also make a valuable and unique contribution to the economic, social and political life of a country. Still, women face many aspects of inequity in their lives, including income, employment opportunities and conditions, education, political participation and control over household spending.

Uzbekistan has taken the first key step of enshrining women's rights to equal treatment in many aspects of the law. The republic ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) in 1996 and has incorporated many of the commitments in national law (see box). Recognition in a legal document, however, is very different from actual treatment in life. In every country of the world women's development is lower in comparison with the development opportunities of men.

In Uzbekistan, too, there are many areas in which women's participation and recognition has not yet reached its potential. Uzbekistan is a country characterized by its high birth rate and fast-growing population rate, 1.6% a year. Slightly more than half of the country's nearly 24 million inhabitants (50.3%) are women. Over the past few years, however, a trend has merged whereby in certain regions the percentage of men is greater than women. In five out of the republic's fourteen regions, men outnumber women (Kashkadarya, Navoi, Namangan, Surhandarya, and Syrdarya).

Opportunities in education

As in every country, women do not have the opportunities of education available to men, for many social, cultural, economic and institutional reasons. In 1995, a break-down of adult literacy rates showed that men over the age of 25 had a literacy rate of 98% and women of the same age group - 96%. Relative to other countries, this is a small gap that reflects the relatively higher level of educational achievements in the countries of the former Soviet Union. A more detailed examination of disaggregated educational statistics, however, reveals a clear disparity between men and women. There is a pyramid of opportunity facing women: the higher they

advance in the educational system, the fewer the opportunities. In 1997, women constituted 50% of secondary school pupils, 54% of vocational education trainees, but only 40% of those in higher education and 35% of those at the post-graduate level.

Participation in political life

There is a second pyramid facing women in the arena of political and professional life. Although comprising 51% of the population, women represent less than 18% of all administrators and managers and fewer than 10% of deputies in parliament. Currently, ten high political posts are filled by women, including four positions of deputy ministers.

Following multi-party parliamentary elections in 1994, sixteen women were selected to serve as deputies, or 6% of all parliamentarians. Following additional elections held in 1998 and 1999, the number of women-deputies increased to twenty-one.

Participation in economic life

Women comprise some 42% of the country's labor force. The proportion of women employed in each economic sector, however, clearly varies with corresponding average levels of pay for each sector, with women being concentrated in the lower paying sectors. Even within these lower paying sectors, women receive lower wages than those received by men for the same work. In 1998 the difference of pay between wages received by men and women for the same work was 7% in banking, 15% in agriculture and 19% in industry.

Representing 42% of the country's work-force, women comprise 12.1% of the workers in construction, 28.5% in trade, 28.7% in administration, 32.9% in industry, 35.1% in agriculture, 41.3% in communications, 42.7% in the science and humanities, 64.3% in education, 74.5% in healthcare, and 77% in cultural activities.

In 1997, average women's monthly wages were only 80% of men's average monthly wages. As a result, many women have taken on additional informal jobs, placing an extra burden on their ability to care simultaneously of their families.

Recent years have seen a rapid rise in the number of women attempting to join the work force, but this supply is outstripping demand. Between 1994 and 1998, the number of unemployed women who have approached employment services rose by 50%. Among unemployed women in 1998, 60% had a secondary school education, 34% lacked a formal profession, and 23% were trained as experts, administrators or civil servants (see fig. 5).

Decision-making in the home

The ability of women in the home to influence the health and cohesion of their families in part depends on their ability to earn money and their control over that resource. In a survey of working women, over half of all respondents (55%) said that they worked in order to earn additional money for the family. Yet two women in three (67%) were dissatisfied with their salary levels. With the commitments of raising a family, almost 60% of women expressed a desire to work part-time or independently, 21% wished to give up working and 14% wanted to work from home. As the above data showed, women bring home on average just 80% of men's earnings. As a result, their contributions to the family budget is also in general correspondingly smaller.

Control over income is an additional matter. Among working women surveyed, including unmarried women, 27% said they themselves disposed of the money that they earned. Another 12% said that the decision of how to use the money was made by their husbands, with 41% stating that the decision was made jointly with the husband and other relatives.

Policies to promote gender equity

Women are caught in a position of reinforced disadvantage. Their initial lack of skills due to fewer educational opportunities leads to lower skill work and lower

Women's rights protected by law

Rights of equal treatment: Article 46 of the Constitution of Uzbekistan secures equality for men and women in all spheres of public life.

Rights within the family: Article 2 of the Family Code, 1998, establishes equality of personal and property rights of men and women in marital relations and an equal right to seek legal redress in court.

Rights to education: Article 41 of the Constitution guarantees equal rights to education, regardless of sex and the equal right to physical development and sports for women is established in Article 2 of the Law on Physical Culture and Sports.

Rights at work: Article 6 of the Labour Code forbids any restrictions in labour relations based on sex, protecting women's maternity leave, opportunities for part-time employment, and protecting women from working in adverse conditions or under excessive shifts.

Figure 5: The share of women in educational institutions in 1997

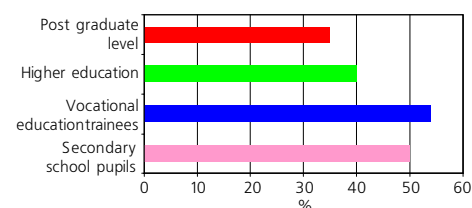
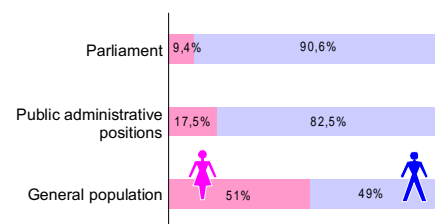


Figure 6: Pyramid of women representatives in administrative positions



Unemployment and poverty

In her thesis on "Living Standards in Uzbekistan", Aline Coudouel addresses a range of poverty issues and their implications in terms of regional disparities, demographics, ethnicity, and education and employment.

Her analysis, based in part on the joint European University/University of Sussex household survey, looks specifically at families in five areas: Tashkent City, and rural and urban areas of Ferghana and Karakalpakstan. She finds regional disparities to exist, with the capital in a stronger position, as well as rural-urban differences, with higher rates of poverty in rural areas. These differences prevail even when taking into account regional price variations, ie, higher prices in the capital and urban areas. Not surprisingly, her work shows the importance of agricultural income to supplementing overall rural households incomes.

With respect to demographics, Coudouel found that both the rate and depth of poverty increases with size of family households, even when taking into account economies of scale. Low-income households had an average of 6.4 members, other households - 4.7 members. Targeted reforms, therefore, should take into consideration both factors. Coudouel also found that children are in more vulnerable positions than pensioners in low-income families, (children represent 42% of the general population, but 49% of the low-income population), although both groups clearly require the attention of reforms and poverty programs should not target aid based only on number of children in a family.

Coudouel's research also shows that certain ethnicities, ie Slavs, Tatars and other non-Central Asian ethnic groups are in relatively better position with respect to low-income families than Central Asian ethnic groups. The latter comprise 79% of all households, but 92% of low-income households. Kazakhs and Karakalpaks, in particular, have a high proportion of low-income families, most likely because they are often represented in the republic's poorest region, Karakalpakstan. Coudouel argues that for ethical reasons aid should not be ethnically targeted, but rather by proxy regional targeting of poorer ethnic groups located in specific repressed areas.

Surprisingly, Coudouel's work found no significant link between poverty rates and lack of education, although as long-term trends are involved, this does not imply that the important role of education can be overlooked for a new generation of income earners. Agricultural income plays a large role in supplementing rural families' incomes where average levels of education are lower. Coudouel also shows that families with unemployed but able-bodied workers have higher rates of poverty, ie, families that fall outside the social safety net of support provided to the young, elderly, sick and disabled. Although unemployment is associated with higher rates of poverty, gainful employment, unfortunately, does not guarantee its absence. For these reasons, Coudouel suggests that targeted aid can not be limited only to the more "traditional" safety-net beneficiaries and unemployed.

Source: "Living Standards in Transition", Aline Coudouel, European University Institute, August 1998

incomes. In addition, the process of transition has put many women under pressure to join the labor force to earn additional income for their families. The sudden growth in the women's labor supply has further reduced the prospects of their earning power.

The Government of Uzbekistan has recognized this difficult position and undertaken several policies to promote women's political and economic participation in the country. These measures include the appointment of a female Deputy Prime Minister on Women's Issues. Quotas have been established for various organizations. The Federation of Trade Associations, for example, has established a minimum quota of 30%. Tax privileges on VAT and two years exemption from profit tax for women engaged in agricultural enterprises have been extended. In addition, retraining and vocational skills instruction is provided to unemployed and underemployed women.

The Government has recently launched a program, "1999 Year of Women", further promoting women's interests and needs in many dimensions:

- Improving the legal basis for respecting, protecting and promoting women's rights and introducing a system to monitor the achievement of these goals.
- Increasing women's participation in all administrative structures including in government, NGOs and public associations.
- Targeting women's and children's healthcare, physical activities and educational levels.
- Actively promoting women's participation in the process of economic reforms and in establishing new enterprises.
- Expanding the range of surveys and social research addressing gender issues, including the status of women in the family and in educating the young generation, in the socio-economic transformation and spiritual development of society.

REGIONAL DISPARITIES

Although the population of Uzbekistan grew for the period 1991-1998 by more than 3 million people (more than 23 million total in 1998), its distribution by region did not change significantly. The national population growth rate has slowed down to nearly 1.6%.

Regional employment and unemployment rates serve to a certain degree as indicators of the relative economic activity of a region. Although there are regional

	1991	1998	Change 1991-1998, mln.people	Average share of population, ,%	Average share of employment, %
Republic of Uzbekistan	20862,5	23954,0	3,09	100	100,0
Republic of Karakalpakstan	1289,1	1469,0	0,18	6,2	5,4
Provinces:					
Andizhan	1810,8	2133,3	0,32	8,8	9,3
Bukhara	1211,5	1390,8	0,18	5,8	6,6
Dzhizak	788,1	930,5	0,14	3,9	3,3
Kashkadarya	1723,7	2097,7	0,37	8,6	8,0
Navoi	690,4	771,8	0,08	3,3	3,4
Namangan	1575,0	1874,4	0,30	7,7	6,7
Samarkand	2228,5	2607,0	0,38	10,8	10,2
Surkhandarya	1356,4	1684,1	0,33	6,9	6,4
Syrdarya	579,7	652,1	0,07	2,7	2,7
Tashkent	2148,6	2315,1	0,17	9,9	10,0
Fergana	2242,5	2606,6	0,36	10,8	11,5
Khorezm	1081,9	1287,6	0,21	5,3	5,1
Tashkent city	2136,6	2134,1	-0,003	9,3	11,4

Source: The Ministry of Macroeconomics & Statistics

differences in levels of employment, they are not significant. Attempts to more accurately measure regional unemployment rates are hampered by possession of data only on formally registered unemployed. The registered unemployment rate is very low and did not exceed 0.45% during the 1990s, although there are some variations, from 0.15 in Surkhandarya to 3.33 in Navoi. The lack of jobs in some provinces together with low unemployment rate indicates the likelihood of unofficial employment.

Number and employment of able-bodied population

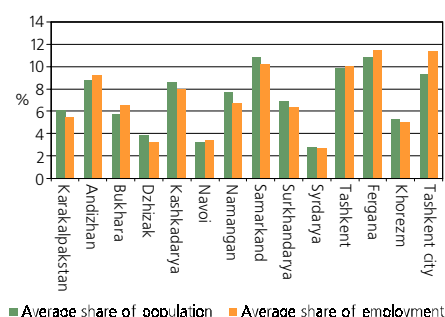
	Able-bodied population growth rate		Employment ratio		
	1996	1997	1995	1996	1997
Republic of Uzbekistan	2,55	2,74	75,3	74,4	73,4
Republic of Karakalpakstan	2,94	2,91	65,5	66,0	65,2
Regions:					
Andizhan	2,59	2,70	76,7	76,5	75,3
Bukhara	2,55	2,60	82,2	81,6	80,6
Dzhizak	2,63	2,88	65,7	66,3	65,7
Kashkadarya	3,58	3,72	76,3	74,8	73,2
Navoi	2,82	2,74	76,7	76,8	76,7
Namangan	2,95	3,08	65,9	65,1	64,3
Samarkand	2,82	3,03	74,2	73,8	72,7
Surkhandarya	3,46	3,61	75,4	74,8	73,2
Syrdarya	2,45	2,86	75,6	76,0	74,9
Tashkent	1,56	1,92	73,6	74,2	73,5
Fergana	2,64	2,68	79,0	78,6	77,3
Khorezm	3,59	3,52	72,1	71,7	70,1
Tashkent city	0,72	1,34	84,9	79,0	79,0
Relation of maximum to minimum regional differences	4,96	2,77	1,30	1,25	1,25

Source: The Ministry of Macroeconomics & Statistics

There are significant differences between regions in the turn-over of goods and service sector. The lowest turnover of goods per capita are found in the Republic of Karakalpakstan, Surkhandarya, Dzhizak and Khorezm provinces. The lowest volume of paid services occur in these same three regions, as well as in the Kashkadarya and Syrdarya provinces.

Since 1995 the gap between regions in wages, however, has nearly stabilized and the ratio of the top and bottom margins of monthly average wages has been established at an average of 2.9. As before, high levels of wages are shrinking in the industrially advanced regions, including Navoi, Tashkent, Bukhara regions and the city of Tashkent. Average wages remain rather low in Dzhizak, Andizhan and Kashkadarya regions where the regional economies involve predominantly agrarian activities.

Figure 7: Population-employment structure, 1998



Relative volume of turnover of goods and paid services per capita, in percentage to average republican level

	Turnover of goods				Paid services			
	1995	1996	1997	1998	1995	1996	1997	1998
The Republic of Uzbekistan	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
The Republic of Karakalpakstan	51,1	49,5	53,6	45,3	28,6	46,7	46,7	43,8
Provinces:								
Andizhan	117,0	112,6	106,2	117,6	57,1	66,7	70,0	72,9
Bukhara	97,9	83,5	75,4	71,6	42,9	73,3	80,0	93,8
Dzhizak	53,2	38,8	49,8	48,6	42,9	53,3	40,0	50,0
Kashkadarya	57,4	54,4	61,6	72,3	42,9	40,0	53,3	50,0
Navoi	70,2	77,7	81,0	80,7	57,1	86,7	70,0	91,7
Namangan	104,3	109,7	90,0	81,8	57,1	66,7	56,7	60,4
Samarkand	104,3	99,0	93,4	81,4	57,1	60,0	83,3	72,9
Surkhandarya	48,9	38,8	40,3	46,3	28,6	26,7	33,3	45,8
Syrdarya	85,1	96,1	80,1	78,7	42,9	66,7	43,3	43,8
Tashkent	74,5	74,8	82,9	87,8	85,7	93,3	86,7	83,3
Fergana	87,2	97,1	107,6	119,9	57,1	66,7	60,0	60,4
Khorezm	51,1	62,1	62,6	66,6	42,9	66,7	73,3	79,2
Tashkent city	291,5	304,9	309,5	298,6	271,4	300,0	283,3	289,6

Source: The Ministry of Macroeconomics & Statistics

Figure 8: Relative wages across regions, 1998 (average for the Republic of Uzbekistan=100)

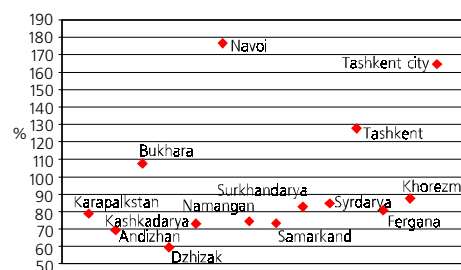
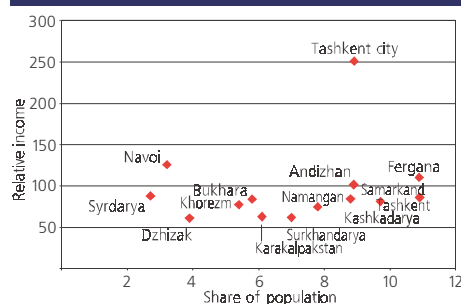


Figure 9: Distribution of regions by relative per capita disposable income, 1998 (average per capita income=100)



Source: The Ministry of Macroeconomics & Statistics

The relative development of the economy and demographic trends in the regions also influences the levels of average per capita incomes of the population. The gap between the regions with the highest incomes (Tashkent city, Navoi and Fergana regions) and those with the lowest incomes (Dzhizak, Surkhondaryo, Namangan, and Tashkent regions, as well as the Republic of Karakalpakstan) has increased from a factor of 3.1 in 1996 to 4.7 in 1998. Out of fourteen regions, eleven report rates of incomes lower than the national average.

POVERTY – EXTREME MANIFESTATION OF INEQUITY

As mentioned previously, Uzbekistan's social policy from its very inception has been designed to avert excessive inequity in incomes and consumption by taking measures to equalize differences arising during periods of economic stabilization and growth.

The transition to market relations is often accompanied by significant differences in individual incomes. As such, the emergence of new, financially well-off population groups is often accompanied by the emergence of a polar population group, those with low incomes living in poverty.

As an extreme manifestation of inequity, poverty is often defined as an inability to maintain certain living standards. Minimum living requirements vary for each country and even on a regional basis. They depend on achieved income levels the structure of a given economy. For these reasons, poverty presents a different face in every country.

Each country defines poverty in part in terms of the measures required to solve its own development challenges. In developed countries, for example, measures are taken to ensure the provision of minimum standards of living. In developing countries, there may be additional attention focused on efforts to attract external foreign assistance and policies involving the development of human resources. As for the countries in transition, the most important challenges involve such tasks as identifying impoverished population groups, developing policies of reform, and providing social security and pensions.

Minimum standards of living and corresponding definitions of poverty appropriate for any one country cannot be automatically applied to another. Each country has its own particular geographic locations, natural and climatic conditions, ethnic, cultural and historical characteristics, with unique ways of life and development goals.

In Uzbekistan the impoverished may be defined as those having the lowest incomes, people willing but unable to improve their material status on their own and who require social assistance. Figures used to calculate the total number of those living in poverty vary depending on the criteria used to make the assessment. In 1991, for example, according to expert analysis some 75% of the population maintained average per capita income lower than the minimal cost of living requirements.

Cross region interrelation of employment, incomes and poverty

Regions	Provinces	Extremely needy families %	Needy families %	Families receiving material support %	Able-bodied employment %
Having low incomes	Jizak and Surkhondaryo provinces, the Republic of Karakalpakstan, Namangan and Khorezm provinces	18,4	27,2	13,8	67,7
Having relatively low incomes	Kashkadarya, Tashkent, Samarqand, Bukhara, Syrdarya provinces	11,8	19,3	12,9	75,0
Having high incomes	Andijan, Fergana, Navoi provinces, the city of Tashkent	7,1	10,9	10,2	77,1

Source: The Ministry of Macroeconomics & Statistics

In 1994, a survey taken of 20,000 families revealed that 44.5% of them had average per capita income levels lower than the national minimum wage. Social research conducted in 1996 defined extreme poverty in terms of a range of minimal living standards. According to its results, some 27.6% of the republic's population was living in extreme poverty.

The data on poverty, as part of information on the overall welfare of country's population, is very important in efforts to understand the causes of inequity. It is used to analyze and assess current conditions, on the basis of which appropriate measures are taken to provide social welfare to the poor and to design and implement social development programs.

The policy pursued by Uzbekistan in preventing excessive inequity is based on the following basic assumptions that:

1) employment, incomes and economic growth are not only interrelated, but also interdependent issues; and

2) second, independent of levels of economic development, measured in terms of the improved welfare of a majority of the population, there always is a part of the population that cannot improve its situation without the support of the State.

This data gives evidence to the effectiveness of some of the social welfare policies pursued in Uzbekistan.

A study of the experiences of the "makhalla" social system, however, has revealed that the system of social support for needy families in Uzbekistan is not always reliable and is vulnerable to the influence of subjective factors. The efficiency of the present social welfare system depends on full and timely performance of established rules and procedures by executive bodies.

Family surveys indicate that in 1998 the following shortcomings took place in the system of granting and paying allowances to needy families and families with children:

- Unjustified refusals for material support to actual, needy families, as well as the opposite: misuse of official positions to approve and issue allowances to ineligible families as a result of family connections or other reasons. In principle, each family is awarded a relative welfare share ranging from 0.3% to 1.45% of the overall number of families in a region to whom material support is afforded.

- Roughly 2% of total allowances granted to families with children were not issued by the end of the year. Some 8.3% were transferred to non-interest bearing deposits;

- There have been incidents when a portion of allowances intended for families with children have been transferred to goods retailers. The families have then in turn received their subsidies in the form of flour, sugar, and cooking oil, instead of in cash payments;

- At times, social welfare funds have been used for things other than their intended beneficiaries, e.g. scholarships, insurance contributions, construction of public buildings.

Such examples underscore the importance of further improving the existing system of social protection. It is essential that the system provide better targeted assistance, increase the accountability of administrative structures, and ensure the continuous monitoring of welfare support provided to needy families.

27.6% of the republic's population was living in extreme poverty

ENSURING EFFECTIVE ECONOMIC GROWTH AND HUMAN DEVELOPMENT

chapter 4

Although the health and education components of the Human Development Index (HDI) for Uzbekistan are rather high, its economic component, in particular GDP per capita, is significantly lower than that of many developed countries in the world. Growth in GDP per capita reflects economic well-being, increased opportunities of individuals, and the ability of the State to increase per capita social investments. At the same time, however, this process of growth involves its own problems for Uzbekistan, as it does for all of the countries in transition. Sustainable, long-term growth should be based on more efficient use of resources, and a productive balance between incomes, savings and investments in the economy, as well as the development of small and medium business, and other factors. These major components of economic growth and human development are considered in more detail below.

EFFECTIVE ECONOMIC GROWTH AS A COMPONENT OF HUMAN DEVELOPMENT

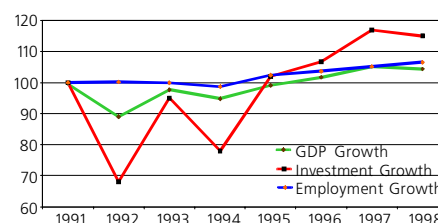
Uzbekistan has experienced the smallest decline in GDP among all CIS countries from 1991-1998. This phenomenon, according to an investigation by Zettelmeyer (1998), is explained by the former low level of integration of the Uzbekistan economy into the Soviet Union, and a favorable situation in world markets for cotton and gold, both of which comprised a large portion of profitable Uzbek exports during the first half of the 90's.

GDP per capita in 1998 (measured in PPP\$) was 2.8 thousand USD, compared to an average value of 3.3-3.5 thousand USD (PPP\$) for developed countries. For Uzbekistan to just double its GDP per capita during the next ten years, it is necessary to maintain an annual growth rate of at least 7% and a total annual GDP growth rate of 9-10%.

Economic growth, especially per capita growth, is linked directly with employment generation and increased economic activity. These can, in turn, provide the impetus for increased wages and incomes. Since 1996 there has been a positive growth rate of total GDP. Since 1997, there has also been growth in GDP per capita. The average monthly salary in USD, calculated using the official exchange rate, does not exceed 57 USD per month. Its value adjusted according to the purchasing power of the local currency, the soum, is around 270 USD. Wage income per capita, adjusted to purchasing power of the national currency, is around 150 USD a month, with gross income at 170-180 USD a month.

For a country, experiencing economic crisis, such GDP growth is clearly a sign of recovery. For there to be long-term, sustainable economic growth, however, Uzbekistan must overcome the structural problems of its economy, and improve the presently restricted business environment.

Figure 10: GDP, Investment and Employment Growth Rates



Over the course of the transition period, GDP structure has improved somewhat, although it is still skewed towards the agricultural sector as opposed to industrial production.

