

POLICY BRIEF



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Community Empowerment - An Analysis of Current Situation and Recommendations

An assessment of the performance of shirkats (cooperative entities bringing together farmers and agricultural producers which replaced liquidated Soviet collective farms and state farms), conducted by the Center for Economic Research in 2004, reveals that these entities are unable to provide long-term solutions to income generation and improve agriculture in Uzbekistan. At present, the management structure of the shirkats does not match the realities of today's market conditions: there are hardly any incentives to increase productivity, staff does not participate in corporate decisions, and senior management is often inflexible. Moreover, accountability for poor shirkat performance is almost non-existent¹. The state has therefore undertaken certain steps to reorganize shirkats while also developing alternative farming entities (independent economic entities fulfilling commodity agricultural production within rented land plots) which are proving less inefficient². The government has thus adopted "The Concept of Farming Entities for 2004-2006", and the Decree of the Cabinet of Ministers #476 of 30 October 2003, according to which 1,020 out of a total of 1,840 shirkats (55%) are being reorganized by the end of the year 2006.

While analyzing the development of farming entities in Uzbekistan, it is nonetheless important to stress that decisions made for increasing economic efficiency also have critical political and social implications, which this policy brief explores.

I. Local Government and the Reorganization of Shirkats

Since the reorganization of collective farms into shirkats in the early 1990s, these have de-facto acted as grassroots government institutions. Heads of shirkats in rural areas not only used to serve as the organizers of socio-economic events and activities by facilitating state communication campaigns at local levels, but they also provided administrative, financial and material support to local self-governance bodies while supporting the vulnerable in local communities. Additionally, they managed assets and funds allocated by the state to rural settlements. Hence, they filled the vacuum left by weak institutions at the outer reaches of the government.

Within this context, a reorganization of shirkats and the establishment of farming entities could lead to significant problems within the system of local

governance. A social and political void is likely as the shirkats are dissolved.

1.1. Community Organizations Today - Current Functions and Problems

The reorganization of shirkats with the consequent loss of their implicit political agenda would leave the citizens' assemblies as the only institutions of authority in rural areas. The Associations of Farming Entities established in place of shirkats are not supposed to have any political or administrative functions³. According to the Law "On Citizens' Self-Governance Bodies", citizens' assemblies are to a) address issues related to the protection of citizens' interests and rights, b) support the development of small businesses, c) promote public assistance and charity funds, d) provide various forms of social support, and e) contribute to the development of social infrastructure within their areas of competence.

Box 1.

Citizens' self-governance is guaranteed by the Constitution, which stipulates the citizens' independent activities in meeting community needs. In 1993 the Parliament (Oliy Majlis) of the Republic of Uzbekistan passed the Law "On Citizens' Self-Governance Bodies" (new edition as of April 14, 1999) addressing the main organizational aspects and scope of activities of self-governance bodies.

According to this Law, citizens' self-governance bodies are assemblies of citizens of villages, kishlaks, auls, as well as those of makhallas in cities, villages, kishlaks and auls representing the interests of local populations and making decisions on their behalf. Any individual over the age of 18 can take part in the assembly. The Kengash is elected to implement the decisions made by the citizens' assemblies in between sessions and carry out the daily activities of self-governance bodies. The Kengash includes the chairman of the citizens' assembly, his advisors, as well as the chairmen of the reference commissions and executive secretary. The Chairman of the Assembly (aksakal) and his deputies are elected for a period of 2.5 years.

More than 8,000 citizens' self-governance bodies currently function on the territory of Uzbekistan, each elected by the citizens' assemblies of kishlaks, villages, auls, and city makhallas. Depending on the size of the population, each makhalla may elect between 4 and 16 commissions. The average number of commissions is usually about 6, and the size of the population varies from 500 to 18,000 people. On average there are about 2,500 – 3,000 people living in each makhalla.