The dynamic of GDP and Employment structure by sectors, %

Indicators	1993	1994	1995	1996	1997	1998
Industry						
% of GDP	22	17	17	18	16	15
% of total employment	14	13	13	13	13	13
Agriculture						
% of GDP	28	35	28	22	27	27
% of total employment	44	43	41	41	41	39
Construction						
% of GDP	9	7	7	8	8	8
% of total employment	7	6	6	6	6	7
Transport and communication						
% of GDP	6	6	7	7	6	7
% of total employment	4	4	4	4	4	4
Trade and public catering						
% of GDP	6	8	5	7	8	8
% of total employment	6	7	8	8	8	8
Other services						
% of GDP	20	20	22	23	22	21
% of total employment	25	27	27	27	28	29

Investment

Investment program is an important part of restructuring of national economy. In 1998 capital investments from all the sources were 369.7 billion sums, which was 15% higher than that amount in 1997. The following amounts (shares) were invested in the respective industries:

- 209.4 billion sums (56.8% of total investments) - production industries;
- 66.8 billion sums (18.1%) - transportation and communication;
- 44.9 billion sums (12.2%) - energy and fuel industries;
- 18.1 billion sums (4.9%) - agriculture;
- 12.8 billion sums (3.5%) - food industry;
- 16.4 billion sums (4.5%) - light and local industry.

The most actively implemented investment projects are

- In oil and gas industry - Shurtan Gas & Chemical Enterprise, Khodjiabad Chemical Production Group, Fergana Oil Refinery Plant;
- Development of local auto-parts production for UzDawooAuto Joint Venture;
- Construction of Kungrad Soda Production Factory;
- Construction of second production line in Kyzylkum Phosphorite Factory, production of Polyamid-6;
- Implementation of second alcohol production line in Adijan Biochemical Plant;
- Construction of new railway line - Guzar-Baisun-Kumkurgan;
- Electrification of the existing railways;
- Reconstruction of mountain pass area of Tashkent-Andijan-Osh-Kashgar highway.

The share of agricultural output is relatively larger than that of industrial production. In 1993 the proportion of industrial output in GDP was 5 percentage points lower than agricultural output. By comparison, in 1998 it was 13 percentage points lower. The share of services in GDP has also increased.

Labor productivity continues to grow, although very slowly. This is partly due to excessive labor, or labor hoarding, in firms. Low productivity impacts on the competitiveness of domestically produced goods and products on world markets. The growth pattern for labor productivity in industry (in 1995 prices) is given in the table below:

Aggregate Labour Productivity Trends, %

	1995	1996	1997	1998
Annual labor productivity growth rate (to previous year)	100	100.4	103.8	103
Labor productivity growth rate (cumulative to 1995)	100	100.4	104.1	107.2

The efficient use of resources depends on their rational use in production and technological innovation. Energy consumption in GDP, for example, grew by 13.7% over the period from 1991 to 1998, while the cumulative decline in GDP was about 9%. Resources are limited for many spheres of production. Reducing resource waste, in particular the use of water and gas resources, even with existing technologies, could have a significant, positive impact on GDP.

A number of economic policy priorities must be established to ensure that the investment cycle works smoothly. These measures include liberalization of the economy, improved access to resources, stimulation of market competition, and implementation of modern management and marketing techniques. Currently, consumption as a share of income is around 90%. As a result a large share of investment is funded by the state in line with the state's restructuring priorities. One of the most central tasks for these structural policies is increasing the production and quality of finished goods.

EMERGING MARKETS AND LIBERALIZATION

Privatization and ownership

The creation of legal and institutional frameworks necessary for the formation of a diverse economy where private property plays a central role is a priority for the

republic. These are the essential conditions needed to build a new society based on the principles of market economies.

The process of developing an economy with multiple forms of ownership in Uzbekistan is different in essence from that in those countries where a market economy has been evolving over many generations.

The privatization process in Uzbekistan is taking place over several stages. The first stage consisted of the development of new patterns of ownership in the agricultural sector, privatization of state owned enterprises in local industries, the retail, services and housing sectors and transformation of some light industry, construction and transportation enterprises into private, corporate and joint-stock ventures. This stage was largely completed by 1995, with 96% of housing stock transferred to private owners. Many previously state-owned small enterprises, particularly in the retail trade, were privatized. The non-state sector share in GDP steadily grew from 55% in 1996 to 65% in 1998.

In 1998, Uzbekistan began the privatization of medium and large enterprises, including those that have strategic significance¹. A program for the period 1999-2000, aimed at accelerating this process, primarily through attracting foreign investment, has been developed.

Growth of non-state and private sector, %						
	1993	1994	1995	1996	1997	1998
Share of non-state enterprises						
in total number of enterprises	n/a	n/a	78.3	84.4	83.6	83.7
in GDP	n/a	n/a	n/a	54.7	66.3	67.7
in employment	48.7	60.8	66.1	68.8	71.3	72.5
Share of private firms						
in total number of non-state enterprises	44.8	52.4	44.3	47.0	46.7	45.8
in GDP	n/a	n/a	n/a	n/a	n/a	n/a
in employment	1.3	2.1	4.7	5.1	4.4	4.7

Source: Ministry of Macroeconomics & Statistics

By the end of 1998 the results of the privatization process were as follows. The proportion of non-state owned enterprises was 88.8%. Among these non-state entities, private firms comprised 46%, with stock companies at 18%, and joint ventures at 2%.

Privatization in Uzbekistan has the goal of transforming enterprises into entities fully capable of ensuring their own efficient utilization. The two main elements in this plan involve providing equity and efficiency through changes in ownership and bringing in new capital and professional skills. This in turn means equal access to privatized properties and more effective production. The privatization investment funds (PIFs), an innovative and key element in the privatization scheme, take the role of intermediary between firms and the public. The activity of PIFs was initially very high, but in 1998, began to decline. According to experts of the World Bank, there are three ways to boost the effectiveness of the PIF program: improving the quality of enterprises offered to PIFs; improving the legal framework; and restricting unnecessary government interference in PIF operations. (Draft of Economic Review of the World Bank, 1999).

A number of organizational and economic measures were implemented in 1998 to develop further property relations in the agricultural sector. Collective farms are being transformed into agricultural cooperatives (shirkats), which are based on share ownership. Family based farms are helping to change property relations within the economy.

At the same time, an economy based on multiple forms of ownership is still being formed. People not only have to become owners – they must also learn how use what they own to earn a profit. New owners must be able to manage their properties efficiently to make it a source of both personal income, including earnings, dividends, and wages, as well as government income through the tax system.

¹ Term "non-state" is commonly used for privatized enterprises, which, besides private firms, include joint, stock and collective enterprises.

Uzbekistan's puzzle?

Although most experts would agree on the general importance of economic growth to the long-term development of a country, it is sometimes difficult to find consensus on the best specific methods to achieve this goal. Given the complex array of factors that influence any economy, there is also often no one unanimous interpretation of the relative effect a particular set of economic policies has had in producing a corresponding set of economic indicators and trends.

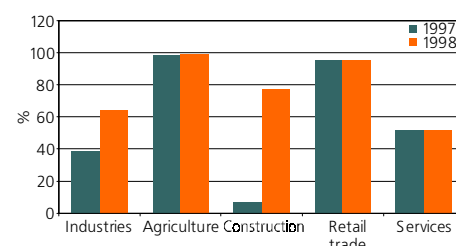
In a working paper prepared for the IMF, Jeromin Zettlemeyer puts forth several views on the role of State economic policies implemented in Uzbekistan since Independence. According to Zettlemeyer, much of the country's *relative* economic success over the past several years among CIS countries and in particular the Central Asian republics, is due to several favorable initial factors, not because of, but in spite of its economic policies.

Says Zettlemeyer, "... the variables which drive Uzbekistan's relatively good output performance – cotton, energy self-sufficiency, and low initial industrialization – more than offset macro-economic and structural policies which, *by themselves*, would have had detrimental effects."

Zettlemeyer does not argue that State policies have had no positive influence on the country's comparatively mild transition recession. Instead, he believes that it might have been possible to choose a more effective, alternative set of policies to take better advantage of Uzbekistan's positive endowments. He argues that policies designed to increase aggregate output have harmed such development factors as consumers' choice and environmental sustainability, while leaving much to be done by way of developing the private sector and marketing incentives. Zettlemeyer concludes his paper by observing that "as social and economic turmoil... continues to subside, it becomes ever harder to argue in favor of the extensive state control of economic decisions that has characterised the Uzbek experience so far."

Source: IMF Working Paper, Jeromin Zettlemeyer, September 1998

Figure 11: Privatised enterprises' structure by sectors



Progress on Privatization?

According to a report by Deutsche Bank Research, now that the "small" privatization phase is almost officially complete, the Government of Uzbekistan intends to expand and accelerate the "large" privatization beginning in 1999, which would make it easier to finance the balance of payments and the public budget. Indeed, the budget for 1999 contains privatization revenues of 300 million USD. A total of 269 companies are to be offered for sale by 2001, including Uzebk Telecom, the Tashkent International Airport, ElektroChimProm, as well as companies in the energy and raw materials sectors. The failure of the tender for the Almalyk Mining Metallurgical Company at the beginning of June 1999, however, shows that some attitudes still need to be changed. The government had hoped to reap 480 million USD from the sale (of which 180 million USD for the budget) without giving up the majority of shares in the company.

Source: "Country Brief", Deutsche Bank Research, August 1999

This is especially true in cases of land and newly acquired privatized enterprises or their stocks. Only in this way the privatization process will assist in the formation of a sustainable standard of living for all members of society.

Liberalization of prices, emerging markets and a competitive environment

Since January 10, 1992 prices for a wide range of production in the republic for the most part have been liberalized, with the exception of continued subsidies for selected goods and services of particular importance to the population.

There are some exceptions. Prices for products of strategic significance for the government and those vital for the country's livelihood, for example cotton and wheat, continue to be subsidized. These products are still subject to the state order system, although the volume of orders has fallen substantially. Prices have been largely liberalized, except for the cost of flour and bread, public transportation, utilities, gasoline and telecommunications. These exceptions all represent important elements of basic standards of living. The distribution of assets and finished goods in the agricultural sector is carried out on the basis of established norms, limits and funds.

Prices in efficiently functioning markets are the most valuable source of information for producers and suppliers. There have been certain conditions in Uzbekistan throughout the transition period that are unfavorable for simultaneous and radical liberalization. These include the initial absence of private ownership, food dependency, low living standards, absence of a market infrastructure, etc. Economic policies designed to create a market economy should not be harmful to economic activity and the population. For this reason, the process of price liberalization has been implemented only gradually.

While new commodity markets have emerged, there are still several problems to be addressed with respect to both supply and demand. Development of the wholesale market is hindered by the lack of money in the economy: the monetization coefficient in Uzbekistan was 14.65% in 1998. This means that producers are forced to resort to barter exchanges. The growth of reciprocal liabilities results in a number of insolvent enterprises, decreases in savings and a deterioration of opportunities for further development.

On the other hand, quick growth in the monetization coefficient brought about solely through an increase of money in circulation can result a dangerous inflationary spiral. This is the challenge for monetary policy across the globe: how to stimulate economic activity, while avoiding high inflation.

Another challenge facing the commodity markets is a lack of information about the availability of goods and their prices. Although newspapers and magazines publish special commercial sections promoting the expansion of information exchange, and despite the widespread use of television commercials, most small enterprises still operate without this kind of information.

Trade turnover is higher in urban areas compared to rural regions. The urban/rural ratio of trade turnover is 70/30, while the respective population ratio is 37/63. These distortions characterize the problems involving with lack of infrastructure for trade outside of urban centers, lower incomes of the rural population and the slow development of commodity markets.

One of the major problems on the supply-side of the economy involves the republic's high degree of monopolization. This situation is due partly to the post-Soviet legacy in production and trade.

Several antimonopoly policies have been designed to create competition. The former central system of domestic trade regulated in cities at first by the Ministry of Trade and later by Uzbeksavdo in cities, and in rural areas through a system of cooperatives, has been nearly eliminated. Now all private trade enterprises have a choice whether or not to join regional, independent trade associations. The system of distributing nearly all resources through commodity exchanges has been eliminated. There are now commodity and raw materials exchanges where entrepreneurs can buy raw materials, finished goods, and other products. Light manufacturing and the food and furniture industries have been significantly demonopolized. In

addition, the state's monopoly of the sale of several types of goods and services has been reduced. Suppliers to the military forces, internal affairs organizations, state-owned hospitals, kindergartens and government ordered construction works are selected on a tender basis. Local and national passenger transportation routes are also awarded through tender.

Monopoly Enterprises: Number, Output and Share of GDP

Indicators	Unit of measure	1997	1998
Total Number of Registered Enterprises		185000	188100
Number of Monopolistic Enterprises		810	660
Proportion of Monopolistic Enterprises out of Total Number of Enterprises	%	0,43	0,35
GDP	Bln Sum	976,8	1416,2
Output of Monopolistic Enterprises	Bln Sum		349,9
Output of Monopolistic Enterprises as a Percentage of GDP	%		25,7

Source: Ministry of Macroeconomics & Statistics

Effective demand in commodity markets, particularly in the consumer market, depends on income, demography and commodity prices. During recent years, the share of non-food goods and services, as a proportion of total consumer expenditure, is growing. Nominal monetary expenditures of the population of Uzbekistan increased 1.67 times in 1998 while the consumer price index increased 1,18 times. Together with this, expenditure on consumer items, as a proportion of total disposable income, is very high, on average around 98%.

The state's role, previously covering all aspects of business activity, is now gradually shifting to regulation - creating the legislative framework. The number of controlling institutions has been reduced significantly. In addition, nearly all regulatory and audit divisions in ministries and other state departments have been abolished.

There is always the danger, however, that state officials may use their regulatory positions to make money on licenses, permits, inspections, etc. Opinion polls of businessmen and women reveal that official taxes are less of a hindrance to entrepreneurial development than are the often "mandatory" unofficial bribes required by some officials from various controlling institutions (TACIS, 1998).

For these reasons, between 1996 and 1998, the government of Uzbekistan issued a number of orders limiting the rights of bureaucrats to conduct inspections. Inspections of enterprises may be carried out not more often than once a year for no more than thirty days. Only those who have received formal accreditation are allowed to conduct the inspections.

Liberalization of international economic activity

Within eight years of Independence the republic's foreign trade has been considerably liberalized and the conditions for foreign economic activity have radically changed: all enterprises have been given the right to trade on world markets; the list of commodities subject to licensing has been considerably reduced; the majority of quantitative restrictions were changed by tariff regulation; and significant tax incentives were given to enterprises producing export goods.

Unfortunately, up until 1994 there is no comprehensive comparative data on exports and imports for Uzbekistan. During that time Uzbekistan's trade with the countries of the former Soviet Union was expressed only in soum, and with the rest of the world in US dollars. It is now impossible to make the two sets of statistics comparable. Nevertheless, it is possible to identify some important changes in the foreign trade of Uzbekistan since Independence.

A marked reorientation of foreign trade has occurred, shifting from the markets of the countries of the former Soviet Union to the rest of the world. Uzbekistan's major trade partners in 1998 were South Korea - 9.3% of total foreign trade turnover; Great Britain - 7.1%, Switzerland - 6.2%, Germany - 4.6%, United States - 4.5%, and Turkey - 3.6%. Of the republics of the former Soviet Union, the major partners are

State policy on private sector development and SME

In a TACIS paper addressing Uzbekistan economic policy, Ernesto Astete argues that while the State has done much to develop certain key economic and social indicators, there has been very little stimulus provided for growth of the private sector. According to Astete, the goals of the State to develop this sector "are unfulfilled due to inadequate policies or to their inability" to achieve well-intentioned policy goals.

Astete is quick to point out that the Government has achieved success in the creation of several important market institutes and supportive legislation. Many of these organizations, such as the Business Fund, the State Property Committee, the Chamber of Commerce and Entrepreneurs, and the Farmers' and Peasants' Association, support enterprises already privatized or on the verge of restructuring. At the same time, however, there still exist uncertainties about the interpretation of the role of these institutions and their involvement in the internal operations of enterprises. This leads to unpredictability and lack of trust, which in turn slows down development of the private sector.

Astete goes on to comment that the positive steps achieved by the Government could be further enhanced if certain negative features of the economy are also addressed successfully. In particular, Astete cites opportunities for the existence of corruption, a complex system of licensing, controls, regulations, and the State's role in micro-managing the economy. He believes that growth of the private sector, including foreign direct investment and the creation of small enterprises and micro-firms, will continue to fall short of expectations until these obstacles are removed.

Source: TACIS Report, "State Policy and Development of SMEs" Ernesto Astete, May 1999.

Russia –15.5%, Kazakhstan –4.2%, and Ukraine –2.7%.

A notable change in the structure of imports has also occurred. As a result of a policy of pursuing grain and energy self-sufficiency, imports of foods, especially grains for the baking industry, and energy imports were reduced considerably.

The proportion of machinery and equipment imports has increased considerably. This is clear evidence of economic restructuring. Increased imports of capital equipment support the development of national industry. It can be expected that imports of a considerable volume of capital equipment will become an important characteristic of overall Uzbek imports for many years.

Although its share of total exports has declined slightly, cotton fiber remains the main export good of the country, earning one third of all foreign currency receipts. Up until 1996, Uzbekistan's volume foreign trade grew. Starting in 1997, however, there has been a decline in the volume of imports and exports.

The foreign economic policy of Uzbekistan during the transition period has been subordinated to more prioritized economic development goals. Thus, during the initial years of independence the greater priorities were to tackle inflation and expand consumer markets due to initial conditions characterized by huge unsatisfied demand accumulated during the years of a planned economy. Import duties were not utilized and exports were strictly controlled. Priority goods were subsidized both directly and by means of the overvalued exchange rate of the national currency and fixed state prices for these goods.

With the expansion of the consumer market, and the possibility of regulating inflation rates, gradually priorities have changed. After the introduction of the national currency, the sharp decline in the official real exchange rate of the soum and strong liberalization of currency markets and import-export operations had a positive influence on the development of foreign economic relations of the country. In 1995 and 1996 Uzbekistan's foreign trade turnover, compared to that of the previous year, increased by 7.3% and 37.2%, respectively. Exports grew by 24.1% and 19.8%, and imports by 10.9% and 63.2%.

Starting in the second half of 1996, however, changes were made in foreign economic policy to increase its contribution to the overall structural reform of the economy. The most important of these changes include regulations concerning the conversion of the national currency into foreign currency whereby a policy of foreign currency rationing was introduced and import protectionism was strengthened.

Although these measures considerably simplified the process of monitoring the structure of imports and controlling the balance of payments, they have had a number of negative consequences, the most significant being:

Main indices of foreign trade of Uzbekistan in 1994-1998

Indices	1994		1995		1996		1997		1998	
	mln USD	in % to total	mln USD	in % to total	mln USD	in % to total	mln USD	in % to total	mln USD	in % to total
Aggregate foreign trade turnover	5299.4	100.0	6612.6	100.0	9311.3	100.0	8910.5	100.0	6816.9	100.0
Including										
Overseas countries	2237.0	42.2	4071.8	61.6	6743.0	72.4	6133.7	68.8	4984.3	73.1
CIS countries	3062.4	57.8	2540.8	38.4	2568.3	27.6	2776.8	31.2	1832.6	26.9
Export-total	2689.9	100.0	3719.9	100.0	4590.2	100.0	4387.5	100.0	3528.2	100.0
Including										
Overseas countries	1029.6	38.3	2437.5	65.5	3539.6	77.1	2878.9	65.6	2611.1	74.0
CIS countries	1660.3	61.7	1282.4	34.5	1050.6	22.9	1508.6	34.4	917.1	26.0
Import-total	2609.5	100.0	2892.7	100.0	4721.1	100.0	4523.0	100.0	3288.7	100.0
Including										
Overseas countries	1207.4	46.3	1634.3	56.5	3203.4	67.9	3254.8	72.0	2373.2	72.2
CIS countries	1402.1	53.7	1258.4	43.5	1517.7	32.1	1268.2	28.0	915.5	27.8
Trade balance	80.4		827.2		-130.9		-135.5		239.5	
Including										
Overseas countries	-177.8		803.2		336.2		-375.9		237.9	
CIS countries	258.2		24.0		-467.1		240.4		1.6	

Source: The Ministry of Macroeconomics & Statistics

Structure of import and export of Uzbekistan in 1994-1998

Indices	1994	1995	1996	1997	1998
Structure of export	100,0	100,0	100,0	100,0	100,0
- cotton fibre	56,4	48,4	38,1	36,0	38,6
- chemical industry products, plastic and plastic goods	3,0	2,5	2,4	1,7	1,5
- ferrous and non-ferrous metals	4,0	4,7	3,5	4,6	5,1
- machinery and equipment	8,1	2,0	2,8	6,3	4,1
- foods	4,1	1,7	4,5	3,8	3,2
- energy	14,2	11,7	6,0	12,0	7,9
- services	5,2	7,7	8,3	8,2	8,8
- others	5,0	21,3	34,4	27,4	30,8
Structure of import	100,0	100,0	100,0	100,0	100,0
- foods	32,0	18,2	29,5	19,3	15,6
- chemical industry products, plastic and plastic goods	7,5	9,3	12,5	12,5	12,4
- ferrous and non-ferrous metals	8,4	5,7	6,7	7,5	9,2
- machinery and equipment	15,9	47,9	35,8	45,9	47,2
- energy	24,2	1,9	1,1	0,6	0,5
- services	0,2	5,0	0,2	7,5	5,0
- others	11,8	12,0	14,2	6,7	10,1

Source: The Ministry of Macroeconomics & Statistics

- lack of monetary discipline and a rise in the real official exchange rate, which has hindered the development of exports and export oriented industries;
- growth of uncertainty and risk, resulting in a decrease in direct foreign investment, as well as decline in exports and imports;
- distortion of prices in the domestic economy, resulting in an inefficient distribution of resources between economic sectors and industries and so contributing to a decline in the nation's welfare;
- strengthening the monopolistic positions of certain enterprises and the weakening of competition from imports on a fair and equal basis, which in turn has a negative impact on the efficiency of production;
- potential for rent profit for importers who have access to the official market of foreign currency, resulting in an inefficient redistribution of the national income and undermining social justice.

These factors, as well as the decline in demand for the Uzbekistan's main export goods in world commodity markets, led to a considerable decline in the exports and imports of the republic, in spite of the measures undertaken by the government towards export expansion. For example, in 1997 foreign trade was down by 4.3% from 1996 totals: exports fell by 4.4%, imports by 4.2%. In 1998 foreign trade turnover again declined by 23.5% of 1997 totals: exports by 19.6% and imports by 27.3%.

Development of exports and imports is kept back by the currency regulation regime, as well as by the system of state orders for the main export goods of the republic - in particular cotton. This is done by buying from producers at prices below the market level, and strict state control through licensing exports and limiting the amount of cotton that producers can sell officially at free market prices.

The most efficient measures for encouraging exports and bringing imports into line with domestic consumption involve introducing a floating exchange rate and the lifting of state control over the exchange system; transition from import protectionism to free trade, from administrative methods to economic methods of export and import regulation, as well as production and distribution regulation. Foreign currency liberalization must be underpinned with relevant fiscal and monetary policies, with the aim of achieving balanced aggregate demand and supply. This objective was set forth by the President of the Republic at the XIV session of the Oliy Majlis.

Despite all measures taken to stimulate exports, the volume of Uzbekistan's foreign trade continues to decline. This is due primarily to the considerable influence of such adverse factors as a worsening of world demand, the overvalued exchange rate and the lack of the free market of foreign currency, import protection-

The Government's effort to promote exports

For 1996-1998 the Government of Uzbekistan undertook a number of measures to promote exports. Several decrees were adopted which offer both considerable fiscal incentives for exporters of finished manufactured goods and a simplification of export procedures. These decrees include those of the President of the Republic of Uzbekistan dated March 20, 1996, №УП-1411 "On additional measures to promote enterprises - producers of export goods", dated August 26, 1997 № УП-1831 "On additional measures to promote export commodities, produced by enterprises with foreign investment" and dated October 10, 1997 №УП-1871 "On additional measures to promote export of goods (works, services)"

Enterprises with Foreign Investments

With the development of foreign trade, the number of enterprises with foreign investments has significantly increased in Uzbekistan. By the end of 1998 there were about 3.5 thousand joint ventures with foreign participation in the republic. For example, over seventy enterprises with participation of investors from Germany successfully operate in the republic. Of these, twenty-one are 100% owned by Germans. Fifty-seven representative offices of German firms have been accredited.

The creation of a favorable environment for attracting foreign investment represents a priority in efforts to develop foreign economic activity.

The volume of direct foreign investment and lending was 30.3 billion soums in 1998, which made up 8.2% of total capital investments, against 7.1% in 1997.

ism, and the system of state orders on cotton.

Efforts to liberalize foreign economic activity should include:

- increased access to foreign exchange for enterprises that are effective in domestic markets and able to enter foreign markets;
- provision of free foreign exchange for current transactions;
- closing the gap between the official and black market exchange rates;
- decrease in the proportion of exporting companies' foreign currency profit that has to be exchanged at the official rate;
- elimination of controls for the fulfillment of so-called forecasts of decentralized exports, which result in strict economic penalties against enterprises not performing according to those estimates.

DEVELOPMENT OF THE FINANCIAL SECTOR

Banking system and credit market. The establishment of a two-tier banking system marked the start of a process for restructuring the financial market. In order to strengthen the two-tier banking system, which would correspond to international standards, a number of decrees were issued in Uzbekistan: "Concerning the Central Bank" in 1995, and "Concerning Banks and their Activity" in 1996. These decrees created a legal foundation for stable bank operations by clearly defining their status, goals, tasks and conditions of operation. During the last few years, the Banking and Finance Academy, Regional Banking Center, Association of Banks and other organizations were also established.

Currently 33 commercial banks, having between them some 800 branches and offices, operate in the republic. Four of them are joint ventures with foreign capital participation and eight are private banks. The density of the banking system is quite high, with one branch per 29,000 people. The Central Bank introduced a new bank accounting and reporting system that corresponds to international standards. All commercial banks have passed audits conducted by well-established international auditing firms.

In 1996 Uzbekistan became one of the first in the CIS to introduce an inter-bank payment system covering all regions of the republic. This system of inter-bank electronic payments allows for quicker access to finances and has shortened the standard time required for banking transactions.

One of the measures taken to liberalize the banking system involved new banking rules introduced in June 1999. Under this new system, legal entities located on the territory of Uzbekistan may open accounts in several banks at one time instead of having only one bank account, as was the case before. This allows banking clients to make more effective use of the banks in accordance with their own business needs and requirements. In July 1991, a decision was made limiting the state share in the charter capital of a bank to not more than 50%. All these measures taken together create the necessary preconditions for bank privatization, liberalization, creation of an efficient banking infrastructure, and increased confidence in banking system.

There are still major obstacles remaining, however, to the full liberalization of the banking sector. These include many still existing state regulations and high interest rates for private loans. Over-regulation of the banking sector restricts the activity of commercial banks. Existing practices of controlling interests rates and subsidizing loans discourage private investment. Among all types of credit, including subsidized centralized loans, foreign loans, loans from funds and from firms' own assets, commercial banks' loans make up only 7% of the total. Current guidelines require that 80% of a client's property be put up as security for the loan.

There has been a downward trend in recent years in the average annual discount rate. In 1998 it was almost twice as low as the 1996 figure. This, on the one hand, alleviates the business borrowers' burden and stimulates demand for investments. On the other hand, capital market efficiency interest rates are negative, which

Capital Market Indicators

		1996	1997	1998
Annual Inflation Rate*	%	54.0	27.6	17.9
Average Monthly Discount Rate	%	5.6	3.2	3.0
Average Monthly Interest Rate (commercial banks' credits)				
Short term	%	61.4	24.1	35.3
Medium term**	%	-	16.4	22.7
Long term	%	38.4	19.0	18.6
Volume of lending to enterprises by commercial banks ***	bln. soums	53.7	185.3	66.6
Including:				
Short term	bln. soums	43.4	165.5	51.6
Share of total amount	%	80.8	89.3	77.5
Medium term	bln. soums	-	5.2	5.3
Share of total amount	%	-	2.8	8.0
Long term	bln. soums	10.3	14.7	9.7
Share of total amount	%	19.2	7.9	14.5
Lending by commercial banks to sectors of economy ****	bln. soums	126.3	218.7	343.3
Capital investments by commercial banks	bln. soums	12.3	19.7	22.4
Proportion of commercial bank loans in total amount of capital investments	%	7,5	7,3	6,2

* consumer price index;

** term «medium term loan» was introduced in March, 1997;

*** amounts are in local currency;

**** amounts include capital investments in hard currencies.

does not give an incentive for households to save and banks to lend actively. As a result people place their savings in assets whose future value will cover the inflation rate: hard currency (in urban areas), live-stock (in rural areas). High inflation expectations accelerate the velocity of money, on average 6-7 times a year, and creates pressure on commodity markets by increasing demand.

The most acute issue involves restructuring property relations in banking and the expansion of the bank privatization process. In cooperation with the World Bank and EBRD, the government is preparing a program for restructuring the banking system. At the initial stage the largest state-owned banks that dominate the banking system, Asaka Bank and the National Bank, will be privatized. About 40% of National Bank shares are to be made available for foreign investors.

The share of commercial banks' loans out of total capital investments has remained at roughly the same level from year to year, indicating financial market inefficiency.

Proportion of credit investments from Commercial Banks own resources in total amount of capital investments during 1996-1998, billions of soums

Years	Total Capital Investments	Credit investments by Commercial Banks from their own resources	Proportion of credit investments in total capital investments (in %)
1996	232,1	17,4	7,5
1997	271,6	19,8	7,3
1998	369,7	22,9	6,2

To make commercial bank loans more affordable, the Central Bank should decrease the reserve ratio required of commercial banks and differentiate it by type of deposit.

The republic's stock market is being developed actively. The legislative foundation upon which the securities market is based consists of over sixty legal and regulatory acts. The institutional framework includes the Center for Coordination and Control of the Securities Market, National Depository, Republican Stock Exchange, investment institutions and brokerage firms.

There are more than 4.5 thousand joint stock companies, which have issued 361.43 million stocks, with a total value of 211.4 billion soums. The national depository, Vakt, currently safekeeps 296.98 million stocks, worth 177.8 billion soums. Of these, 6.8 million, worth 2.2 billion soums, are held in foreign investors' and joint ventures' accounts.

In 1998, some 5,668.2 thousand stocks, with a value of 3.5 billion soums, were traded on the Tashkent Republican Stock Exchange. In comparison to 1997 data,

volume of trading increased by 1.2 billion soum. The highest demand was for stocks for enterprise members of the Uzpticeprom and Uzgoshlopkopromsbyt associations, Uzavtotrans corporation, Uzhleboproduct, Uzplodovoshvinprom-holding, Uzneftegaz, Uzstroyaterialy and the Uzbek Agency for Post Office and Telecommunications. The leading geographic areas for stock purchases were Tashkent city (26.4%), the Tashkent region (16.1%) and Fergana region (8.6%).

The Program for Development of the Securities Market for 1999-2000 lists the actions to be undertaken by the Center for coordination and control the Securities' Market to the securities market. In addition, in accordance with an address by the President at the 14th Session of the Oliy Majlis, the State Committee on Privatization (GKI) is to establish a program for the development of the securities market for the period 2000-2005.

Stock exchange indicators

Years	Volume of Trades (mln. sums)	Relative to 1995 (%)	Number of Shares ('000)	Relative to 1995 (%)
1995	1321,5	100,0	1857,8	100,0
1996	2815,4	213,0	6762,7	364,0
1997	2304,7	174,4	5422,9	291,9
1998	3554,6	269,0	5668,2	305,1

The primary stock market for privatized enterprises dominates in Uzbekistan. The stock prices of most medium and large enterprises are relatively low in comparison to the real equity they represent. Foreign investors are given legal guarantees for repatriation of dividends.

To develop a secondary stock market in stock exchanges through investment funds, listing procedures are being introduced. In 1998 the volume of trading in the secondary market accounted for 267.8 million soum. Since the secondary stock market is not well developed, the role and number of financial intermediaries is very modest.

Privatization investment funds (PIF), introduced two years ago, were an innovative element in the development of the securities market, as well as the source of additional social support for the public. By the end of 1998 there were eighty-six PIFs and eighty-eight managing companies. Seventy-five of those PIFs registered prospectuses for second issues, including seventy-one PIFs that completed their stock allocations and four PIFs that are selling stocks to the public. Recent regulations on basic equity-credit requirements and the lack of experience in companies with respect to distributing shares has limited the successful development of this sector.

The stock market has not yet become a mechanism for redistributing investment to the most efficient sectors, partly due to the lack of people's trust in securities, their liquidity and profitability. For local demand for securities and trading to develop, it is necessary to have a stable macroeconomics policy aimed at an increased volume of securities and number of institutional investors.

*40% of total labor
resources in Central Asia
belong to Uzbekistan*

LABOR MARKET

Uzbekistan is a region with abundant labor resources. The republic possesses 40% of all labor resources in Central Asia. By 1998 the population had increased to 5.6% of the 1995 total, the able-bodied population increasing by 7.9%. Annual population growth rate declined from 2.5% in 1991 to 1.6% in 1998.

The labor force in the republic is characterized by a high level of education. One fourth of the labor force has either higher or secondary professional education.

In 1998 almost 74.2% of the employed population in Uzbekistan worked in the non-state sector of the economy. The number of people employed in farms as independent workers increased by 1.5 times from 1996 to 1998. The number of people employed by private enterprises increased over the same period by 1.6 times, and

those employed in joint ventures and public organizations - by 1.1 times. There are also certain seasonal and random labor markets, which are difficult to evaluate due to lack of quantitative data.

Although 62% of the population in Uzbekistan lives in rural areas, mostly young, the employment rate is much lower than in the cities. Because most forms of employment are agricultural, levels of employment change in accordance with the seasons. One way to absorb this abundant labor and also smooth out the seasonal fluctuations is to develop additional agro-processing and other downstream agricultural services in rural areas. Another method involves increasing numbers engaged in small farming and self-employment activities. Such experiments are being launched in the Namangan region during 1998-2000.

There are some official employment programs that provide labor opportunities abroad, for example, in South Korea, Japan, Malaysia and the United States. The numbers of workers they employ, however, are fairly insignificant given the republic's total able-bodied work-force. In addition, the legal and training components of these programs have considerable room for refinement.

The registered unemployment rate in Uzbekistan, ie, the number of able-bodied citizens actively seeking employment and registered with employment agencies, has not exceeded 0.5% since 1992. By the end of 1998 the number of unemployed registered in employment agencies was 40,000, or 0.45% of the labor force. A survey conducted by the Ministry of Labor (1997) gave an estimate of hidden unemployment at 5.5%. Labor underemployment due to idle time, unpaid administrative leave and involuntary part-time work is estimated by experts at 1-2%. Unemployment benefits are provided to registered unemployed from a special fund to which firms contribute 1.5% of all wages paid on a monthly basis.

The fact that geographically the number of jobs does not correspond with the available labor force explains in part why there are differences in the level of unemployment between the regions. The highest growth rates for the number of registered people, seeking a job are in the Namangan region – 14.7 %, Khorezm region – 8.4 %, Samarkand region – 7.3 %, Andijan region – 6.6 %, and in Tashkent city – 6.7%.

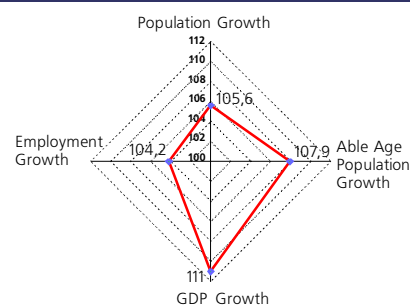
Labor mobility in Uzbekistan is for the most part very low. It could be increased, however, through better organized information on job vacancies, improved employment agency services, better developed transport and communication links, and a more active housing market.

There are historically based informal labor markets in Uzbekistan, such as the «mardikor bazar», for occasional jobs like repairing, construction work, land cultivating, loading and shipment works for individual clients. Such markets exist in almost all cities. For example, in Tashkent there are four to five such informal labor exchanges where every day almost ten thousand people seek work.

The key to employment generation is liberalization of the economy and stimulation of economic activity. Market imperfections with respect to social conditions, however, as well as underdeveloped infrastructure, make it unreasonable to expect that employment problems can be solved through market forces alone. Thus, the major aspects of state policy in improving labor markets include:

- regulation of demand and supply of labor by economic and legal means through special social institutions;
- provision of social guarantees to the unemployed (employment, unemployment compensation, stipends for breaks during training, allowances to extremely poor families);
- wage policies;
- implementation of special measures for the employment of young people, women and the disabled.
- improving the quality of labor, enhancing the system of professional education, training and retraining of the labor force;
- stimulating economic activity, in particular, SME development; and
- developing trade unions.

Figure 12: Population growth - GDP growth - employment growth, 1998 to 1995, %



In Tashkent there are four to five informal labor exchanges where every day almost ten thousand people seek work

Agricultural Reform Agenda

The agricultural reform agenda is comprehensive. It will take significant time to develop and implement policies needed to create an environment in which agriculture can flourish. As a start, it is essential to: (i) improve farmers' incentives to eliminate massive price distortions between input and output prices; and (ii) stimulate efficient use of water by gradually transferring the responsibility for the operation and maintenance of irrigation from government agencies to water users. These measures are vital to set Uzbek agriculture on the path to economic recovery and sustainability.

Indirectly, progress in these two areas will stimulate other needed reforms such as the establishment of secure and tradable property rights. Higher farm-gate prices will increase the value of farm assets and land, and stimulate interest in farming and land leasing.

Price and Trade Liberalization. Efficiency in agriculture needs to be promoted by improving links between domestic farm-gate prices and prices on the world market. More competition is needed. Output prices for cotton and wheat are substantially below world market levels, particularly if converted at the unofficial exchange rate. Compared to similar products in other countries, input prices are often higher than they should be.

Fair farm-gate prices will increase income in rural areas and leave farmers with more money to gradually acquire the equipment, inputs, take over irrigation infrastructure and make it more efficient. Farmers need to be motivated by a recognition that their standard of living will be directly related to their individual and collective efforts and that a real improvement from the current destitute situation is possible. Necessary pre-conditions are that the farms should be able to sell their produce at internationally competitive prices, make their own decisions including, obviously, what to grow rather than being severely limited by quotas.

Most farms are, *de facto*, bankrupt and can only continue in business through the free provision of finance from the State and state-controlled enterprises. This creates a dependency culture and a simple adjustment of prices will be insufficient in most cases to resolve the crisis. Farmers' motivation will remain inadequate unless the existing debts are either frozen or written off. In addition, the process of price and trade liberalization in agriculture needs to be facilitated by removing administrative restrictions on organization structure and licensing; increasing long term security of land tenure and water use rights and ensuring their flexibility, for example, to be used as collateral for credit; eliminating compulsory membership in various associations; stimulating competition in the provision of services, with freedom to purchase from the most advantageous source; and applying fair and predictable tax policies for all businesses and farm enterprises.

In return, entrepreneurs and farm workers will have to recognize that, under this system, they will be held directly responsible for failure to meet their commitments. Currently, enterprise rights may be removed by direct government intervention. Under the market system, sanctions would be based purely on application of the laws, most specifically through bankruptcy in the event of failure to meet financial commitments.

Improvement in Water Management. More output produced more efficiently depends to a large degree on reversing the progressive degradation of the irrigation and drainage infrastructure. Government resources are very limited. It would be difficult to raise the resources necessary to cover the full operation and maintenance costs, let alone to invest in modernization. Moreover, the present lack of incentives and systems to use water efficiently puts in doubt any new investment in irrigation. Without raising the resources needed to modernize and maintain the irrigation and drainage infrastructure, however, and without incentives to use water efficiently, the productive base of the Uzbek economy will continue to deteriorate. A radical change is necessary to ensure a high payoff from urgently needed rehabilitation and modernization investments. Above all, this requires that farmers have a serious stake in good performance of the irrigation and drainage system.

The responsibility for the operation and maintenance of the irrigation and drainage system should be transferred to water users, adopting an approach used in such places as Mexico and Turkey. The government would benefit from being relieved of much of the financial and management burden of maintaining the irrigation infrastructure.

In order to raise the efficiency of water utilization, and to move toward a financially and environmentally sustainable system, realistic charges for provision of irrigation and drainage services are necessary. A system of charging needs to be introduced, which is directly related to the individual farmer's use of water. This in turn would require rehabilitation of most irrigation systems, including the installation of water measuring devices. More reasonable prices for major farm commodities would make rehabilitation financially feasible.

The introduction of water charges should be linked to progress in (i) price and trade liberalization; (ii) upgrading of the irrigation system and installation of measuring devices; and (iii) establishment of water user associations (WUAs). Gradually, WUAs will become fully responsible for the operation and maintenance of the irrigation system and its financing. Later on, as the pressure to use water efficiently will grow, WUAs should become engaged in directly contracting out modernization works for their systems.

The establishment and effective functioning of WUAs will require radical changes in attitude, both by water users and by the State. All involved will have to be aware of the concepts and the reasons for the various features of this complex institutional arrangement. Among others, such a change would require an education program initiated as early as possible before any upgrading of the irrigation system.

Source: Martin Herman, Central Asia 2010, UNDP, 1999

DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES AS THE SOURCES OF SUSTAINABLE GROWTH

The SME sector has the potential to create employment and to adjust more flexibly to changing economic situations. Currently the number of micro, small and medium enterprises in Uzbekistan is over 165,000, about 90% of all the registered enterprises in the country. Of these, some 34,000 are small and medium enterprises, with 131,000 micro-firms¹.

The dynamics of employment are given in the accompanying table. Almost one third of all SME workers are employed in retail trade. According to statistical estimates the share of small and medium businesses in GDP during recent years is 14-16%.

Number of Employees in Registered Active Small Enterprises (thousands of people)

Sectors	1995		1996		1997	
Total	422.8	100%	245.24	100%	249.06	100%
Industry	90.34	21.4	60.02	24.5	57.75	23.2
Agriculture and forestry	10.14	2.4	5.98	2.4	5.85	2.3
Transport and communication	3.78	0.9	2.21	0.9	2.96	1.2
Construction	83.89	19.8	71.09	29	67.32	27
Trade, public catering and overall commercial activities	140.2	33.2	68.17	27.8	85.18	34.2
Logistics, sales and State purchases	21.07	5	11.93	4.9	3.21	1.3
Housing and services	37.56	8.9	11.85	4.8	11.44	4.6
Health services, physical training and social supply	6.49	1.5	2.76	1.1	3.04	1.2
Science, public education, culture and arts	15.05	3.6	4.28	1.7	4.6	1.8
Finance, credit and insurance	1.89	0.4	0.48	0.2	0.68	0.3
Other branches	12.29	2.9	6.47	2.6	7.03	2.8

Source: The Ministry of Macroeconomics & Statistics

The number of SMEs has been growing in the agricultural sector. There are 26,400 farming enterprises operating in the country. There is also a trend of growing SME activity in trading and intermediary services. In contrast, only 0.3 % are employed in finance, credit and the insurance sectors of the economy.

Fast development of SMEs is dependent on a favorable economic situation, inflation levels that can be controlled and anticipated, stable exchange rates, and the existence of an institutional environment for SME activity. Convertibility of the local currency and a stable exchange rate are very important.

Although basic legislation and policy decisions have been designed to stimulate SME development. The President has created a State Coordinating Committee on SME Stimulation, which is to develop, implement, and propose new legislation designed to improve the SME environment. The Uzbekistan Chamber of Commerce and Entrepreneurs has become the largest non-governmental institution supporting SMEs. In 1998 the number of members of the Chamber increased by 1.68 times and on January 1, 1999, accounted for 140,200 economic enterprises. Today non-governmental commercial institutions such as the Tadbirkor Bank, the Business Fund, Madad Insurance Agency and the Peasants' and Farmers' Association, defend the interests of and provide comprehensive support for SMEs.

According to a TACIS estimation, the total tax burden for enterprises consists of a 35% profits tax, a 40% payroll tax, VAT of 20%, personal income tax of up to 45%, a gross profit tax of 16-50% paid by retailers and wholesales, excise duty of up to 75%, and other taxes. The overall tax burden on small and medium enterprises as a proportion of profit varies from 40% to 75%. Clearly, the tax collection system needs to be reformed and a modern treasury system must be introduced.

SME and employment

In emerging markets and transitional economies such as Uzbekistan, SMEs should be the main source of generating employment. In Italy SMEs account for 80% of employment, in the United Kingdom and Japan, more than 70%, in France and Germany around 66%, and in the United States, 55%. Currently in Uzbekistan, the SME share of total employment is only 7%

Source: EBRD 1998

The State's interference towards economic activities of SME

There are no simple reasons for the negative growth in employment in SMEs. This is in part due to the enterprises themselves and unsatisfactory performance in the day to day management of their economic affairs. According to surveys conducted by national and international organizations, however, the direct interference of the State in the economic activities and in the market, as well as the impact of unfair banking, taxes and trade policies toward the SME sector, appear to be the main reasons for their difficulties.

TACIS. Uzbekistan: Government Policies and SME Development, Tashkent, 1999

Legal and economic constraints for small and medium businesses

- **Intervention.** Excessive government intervention in the market, business activities and in the development of the private sector
- **Legal framework.** Unfavorable and under-developed legal framework, particularly for registration, licensing, auditing, and courts of law to settle commercial disputes between companies
- **Finance.** Lack of adequate sources of credit, and minimal participation by financial institutions (national and international) in promoting SMEs. Difficult access to credit and/or difficult credit terms: high interest rates, short repayment periods, hard to meet requirements for collateral.
- **Taxation.** Unfair and unrealistic tax system. High tax burden that makes legal registration and operation of an SME unattractive.
- **Information.** Inefficient provision and dissemination of information on markets and credits.
- **Administration.** Excessive bureaucracy in all spheres of government, both central and local.
- **Infrastructure.** Inadequate level of infrastructure to facilitate economic and commercial activities.
- **Promotion.** Insufficient level of incentives, such as subsidies or tax reductions, and difficulties in accessing foreign information and establishing ties with foreign partners needed to develop business.

Source: TACIS. Uzbekistan: Government Policies and SME Development, Tashkent, 1999

1 Microfirms- firms with not more than 5 employees.

Lending to SMEs in Uzbekistan

External partners. The first credit facility of the EBRD was opened in 1995-1996, backed up by a government guarantee. Project monitoring is carried out within this credit facility. Out of twenty-one projects financed at a total of 59.31 million USD, eighteen projects have begun production and three others are preparing to start. The second facility of the EBRD, without a government guarantee, in an amount of 60 million USD (EBRD – II) and a facility of the Asian Development Bank (ADB) in an amount of 50 million USD, were extended in 1998. Under EBRD-II, forty-three projects in different sectors of the economy have been tendered. Twenty-three of these were accepted for financing in an amount of 41.4 million USD. Out of thirty-four agriculture and agri-processing projects tendered under the ADB program, seventeen have been financed at a total of 21.1 million USD. Credit offered through the IFC is in an amount of 40 million USD and must be distributed among local, commercial banks. The terms of loan agreements and general credit facility parameters for credit lines under the Eximbank and the OECF Japan have also been established.

Internal credits. The Business Fund financed 327 investment projects in 1998 in an amount of 930.9 million soum. Out of these, 4 projects were in the tourism sector, 24 in agricultural product processing, 30 for construction, 110 for farm development, 67 for local industries, and 92 for services.

The Peasants' and Farmers' Fund, whose purpose is to protect the interest of SMEs in rural areas, financed 26 projects in 1998 in an amount of 170 million soum.

The government is aware of the shortfalls in regulation and control. It is attempting to introduce new policies and legislation, norms and regulations designed to reframe the role and functions of institutions in the sector and remove partially or entirely the obstacles to SME development.

To increase the number and productivity of SMEs in the republic it is essential to provide enterprises with information about advanced technology, in particular energy saving technologies. To this end, in 1998 the Ministry for Foreign Economic Relations and Chamber and Entrepreneurs held fourteen commercial exhibitions of mini-technologies.

Other constraints on SME development include a lack of adequate sources of credit, lack of financial resources to purchase local raw materials and parts and to finance working capital. Although there are three credit facilities opened by international financial institutions for SMEs in Uzbekistan, with a total credit amount of 142.7 million US dollars, these resources are not fully utilized. This is mainly because many enterprises do not have the required collateral, or the ability to export their goods necessary to pay back the loan in the currency of the loan. In addition, many enterprises lack the experience to prepare business plans and operate efficiently, or lack the technical foundations necessary for investment projects.

Loans are offered by commercial banks and domestic foundations, under a policy of preferential lending to SMEs. Access to these funds, however, is difficult due to complicated procedures for loan application, poorly developed business plans and high delinquency rates.

Giving full access to foreign exchange necessary to import raw materials and parts and to repay foreign loans in the currency of the loan, would benefit SMEs, as well as overall market development and direct foreign investment. Eliminating the multiple foreign exchange rates and limited convertibility of the currency by unifying and liberalizing the exchange rate would induce business to respond with increased productivity and unleash a cycle of investment, higher incomes and living standards, and social stability. New demand and markets will be created, particularly in agriculture-related and agro-processing labor intensive activities. This in turn will help to absorb surplus labor in the economy, particularly among those who may be displaced by the restructuring of enterprises.