However, a number of factors hamper the efficient performance of community organizations. These include, among others:

1. In recent years the number of functions assigned to community organizations, Kengashes (executive bodies of citizens' assemblies) has increased considerably and includes up to 30 functions today. The Law on "Self-Governance Bodies" introduced in 1999 has since been amended three times, each time increasing the scope of powers, objectives and functions of community organizations but failing to provide commensurate increases in their financial capacities and human resources.
2. Citizens today have little access to information on the activities of Kengashes of the assemblies and makhallas (association of residents living within a certain area on a community basis and covering up to 1,000 families). This lack of transparency is compounded by an absence of oversight mechanisms over the elected bodies of community organizations (including Kengashes with their audit and administrative commissions).
3. According to the law, the chairman of the citizens' assembly is elected "with the concurrence of the Khokim (head of the local administration) of the respective province or city". The chairman, executive secretary and staff members of the Kengash may be paid either from funds of the citizens' assembly or from the local state budget. However, the heads of self-governance bodies generally receive their salaries from local state budgets made available through khokimiyats (local administrations), and therefore can be considered as civil servants. Moreover, both the Law "On Local Governance Bodies" and the Decree of the Cabinet of Ministers "On Improving the Structure of City and Province" entrust the Khokims with the

responsibility to "coordinate and supervise local self-governance bodies." These legal provisions lead to heavy interference of khokimiyats into the activities of community organizations. As a result, community organizations are heavily controlled by the executive branch both through legislation and financial arrangements. These controls tend to reduce their independence and initiative.

Box 2.

The main powers and functions of local community organizations include the following:

- implementation of employment programmes in makhallas;
- distribution of social benefits on behalf of the state, including provision of pension, social insurance, and unemployment benefits, assistance to single headed households requiring additional care, allowances to families with children under 18 and special allowances to families with children under 2, aid to newly-weds and to low-income families;
- advocating for the empowerment of women and undertaking affirmative action measures;
- safeguarding environmental protection;
- propagating preventive activities – such as for example organizing workshops, lectures and roundtables on the issues of fundamentalism, terrorism, drug addiction, family abuse, etc.;
- organization of public events, such as celebrations and elections ;
- settlement of local conflicts;
- managing economic assets (such as for example, renting premises located on the territory of makhalla, etc.);
- political functions – such nominating candidates for election to the Legislative Chamber and Kengashes of the Peoples' Deputies of various levels.

1.2. Property and Financial Basis of Community Organizations

Financial incentives can improve the effective performance of community organizations. When community organizations lack sufficient material resources they are not only unable to perform the functions they are responsible for by law, but they also continue to be dependent on public administration bodies.

Hence the transfer of any government functions to community organizations should be accompanied by substantial reinforcement of their financial status.

Currently, the central authorities yield considerable influence on the administration of local budgets. The State budget process determines the financial allocation of budgets to regions, districts and cities and decides on the sources of income, earning rates, spending items and the rates allocated for specific objectives during the financial year. The Ministry of Finance elaborates the draft state budget and maintains control of the revenues and expenditures of the state budget, and accordingly on the local budgets as a part of the state budget.

According to Article 10 of the Law "On Local Self-Governance Bodies", citizens' assemblies have the right "to establish funds owned by self-governance bodies, and to possess, utilize and manage the property of self-governance bodies."

Box 3.

The property of self-governance bodies includes public, social or other facilities which it construct, purchase or transfer in line with the current legislation, as well as transport facilities, equipment, etc. Community organizations have the right to transfer their property on a temporary or permanent basis to legal entities and individuals, and to lease, expropriate and make other property deals according to the current legislation. The financial assets of community organizations are derived through their own funds, budget funds allocated by province and city Councils of the Peoples' Deputies, donations made by legal entities and individuals, and miscellaneous funds provided in line with current legislation. Funds are transferred to special bank accounts and cannot be confiscated. They are to be used by community organizations at their own will.

Despite the legislation, community organizations remain considerably dependent on state funding. Citizens' assemblies today have only four types of accounts for accumulating funds allocated by the state budget: allowances for children under 2 years old, allowances for children under 18, and allowances for poor families, free provision of the main food stuff to lonesome pensioners.

Hence, the citizens' assemblies serve merely as an intermediate distribution link within the state's system of social support. Given that they do not have access to other resources, they remain very limited in effective community support.

Moreover, community organizations have been stripped of many responsibilities in recent years. For example, contrary to Article 14 of the Law "On Self-Governance Bodies," the chairmen of citizens' assemblies have been deprived of the right to register acts of civil status (marriages, deaths and births) within their territory though this authority was delegated to the district level. This decision has resulted in a loss of power to the chairmen of citizens' assemblies as well as in considerable discontentment among the rural population since a trip to the district center to register a death, birth or marriage can cost from 300 to 1,000 soums.

Therefore, in order to increase the efficiency of local self-governance organizations, reforms should pay particular attention to improving the legislative base to increase financial and structural independence of the community organizations from the executive branch.

Box 4.