To facilitate the sale of products, enterprises need access to marketing surveys that they can not afford to conduct on their own. There is a need to increase the amount of information on domestic and foreign markets. The government must develop a strategy and required mechanisms to provide this and to facilitate the flow of SME goods to foreign markets.

In order to address the insufficient level of market experience possessed by many SME, a system of training and re-training needs to be developed, addressing such basic business skills as management and financial and market analysis.

EMPOWERING CIVIL SOCIETY

chapter 5

The challenge of empowerment during transition is to create a framework for people's participation in the country's political, social and cultural life in order to build a vibrant civil society. At the same time, the state must encourage democratization and religious and cultural revival, while avoiding ethnic tension, civil conflict and the rise of extremism.

Empowering people to play a more active role in their society is a complex process, but it lies at the heart of human development – for only empowerment can ensure that development is “*of the people, by the people and for the people*”. People’s empowerment calls for creating frameworks that support and tolerate diverse expression – political expression, cultural expression and religious expression.

POLITICAL EMPOWERMENT

The ultimate aim of human development is to enhance human well-being, human freedom and dignity by enlarging the opportunities that people face in their lives. Central to this process is participation in the decision-making processes of the country. It calls for priority to be given to human rights, equal opportunities, the rule of law and participation in democratic elections.

On August 31, 1991, the Republic of Uzbekistan declared its Independence - the first step on the road to creating a strong democratic and lawful state with the full participation of civil society and a stable market economy. The goal of this journey calls for reforms in all spheres of public life, breaking the structures and relations inherited from the totalitarian system. But the course of the path taken is influenced by five factors in Uzbekistan’s inheritance:

- A psychology inherited from a planned economy that lacks the spirit of entrepreneurship and private ownership and has minimal experience of active political participation.
- National traditions and customs based on collectivist principles, state paternalism, priority of the family and society, ethnic and religious tolerance and respect for learning and education.
- A general public expectation of social equity, the right to work, universal free education and health care provided by the State.
- A diverse ethnic structure with over 100 distinct groups with their own cultures and traditions living in the republic.
- High population growth rates with over half of the population living in rural areas and more than 60% of the population being under the age of 25.

These factors played an important role in shaping the character of reforms:

- gradual approach to economic and political reform

The first stage of political reform focused on dismantling the structures of the one party state and creating a new legal, political and administrative structure

- leading role for the Government in carrying out those reforms
- strong social policy focused on social and political stability
- active state institution-building approach
- active use of the cultural values and traditions of the people of Uzbekistan.

Political reform is taking place in three broad stages:

1991-94: the first stage of reform focused on dismantling the structures of the one party state and creating a new legal, political and administrative structure. Key events were the national election of the President of the Republic, the adoption of the new Constitution, the introduction of the new electoral system and the election of Parliament, the Oliy Majlis, in December 1994.

1995-1999: the second stage of reform has focused on the institutionalization of democracy by strengthening the multi-party system, developing civil institutions and adhering to the separation of state powers.

1999-2000: the third stage of reforms, which began with Parliamentary elections in late 1999 and Presidential elections in January 2000, are designed to achieve a stable and effective framework for democratic institutions.

Within the process of political liberalization in Uzbekistan, the six main areas of concern for human development are: the creation of legal and constitutional space; the creation of an independent judiciary; the promotion of human rights; the status of elections and political parties; the emergence of civil society and non-governmental organizations; and the creation of an independent mass media. Each of these areas has seen developments during transition, but each still faces setbacks and the need for further reform.

The second stage of reform has focused on the institutionalization of democracy

CREATING LEGAL SPACE

The Constitution of the Republic of Uzbekistan, adopted in December 1992, is the foundation for a new legal system in the country on which the framework for a democratic society can be built. It sets out not only the basic functions of the major state powers but also guarantees people's civil, political, social, economic and cultural rights in society.

Between 1991 and 1994, several key laws were passed that formalized the separation of powers into three state political branches:

- *The executive branch*, exerted by the Cabinet of Ministers and headed by the President of the Republic.
- *The legislative branch*, constituted by the Oliy Majlis, the Parliament of the country.
- *The judicial branch* consisting of the Supreme Court, the Constitutional Court and other specialized and localized courts.

The third stage of reform is designed to achieve a stable and effective framework for democratic institutions

Laws were also passed in 1993 that devolved a degree of authority to local governments represented by Hokimiats at various levels and assemblies of citizens in mahallas.

In order to further the liberalization of political life in the country for the next stage of reforms, three areas of progress are needed in the new legal sphere.

1. Greater devolution of power from central to local government and from state to non-state organizations.
2. Further separation of powers and the creation of effective checks and balances, particularly between the executive and legislative branches of the State. This would enable greater independence of action by the legislative branch and should be achieved through the development and adoption of the "Law on the Ministries and State Committees".
3. Fuller participation of political parties and people's organizations in the legislative process. Currently, there is inadequate room for people to propose legisla-

tion, lobby for change, and give their feedback or opinions on laws or to comment on drafts in process. The result is a unidirectional flow from the legislative body to the people with no room for people's participation in creating the laws that will shape their country.

REFORMING THE JUDICIARY

The role of the judiciary under a totalitarian regime is to ensure that the State's interests are supreme. In the context of a democratic state, however, the central role of the judiciary is to ensure that people's civil, political, economic, social, cultural and constitutional rights are met. To shift between these two roles is a tremendous challenge – in terms of restructuring laws, retraining officials and gaining the confidence and trust of the people. An independent and effective judiciary, however, is essential to ensure that there is ultimate accountability for human rights, providing the foundation for all other, non-governmental activity and advocacy promoting human rights.

Several further reforms are currently needed to create a judiciary capable of the tasks demanded by a modern democratic state, including:

- creation of specialized courts for criminal and civil affairs
- greater assurance of genuine independence in decision making by judges
- greater transparency of legal cases to the public
- retraining of officials and careful selection of judges
- legal and effectual equality of all parties before the law
- strengthening the role of the Bar through amendment to the law on "Advocacy".

PROMOTING HUMAN RIGHTS

The international human rights movement is developing quickly. Even though the key international treaties for realizing civil, political, social, economic and cultural rights were created as far back as 1966, it is only in the past decade that they have gained increasing attention as tools of international law. The launch of the transition countries into independence in the early 1990s created an ideal opportunity to enshrine the commitments of human rights into the countries' new constitutions. Uzbekistan has ratified the following major international human rights treaties:

- International covenant on economic, social and cultural rights
- International covenant on civil and political rights
- International convention on the elimination of all forms of racial discrimination
- Convention on the rights of the child
- Convention on the elimination of all forms of discrimination against women
- Convention against torture and other cruel, inhuman or degrading treatment or punishment.

Uzbekistan has gone further than this, being the first country in the former Soviet Union to create the post of an Ombudsman within the Parliament. The National Center on Human Rights was also launched in 1996 by the Government to monitor decisions taken that affect the realization of human rights. In addition to these state structures, NGOs and public organizations are now in operation, focusing on human rights and working independently from the state.

As the political arena is further liberalized, the system for protecting human rights in the country needs to evolve:

- First and foremost is the need to raise people's awareness of their rights

An independent and effective judiciary is essential to ensure that there is ultimate accountability for human rights, providing the foundation for all other, non-governmental activity and advocacy promoting human rights

Electoral system should serve as a tool for strengthening the political consciousness and skill of the people and creates a secure foundation for the interaction of citizens and the State

Election Results

In preparation for and conducting of elections to the Oliy Majlis, some 250 district electorate commissions and 7723 local electorate commissions were trained. A total of 1010 deputy candidates were included in electorate bulletins from political parties, representative political organs, and electorate initiative groups, including: 119 candidates from the Adolat Social Democratic Party; 108 from the Vatan tarakkieti Party; 93 from the Milliy tiklanish Democratic Party; 207 from the Fidokorlar National Democratic Party; 180 from the People's Democratic Party; 205 from representative political organs; and 98 from electorate initiative groups. A total of 12,692,202 people were registered to vote in the republic-wide elections. Of these, some 12,061,266, or 95.03% of all registered voters, participated in the vote.

Source: "Narodnoe Slovo", Dec. 11, 1999, No. 242.

through popular education and campaigns. It is through the mobilization of people's claims for their rights that progress has been made around the world towards realizing rights.

- National legislation needs to be modified to raise the legal status of the Ombudsman to the level of international standards and to give the Ombudsman greater independence.
- Representatives of the Ombudsman should be created in each region of the country
- Mechanisms for setting benchmarks and monitoring achievements in the country's international human rights obligations must be established.

POLITICAL PARTIES AND THE ELECTORAL PROCESS

Political parties play an essential role in ensuring people's political empowerment: they channel the opinions and expectations of the people, communicating them to the state and they provide a powerful tool for influencing the direction of public political life. It is only through the process of free and fair elections that the potential of political parties can be realized.

The Constitution of the Republic of Uzbekistan guarantees some fundamental political principles: no ideology shall become the state ideology; the right to create political parties and other public associations is assured; and political parties are given equal opportunities to participate in public life. The legal basis for a multi-party system was incorporated in the Constitution and realized in the law on "Public Associations of Citizens" in 1991.

During the process of reform, the role of political parties and public associations has grown and greater distinction has been made between political parties and all other non-state public organizations. To date, there are five officially registered political parties and one political movement. The theoretical and operational state of political parties, however, is still inadequate for the requirements of developing a democratic society. One underlying weakness is the need for re-educating people in the structure of political life because there is:

- continued expectation of state patronage and dominance.
- lack of culture of discussion and diversity of opinion, making the emergence and tolerance of alternative viewpoints very difficult.
- lack of understanding of how the Government and other political parties can interact.

In addition to strengthening political parties, the electoral system also needs further reform. A society making the transition to democracy must guarantee the fulfillment of major civil rights such as the right to elect and to be elected to public bodies in a democratic manner and the right to participate, personally or through representatives, in the management of public affairs. This creates an electoral system that serves as a tool for strengthening the political consciousness and skill of the people and creates a secure foundation for the interaction of citizens and the State.

In the current transitional state of political life, however, the right to participate in elections is not fully met. Citizens have the right to elect, but cannot fulfill their right to be elected. In the structure of the Oliy Majlis, almost half of the deputies – 122 people – are nominated by local representative bodies and the rest – 128 people – are nominated by parties and elected under party lists.

Recent Parliamentary and Presidential elections held respectively in late 1999 and early 2000 are significant in that they were conducted on the basis of a multi-party system and demonstrated a transparent electoral process. As such, they represent an important step towards the strengthening of the democratic participation of citizens in the political process.

An important distinction occurring in the elections for Parliament held in December 1999 involves the participation of five political parties. In previous parliamentary elections, only two parties participated. This is undoubtedly the result of increased competition among Deputies and, consequently, has resulted in increased opportunities in the elections for the electorate. Another distinction of the recent elections centers around changes in the law on “Elections in the Oliy Majlis”. As a result of this law, citizens had the right to create initiative groups and to promote independent candidates.

More regular elections need to be held to enable the gradual emergence of a multi-party system and to widen people’s experience in exercising their voting rights. One important addition to elections in this regard is the use of referendums to tackle specific issues of great popular concern. They are an important way of increasing citizen’s direct roles in decision making and are well suited to problems of regional concern. They should be used in Uzbekistan as part of the political decision making process – to bring this into effect, a separate law on the use of local referendums should be introduced.

CIVIL SOCIETY AND NGOS

Civil society – in the form of non-governmental organizations – consolidates democracy. It strengthens the community connections of citizens, helps reduce barriers between the State and individual citizens, ensures that democracy is developed from the ground up, and acts as a communications channel for the ideas, initiatives and opinions of society. Civil society organizations supplement the work of the State because, by their size, flexibility and grass-roots base, they can identify emerging local problems and operate at local levels that the state cannot reach. Yet there is a challenge in transition countries to overcome the inexperience of people in creating civil organizations – and to overcome their disbelief that such grass-roots organizations can come to play an influential role in political life. There is also a challenge for the State to create space for non-state actors to play an important role in shaping society.

The Soviet inheritance gave little in the way of civil organizations, beyond groupings around housing cooperatives and gardening clubs. Yet Uzbek history is rich with civil institutions, involving the strong tradition of mahallas, men’s associations or “djura” and craft and trade associations of artisans and businessmen. Developing civil society today in Uzbekistan is a process of combining the use of traditional structures and experience with the search for new democratic organizations.

Since Independence, more than 2,300 NGOs have been created, including 70 national cultural centers, 20 funds and charities and over 40 women’s organizations. Some of these were created by the State and others were the result of private initiatives originating with citizens.

The State actively promotes the creation of many NGOs – including associations for business people, women, youth, dehkan and farmers. One well-known example of a state-created NGO is the Ecosan Fund, established in 1992 to raise ecological awareness among the population through campaigns and charity events. The main partners in the Fund are local government and the Mahalla Fund.

Special focus is given to the crisis in the Aral Sea area and to the ecologically affected regions close to the Tajik Aluminum Factory (Tursunzade City).

A network of over 10,000 neighborhood associations – mahallas – which runs throughout the country, is central to the government’s promotion of civil society. With a long traditional history of promoting culture, resolving local disputes and maintaining ties between generations, the mahallas were established in the Constitution as self-governing institutions of the citizens, but were simultaneously included in the structure of government bodies. The designated role of mahallas is to provide social support within the community, promote local business development

There is a challenge in transition countries to overcome the inexperience of people in creating civil organizations – and to overcome their disbelief that such grass-roots organizations can come to play an influential role in political life

and improve social infrastructure. Among many countries in transition, Uzbekistan's use of the mahalla for providing social support has proven to be an innovative and relatively successful way of protecting people during the difficult process of reform and its model has been examined by other countries (see box in Chapter 3).

In addition to government-created NGOs, there is also a growing number of NGOs initiated by citizens themselves. More NGOs of this kind are expected to emerge, focused on issues such as ecology, culture, leisure, business and tourism. The importance and effectiveness of non-state NGO activity is best exemplified by the Association of Business Women of Uzbekistan. Created in 1991 by a group of business women themselves, this NGO gives priority to creating favorable conditions for women in the world of business through professional skills training, re-training and raising women's confidence in the new market conditions. The Association now has fourteen regional branches, has carried out many practical seminars and educational courses, produces its own newsletter and magazine, "Sanam", and builds networks with other women's NGOs. The dynamism of citizen-initiated NGOs such as this one is clear through their use of more up-to-date teaching methods, the clear focus on their objectives and their use of communications and advocacy in their work.

In continuing to promote the emergence of civil society, the best strategy for the Government is not in creating non-governmental organizations itself. Rather, it should provide the legal and institutional environment that will allow citizen's own initiatives to come through and create NGOs from the grass roots that can supplement and counterbalance the role of the State.

THE MASS MEDIA

The role of the media needs to be changed for the next stage of political liberalization. The laws "On Mass Media" and "On the Guarantees of Journalist Activity" need to be modified to expand the rights and opportunities of journalists

In mature democratic societies, the media plays the role of the "fourth branch of authority", searching for information on the condition of society and the activities of the State and reporting it to the people to keep them informed about the progress being made by their democratic representatives. The media is a tremendous force in society, channeling information to citizens, able to forge public opinion and even to influence which issues should be given great attention. In a transition society, where the judicial and legal mechanisms are still weak, the media should play an additionally important role of protecting human rights and using public pressure to influence the direction taken by state authorities.

Since Independence, the media in Uzbekistan has grown to be a considerable force, now with over 490 newspapers and 138 journals registered. The role of the media, however, needs to be changed for the next stage of political liberalization. The laws "On Mass Media" and "On the Guarantees of Journalist Activity" need to be modified to expand the rights and opportunities of journalists to have open access to information of public concern and to be allowed to disseminate that information freely. The mass media involves not only printed matter: with today's modern communication technologies it also embraces television reporting, radio broadcasting and Internet news services. The media should be encouraged to develop in all these dimensions through expanding the licensing of independent television and radio stations and ensuring full-time access to the Internet within the country.

THE FUTURE PATH OF LIBERALISATION

The process of creating democratic institutions in society inevitably takes time because it deals with such important and deeply rooted issues as public opinion, value systems and the historical memory of a people. It may take more time than economic reform because it requires a radical change of social stereotypes and the creation of a complex legal and political culture. At the same time, gradualism must

not become a barrier that unnecessarily delays people's rights to participate in the political life of their own country.

The process of liberalization – embracing political democratization, economic reform and the creation of civil society – is a radical transformation of a country's political and economic way of life. The gradualist approach is based on a model of consensus-building which aims to maintain broad agreement about the respective roles and activities of the state and civil society. This may sound reasonable, but on the contrary, a key condition for success in building a democratic society is the presence of a variety of opinions, approaches and perspectives on all aspects of public life. The State should not be afraid of allowing such diversity – for it is a reflection of diversity that naturally exists among various social and economic groups each with their own political interests. Diversity and conflicting opinions are the hallmarks of the world's most vibrant – and peaceful – democratic societies. When democratic institutions work effectively, they can channel this diversity of opinions in a peaceful and productive way, incorporating and respecting the voices of all groups in the formulation of policy.

Every society faces many complex political problems due to differences of circumstance, ideology and identity among its people – and in all the transition countries of Central Asia, this complexity is particularly clear. Only the path of liberalization, however, enables a country to deal with the problems that otherwise stand as a barrier on the road to a democratic and open society. Among these problems now facing Uzbekistan are:

- low political activity and participation of the people
- ineffective processes of establishing political parties
- a weak role for women and youth in public life
- insufficient enforcement of the constitutional separation of powers
- slow devolution of power from the center to local authorities
- inadequate rates of judicial and legal reform and slow development of an independent judiciary
- insufficient use of the mass media for informing civil society
- ineffective mechanisms for protecting and promoting human rights.

From this point in time, at the end of the millenium, Uzbekistan faces both tremendous challenge and opportunity in empowering civil society. The next steps on the road to empowerment should focus on five critical conditions:

1. Respect of human rights as the basis for a stable democratic society and strengthening of the institutional mechanisms for protecting those rights.
2. Spiritual development emphasizing freedom, patriotism, humanism, cooperation and social inclusion.
3. Strengthening the sense of national independence and a national revival in people's minds.
4. Creating an independent mass media in the republic, with the guarantee of freedom of speech and freedom of receiving and disseminating information.
5. Support to grass roots initiatives – in the NGO sector and in the private enterprise sector – that harness people's dynamism, creativity and energy in creating a democratic and productive society from the grass roots up.

CULTURAL REBIRTH

Culture is important to any society because it builds a national identity, promotes community and the spirit of creativity, and guides morals and social norms. In a time of transition, it is an important counterbalance to social stress, economic difficulty and instability. A flourishing culture can help to restore human values and

«The time is approaching us to XXI century». The question arises: What can we and must we take with us to the XXI century? What should be refused? How are we going to maintain our life? What kind of problems should be in the focus of our attention in a new millennium? (From the speech made by the President I.Karimov at the XIV session of Oliy Majlis).

can reinforce national identity, pride and unity. Contrary to claims of global cultural homogeneity, many countries are reasserting their diversity and individualism. A country that isolates itself lags behind culturally and misses out on many opportunities of exchange. It is the interaction of different cultures that is mutually enriching and that keeps human expression alive and ever evolving.

The Soviet period of Uzbekistan's history was characterized by historical falsification and the suppression of ethnic and religious diversity. At the same time, there was an effective system for financing Soviet cultural events, providing training and distributing cultural materials to people throughout the Soviet Union. But the Soviet period was a relatively short period in Uzbekistan's long and rich cultural history (see box on historic revival)

TRENDS IN CULTURE

The government is searching for a strategy that would address the challenges and risks that arise as a result of the reduction in the intellectual capacity of the country, and so new training programs are being created

Cultural development during the past eight years of Independence can be divided into two periods.

The period from 1991 to 1994 saw the establishment of a new state structure, where science and culture were at the stage of rebirth. Migration of Russians and other Russian speaking groups caused by the break-up of the Soviet Union, resulted in a decrease in the number of professionals and researchers specializing in culture. Because of economic difficulties the funds allocated from the budget for science and culture have been reduced. The government is searching for a strategy that would address the challenges and risks that arise as a result of the reduction in the intellectual capacity of the country, and so new training programs are being created. Uzbekistan's integration into the world community gives rise to a strengthening of the influence of the «market» culture, as well as of foreign mass culture, a new development for the republic.

The period from 1995 to 1999 saw the shaping of the framework of a new culture, oriented towards the next century. New programs are being designed, such as Umid and Ustoz that serve to maintain the intellectual capacity of the country.

This period has also seen the development of programs to support women and families, as well programs to support the education of gifted young people and young teachers through training in-country and abroad.

These trends can be better understood through the following sets of data:

- The number of students and institutes fell, but is now slightly rising again.

The number of students and instructional faculty in higher educational institutes related to culture and art (Ministry of culture of Uzbekistan)

	1993	1994	1995	1996	1997	1998
Tashkent state conservatoire						
the number of students	575	528	491	516	525	560
the number of instructional faculties	199	197	164	189	178	170
Tashkent institute of culture						
the number of students	2712	1650	1597	1288	1556	1033
the number of instructional faculties	268	186	257	172	165	110
Tashkent art institute						
the number of students	741	701	578	563	349	381
the number of instructional faculties	157	153	147	150	107	119
High school of national dance and choreography						
the number of students					63	75
the number of instructional faculties					14	15
National art institute of design						
the number of students					295	347
the number of instructional faculties					61	64

The contest to be admitted to the higher educational establishments in Uzbekistan in 1991-1998 (people per 1 place)

	1991	1992	1993	1994	1995	1996	1997	1998
Total number of Higher educational institutes in republic	2,8	2,4	3,1	4,5	4,1	3,8	3,5	4
Higher educational institutes of Ministry of culture	2,6	2,1	2,1	2	2	1,9	1,8	1,7
Tashkent state conservatoire	2,2	1,7	2,1	1,5	1,4	1,3	1,6	1,4
Tashkent institute of culture	2,5	2,1	2	2,2	2,4	2,3	2,1	1,9
Tashkent art institute	3,1	2,4	2,3	2,1	1,8	1,8	1,6	1,7
High school of national dance and choreography							1,5	2,4
National art institute of design							1,5	1,3

- Competition for places fell: due to low wages and skills not relevant to current needs.

A sociological survey among the youth showed that the main reasons for declining interest in creative professions were: low level of wages at 31.1% and insufficient differentiation by professional skills at 23.7%.

- The number of books produced has fallen, while the number of magazines fell and then rose. The variety of publications has risen, but circulation has fallen due to high prices.

Issuing the printed matters in Uzbekistan

	1990	1991	1992	1993	1994	1995	1996	1997	1998
books (thousand of printed units)-total	2,1	1,9	1,2	1,3	1,2	1,2	1	1,1	1
books (thousand of printed units)-in Uzbek	0,9	0,8	0,5	0,7	0,6	0,7	0,6	0,7	0,6
circulation mln. copies,-total	51	55,7	47,5	44	42,1	38,9	30,9	32,1	22,3
circulation mln. copies-in Uzbek	32,4	36,3	31,3	28,9	26,9	30	24,4	25,1	18,6
magazines (units)-total	95	89	96	85	70	76	81	92	102
magazines (units)-in Uzbek	37	35	38	40	32	36	36	42	46
circulation mln. copies, total	171,8	107,8	86,3	56,7	42,9	10	8,2	15,4	15,3
circulation mln. copies-in Uzbek	133,6	49,5	67,5	42,8	31,6	7,4	6,1	10,3	13,5
newspapers (editions)-total	311	327	344	322	317	341	353	357	387
newspapers (editions)-in Uzbek	179	222	216	202	200	224	233	241	266
circulation mln. copies-total	1211	709,7	351,8	261,6	182	114,4	103,8	118,1	124,5
circulation mln. copies-in Uzbek	895,5	520,2	232,2	174,1	110,3	66	63,4	72,5	79

- Libraries have been closed, while readers per book have risen meaning more people using fewer resources.

Two trends can be noted in the publishing of periodicals. On the one hand the circulation of published materials is declining. This is influenced by a reduction in demand of individual readers because of price increases for newspapers and magazines. Recently, some degree of stabilization and growth in the purchase of periodicals can be observed.

On the other hand, the market for published materials has become more saturated. The number of titles published is increasing. New types of publications are appearing, such as commercial advertisements, women's magazines and business publications, which are filling up previously neglected niches.

Adding to these difficulties are shortages of paper, paints and other polygraphic materials for book production caused by the absence of domestic production capacity and a lack of funds for supplies purchasing. More than 60% of polygraphic equipment is obsolete and the quality of paper and binding materials used is low.

Public libraries traditionally develop collections of books and other published materials. Because of limited funds for public libraries and problems in their organization, as well as due to reluctant attraction of international assistance, library stocks are being enlarged only very slowly.

Dynamics in the development of Public libraries in Uzbekistan.

	1990	1991	1992	1993	1994	1995	1996	1997	1998
The number of libraries (Th. units)	7,7	7,6	7,5	7,4	7,3	7,2	7,2	6,9	6,5
including rural areas	6,2	6,2	6,1	6,1	6	6	6	5,7	5,4
Book Fund (mln .copies)	90	88,6	88,6	89,3	85,6	85,1	82,2	79,3	78,3
including rural areas	52,2	51,9	51	52	51,3	50,8	48,3	45,8	46,1
The number of readers (mln.)	6,6	6,7	6,9	7,3	7	6,8	6,9	6,3	6,1
including rural areas	4,4	4,5	4,6	5,3	4,9	4,8	4,6	4,3	4,1
Book fund per 1 library(Th. copies)	11,6	11,6	11,8	12,1	11,8	11,8	11,4	11,6	12
including rural areas	8,4	8,4	8,3	8,5	8,5	8,5	8,1	8	8,5
Book fund per 1 reader (copies)	13,6	13,3	13,3	12,2	12,3	12,4	11,9	12,6	12,9
including rural areas	11,8	11,5	11,2	9,9	10,5	10,7	10,4	10,7	11,3
The number of readers per 1 library	855	872	888	990	958	948	958	921	927
including rural areas	713	731	744	1610	812	796	774	753	752
The number of books and magazines given to 1 reader (copies)	20	20	20	19	19	20	19	20	20
including rural areas	20	19	19	17	19	19	18	19	20

Theater and cinema shows have declined and there are fewer viewers.

Because of financial difficulties, both in urban and rural areas, many cultural establishments have been closed, and many of those still operating are only at half their capacities. Several of these face problems related to the buildings they occupy and their physical and technical facilities. Regional distortions exist in use of means allocated for culture, as the main centers of culture, theatres, concert halls and museums, are situated in the cities and towns. Theaters, museums, clubs, libraries, discotheques, parks and cinemas do not take into account the variety of interests of the many different categories of population. Overall, rural areas saw greater declines than urban centers.

The network of clubs, museums, theatres, concert halls and cinemas in Uzbekistan

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Clubs									
The number of clubs (Th. units)	4,6	4,6	4,3	3,9	3,9	3,7	3,5	3,4	3,2
including rural areas)	3,6	3,6	3,5	3,1	3,1	3	2,9	2,8	2,6
Museums									
The number of museums(units)	68	68	67	64	64	66	75	80	81
The number of museum visitors (mln)	10,4	6,2	3,2	4,1	3	2,7	3,1	3,3	3
Theatre									
The number of theatres	32	34	33	35	36	37	37	39	40
The number of showed plays (Th.)	12,7	12,7	10,7	10,7	10,9	10,2	9,7	10,3	10,1
Among them plays showed in rural areas	5,1	4,8	3,3	2,9	2,3	2	1,2	1,2	0,6
The number spectators who attended plays (mln.)	4,4	4,6	4,3	4,2	3,7	3,1	3	2,9	2,8
Among them in rural areas	0,6	0,6	0,5	0,5	0,4	0,4	0,4	0,4	0,2
Concert halls									
The number of concert halls(units)	12	14	14	14	14	15	17	17	17
The number of showed concerts(Th.)	4,4	3,9	3,2	2,8	2,8	2,4	2,4	3,7	2,8
among them concerts in rural areas	1,3	1,2	1	1,1	0,8	0,5	0,1	0,1	0,1
The number of spectators attended plays(mln)	1,5	1,1	1	1,3	1,1	0,8	0,8	2	3,3
among them in rural areas	0,4	0,4	0,4	0,6	0,3	0,2	0,1	0,1	0,1
Cinemas									
The number of projecting sets (Th.)	6,2	5,7	5,9	3,5	2,8	2,5	2,1	2	1,9
including rural areas	4,7	4,5	4,2	2,7	2,1	1,8	1,5	1,5	1,4
The number of cinema attendance (mln.)	142,3	125,7	82,4	33,4	14,4	7,1	4,5	4,3	3,6
including rural areas	63,9	53,4	35,9	12	4,7	2,8	1,9	1,9	1,6

REBIRTH, 1995-99

Uzbek culture is returning to its roots and sources through a revival of history and heritage, encouraging of creativity and involvement, respect for national diversity and making of new international cultural contacts. A wide-ranging strategic program for the further development of the country, set forward by the President of Uzbekistan in April 1999, outlines a package of measures to maintain and develop culture, history and the spirituality of the peoples of Uzbekistan through:

- development of national culture, history and science, the spiritual heritage of the Uzbek people and general humane values and the progressive achievements of world civilization;
- study of the history of the Uzbek people and the development of the State;
- nurturing of spiritual values of youth, ie. morality, ideals of goodness and humanism, patriotism, creativity;
- development of international and inter-confessional relations in Uzbekistan - the development of national centers, nurturing and explaining the policy of friendship and concordance among the many nationalities and faiths inhabiting Uzbekistan.

Reviving history and heritage:

Over the past several years, much has been done to revive an interest in the Uzbek history and traditions. Outdoor museums have been opened in Bukhara, Samarkand and Khiva. Anniversary celebrations devoted to At-Termezi, Al-Bukhari, Akhmad Yassavi, Bahatividin Nakshbandi were held, and monuments to Ulugbek, Avicenna and Beruni were opened in Tashkent.

In order to strengthen national unity in Uzbekistan the government has given the Uzbek language the status of State language. Historically valuable scientific, legal and philosophical texts from the medieval period, which had been neglected for a long time, have been published. The anniversaries of ancient and medieval thinkers are celebrated. In 1997 the General Conference of UNESCO adopted a decision to celebrate the 1225 anniversary of Imom al-Bukhori in 1998. To this end in October 1998 an international conference on «Imom al-Bukhori and His Role in World Culture» was held in Samarkand and Bukhara. There were celebrations of the anniversary of Akhmad al-Ferghani and in 1996 festivities devoted to Amir Timur were held in France and Uzbekistan. In October 1999 in Karakalpakstan celebrations were held marking the anniversaries of Jaloliddin Mangu and the epic poem «Alpomish».

Archeological excavations conducted with the support of the State are being carried out to open the forgotten pages of the history of the Uzbek nation. Wall paintings and architectural masterpieces are being restored and protected by the state. Among them are: the famous town of Afrosiab in Marakanda (ancient Samarkand); the Arch-citadel of Bukhar-khudates and following rulers of ancient Bukhara; the remnants of the Koikrylgan-kala fortress erected in Khoresm in the third century BC; mausoleums of the Samanides, Guri Emir and Kukeldash; the ensemble of Shahi-Zinda mausoleums; the mosques Bibi-Khanum, Ismail Bukhari, Kaffal Shashi and Kuk Gumbaz; Ulegbek's Observatory; the burial-vault of the Temurids - Dorus-Saadat and many others.

Some 9200 ancient architectural monuments are located in Uzbekistan, including such world famous historical city-monuments as Samarkand, often called the Oriental Rome, Bukhara (the Noble city), Khiva, Shahrisabz, Kokand, Termez, and Plato, located not far from Tashkent where the tracks of dinosaurs have been preserved). There are many caves with Boi Bulock one of the deepest in the world). In addition there are: the fortresses on the right bank of the Amu Darya - Toprak Kala, Berkut-Kala, Guldursun, Kavat-Kala; the remnants of Kyat, the historic and the architectural town-reserve Ichan Kala in Khiva; great samples of work left by skilled craftsmen, colorful frescoes, samples of terra-cotta sculptures of Dalvarzintepa, and wonderful oriental miniatures of the Temurides epoch.

Uzbek culture is returning to its roots and sources through a revival of history and heritage, encouraging of creativity and involvement, respect for national diversity and making of new international cultural contacts

Many famous scientists, poets, enlighteners and military leaders lived and worked in the Uzbek land. Among them are: Al-Khorezmi, Beruni, Abu Ali ibn Sino (Avicenna), Amir Temur, Alisher Navoi, Ulugbek, Chulpon, Fitrat, Zakhiriddin Mukhammad Bobur, Zamahshiriy, and many others. They have left to their descendants a unique heritage of science, literature, culture and arts honored over many generations. The Institute of Manuscripts of the Academy of Sciences of Uzbekistan comprises more than ten thousand ancient manuscripts and ancient published books. The Institute of Oriental Studies preserves more than eighteen thousand manuscripts containing some seventy thousand works of literature by ancient thinkers of the East.

Encouraging Creativity and Involvement

There are many organizations that play an important part in the republic's cultural life. These include: the Uzbek Union of Composers, Union of Writers, Union of Theater Workers, Kamolot Youth Foundation, the Fund for International Social Advancement under the Assembly of Culture of Central Asian Nations, the Republican Spirituality and Enlightenment Public Center and the National Association for International Cultural Relations.

International festivals, conferences, symposia, competitions, exhibitions in such fields as culture, literature, folklore and national handicrafts promote the development of national culture and the nurturing of pride in rich cultural heritage and national traditions. In 1998, for example, the Ministry of Culture organized several events, including: a national song festival, a pop-singers competition, a Competition of Children's Drawings on Asphalt, charitable theater performances, and celebrations of the 1225 anniversary of Imam al-Bukhari and the 1200 anniversary of Akhmad al-Fargoni.

Many cultural centers continue to operate in the republic. At the start of 1999, there were: 6,525 public libraries, including 5419 in rural areas; 3200 clubs, including 2550 in rural areas; 1900 cinemas, including 1400 thousand in rural areas; 40 professional theaters, including the Navoi Opera and Ballet Theater; 26 drama, comedy and musical theaters; 13 children's theaters; 17 independent musical ensembles, including 8 philharmonic; 81 museums comprising 1.6 million exhibits; a circus and many recreational parks.

Different foundations render their assistance in the development and renewal of librarian funds. The Soros Foundation and PERDCA contributed to libraries by transferred textbooks and technical literature worth some 260,000 USD.

A widespread network of children's 'after school' institutions has been created to develop children's initiative and creativity and to organize better recreational use of children's spare time. This network includes musical schools, art and dance schools, student centers, children's parks, stadiums, tourist centers and other institutions. These total some 32,300 various points and attended by 451,000 children.

Since Independence, great attention has been paid to the training of national professionals in the fields of culture and the arts. More than two thousand students study at the State Institute for Arts, the Conservatory, and Institute of Culture. Some 7,600 students study at twenty-one colleges of arts and cinematography.

The Academy of Sciences of Uzbekistan was established in 1997 to maintain and develop the schools of national painting, applied art, and miniatures, and to improve the system of training professionals in the fields of painting, applied arts, design and handicrafts. It comprises the National Institute of Arts and Design with 116 students, as well as the Republican Arts College and the Kokand State College of Painting and Applied Arts.

In 1996 a Decree of the President of the Republic of Uzbekistan laid the foundation for the Tashkent High School for National Dance and Choreography. Building upon the famous Bakhor, Lyazgi, Zarafshon and Tanovar dance ensembles, a national Uzbekdance Association was established. The Shodlik, Chen-Chun and Uigur ensemble have served as a basis for the creation of the Uzbekiston Song and Dance Ensemble.

Different foundations render their assistance in the development and renewal of librarian funds. The Soros Foundation and PERDCA contributed to libraries by transferred textbooks and technical literature worth some 260,000 USD

Respecting national diversity

Several national cultural centers have been established, among them: Russian, Ukrainian, Korean, Jewish, German and many others. The Oltin Meros (Golden Heritage) Foundation has been established, which plays an important part in the rebirth and development of culture.

Cultural ties with CIS countries and other foreign states have been strengthened. Projects for cultural cooperation with Russia, Azerbaijan, Georgia, Moldova, Latvia, United States, Germany, Belgium, Turkey, Malaysia, Portugal and other countries have been prepared and are soon to be signed.

Kyrgyz and Tajik culture days have been organized, including exhibitions of paintings, books and photos. Exhibitions of German and Italian painters were conducted, as well as exhibitions of modern Uzbek art in France (Cannes and Lyon).

Making international cultural contacts:

The development of tourism influences the development of cultural relations. In 1998, tourist enterprises under the National Uzbektourism Company served some 731.1 thousand tourists (up from 730.4 thousand in 1997) including 271.1 thousand foreign tourists (up from 252.9 thousand in 1997). Tourist services amounted to 4,440.8 million soum 18.8 million USD.

Reforms in the education system should play an important part in creating the conditions for successful regional and global integration of Uzbekistan. Some of the tasks of this education process involve teaching foreign languages and the languages of the peoples of Uzbekistan and the region, as well as training in the literature, arts, religion and the traditions of foreign countries.

A comprehensive, multi-stage training program has been established to address these objectives. Several foundations have been created, including Umid, Ustoz, Ulugbek, Kamolot, Soglom Avlod Uchun, and Makhalla. President's Scholarships help hundreds of young people to go abroad for education through these foundations.

A tender was held with the Japanese Sumitomo Corporation for the reconstruction and repair of the State Art Museum. Japan allocated 38.8 mln. yen for this purpose.

The Assembly of the Peoples of Central Asia, headed by Chingiz Aitmatov of Kyrgyzstan, meets with the goal to strengthen the idea of Central Asian unity and to develop scientific and cultural relations.

Religion

Representatives of over 100 nationalities and 15 confessions peacefully coexist in the Republic of Uzbekistan. On May 1, 1998, the Oliy Majlis adopted the law on "Freedom of Conscience and Religious Organizations». This law confirms the policy of the State directed toward civic development and the freedom of religion. Different confessions have peacefully coexisted for many centuries. Thus, according to one peasant from the Troitskoye village (now Chirchik town) considerable donations for the construction of the orthodox temple were made by the mullah of the local mosque. Similarly, the Bukharan Emir Seid Alimkhan donated to an orphans' fund initiated by the local orthodox church.

Over 150 religious organizations of the Republic belong to non-Muslim confessions. The Russian Orthodox Church has registered 26 organisations, 2 monasteries, 1 educational establishment and other centers. The Baptist Church of Evangelical Christians has registered 15 organizations and one center. The Korean Protestant Church has registered 44 organizations. New religions actively penetrate the republic, such as the Bahai community that originated in the 19th century in Iran, Krishnaites. A variety of temples and churches are being renovated and historical religious buildings are being revived.

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Religious organisations in RU, registered up to August 1, 1999

Confession	Centres	Religious organisations	Educational establishment	Monasteries	Total
Islam	1	1555	10		1566
Russian orthodox church	1	26	1	2	30
Church of Evangeline	1	15			16
Christians-Baptists					
Church of Christian		9			9
Adventists of the 7 day					
Evangeline Lutheran church		3			3
Rome - catholic church	1	2			3
Armenian Apostle church		1			1
Korean orthodox church		44			44
Bahai community		8			8
Jewish religious communities		8			8
Bible community of Uzbekistan	1				1
In the Republic of Uzbekistan	5	1684	11	2	1702

At the same time, Islam is by far the most popular religion in the Central Asian region. Since ancient times Uzbekistan has been famous for its sacred Islamic sites. There are over 20 sacred places in the Tashkent region, over 40 in Samarkand, 13 in Bukhara, and 26 in Kashkadarya. The cities of Samarkand and Bukhara are considered world Islamic centers. Hundreds of historical ecclesiastical educational establishments, sacred sites, madrasah, mosques, tombs, hanakos (Sufi's communities) are located in the republic. These include such places as Shahi-Zinda necropolis, Bibi Khanum and Imom Bukhari mosques, Ulugbek's madrasah (Samarkand), Samanids' mausoleum, Bahoutdin Nakshband' mosque (Bukhara), Hazrat Ali's burial-vault (Fergana), and the Kukeldash madrasah (Tashkent). There are over 160 Muslim sacred places, which speaks of Uzbekistan's special place in the Muslim world.

According to numbers of followers, Islam is the second largest religion in the world after Christianity. The total number of those confessing Islam (according to the data of the Organization of Islamic Conference) is over 800 million world-wide. Historically Islam was one of the sources of unity of the peoples populating the Central Asian region, contributing to the formation of a certain degree of spiritual and social uniformity among its nations.

The Government of the Uzbekistan promotes the creation of conditions for the existence and development of confessions in the republic. The moderate Sunni branch of Islam dominating in the country is recognised in Uzbekistan. The Government finances the pilgrimage to Mecca and assists in the revival of connections with Islamic countries. There are over 2000 officially registered mosques in the republic. Since Independence, more than 30,000 citizens have received the opportunity to make the hadge, and more than 50,000 the umra.

A number of factors have led to a revival of religious principles in the public's conscience. These include socio-economic and ecological problems and tense interethnic relations.

The fact that religion, in particular Christianity or Islam, has many centuries of influence on people is of special importance. Historically, religion and its different manifestations have much more experience in providing a basis for organizing community life than any other institution. At the same time, the process of Islamic revival is supported by a strong movement among followers trying to preserve conservative orders. The people, when confronted with democratic transformations in the Arab and Muslim world, sometimes use Islam as an ideological and political weapon with the aim to preserve the current social and political orders or to revive past orders in some Muslim countries where it has been lost. The intention of these circles is to save traditional, spiritual, social institutions and foundations and to convert them to Islam.

The establishment of new religious organizations such as Hezbi Tahrir, Nur, Akbarid in the republic leads to the issue of orientation of spiritual values among

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the youth and the dangers of Islamic extremism and terrorism for new civic states.

The events of 1991 in Namangan showed the complexity of problems that the Government of the new state encountered at the beginning of Independence. Attempts were made among certain members of the religious elite to make Islam more politically oriented, attaching the political statute to the confession. It was, however, only in February 1999 that organized opposition to the secular policy of the State and the extremist intentions of some young people “newly converted into faith” became especially clear. If up to that moment the movement for the revival of Islam in the region was politically moderate in its intensity and number of participants, now it has taken on a more potentially dangerous form.

At present three religious trends have emerged that cause concern among the secular population of the country.

Religious fundamentalism is an orthodox trend adhering to the strict and obligatory execution of traditions and laws, born several centuries ago, interpreting the works of ancient Islamic theologians, hadithes and the Koran in a literal way. Representatives of this religious fundamentalism adhering to religious writings are against attempts to modernize Islam. Demanding the observance of Islamic dogmas and norms, they reject the tolerance and flexibility that were inherent in this religion from the very beginning.

Religious extremism is a radical trend with a preference for extreme views and actions, pursuing the aim of forcing society to return to Islam, setting and “Islamic way of development” Politically, such extremist movements are against established public structures and institutions. Wahhabitism is classical representatives of this religious extremism.

Religious terrorism is the most dangerous trend using political and military interference with the aim to overthrow the secular government and secular system. Terror is the aspiration for political actions with the use of dangerous instruments. Its representatives are guided by a utopian ideal to revive the khalifates. Religious organizations using terrorist methods include the Muslim Brothers, Hezby tahriri islomi. Their slogan is “Allah is our ideal, the prophet is our leader, and jihad¹ is the means to achieve our goal”.

Islam as a doctrine has nothing in common with violence and terror. It involves, to the contrary, ideas of peace and justice. Imam al-Bukhari in his book “as-Sahih” writes “those who strive to create peace share the common values of humanity.”

For some of its supporters, Islam is proclaimed to be the most «ideal social system», which is why it is sometimes put forward in terms of political demands. After the revolution in Iran at the end of 1970s, Muslim clergy undertook some measures to create an Islamic State and Islamic economy. The attempts of fundamentalists and extremists to make Islam more politically oriented undermine its peaceful principles. The humanitarian tradition of Islam is important in the cultural life of

Number of religious educational establishments, July 16, 1999

Name and place of the ed.est.	Date of establishment	Number of pupils	Number of teachers	Number of teachers with university education
Tashkent Islamic University	1971	215	24	24
"Mulla Kirgiz", Namangan c.	1991	115	14	10
"Hadichai Kubro", Tashkent c.	1994	96	19	9
"Mir arab" Bukhara c.	1946	146	24	8
"Juibori Kalon" Bukhara c.	1992	104	15	2
"Fahridin Ar-Rosiy" Urgench c.	1991	36	13	3
"Hoja Bukhoriy" Kashkadarya oblast, Kitab t.	1992	53	20	6
"Said Muhiid-din Mahdud" Andijan oblast, Oltinkul	1992	126	21	5
"Imam al-Bukhoriy", research centre of hadises, Samarkand oblast, Chelak region, Hoja Ismoil village	1991	42	13	5
"Muhammad ibn Ahmad al-Beruniy" Nukus c., Guzar village	1992	61	6	6
Tashkent orthodox religious seminary, Tashkent c.	1998	13	13	13

each nation of the region. Thus, the *secular* trend of Islam's doctrine can become a useful element for the development of Islam and in this regard, the State is ready to support it for the development of the system of education.

A system of religious education is being developed in Uzbekistan. An orthodox religious seminary and 10 Islamic educational establishments have been registered. Some 559 students study at the Tashkent Islamic Institute of higher education. Of these, 215 are full time, and 346 are correspondent students. Nearly 900 students study at nine madrasah (secondary religious educational establishments. Two of these, based in Bukhara and Tashkent, are for girls, who total some 200 students. While these figures are encouraging, at the same time, the system of religious education became legalized only in the years following Independence and it is still being developed. There is a shortage of teachers and a flawed system of competitive enrollment. Out of fifteen teachers from the Juybori Kalon all-girls madrasah in Bukhara, only two have higher education degrees. Similarly, only five out of twenty-one teachers in Andijan, three out of thirteen in Urgench, and eight out of twenty-four in Bukhara have higher education.

Given the need to study Islam, its impact on the population and development of the country, and Islamic University was recently established. Students began studying at the new university in September 1999.

¹ Jihad is the fight with non-Muslims, which allows to use any means, even military

PROMOTING ENVIRONMENTAL SUSTAINABILITY

chapter 6

THE CHALLENGE OF TRANSITION

Economic growth is essential for success in transition – but if it is at the cost of the environment, then it is at the cost of human development. One challenge is to keep industrial and agricultural activity within the bounds of environmental sustainability. A second is to improve the management of scarce natural resources under pressure from poor communities living on fragile lands - for transition countries inheriting an already degraded environment, this is no easy task.

Protecting the environment is not just important for preserving natural beauty – it is essential for human development. At the most basic level, we need to breathe fresh air, drink clean water and eat safe food. But the impacts go much further, affecting the economy, health, land productivity and the risk of natural disaster. A degraded environment can restrict or retard economic growth. It can cause famine and migration, forcing communities to uproot under great stress. It can create political tension as countries and ethnic groups fight for control of scarce resources. Clearly, caring for the environment is not a luxury. In the process of reform, environmental issues and objectives must be fully integrated into the country's economic, social, political and cultural policies if sustainable human development is to be achieved. In this context this chapter sets out to examine progress made by Uzbekistan in promoting environmental sustainability over the past eight years.

THE SOVIET ENVIRONMENTAL INHERITANCE - THE BASELINE SITUATION

At Independence, Uzbekistan inherited a degraded and strained environment mainly due to six factors:

- Overall development policies which limited Uzbekistan's role within the Soviet Union to that of a primary agricultural producer (mainly of raw cotton) rather than seeking the balanced development of a broad economic base.
- Soviet production policies which paid inadequate attention to the risks of intensive and inefficient use of resources in agriculture and industry, degrading and exhausting the land through poor irrigation and agricultural practices and saturating the air with heavy industrial pollutants.
- Environmental protection bodies which were not under a unified system but were divided among many authorities, making their work diffused and ineffective.
- Inadequate legal base for enforcing sound environmental practice, with poor mechanisms for regulating land and water usage.
- Severely lacking resources for investing in the environment and low priority in government budgets.
- Lack of environmental awareness within decision making structures and

highly centralized autocratic management systems which inhibited rational use of resources and effective feedback / correction processes.

OVERVIEW OF CURRENT SITUATION

The impacts of Soviet Union development policies and mechanisms in Uzbekistan are still clearly apparent. For example, only 27% of Uzbekistan's territory meets national environmental standards for the quality of ambient air, water and soil (*The National Environment Action Plan, 1999*). Though there are environmental problems in every oblast in the country the most severe are localized within the Navoi, Fergana, and Khorezm oblasts and the Republic of Karakalpakstan. In the case of the oblasts mentioned this results from excessive local pressures on the environment and natural resource base, while in the case of Karakalpakstan the environmental degradation is mainly an indirect impact of long term inefficient natural resource use outside its territory.

The key environmental problems in Uzbekistan identified in the National Environmental Action Plan NEAP (which is currently undergoing the final approval process), are as follows:

Only 27% of Uzbekistan's territory meets national environmental standards for the quality of ambient air, water and soil

- salinization and degradation of arable land;
- the scarcity and pollution of water resources;
- an insufficient supply of safe drinking water;
- biodiversity loss and breakdown of ecological processes;
- desertification and general land degradation;
- the contamination of food products;
- air pollution in the largest cities and industrial centres.

It is important to highlight that, of the seven key problems indicated above, the primary underlying cause of the first six can be related, to a greater or less extent, to the inefficient and irrational use of scarce water resources, mainly for irrigated agriculture. Furthermore this sector plays the largest role in the economy and supports the livelihoods of the majority of the population. Clearly, therefore, this is one of the most critical issue for the sustainable human development of the republic, not only from an environmental view point, but also from an economic and social one.

WATER RESOURCES

The four basic water and environmental problems face all the countries of Central Asia to a greater or lesser extent are: environmental degradation, with the increase in land and water salinization being the greatest problem; the drying of the Aral sea, with devastating socio-economic and environmental impacts; water scarcity and thereby the potential for dispute between countries; and finally the lack of well established and effective instruments for interstate cooperation.

The root causes of these basic problems are twofold: firstly the massive and rapid expansion of the irrigation and its inefficient centrally planned management; and secondly, the break-up of the Soviet Union leading to the establishment of independent states and their transition from a centrally-planned to a market economy.

The original massive and rapid expansion of irrigation exceeded the ability of natural systems and available technology to cope and this, combined with central planning (which promoted inefficiency by under-valuing natural resources), resulted in massive land and water salinization and the drying of the Aral Sea. This has undercut the very basis of life in the region by reducing / destroying the productivity of the land and water resources. The break-up of the Soviet Union and the difficult transition to a market economy has also created a number of problems.

These include the need to create new water management institutions to coordinate and ensure cooperation between the different republics, a legacy of unbalanced economies with high natural resource dependence, and management systems which favour short-term economic gains over sustainability and quantity over quality. Finally, because of budgetary problems during transition, maintenance and modernization of the enormous irrigation and water management infrastructure has been left undone thereby exacerbating the productivity and environmental decline.

The Greatest Threat: Salinization of Water and Land

The greatest single threat to the productivity of irrigated agriculture and the environment as a whole is the increasing salinization of land and water¹. Due to high natural salt levels in the area this has always been somewhat of a problem for irrigators but techniques were developed for dealing with it which were appropriate to the scale of irrigation practiced. However, the expansion of irrigation during the last 70 years increased the magnitude of the problem to a level that threatens life in the basin and with which traditional control measures can not cope.

Irrigated Agricultural Sector in Uzbekistan

Of all the countries of the region Uzbekistan is the most dependent on irrigated agriculture. It has the highest percent of land under irrigation (approx. 11%), the largest rural population (over 14 million people), the overall highest population density (average of 49.6 /km² with a maximum of 464/km² in Namangan Oblast) and the highest proportion of its GDP generated by irrigated agriculture (over 30%). As a consequence it has also faced the most critical problems in terms of irrigated lands productivity, environmental and rural socio-economic impacts. Thus, for Uzbekistan addressing issues related to irrigated agricultural development, water management and the environment is not merely a priority but indeed a requirement to ensure its future.

Partly because of its high dependence on irrigated agriculture and the risks involved in undertaking major changes, Uzbekistan's approach to agricultural reform has been one of the most cautious in the region. This has had benefits in that it prevented the drastic socio-economic fallout felt in some other countries in transition. It has also meant, however, that radical change has not occurred in the agricultural sector since Independence. For example, there are still mandatory state orders for cotton and grains, almost all inputs (water, seed, agro-chemicals, etc.). Marketing is state controlled and private ownership of commercial farm land is low.

A particularly critical problem during the period immediately prior and after Independence has been the inability to ensure sufficient investment is made in the maintenance and modernization of on-farm / inter-farm water delivery and drainage infrastructure. In the view of the extent of this infrastructure² and the importance it has for the productivity of land, the environment, rural employment and livelihoods and the economy as a whole, this is a problem of staggering proportions. However, efforts to address this and the institutional capacity to manage water resources are now being initiated through large scale World Bank financed projects.

Water Pollution and Drinking Water

The main source of surface water pollution in Uzbekistan is irrigated farming, which causes more than 78% of waste water discharges (containing high salinity and agro-chemicals). Municipal sewage constitutes the second largest surface wa-

For Uzbekistan addressing issues related to irrigated agricultural development, water management and the environment is not merely a priority but indeed a requirement to ensure its future

1 Examples: within the Aral Sea basin 31% of the 7.9 million ha. under irrigation have a water table less than 2 metres and 28% have medium to high levels of salt, with agricultural yields decreased by 20 to 30%; the production of salt / ha is on average 6 times greater than the yield of raw cotton and in total irrigated land discharges an estimated 137 million tons of salt per year; an estimated USD 2 Billion (about 5 % of Central Asia's GNP) is lost annually due to salinization and these losses are increasing every year (GEF/WB Water and Environmental Management Project 1998).

2 There are over 167,335 Km of farm irrigation canals in Uzbekistan. Within Karakalpakstan alone there are about 19,674 km of which 99% are unlined earth canals (S.Kyle and P.Chabot 1997).

Industrial pollution is, at a national level, a comparatively minor problem constituting about 4% of total surface waste water discharges

ter polluter (18%) and is the main cause of biological pollution. Currently only 54% of urban and 3% of rural populations have access to sewage networks - the remainder rely on on-site sanitation, usually unlined pit latrines. This, in conjunction with high groundwater tables (caused by poor irrigation) and poor sanitation/hygiene practices leads to high bacteriological contamination of water and food. The impact of this in terms of waterborne disease outbreaks are evident particularly in the regions of Khorezem, Karakalpakstan, Bukhara and Kashkadarya. The urgency of this problem has been clearly recognized by the government, which has since independence initiated major initiatives to increase access to piped drinking water and improved sanitation, including both internationally (WB, ADB) and nationally financed projects. However, the extent of the problem means that the issue will remain a long term development priority.

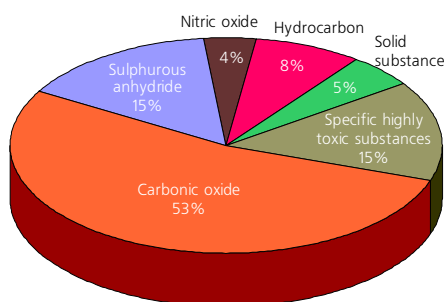
Industrial pollution is, at a national level, a comparatively minor problem constituting about 4% of total surface waste water discharges. Since Independence in 1991 the amount of untreated industrial waste water has been declining due to an overall decline in industrial activity plus tighter environmental controls. At a local level some industries, particularly the mining and ore processing industries, cause major problems particularly in regard to heavy metal contamination and other highly toxic persistent chemicals.

BIODIVERSITY LOSS, DESERTIFICATION AND BREAKDOWN OF ECOLOGICAL PROCESS

According to the National Biodiversity Conservation Strategy and Action Plan (approved by the President in 1998) the main threats to biodiversity in Uzbekistan are habitat loss and major habitat alteration. The following three groups of human-activity factors have the strongest impact on natural ecosystems in Uzbekistan:

1. Irrigated agriculture development (land clearance/disturbance, agro-chemicals, salinization, changed hydrological factors).
2. Unsustainable use of natural territories for pastures.
3. Mining and energy industries.

Figure 13: Sources of atmospheric pollution, 1997



The most impacted ecosystems belong to: *lowland territories; flood-lands and riverine areas being developed for irrigated agriculture; wetlands; and the Aral Sea region.* So far, some level of damage has been inflicted on 80% of clay desert territory, 95% of riverine areas, 20% of sandy desert (90% in the Fergana Valley), and 40% of mountain areas.

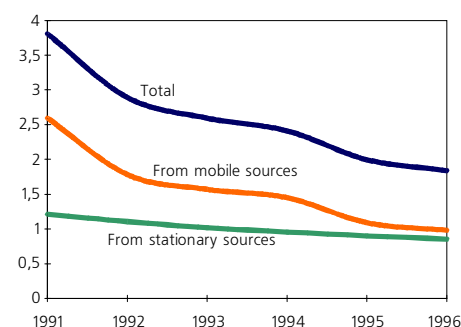
Though irrigated lands only comprise about 10% of total land area their impacts on the ecology of Uzbekistan has been enormous with the total destruction of some ecosystems (Aral Sea), severe reduction of others (flood-plain "tugai" forest) and significant alteration of almost all. The exposure of the Aral seabed and decreased vegetative cover have caused significant local climate change with increased aridity and temperature extremes, higher wind speeds and rapid onset of desertification processes. Wind blown pollutants are also having an effect on ecology and human health.

Livestock farming is the largest land user in the country with over 50% of land area being used as arid or mountain pasture and with increasing importance for rural livelihoods. Compared to irrigated agriculture, changes in the development of the livestock sector since Independence have been much faster, firstly because there is less dependence on a centralized system and major infrastructure (as is the case in irrigated agriculture) and, secondly, because severe declines in rural incomes are driving a rapidly increase of livestock numbers to meet short term economic objectives at the expense of damage to sensitive arid ecosystems. This situation is becoming a major threat to desert, steppe and, to a lesser extent, mountain ecosystems with clear indications of damage such as reduced pasture productivity, increased aridity, increased water and wind erosion and loss of biodiversity.

AIR POLLUTION

Heavy chemical emissions from industry can cause respiratory diseases especially in children and the elderly and can contaminate water supplies and degrade land. In Uzbekistan, the main polluting airborne substances are carbon monoxide and sulphuric anhydride, particularly in cities and industrial regions (see figure 13, *Sources of atmospheric pollution, 1997*). This decade, such poisonous air pollution has been significantly reduced. Between 1991 and 1996, atmospheric pollution from mobile sources (mainly vehicles) and from stationary sources (mainly industrial sites) was reduced by more than 50% (see figure 14, *Change in atmospheric pollution*). Most of the reduction came from mobile sources.

Figure 14: Change in atmospheric pollution



CHANGING ATTITUDES AND A NEW APPROACH

Over the past decade, awareness of environmental issues has rapidly increased due to greater freedom of information and the growth of environmental activism prompted by extreme events such as the Aral Sea desiccation. Terms such as “sustainable development” and “ecological security” are now in people’s vocabulary and thinking, creating a growing environmental consciousness. This increased awareness among the public and among experts in the early 1990s played an important role in bringing public attention to environmental issues, prompting research into areas under stress such as the Aral Sea Basin and the Fergana Valley.

In a 1996 survey among experts on social and environmental issues, 56% of respondents determined environmental protection as one of their major concerns. Among the key reasons given for environmental problems were:

Reason	% of respondents
Low competence and qualification of decision makers on these issues	70
Poor co-ordination among relevant organisations	69
Poor use of proceedings against those responsible for degradation	68
Lack of environmental education and awareness	65
Lack of accountability from organisations using natural resources	62
Inadequate formalities for implementing policy	60

(A. Kahharov, Sociology of regions., Moscow, 1996)

Livestock farming is the largest land user in the country with over 50% of land area being used as arid or mountain pasture and with increasing importance for rural livelihoods

However, though awareness has grown significantly, understanding of the fundamental issues and process involved are still largely lacking. As reflected in the table above this is still a significant problem within decision makers whose ability to integrate and adequately evaluate environmental issues in the development process is limited. The building of environmental knowledge and its practical application in all aspects of development is thus an important task for the country in the future at all levels; decision makers, resource users, youth, general public.

UZBEKISTAN’S ENVIRONMENTAL ACTION REFORMS

Is Uzbekistan building an adequate framework for tackling these pressing issues? The country’s environmental concerns were first made clear to the rest of the world in 1993 when the President of the Republic of Uzbekistan Mr. Karimov referred to the critical problems of the Aral Sea region in his speech to the 48th UN General Assembly. Since then, policies have been devised and described in the annual National Report on the “Environmental Situation and Natural Resource Use in the Republic of Uzbekistan”. The State Committee for Environmental Protection is the main executive agency for all aspects of creating and implementing policy.

In 1993, the Republics Fund for Environmental Protection was established to provide an additional mechanism for financing priority actions

Furthermore, Uzbekistan has become a member of numerous international environmental conventions including:

- The Framework Convention on Climate Change (1993)
- The Convention on Biological Diversity (1996)
- The Basel Convention on the control and transportation of cross-border transfer of dangerous waste and its removal (1996)
- The Convention to Combat Desertification (1995)
- The Vienna Convention on Protection of Ozone Layer (1993)
- The Montreal Protocol on Substances that Deplete the Ozone Layer (1993)
- The World Heritage Convention (ratified 1995)
- The Convention on International Trade in Endangered Species CITES (ratified 1997)
- Convention on prohibition of military or any aggressive destructive actions to the environment.

In this context the republic has shown significant commitment by meeting most of the initial obligations of these conventions including preparation of country studies, strategies and action plans.

Policy change and development is focused on three areas of environmental impacts that affect human development in Uzbekistan: health, sanitation and hygiene; land and resource degradation; and loss of biodiversity and genetic resources. A national plan of action is being developed for each of these three areas as well as an overall National Environmental Action Plan. In order to create a coherent system for monitoring environmental change, a unified system is also being created to monitor and forecast the condition of the atmosphere, land surface and open water bodies in the republic. In 1993, the Republics Fund for Environmental Protection was established to provide an additional mechanism for financing priority actions.

Due to the fairly short period since independence, the majority of actions undertaken so far are at a policy and institutional level (i.e. preparation of strategy and action plans, reorganization/creation of government structures and legislation, etc.) rather than concrete actions. Though these constitute vital first steps, the real test and challenge for the future will be the actual implementation of these new policies in an effective, realistic and integrated manner.

CONCLUSION

In conclusion, Uzbekistan has taken many significant steps since Independence in 1991 to address the environmental legacy of the Soviet Union and to build a basis for a more sustainable development in the future. However, policy changes, action plans and initial reforms still have a long way to go before their widespread impact will be felt. Of most significance in improving environmental conditions will be actions to improve the efficiency of the irrigated agricultural sector and, in the long term, to reduce economic and social dependence on this sector through diversification and sustainable development of other natural resource uses and industry. More specific priorities for the republic include: improving the capacity and commitment of decision makers and government agencies to integrate environmental issues into policies and actions; introduction or upgrading of legislative controls and economic incentives for more rational natural resource use; and provision of adequate resources and/or development of effective financing mechanisms for environmental protection and management.

NB Sources for New Material
 National Environmental Action Plan (Goskompiroda/WB) 1999
 National Biodiversity Strategy and action Plan (Goskompiroda/UNDP) 1998
 Farm Budget Assessment in Khorezem and Karakalpakstan (S.Kyle and P.Chabot) 1997
 Water and Environmental Management Project (WB/GEF) 1999.

GLOBALISATION CHALLENGES

chapter

7

The arrival of the 21st century marks not only the beginning of a new millenium – it is also a time of great change in the economic, political, social, demographic, scientific and ecological sectors of the world. History has placed Uzbekistan in the midst of two extremely difficult processes at this time:

- 1. Transforming from a secondary region with a centralized planned economy to an independent state with a market-based economy; and*
- 2. Adjusting to the pressures and demands of globalization, which are integrating global economic policies and reducing the scope for independent decision-making by the State.*

If it fails to address – or fails to succeed in – either of these processes, Uzbekistan risks being left by the wayside of history, without its deserved place in the emerging network of nation states. The republic needs policy strategies that can take on the challenges of these daunting processes. These policies, however, must fulfill the ultimate goals of enriching the choices that people face in their lives and protecting their well-being in this difficult period of transition. For every country in the world, globalization presents tremendous opportunities to expand trade, to access new information and technology and to solve global problems through cooperation. None of these outcomes is guaranteed, however. Each demands a well-formulated policy strategy. In addition, globalization brings new threats and risks to human security that every country in the world is now facing. For the countries of Eastern Europe and the CIS, there is a double burden of transition. These are times of tremendous opportunity, as well as tremendous challenges.

GLOBALIZATION AND STATE SOVEREIGNTY

With a rich and long history full of cultural and spiritual traditions, Uzbekistan is stepping onto the world stage as an independent modern state. As it focuses on forging a unique national cultural identity and fostering economic strength and political stability, the republic is simultaneously drawn into the globalization process. This means dealing with such issues as cross-border economic integration, unification of the rules of global interaction and an opening of the country to a multitude of external influences.

The standards of a global society are based on the principles of personal freedom, the protection of human rights, democracy, creation of a civil society and lawful states, the spread of private property and market economies. If these values become truly universal in the 21st century, there will be an opportunity to realize the most ambitious ideas of science fiction novels, i.e. the creation of a global civil society under the aegis of a universal inter-state center.

There are two questions that portrayal of such an ideal society brings to mind. One of them is whether such a society is possible. Theoretically, the concept of

The economies of some of Uzbekistan's neighbors have been criminalized in certain respects with significant funds being earned from illegal drug and weapons trade

globalization and universalization of world standards appears flawless. In reality, however, the world today is infected by certain cancerous growths, which are themselves acquiring a destructive, global hold on society. These social ills are the drug mafia and narcotic industry international corruption, international terrorism and organized crime. These processes are inter-laced and create a circle of negative conditions that feed one another. Drug-related mafia nourishes international corruption and international terrorism. International terrorism and corruption are, in turn, creating ideal conditions for the activities of illegal drug cartels.

Uzbekistan, a country that has not yet been able to create full standards of legal, civil society, nor fully tested their positive results, is already under real pressure from the aforementioned dangers. They are creating a threat to the republic's long-term safety and independence.

Part of the problem is that constructive activity is always more difficult than destructive choices. It is impossible to create a civil society overnight: public mentalities, the foundation of civil society, are changing only gradually. Sudden, revolutionary changes, as a rule, lead to breakdowns in society and help create a receptive environment for destructive forces.

Uzbekistan is surrounded by some countries that are involved in or face the encroaching threat of a vicious, destabilizing cycle: drug trafficking and international terrorism. In addition, nearly all of the republic's neighbors are going through periods of political and economic transition or even civil wars.

As a result of this instability, the economies of some of Uzbekistan's neighbors have been criminalized in certain respects with significant funds being earned from illegal drug and weapons trade. At the same time, there is a potential danger of religious wars due to the influence of certain countries' more radical religious figures. The need to ensure safety in Uzbekistan justifies the use of several protective policies. These involve rules to prevent the entrance of a narcotics trade and international terrorism and the mobilization of additional financial assets from the national budget to maintain an effective armed forces. National security cannot be ensured, unfortunately, through policies that focus solely on the development of Western standards of civil society.

The second question is whether a global civil society is even necessary. It is impossible today to fully answer this question. It is true that the ideal global society would be in a better position to meet the threats of large-scale ecological catastrophes, create new technological advances, and increase overall standards of living for the world population.

History shows, however, that in large states and inter-state structures, there are always some social, economic, spiritual and cultural collisions between the center and the regions, as well as between the regions themselves. Additional problems are created involving the loss of national origins, languages, cultures and traditions.

This is especially true for Uzbekistan, a country that only recently received its Independence and is now making tremendous efforts to restore its history, culture and unique national identity. With the rapid introduction of Western culture, the young generation, which is not spiritually mature and particularly vulnerable to new influences, may not always follow the best examples of this new culture. Rather, some may fall prey to those aspects of society that have plagued civilization for centuries. As such, without proper direction, there may be anarchy instead of democracy, permissiveness instead of personal freedom, religious fanaticism and terrorism instead of freedom of conscience, or a domination of "wild" capitalism in the retail sector as opposed to a market-based industrial economy.

For these reasons, a combination of policies and practices must be adapted to fit the particular needs of Uzbekistan. To ensure a long-term, sustainable balance in its political and social development, it is necessary to restore the spirituality of the nations and ethnicities residing in the republic, to strengthen national ideologies through gradual implementation of universal principles of civil society, and to liberalize its political and economic systems.

GLOBALIZATION AND DEMOGRAPHY

One of the serious global problems now being addressed by scientists and scholars involves the rapid and uneven growth of the earth's population. Although over the last few years the population growth rate has slowed slightly, over the last hundred years total population has increased nearly six times. The majority of this growth has occurred in the poorer countries of Africa, Asia and Latin America, whose populations comprise four fifths of the earth's total.

The dangers that this global problem represent for Uzbekistan can be divided into two categories: external and internal problems. The external dangers stemming from a demographic explosion involve the general instability caused by greater extremes in the living standards of heavily populated, usually poor countries and those of the developed countries. The potential for rapid deterioration of living standards can result in social or armed conflicts, as well as a growth in numbers of refugees and migrants. From this perspective, Uzbekistan faces problems caused by present situations in two neighboring states, Tajikistan and Afghanistan.

Internal threats associated with this problem involve the relatively fast rate of population growth in Uzbekistan itself. Although it has notably decreased in recent years, at the present growth rate some 48 million people will be living in the republic by 2040, twice the current total. By the end of the next century the total population will reach 100 million. The country's land and water resources cannot stand such increased demographic pressures without a loss in the living standards of its people. It will also be increasingly difficult to accumulate sufficient financial resources for the creation of a large number of new jobs and to provide high rates of per capita economic.

For these reasons, Uzbekistan has chosen to continue policies pursued over the last eight to ten years whereby people are encouraged to increase time intervals between the births of children. In this way, there is a shift away from the preference for large numbers of children to a preference for having smaller numbers of educated and healthy children. It is necessary to continue to raise the prestige of education and to strengthen the role and status of women and their employment in industry and society. Similarly, efforts must be made to develop the family, physical recreation for all through sports, and improved culture and society in general.

GLOBALIZATION AND ECONOMY

The processes of globalization display a number of economic characteristics:

- extensive integration, experienced only rarely in the past, when flows of capitals and the development of communications make borders between countries and continents more and more transparent;
- rapid scientific and technical progress and emergence of a global information network reaching any point on the planet;
- increased food and energy safety problems;
- shifts from competition between companies within one country to a competition between the states supporting certain global corporations;
- deepening of the divide between rich and poor, both across and within states.

The place of each country in the world system of the 21st century depends on the degree to which the country is ready to face these problems.

Although it has significant resources and exceeds the average world indicators for such social indicators as life expectancy and literacy rate of the adult population, Uzbekistan lags behind considerably in key economic indicators: GDP per capita, volume of foreign trade and export.

Although it possesses 0.4% of the world population, the country produces as

Global Concerns

As a result of analyses conducted for her book *The Masters of Illusion*, Catherine Cophild comes to the conclusion that «the developing world all becomes increasingly poorer as compared to rich countries» and «the chasm between rich and poor countries is becoming deeper and deeper». According to data of the European Economic Commission, in countries with transitional economies, the population living in poverty has increased from 13.6 million in the early 80's up to 119.2 million people in the mid 90's, an increase of eight fold. Numbers of people living in poverty increased by 30 times alone in the Baltic countries over this same period, by 4 times in the countries of Central Europe, 3.1 times in Central Asia, 3.6 times in the Balkans, and 23.8 times in Slavic countries.

Considerably more than a billion people are not able to satisfy their basic needs. Almost three fifths of the total population of less developed countries, i.e., 4.4 billion people have no access to simple sanitation services. Almost a third lack access to safe drinking water. A quarter of the population is living in substandard housing conditions. A fifth of all children can attend school only through the fifth class. Nearly a fifth of the world population do not enjoy the necessary caloric and vitamin requirements of a healthy diet. Across the globe, some 2 billion people suffer from anemia, 55 million of them living in industrially advanced countries. In less developed countries only a privileged minority can afford transportation, telecommunication services and other modern technologies.

Examples of economic disparity are quite clear. At the global level, up to 20% of the population in countries with the highest income levels account for 86% of total personal consumer spending, whereas the poorest 20% of the population dispose of as little as 1.3%.

At the same time, a new poverty index shows that insufficient consumption levels and other hardships associated with poverty are characteristic not only of less developed countries. Their poor living standards are shared by more than 100 million people living in the richer countries. It is assumed that almost 200 million people in these countries will not reach their sixties. More than 100 million have no housing. At least 37 million people are unemployed and often in a state of social isolation.

Where is Uzbekistan in the world hierarchy?
Indicators of qualitative development of Uzbekistan in comparison
with average world indicators, 1995

N	Indicators	Unit	World average	Uzbekistan
1.	Life expectancy	Years	63,6	70,2
1.1.	Women	Years	65,3	72,6
1.2.	Men	Years	61	67,8
2.	Literacy rate	%	77,6	99,0
2.1.	Women		71,4	99,0
2.2.	Men		83,7	99,0
3.	Real GDP per capita	dollars	5990	2440
4.	Power consumption in oil equivalent per capita	Kg.	1419	1871
5.	Electricity consumption per capita	kW hour	2290	2056
6.	Number per 100 people:	piece		
6.1.	Radio receivers		364	81
6.2.	TV sets		228	183
6.3.	Telephone lines		122	76
7.	Daily newspaper publications per thousand people		115	7

Although it possesses 0.4% of the world population, the country produces as little as 0.08% of global GDP, 0.07% of world exports, 0.1% of industrial production and 0.5% of agricultural production

Global Indicators for Uzbekistan, %, world total + 100%

N	Indicators	The specific weigh of Uzbekistan
1.	Population	0,40%
1.1.	Including urban	0,38%
1.2.	Rural	0,42%
2.	Amount of labor resources	0,33%
3.	Area	0,33%
3.1.	Including tillage	0,34%
3.2.	Forest resources	0,04%
4.	GDP	0,08%
4.1.	Including industrial production	0,1%
4.2.	Agriculture	0,5%
4.3.	sector of services	0,04%
5.	Production	
5.1.	of gold	2,2%
5.2.	of copper	1,2%
5.3.	of steel	0,5%
5.4.	molybdenum	0,4%
5.5.	Cotton-fiber	6,3%
6.	Foreign trade turn-over	0,07%
6.1.	including export	0,07%
6.2.	import	0,07%
7.	Power consumption (in oil equivalent)	0,52%
8.	Consumption of electricity	0,36%
9.	Fresh water consumption	2,97%
10.	Industrial emissions of carbon dioxide	0,58%

little as 0.08% of global GDP, 0.07% of world exports, 0.1% of industrial production and 0.5% of agricultural production.

One of the major challenges facing all countries in transition, including Uzbekistan, involves the competitiveness of locally manufactured goods in the global market. Uzbekistan needs to do everything possible to achieve its significant economic, natural and social potential. Countries with transitional economies experience some of the least favorable conditions. Because they have been fenced off from global markets for such a long period, they do not yet have niche markets for export production. In most cases, production facilities in these countries are out-of-date and unable to produce high quality goods at low cost.

The export structure of transition countries, including Uzbekistan, is biased towards the export of raw materials. Therefore, exports depend to a great extent on global prices and are subject to significant market hazards and fluctuations. This

bias toward raw materials over manufactured goods will result in continued trade deficits unless mining and production of other unfinished products is increased. If this increased production relies on non-renewable resources, however, than long-term growth is threatened.

The only solution is to accelerate the restructuring of exports with the aim of increasing the share of finished products. These exports would have a higher added value, as well as attract higher hard currency prices in the global market.

Increase competitiveness of Uzbekistan's exports depends on many factors. Success involves the relative openness of the market and the creation of favorable overall conditions for competition in the global market. Increased competitiveness also relies on improved standards and lower prices for domestically produced goods.

Such a policy, however, sets up a «catching up algorithm», which cannot remain a core component of the export strategy over the long term. Given the existing gap, it may take a considerable time to become competitive in global markets and the final results of this race remain unknown.

Some time ago, many countries of East Asia attempted to overcome the negative effects of the «catch up algorithm» by using a strategy of accelerated industrialization and an aggressive export policy. Uzbekistan should also use some elements of this strategy.

The 21st century will witness an unprecedented influence of the largest international corporations on the character of global development. The income of the ten largest companies in the world now comprises some 133 billion dollars. This is 1.5 times the total income of the least advanced countries of the world. A concentration of global financial, material and technological resources allows international corporations to influence the policies of States, especially developing countries that are trying to attract the vast capital resources of these companies to their economies.

Already, international corporations, as well as the countries playing major roles in world trade (the United States, the European Community, Japan, and the countries of East Asia, including China) have become a special kind of supranational participant in world economic processes. They create new channels for foreign trade in the global market, through which trafficking of goods and services more easily penetrates inter-country barriers. Uzbekistan can use these channels, as well, by creating the necessary economic conditions for the largest international corporations to invest in the republic.

More than two hundred projects with foreign investors worth some 10 billion USD are being implemented in the republic. These investments, however, are insufficient to complete the structural reorganization of the economy. Moreover, a majority of the foreign investment is not directed at export-oriented production, but rather at import-substitution of strategically important goods. Uzbekistan at present does not take well enough advantage of opportunities to reach the world market through the trade channels of its foreign partners. At the same time, it is still extremely difficult for the country to conquer preferred market niches on its own.

GLOBALIZATION AND PROGRAMS TO USHER UZBEKISTAN INTO THE 21ST CENTURY

Given the realities of the end of the 20th century and the factors cited above, Uzbekistan has prepared a development strategy for the new century addressing a range of political, economic and social issues.

The President of Uzbekistan has established concrete priorities for the development of the republic in the new century. Based on these priorities, a general concept of development in the various spheres of society has been created through 2010. In general, this concept entails the development of programs in the following areas:

1. Liberalization of all sectors of society, including:

Wear of Equipment in Different Industrial Sectors

In Uzbekistan's agro-industrial sector, some 35% of equipment is more than twenty years old, with another 35% from ten to twenty years old. About 50% of equipment in use is characterized by 100% amortization wear, more than 35% is subject to disposal. Production capacity for this sector in 1998 remained at 1997 levels, i.e. about 30%. Some 70% of equipment in the chemical sector is also outdated. Similar situations prevail in many other sectors of the economy.

Foreign Companies in Uzbekistan

Several large foreign companies already operate in Uzbekistan. These include: French - Thompson, Buig, Alcatel; German - Daimler-Benz, Tissen, Siemens, Mannesman; South Korean - Daewoo, Samsung; Italian - Adjip, Stet Telecom; Japanese - Mitsui, Mitsubishi, Sumimoto, Toyota, NEC, Shimizu; United States - Newmount, Case, and Coca-Cola.

- liberalization of the political system;
- liberalization in building both State and society, the formation of civil society;
- liberalization of the economy;
- 2. Further spiritual renaissance of society;
- 3. Stable and steady growth of the financial well-being of the nation, including strengthening of social guarantees;
- 4. Radical structural transformations in the economy;
- 5. Stability, peace, inter-ethnic and civil harmony in society, inviolability of borders and territorial integrity of the country.

Uzbekistan enters the 21st century with a comprehensive, carefully prepared development strategy in hand. Over the coming months and years, it will have to refine these plans with concrete, pragmatic programs in accordance with the realities and requirements of both a changing society and expanding global community. A great degree of the strategy's success will depend on the cohesion and solidarity of all people in the republic and their determination to support the reform process in the name of progress and for the sake of their children's future. As such, perhaps the most important investment comes in the nurturing of the republic's human resources. Only in this way can true prosperity, genuine independence and sustainable human development be ensured.

A great degree of the strategy's success will depend on the cohesion and solidarity of all people in the republic and their determination to support the reform process in the name of progress and for the sake of their children's future

Stages of Reforms in Uzbekistan

1991-1994 The first stage	Formation of course and strategy of economic reforms; Creation of legal basis for economic reforms; Privatization of state-owned property and laying the foundations for a mixed economy; Reform of agriculture and creation of new agrarian relations; Institutional reform and dismantling of command system; Liberalization of prices and formation of market infrastructure; Liberalization of foreign trade activities and integration into global economic community; Provision of reliable social guarantees; Spiritual revival of the nation.
1995-1999 The second stage: strengthening of the foundation underpinning the Program of Deepening Reforms	Deepening of privatization process and creation of competitive environment; Macroeconomic stabilization; Strengthening of national currency; Achievement of deep structural transformations. Social protection of the population; Realization of privatization program; Implementation of program of structural transformations, technical re-equipment and modernization; Continuation of agricultural reforms; Development of small and medium size business; Realization of National Personnel Training Program.
2000-2005 The third stage	Liberalization in politics, state-building and the economy; Spiritual revival; Training of personnel; Growth of material well-being; Structural transformations in the economy; Ensuring of stability, peace, inter-ethnic harmony and civil consensus.

Priorities in Deepening Socio-Economic Reforms and Directions for Their Realization (from the speech of the President of Republic of Uzbekistan, I. Karimov, at the Fourteenth Session of Oliy Majlis of the First Convocation, April 14, 1999)

Priorities 1	Directions for realization 2
I. Liberalization	Raising of political activity of the population Promotion of political culture
Liberalization in the political sphere	Formation of the mechanism of counterbalances Strengthening and development of political institutions - parties, non-governmental and public organizations
Liberalization in the economic sphere	Limitation of the regulating role of the state Formation of a multilateral economy, in which the leading role is played by private property
	Limitation of interference in the economic activities
	To increase economic and financial liability of economic agents. Strengthening of the role of bankruptcy mechanisms, activation of economic courts
	Development of market infrastructure
	Reorganization of foreign trade
	Liberalization of currency system
	Further expansion of economic freedoms of economic agents
	Formation of a genuinely competitive environment
	Creation of economic and legal conditions to ensure freedom of business
	Expansion of private property
	Development of private business
	Mechanism of constant access of entrepreneurial structures to credit resources
	Expansion of access of businessmen to raw resources
	Structural transformations in the economy
	Modernization and technical re-equipment of economic sectors
	The most complete and effective utilization of natural and raw potential
	Formation of export-oriented and import-substituting production
Liberalization in the sphere of state construction	Strengthening of the principle of separation of powers
	Perfecting of system of government administration based on examples of the developed democratic countries
	Transfer of authorities to non-governmental and public organizations
	Strengthening of public control over executive authority
	Expansion of functions of public organizations
II. Spiritual Revival	Strengthening of the rights protection mechanisms and freedoms of citizens
	Creation of necessary legal environment
	Provision of genuine independence of the Bar
	Development of self-sufficiency and independence among judges
	Provision of freedom and independence to mass media
	Development of National Action Program in the field of human rights
III. Training of Personnel	Realization of Historical Roots
	Revival of national traditions
	Development of science, culture and art
	Preparation and retraining of pedagogical staff, increasing the role of women and youth
	An analysis of the course and results of the experiment shall be done to carry out necessary update
IV. Growth of material well-being, strengthening of social protection of the population	Development and introduction of new generation of textbooks Growth of material well-being
	Increase in purchasing power of the population
	Saturation of local market with locally produced goods
	For the period of 2000-2005:
	- growth of minimum wages 3,5 times
	- 1,8-2fold growth of the average per capita income of the population
	- reduction of inflation to 6-8% annually during the five year
	- to increase the share of consumer goods in the total amount of industrial production up to 50%
	Strengthening of social protection of the population
	Targeted distribution of social help
	Pro-active policies on the job market formation, creation of jobs and maintenance of rational employment
	Fulfillment of the State Program of provision of natural gas and drinking water to the population

Priorities in Deepening Socio-Economic Reforms and Directions for Their Realization (from the speech of the President of Republic of Uzbekistan, I. Karimov, at the Fourteenth Session of Oliy Majlis of the First Convocation, April 14, 1999)

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V. Provision of stability, peace, inter-ethnic and civil consent

Creation of mobile, self-sufficient and well-equipped Armed Forces
Modification of the organizational and management structure of the Armed Forces
Transformations of system of education and training of servicemen
Development of a comprehensive program of military and technical re-equipment re-armament and modernization of the Armed Forces

STATISTICAL ANNEXES

Table 1. Human development index

	1993	1994	1995	1996	1997	1998
Life expectancy at birth (years)	69.3 ⁽¹⁹⁹⁰⁾	70.1	70.2	70.2	70.25	70.3
Adult literacy rate (%)	97.7	98.74	98.96	99.06	99.13	99.15
Mean years of schooling	10.9	11.4	11.4	11.4	11.4	11.4
Literacy index	0.98	0.987	0.990	0.991	0.991	0.992
Schooling index	0.73	0.76	0.76	0.76	0.76	0.76
Educational attainment	2.69	2.73	2.74	2.74	2.74	2.74
Real GDP per capita (PPP\$)	2510	2438	2440	2508	2670	2829
Life expectancy index	0.74	0.752	0.753	0.753	0.754	0.755
Educational attainment index	0.89	0.896	0.895	0.895	0.896	0.897
GDP index	0.398	0.378	0.387	0.398	0.425	0.439
Human development index (HDI)	0.676	0.675	0.679	0.682	0.692	0.697
urban			0.698	0.699	0.708	0.716
rural			0.666	0.670	0.677	0.687
GDP per capita rank minus HDI rank	-	11			13	
HDI Rank	94	100			104	

Table 2. Humanitarian Development

	1993	1994	1995	1996	1997	1998
Scientists and technicians (per 10,000 people)	13.9	14.7	12.3	12.2	11.0	11.0
Enrollment in education (% age 6-23)	58.9	50.8	49.6	47.2	50.1	45.2
Enrolment in tertiary education (per 1000 people)	28.7	25.0	24.4	22.3	29.5	30.5
As % of constant population	0.1	0.1	0.1	0.1	0.1	0.1
Females as % of total population	0.06	0.08	0.05	0.05	0.05	0.05
Daily newspapers (copies per 1,000 people)	13	12	7	6	7	7
Television sets (per 1,000 people)	130	115	103	91	84	73
Radio sets (per 1,000 people)	148	135	122	106	94	81

Table 3. Profile of human distress

	1992	1993	1994	1995	1996	1997	1998
Unemployment rate (%)	0.2	0.3	0.4	0.4	0.4	0.4	0.5
Injures from road accidents (per 1000,000 people)	17.3	12.1	4.5	5.2	4.9	4.8	8.6
Sulphur and nitrogen emissions (NO ₂ и SO ₂ per capita)	25.7	24.2	24.2	21.0	20.6	20.3	18.2
Reported crimes (per 10 000 people) including:				29.4	28.4	28.3	28.7
Intentional murder and attempted murder				0.5	0.5	0.5	0.4
Intentional grievous bodily injury				0.4	0.4	0.4	0.3
Intentional homicides by men	3.3	3.7	3.6	3.5	3.7	3.0	3.2
Reported rapes	1.9	2.1	2.2	2.5	2.6	2.1	2.2

Table 4. Human development financing

	1992	1993	1994	1995	1996	1997	1998
Total expenditure on education (as % of GDP)	11.6	11.4	8.5	7.6	7.9	7.3	7.4
Total expenditure on health (as % of GDP)	5.5	5.7	4.6	4.3	4.4	4.0	3.6
Real GDP per capita (PPP\$)	2650	2510	2438	2440	2508	2670	2829
State expenditure on education (as % of GDP)	10.2	9.5	8.3	7.4	7.7	7.2	7.3
State expenditure on health (as % of GDP)	4.8	4.3	3.5	3.7	3.5	3.1	3.0

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

	1992	1993	1994	1995	1996	1997	1998
Life expectancy	109.1 ⁽¹⁹⁸⁵⁻¹⁹⁸⁶⁾	109.5 ⁽¹⁹⁹⁰⁾	106.9	107.1	107.2	106.8	107.0
Population	102	101.8	101.7	101.4	101.3	101.1	101.0
Schooling	-	88	93.2	92.4	91.7	90.9	90.2
Secondary school enrolment	96.1	96.1	92.4	91.2	87.2	78.7	96.6
Secondary school graduates	78.6	81.8	89.6	90.1	85.9	87.0	87.2
University or equivalent full-time enrolment	78.3	72.3	69.4	63.7	74.8	69.5	91.5
University graduates	78.4	78.5	69.6	63.7	65.0	61.0	61.6
Labor force	77.3	76.4	76.7	74.2	74.5	73.9	75.4
Unemployment	179.3	120	143.6	150.0	194.8	174.4	146.0
Gender empowerment index			0.374	0.374	0.373	0.372	0.375

Table 6. Status of women

	1992	1993	1994	1995	1996	1997	1998
Life expectancy at birth	71 ⁽¹⁹⁸⁵⁻¹⁹⁸⁶⁾	72.4 ⁽¹⁹⁹⁰⁾	72.5	72.6	72.7	72.74	73.0
Average age at first marriage (years)	21	21	20.5	20.2	20.6	21.4	21.0
Maternal mortality rate (per 100,000 live birth)	30.1	24.1	17.3	18.9	12.0	10.5	9.6
Secondary school enrolment (as % of total enrolled)	49	48.9	48.0	43.0	46.5	49.7	49.1
Secondary school graduates (% of women in total secondary school graduates)	44	45	47.3	47.6	46.2	46.5	49.3
Full-time enrolment in tertiary education (as % of total)	39.3	40.3	41.1	41.9	42.8	41.0	37.1
Women in labor force (% of total)	46.5	45.9	43.5	42.6	42.7	42.5	43.1
Seats in Parliament (% of total seats)	9.4	9.4	9.4	9.4	9.4	9.4	9.4

Table 7. Demographic profile

	1985	1990	1995	1996	1997	1998
Population (millions) at the beginning of the year	17.9	20.3	22.6	23.0	23.3	23.9
Annual growth rate of population (%)	2.3	2.3	1.7	2.0	1.9	1.8
Population doubling date (at current growth rates) at the beginning of the year	-	-	2034	2036	2038	2040
Crude birth rate (per 1000 people)	37.4	33.7	29.8	27.3	26.0	23.0
Crude death rate (per 1000 people)	7.2	6.1	6.4	6.2	5.9	5.8

Table 8. Urban and rural demographic profile

	1992	1993	1994	1995	1996	1997	1998
Population (million people)							
Total	21.6	22.1	22.5	22.9	23.4	23.8	24.1
Urban	8.5	8.6	8.7	8.8	8.9	9.0	9.1
Rural	13.1	13.5	13.8	14.1	14.5	14.8	15.0
Annual population growth rate (%)							
Total	2.3	2.3	1.7	2.0	1.9	1.8	1.5
Urban	0.9	1.1	0.7	1.1	1.2	1.3	1.1
Rural	3.3	3.0	2.3	2.5	2.3	2.1	1.8
Average family size							
Total	5.5 ⁽¹⁹⁸⁹⁾	5.5	5.4	5.4	5.4	5.5	5.6
Urban		5.4	5.4	5.2	5.0	4.7	4.7
Rural		5.6	5.5	5.6	5.9	6.0	6.1
Contraceptive prevalence rate (%)		19		38.2	53	45.8	59.5
Population elder working age (%)							
Total	7.7	7.7	7.7	7.6	7.6	7.6	7.6
Urban	9.5	9.5	9.5	9.5	9.4	9.4	9.4
Rural	6.6	6.5	6.5	6.5	6.5	6.5	6.5
Life expectancy at age 60 (years)	1990r.						
Total	13.8		15.2	15.3	15.3	15.4	15.5
Urban	13.8		17.3	17.5	17.5	17.6	17.5
Rural	14.7		13.3	13.5	13.5	13.8	14.1
Men							
Total	8.5		11.3	11.3	11.3	11.9	12.0
Urban	6.7		13.3	13.3	13.3	13.5	13.5
Rural	10.7		9.5	9.5	9.5	9.7	9.8
Women							
Total	19.0		19.2	19.3	19.5	19.6	20.0
Urban	20.3		21.2	21.5	21.6	21.7	21.8
Rural	17.8		17.0	17.3	17.4	17.3	17.7

Table 9. Urbanization

	1985	1990	1995	1996	1997	1998
Urban population (% of total)	40.7	40.9	38.7	38.4	38.2	38.0
Annual growth rate of urban population(%)	2.4	2.3	1.1	1.1	1.1	1.1
Population in cities of more than 1 million as % of						
Total population	10.9	10.3	9.3	9.2	9.0	9.0
Urban population	26.8	25.3	24.2	23.9	23.7	23.8
Population in cities of more than 100,000 as % of						
Total population	24.6	24.5	22.7	23.4	22.0	21.8
Urban population	60.6	60.0	58.6	58.3	58.0	57.3

Table 10. Medicine and health care

	1992	1993	1994	1995	1996	1997	1998
Deaths from circulatory diseases (as % of all causes)							
Total	43.4	45.4	46.2	46.5	46.7	47.2	50.0
Urban		50.2	51.3	50.3	50.0	51.0	48.6
Rural		41.8	42.5	43.5	44.0	44.2	47.8
Deaths from malignant tumor (as % of all causes)							
Total	7.9	7.3	6.8	6.9	6.8	6.8	6.8
Urban		10.4	9.7	9.5	9.1	9.1	9.1
Rural		4.9	4.6	4.8	4.9	4.9	4.9
Registered alcohol consumption (liters per adult)	2.5	2.5	1.7	1.3	1.9	0.6	1.2
Population per doctor	282	282	296	298	302	328	295
Number of hospital beds per 10,000 people		91.0	83.0	79.0	72.5	65.9	58.2
Number of hospital beds for pregnant women per 10,000		45.4	44.0	43.2	47.7	49.1	22.8
State expenditure on health (as % of total state expenditure)	11.3	11.5	10.7	9.8	9.8	9.5	9.9
Total expenditure on health (as % of GDP)	5.5	5.7	4.6	4.3	4.4	4.0	3.6

Table 11. Education profile

	1992	1993	1994	1995	1996	1997	1998
Enrolment in education of 6-23 year-olds (%)	57.2	58.9	50.8	49.6	47.2	50.1	45.2
Average years of schooling:							
Total	-	10.9	11.4	11.4	11.4	11.4	11.4
Men	-	11.6	11.8	11.9	12.0	12.1	12.2
Women	-	10.2	11.0	11.0	11.0	11.0	11.0
Secondary school graduates (%)	110.4	104.9	102.8	111.9	111.3	110.4	108.4
Secondary school graduates (as % of total school age population)	100+	100+	100+	100+	100+	100+	100+
Secondary specialized school graduates(as % of school graduates, vocational and specialized school students)	41.1	41.3	38.2	44.0	43.6	43.9	41.5
19 year-olds still in full time education (%)	30.8	26	26.2	24.9	20.8	17.6	17.3
University equivalent full-time enrolment (%)	65.9	79.2	79.2	85.8	86.4	85.1	84.2
University equivalent full-time graduates (as % of graduate age population)	15.8	17.7	13.0	13.0	12.2	10.5	8.7
State expenditures on education (as % of GDP)	10.2	9.5	8.3	7.4	7.7	7.2	7.3
Expenditure on tertiary education (as % of all levels expenditures)	15.8	15.3	15.9	15.5	15.7	15.8	15.9

Table 12. Employment

	1992	1993	1994	1995	1996	1997	1998
Labor force (as % of total population)							
Total	48.7	48.8	48.8	48.9	48.7	48.8	49.7
Urban	22.6	22.5	22.3	22.2	20.5	22.1	21.9
Rural	26.1	26.3	26.5	26.7	28.7	26.7	27.8
Engaged (as % of total employed)							
In agriculture							
Total	43.6	44.6	44.4	41.2	40.9	40.4	39.4
Urban	1.5	1.7	1.4	1.3	1.6	1.6	1.5
Rural	42.1	42.9	43.0	39.9	39.3	38.8	37.9
In industry							
Total	13.9	14.1	13.1	12.9	12.9	12.8	12.7
Urban	12.1	12.0	11.2	11.4	11.5	11.4	11.3
Rural	1.8	2.1	1.9	1.5	1.4	1.4	1.4
In services							
Total	28.8	28.5	31.4	23.7	24.0	26.9	26.7
Urban	19.2	19.0	21.2	16.4	17.3	20.2	20.2
Rural	9.6	9.5	10.2	7.3	6.7	6.7	6.7
Future labor force replacement ratio (%)							
Total	263	263	248	240	224	219	218
Urban			192	191	177	175	175
Rural			280	274	258	252	248
Percentage of employees unionized	100	100	100	100	100	100	100
Weekly working hours (per person in manufacturing)	40	40	40	40	40	40	40
Expenditure on labor market programs (as % of GDP)	-	0.3	0.4	0.5	0.4	0.3	0.4

Table 13. Unem[ployment

	1993	1994	1995	1996	1997	1998
Unemployed (thousand people)						
Total	13.3	21.8	31.0	33.9	35.4	40.1
Urban	6.0	9.9	14.1	15.4	16.5	18.3
Rural	7.3	11.9	16.9	18.5	18.9	21.8
Unemployment rate, (%)						
Total	0.3	0.3	0.4	0.4	0.4	0.5
Urban	0.1	0.1	0.2	0.2	0.2	0.2
Rural	0.2	0.2	0.2	0.2	0.2	0.3
Regional unemployment disparity (the bottom 25% of all regions compared to the top 25%), times	1.7	1.8	2.1	2.0	2.0	2.1
Ratio between the number of unemployed and secondary and higher school graduates in current year	4.8	5.1	5.5	6.9	7.5	8.7
Male	3.9	3.8	3.8	4.3	5.4	6.4
Female	5.4	6.6	7.7	10.1	9.8	11.4
Incidence of long-term unemployment						
-6-12 months	14	11.2	5.5	5.0	4.5	6.4
-more than 12 months	2	3.5	2.9	2.4	1.8	1.7

Table 14. National income accounts

	1993	1994	1995	1996	1997	1998
Total GDP (billion soums)	5.1	64.9	302.8	559.1	976.8	1416.2
Agricultural production (as % of GDP)	27.8	34.5	28.1	22.4	26.8	26.8
Industry (as % of GDP)	22.3	17.0	17.1	17.8	15.9	14.9
Services (as % of GDP)	31.6	33.1	34.6	37.1	36.6	36.4
Private consumption (as % of GDP)	57.7	64.3	50.6	55.2	60.8	63.0
Public consumption (as % of GDP)	24.5	21.2	22.3	22.1	20.5	20.5
Gross domestic investments (as % of GDP)	14.6	18.3	24.2	23.0	18.9	14.8
Gross domestic savings (as % of GDP)	17.8	14.5	27.1	22.7	18.7	16.5
Tax revenue (as % of GDP)	32	28.3	27.5	26.3	22.8	23.5
Government spending (as % of GDP)	39.2	33.3	32.6	36.4	32.2	33.0
Exports (as % of GDP)	33.7	16.8	31.6	34.2	29.8	23.7
Imports (as % of GDP)	30.5	20.6	28.7	34.5	30.1	22.0

Table 15. National resources balance sheet

	1992	1993	1994	1995	1996	1997	1998
Population density (thousands of sq.km.)	48.5	49.6	50.4	51.4	52.4	53.4	54.0
Cultivated land (as % of land area)	9.97	10	10.2	10.1	10.1	10.1	10.1
Forested and wooded land (as % of land area)	3	3	3	3	3	3	3
Irrigated land (as % of arable area)	93	93	94	95	95	95	95

Table 16. Trends in economic performance

	1993	1994	1995	1996	1997	1998
GDP annual growth rate (%)	-2.3	-5.2	-0.9	1.7	5.2	4.3
GDP per capita annual growth rate (%)	-4.5	-7.1	-2.7	-0.2	3.3	2.6
Tax revenue (as % of GDP)	32	28.3	27.5	26.3	22.8	23.5
Direct taxes (as % of total taxes)	48.8	36.3	40.1	47.1	48.0	42.3
Budget deficit (as % of GDP)	3	3.5	2.8	1.9	2.4	0.5
Exports (as % of GDP)	33.7	16.8	31.6	34.2	29.8	23.7

Table 17. Communication profile

	1994	1995	1996	1997	1998
Television sets (per 1,000 people)	115	103	91	84	73
Cinema attendance (per capita)	0.6	0.3	0.2	0.2	0.1
Newspaper copies (per 100 people)	12	7	6	7	7
Book titles published (per 100,000 people)	5.2	5.2	4.3	4.8	4.1
Private cars (per 100 people)	4.3	3.8	3.6	3.6	3.8
Telephones (per 100 people), units	7.1	7.1	7.0	6.7	6.5
Telephones (per 100 rural dwellers)	2.3	2.2	2.0	1.9	1.8
Parcels, letters (per 100 people)	0.6	0.6	0.2	0.01	0.02
Long distance calls (per capita)	3.1	2.5	2.5	3.1	3.3
Letters mailed (per capita)	0.8	0.4	0.4	0.4	0.4
Surfaced roads (as % of total roads)	95.4	95.6	96.1	96.1	96.1

Table 18. Rural-urban gaps

	1996			1997			1998		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Life expectancy (years)	70.2	71.5	69.1	70.25	71.5	69.33	70.3	71.6	69.6
Mean years of schooling	11.4	13.8	10.0	11.4	13.9	9.9	11.4	13.9	9.8
Schooling index	0.76	0.92	0.67	0.76	0.93	0.66	0.76	0.93	0.65
Literacy rate	99.1	99.7	98.6	99.1	99.7	98.7	99.2	99.7	98.8
Literacy index	0.991	0.997	0.986	0.991	0.997	0.987	0.991	0.997	0.988
Education level	2.742	2.904	2.642	2.742	2.924	2.634	2.742	2.924	2.626
Gross first, second and third level enrolment ratio	70.2	80.4	65.3	70.6	80.4	65.7	70.9	80.4	66.1
Education attainment index	0.895	0.933	0.875	0.896	0.933	0.877	0.897	0.932	0.879
Development index dispersion taken into account	0.891	-	-	0.892	-	-	0.893	-	-
Real GDP per capita (PPP\$)	2440	-	-	2670	-	-	2829	-	-
Life expectancy index	0.753	0.775	0.735	0.754	0.775	0.738	0.755	0.776	0.743

Table 19. Rural-urban gaps (100=parity between urban and rural areas)

	1993	1994	1995	1996	1997	1998
Population	157.0	159.4	161.5	163.1	164.5	165.6
Population growth rate	272.7	328.6	227.3	191.7	161.5	163.6
Life expectancy	100.7	96.7	96.6	96.6	96.9	97.2
Average family size	103.7	101.9	107.7	118.0	127.7	129.8
Labor force	116.9	118.8	120.3	120.3	126.5	127.3
Population elder than working age	68.7	68.4	68.4	69.1	69.2	69.1
Deaths from circulatory diseases	72.6	71.2	68.8	65.8	65.0	77.8
Deaths from malignant tumors	41.2	40.8	39.9	40.2	41.0	42.7
Life expectancy at age 60		76.9	77.1	77.1	78.4	80.6
Employed as % of total employed	135.2	136.5	116.8	117.2	116.9	108.8
Unemployment rate	200	200	100	100	100	150
Provisions of services to households:						
Water supply	70.4	70.4	77.0	77.3	80.6	82.4
Sewage service	57.1	74.1	75.0	74.4	73.0	70.8

Notes: The data are on the basis of the average level of rural area with an index of 100. the lower the figure, the higher is the distortion, the closer the figure is to 100 the lower is the distortion. Figures exceeding 100 indicate that the mean level in rural areas is higher than the level in urban areas.

ADDENDUM TO THE MAIN TABLES

I. DEMOGRAPHY AND EMPLOYMENT

Table 20. Able bodied population aged 15 and older by 1.01.99r. (thousand people)

	Both sexes	Total Male	Female	Both sexes	Urban Male	Female	Both sexes	Rural Male	female
Population aged 15 and older	14529.6	7107.2	7422.4	6013	2908.1	3104.9	8516.6	4199.1	4317.5
Literacy rate (percentage of illiterate population to population aged 15 and older, difference from 100)	99.15	99.22	99.09	99.71	99.71	99.71	98.76	98.88	98.64
Literacy index	0.992	0.992	0.991	0.997	0.997	0.997	0.988	0.989	0.986

Table 21. Life expectancy at birth (years)

	1985-1986	1990	1995	1996	1997	1998
Total						
Both sexes	68.2	69.3	70.2	70.2	70.25	70.3
Men	65.1	66.1	67.8	67.8	68.1	68.2
Women	71.0	72.4	72.6	72.7	72.7	73.0
Urban population						
Both sexes	68.9	69.3	71.5	71.5	71.5	71.6
Men	65.0	65.0	69.0	69.0	69.1	69.1
Women	72.4	73.2	73.9	74.0	74.0	74.1
Rural population						
Both sexes	68.2	69.0	69.1	69.1	69.3	69.5
Men	65.7	66.4	66.7	66.7	66.8	66.9
Women	70.4	70.7	71.4	71.4	71.4	71.6

Table 22. Birth and mortality rates by regions

	Number of life births (per 1000 people)			Number of deaths (per 1000 people)		
	Total	Urban	Rural	Total	Urban	Rural
Uzbekistan (total)						
1993	31.5	23.9	36.5	6.6	7.2	6.3
1994	29.4	23.2	33.3	6.6	7.3	6.2
1995	29.8	23.8	33.5	6.4	7.3	5.8
1996	27.3	22.2	30.5	6.2	7.4	5.5
1997	25.5	20.8	28.4	5.8	6.9	5.2
1998	23.0	19.0	25.5	5.8	6.7	5.3
Karakalpakstan						
1993	30.2	28.0	32.3	6.8	6.8	6.8
1994	26.2	24.4	28.0	6.9	6.8	7.0
1995	25.6	24.7	26.5	6.5	6.6	6.5
1996	25.1	25.2	25.0	6.3	6.6	6.1
1997	24.9	24.4	25.4	6.0	6.1	5.9
1998	22.8	21.7	23.7	6.2	6.2	6.1
Regions:						
Andijan						
1993	32.9	29.8	34.2	6.6	7.2	6.4
1994	29.8	27.5	30.8	7.0	7.4	6.9
1995	30.9	30.6	31.0	6.2	6.8	6.0
1996	27.2	28.7	26.6	5.6	6.4	5.2
1997	25.0	25.2	24.9	5.3	5.9	5.0
1998	23.9	23.1	24.3	5.6	6.2	5.3
Bukhara						
1993	29.5	20.7	33.9	5.9	5.5	6.0
1994	28.3	20.5	32.2	6.0	5.9	6.0
1995	27.3	19.9	30.9	5.4	5.7	5.3
1996	24.6	17.6	27.9	5.4	6.0	5.1
1997	23.3	18.8	25.4	4.9	5.6	4.6
1998	21.5	16.9	23.6	5.1	5.4	4.9
Djizzak						
1993	35.3	28	38.8	5.6	5.5	5.7
1994	33.4	27.4	36.3	5.7	5.2	5.9
1995	34.2	26.9	37.6	5.7	5.3	5.9
1996	31.6	22.6	35.7	5.2	5.0	5.3
1997	28.3	21.1	31.6	4.9	4.5	5.2
1998	24.8	18.5	27.6	4.9	4.2	5.2

	Number of life birth per 1000 people			Number of deaths per 1000 people		
	Total	Urban	Rural	Total	Urban	Rural
Kashkadarya						
1993	37.2	26.5	40.9	5.4	5.0	5.6
1994	34.2	27.7	36.5	5.2	4.8	5.4
1995	36.2	29.4	38.6	5.1	4.7	5.2
1996	33.1	25.8	35.7	5.2	5.0	5.3
1997	29.9	23.9	31.9	4.6	4.6	4.7
1998	27.1	22.0	28.9	4.7	4.7	4.7
Navoi						
1993	30.5	22.4	36.1	6	5.7	6.2
1994	28.9	22.1	33.4	6.2	6.2	6.3
1995	26.8	21.9	30.1	6.3	7.2	5.7
1996	24.7	22.4	26.1	6.3	7.4	5.6
1997	22.7	20.0	24.5	5.7	6.2	5.4
1998	20.3	17.7	22.0	5.8	6.3	5.5
Namangan						
1993	35.4	33.1	36.7	6.6	6.8	6.5
1994	32.5	30.9	33.4	6.3	6.5	6.3
1995	33.2	33.0	33.4	6.1	6.3	5.9
1996	29.9	30.1	29.8	5.8	6.2	5.6
1997	25.6	25.1	26.0	5.1	5.3	5.1
1998	23.6	23.8	23.5	5.4	5.6	5.3
Samarkand						
1993	34.1	24.5	38.1	6.6	7.3	6.3
1994	33.2	25.5	36.3	6.6	7.3	6.4
1995	33.4	26.0	36.5	6.2	7.1	5.9
1996	30.5	22.3	33.7	6.2	7.5	5.7
1997	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
Surkhandarya						
1993	39.9	28.3	42.7	6.3	6	6.4
1994	35.0	25.0	37.5	6.1	5.2	6.3
1995	37.5	25.6	40.5	5.7	5.0	5.9
1996	34.4	24.0	37.1	5.8	5.5	5.8
1997	32.8	22.1	35.5	5.3	5.1	5.4
1998	27.7	20.1	29.6	5.2	4.7	5.3
Syrdarya						
1993	30.7	23.7	33.9	5.3	7.7	5.7
1994	28.0	22.6	30.4	6.0	7.1	5.5
1995	27.2	23.6	28.8	5.8	7.4	5.2
1996	25.6	22.2	27.2	5.9	8.0	4.9
1997	24.7	21.7	26.1	5.7	7.8	4.8
1998	23.1	19.1	24.6	5.7	7.0	5.1
Tashkent						
1993	26.5	20.1	31.2	7.0	7.9	6.3
1994	25.1	19.9	28.8	7.1	8.4	6.2
1995	25.4	20.0	29.3	7.2	8.7	6.1
1996	23.9	19.9	26.7	7.2	8.8	6.2
1997	22.4	18.7	25.0	6.8	8.6	5.6
1998	20.6	17.3	22.9	6.6	8.1	5.5
Fergana						
1993	33.2	26.4	36.2	6.9	7.8	6.5
1994	30.9	25.2	33.3	6.6	7.5	6.2
1995	30.9	25.3	33.2	6.2	7.3	5.8
1996	27.4	22.7	29.4	5.8	7.1	5.3
1997	25.3	21.1	27.1	5.5	6.8	5.0
1998	23.4	20.0	24.8	5.7	6.5	5.3
Khorezm						
1993	33.7	29.0	35.2	6.5	6.3	6.5
1994	30.7	27.0	31.9	6.4	6.2	6.5
1995	29.2	26.6	30.1	6.0	6.4	5.9
1996	27.4	24.5	28.4	5.8	6.1	5.6
1997	27.2	23.7	28.4	5.5	6.0	5.3
1998	24.1	20.7	25.2	6.0	6.4	5.8
Tashkent city						
1993	17.4	17.4	-	8.3	8.3	-
1994	17.7	17.7	-	8.8	8.8	-
1995	17.7	17.7	-	9.2	9.2	-
1996	17.1	17.1	-	9.3	9.3	-
1997	16.9	16.9	-	8.7	8.7	-
1998	15.9	15.9	-	8.3	8.3	-

Table 23. Main indices of energy production

	1994	1995	1996	1997	1998
Extraction of resources					
Coal	0.1	0.1	0.1	0.1	0,1
Natural gas	1.8	1.8	1.8	1.8	1,8
Oil	2.3	3.2	3.2	3.2	3,2
Energy consumption (oil equivalent)					
Kg per capita	1881	1871	1889	1883	2020
GDP per kg (US\$)	1.3	1.3	1.3	1.4	1,4
	1971-80	1980-94	1980-96	1980-98	
Average annual growth rates(%)					
Energy production	0.7	2.6	2.6	2.6	
Energy consumption	6.6	1.6	1.7	1.7	

II. ECONOMY

Table 24. Composition of GDP, %

	1993	1994	1995	1996	1997	1998
GDP, total	100	100	100	100	100	100
Value added	90.6	91.8	86.9	85.6	87.3	85.6
Including:						
Industry	22.3	17.0	17.1	17.8	15.9	14.9
Construction	8.9	7.2	7.1	8.3	8.0	7.5
Agriculture	27.8	34.5	28.1	22.4	26.8	26.8
Services	31.6	33.1	34.6	37.1	36.6	36.4
Including:						
Trade	6.2	7.5	5.2	7.0	8.3	8.4
Transport and communications	5.5	5.8	7.3	6.8	5.9	6.8
Other branches	19.9	19.8	22.1	23.3	22.4	21.2
Net taxes, including import tax	9.4	8.2	13.1	14.4	12.7	14.4
Ratio between foreign trade turnover and GDP	64.2	37.4	60.3	68.7	59.9	45.7
Export	33.7	16.8	31.6	34.2	29.8	23.7
Import	30.5	20.6	28.7	34.5	30.1	22.0

Table 25. Capital investments by sectors and sources (%)

Year	For production purposes	Industry	Including Agriculture and forestry	For non-productive purposes	Financed by state budget
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

Table 26. Social and cultural amenities in operation

		Comprehensive schools (thousand seats)	Pre-school establishment s (thous.seats)	Hospitals (thous.bed s)	Polyclinics (thous.visits per shift)	Clubs and cultural buildings (thous.seats)
1994	Total	72.6	8.2	2.8	6.1	5.2
	Urban	10.6	3.3	1.2	3.8	0.3
	Rural	62.0	4.9	1.6	2.3	4.9
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

Table 27. Current and capital public spending on education and health care, %

	1993	1994	1995	1996	1997
Education expenditure, total	100	100	100	100	100
-current	93	94	90	94	94
-capital	7	6	10	16	6
Health care expenditure, total	100	100	100	100	100
-current	92	93	85	94	94
-capital	8	7	15	6	6

III. EDUCATION

Table 28. Pre-school enrolment (as% of all pre-school aged children)

	1992	1993	1994	1995	1996	1997	1998
Total	30.7	29	26.1	24.5	19.5	17.6	16.1
Urban	47.6	45.4	42.2	40.3	33.0	31.6	30.0
Rural	22.6	21.3	18.5	17.1	13.2	11.2	9.8

Table 29. Enrolment in specialized secondary and higher schools

	1992	1993	1994	1995	1996	1997	1998
Specialized secondary students (thous)	251.0	240.1	210.0	194.8	197.2	224.8	249.1
of which women (%)	47.5	44.6	46.8	51.8	54.2	54.6	52.1
Humber of students in higher schools (thous.)	316.2	272.3	230.1	192.1	165.7	158.2	158.7
Of which women (%)	39.3	39.3	39.6	38.9	39.4	37.9	38.1

IV. HEALTH CARE

Table 30. Mortality rate by selected causes of death and regions (per 100,000 people)

	1996				1997				1998			
	A	B	C	D	A	B	C	D	A	B	C	D
Total deaths	623.6	291.3	42.2	97.1	580.5	274.3	39.5	84.3	584.3	291.9	39.5	85.9
Including:												
urban	738.0	363.3	66.9	76.1	686.8	350.3	62.2	64.2	671.6	326.2	61.4	62.9
rural	552.6	242.9	26.9	110.1	515.3	227.6	25.5	96.7	531.1	253.9	26.2	105.6
Out of total:												
Men	659.0	273.2	45.1	106.8	611.8	256.4	41.9	92.6	606.6	270.9	41.7	92.9
women	588.7	306.1	39.3	87.6	549.7	291.9	37.0	76.2	562.3	312.6	37.3	79.0
Karakalpakstan	632.7	197.5	50.5	128.4	599.0	192.0	46.1	121.7	616.2	190.3	46.9	134.7
Regions:												
Angijan	559.1	288.9	31.5	109.3	527.7	285.5	30.8	94.7	559.0	308.0	36.0	86.2
Bukhara	540.4	266.9	32.9	89.1	487.4	243.7	31.7	72.4	508.6	269.0	32.3	65.7
Djizzak	520.4	201.7	34.8	112.8	494.5	194.6	30.0	99.9	488.4	192.3	31.3	99.9
Kashkadarya	522.9	180.1	20.7	81.7	462.9	154.2	20.3	66.7	471.3	210.9	17.0	103.8
Navoi	630.5	264.9	61.5	86.7	571.0	250.8	52.6	68.3	580.3	258.9	55.1	63.6
Namangan	578.8	286.0	27.8	130.4	513.2	251.6	26.5	109.2	542.5	278.9	28.5	122.2
Samarkand	619.1	313.6	32.5	97.6	584.5	298.2	32.0	84.2	572.4	303.6	31.4	81.9
Surkhandarya	575.4	223.2	29.5	132.9	529.4	197.4	24.2	121.7	521.1	214.8	24.2	110.9
Syrdarya	588.5	265.0	45.0	82.4	573.1	265.6	40.2	66.6	566.7	265.8	44.2	71.8
Tashkent	724.8	374.2	53.3	87.6	682.1	360.2	47.0	74.0	659.7	360.4	45.4	63.5
Fergana	581.3	249.4	31.7	78.6	549.3	231.7	34.2	67.8	565.2	261.5	33.3	69.5
Khorezm	575.9	301.5	31.1	106.9	550.5	284.1	25.4	114.0	598.5	335.0	29.0	117.0
Tashkent city	929.5	517.0	109.1	56.1	874.5	502.8	104.4	41.2	829.5	496.7	99.7	33.1

A – all causes

B – circulatory diseases

C – malignant tumors

D – respiratory illnesses

Table 31. Infant mortality rate (number of children died under age one, per 1,000 live births)

	Total	1995		Total	1996		Total	1997		Total	1998	
		Urban	Rural		Urban	Rural		Urban	Rural		Urban	Rural
Uzbekistan	26.0	28.7	24.8	24.2	26.8	23.0	22.8	25.2	21.7	21.9	24.4	20.7
Karakalpakstan	31.5	35.2	28.1	27.6	30.2	25.2	26.6	27.6	25.6	24.9	27.8	22.4
Regions:												
Andijan	23.5	28.0	21.6	19.2	24.9	27.5	18.2	23.1	16.2	18.6	27.3	15.1
Bukhara	21.0	20.5	21.1	19.0	18.8	19.0	16.3	21.3	14.5	20.5	22.4	19.8
Djizzak	25.1	25.1	25.2	23.0	26.6	21.9	24.4	24.3	24.4	21.1	19.6	21.6
Kashkadarya	24.0	24.6	23.8	24.8	24.8	24.8	21.6	21.8	21.5	20.7	21.9	20.4
Navoi	28.1	43.0	20.9	27.6	32.3	21.4	25.0	29.7	22.4	22.2	25.6	20.3
Namangan	26.8	32.0	23.7	23.7	27.8	21.2	22.1	25.2	20.2	22.8	28.0	19.6
Samarkand	24.2	22.8	24.7	23.9	26.4	23.3	21.5	24.7	20.7	19.9	22.6	19.2
Surkhandarya	29.5	31.8	29.1	27.9	26.0	28.2	28.1	27.7	28.2	24.5	24.1	24.6
Syrdarya	23.1	24.7	22.5	22.1	23.9	21.5	20.9	24.0	19.8	21.0	18.6	21.9
Tashkent	24.6	23.9	24.9	25.4	23.1	26.5	23.9	22.8	24.5	22.1	21.4	22.4
Fergana	27.3	29.5	26.6	23.2	25.2	22.6	21.5	22.8	21.0	22.3	24.2	21.7
Khorezm	25.9	27.7	25.3	23.6	27.8	22.4	25.1	34.4	22.6	24.7	34.4	22.1
Tashkent city	31.3	31.3	-	28.9	28.9	-	26.4	26.4	-	22.7	22.7	-

V. ECOLOGY

Table 32. Amount of harmful emissions into the atmosphere (thousand tons per year)

Cities:	1993	1994	1995	1996	1997	1998
Tashkent	21.4	18.0	16.0	15.3	13.3	11.8
Andijan	10.3	8.4	1.0	9.6	8.7	7.7
Navoi	53.6	52.3	48.3	43.7	42.2	42.6
Samarkand	8.1	8.2	7.8	7.1	8.1	8.3
Almalyk	125.6	110.7	106.6	105.4	105.9	103.6
Angren	98.2	82.8	91.6	111.2	111.8	101.0
Bekabad	14.2	10.3	9.1	7.7	6.8	7.4
Chirchik	13.1	8.3	7.5	6.7	6.3	6.5
Kikand	5.1	4.3	3.9	4.3	5.4	5.3
Fergana	84.5	64.3	70.7	72.5	67.8	55.0
Margilan	0.4	0.5	0.5	0.4	0.3	0.3
Nukus	3.2	2.5	2.6	2.9	3.0	3.7
Urgench	6.9	5.7	6.0	3.4	10.2	13.1
Bukhara	7.9	9.3	7.1	14.6	9.2	8.0
Djizzak	8.4	4.6	3.2	2.3	6.5	3.7
Karshi	102.1	123.9	129.0	85.0	75.9	65.4
Namangan	6.3	5.2	5.7	6.7	6.5	6.7
Termez	3.2	3.0	2.1	2.0	1.9	1.4
Gulistan	2.1	2.0	1.6	1.6	1.4	1.4