At the moment, the Uzbekistan Association of Water Consumers (which included 894 entities of voluntary farmers unions as of October 1, 2005) face specific institutional and financial problems. These include an ineffective mechanism of water allocation among members, poor control over the rational utilization of water resources, lack of financial resources and skilled staff, problems related to arranging exploitation of water facilities, etc. Hence, the Association of Water Consumers is unable to ensure adequate assistance to rural community organizations in solving local development issues through resource mobilization and coordination of farmers' and water consumers' efforts⁴.

1.3. Local Governments – Gaps in Expectations and Possibilities

The lower level of public administration in Uzbekistan today consists of local executive authorities (local khokimiyats) and representatives of peoples' assemblies at the province and city levels (Kengashes of the Peoples' Deputies of a province or a city).

Both khokimiyats and the councils of the People's Deputies are responsible for delivering general objectives in terms of socio-economic development and law enforcement. In addition, they are to provide a link between government authorities and community organizations and promote participation of population in the governance process.

However, while performing these functions, local governments face certain problems which hamper their effectiveness in reaching their objectives, in particular the independent formulation and implementation of comprehensive local socio-economic development programs and improvement of living standards of the population. These include:

1. *Insufficient financial and economic base of local governance bodies.* The legislation stipulates that the economic assets available to the local governance bodies consist of "the state property of administrative-territorial unions (communal property) and other property within the region, province, or city devoted to economic and social development"⁵.

Such property also includes that of regional, province and city Councils of the People's Deputies. It may also include infrastructure facilities, enterprises and unions, as well as healthcare, educational and social infrastructures, in addition to scientific and cultural institutions created or purchased with funds from the region, province or city.

Yet, the mechanism of managing such property is ineffective. Local governance bodies are often unable to promote entrepreneurship development, and increase the tax base of local budgets⁶ while using market mechanisms such as privatization. The existing centralized system of income generation and distribution of local budgets' expenditures does not provide incentives for local governance bodies to expand the tax base, since the main part of budget revenues consists of resources reallocated from the center rather than by local proceeds. Meanwhile the legislation calls for the non-deficit of local budgets (Uzbekistan follows the practice of non-deficit local budgets, i.e. in case the expenditures of the local budget exceed the revenues, the deficit is covered by the central budget through subsidies) thus leading to inefficient resource utilization by local governance bodies.

2. *Insufficient human resources.* The existing poor performance of professional staff working at provincial khokimiyats was further undermined by the Cabinet of Ministers "On Improving the Structure of Local Government Bodies" (#2 of January 5, 2004) which has resulted in the reduction of the staff. Such a reduction was not based on an accurate analysis of the functions performed by khokimiyats, and the human and material resources available to them. Consequently, the number of staff was reduced while the number of functions to be performed increased.
3. *Unclear division of mandates.* While there is a clear division between judicial and executive branches of power at the national level, the separation of functions is less clear at the regional and local levels. This is because regional, provincial and city Khokims simultaneously perform the functions of the chairmen of respective Kengashes of the People's Deputies, while their offices provide organizational, technical and other support services to the activity of Kengashes, as well as to its regular and temporary commissions.

The Khokims are therefore the only decision-makers (with control over financial assets), while the activity of Kengashes of the People's Deputies remains mainly formal under current legislation. The local Kengashes of the People's Deputies depend on the system of khokimiyats, and do not have access to independent assets or technical and human resources. Given these conditions, they are unable to monitor the activities of the executive branch of power, nor participate in the development and implementation of regional programmes for addressing local needs.
4. *Lack of horizontal consultation mechanisms.* There are virtually no mechanisms for interaction among khokimiyat, businesses and representatives of various social strata to discuss important issues of local development. This further limits the ability of local administrations to take effective decisions.
5. *Lack of monitoring mechanisms.* According to the legislation, the acts of the Khokims may be appealed in court by citizens, community organizations, enterprises and institutions. However, such cases are very rare. The lack of independent public monitoring over the activities of local bodies of the executive power could lead to uncontrolled activities of local governance bodies, corruption etc.

Khokimiyats do not have sufficient powers and instruments to effectively address socio-economic problems at the local level, as the existing legal framework fails to stimulate their active and independent role in designing and implementing regional development strategies. They operate under limited financial, material and human resources. An analysis of the performance of community organizations and local governance bodies in Uzbekistan attests to this inefficiency⁷. It is therefore necessary to introduce institutions and mechanisms that could provide effective solutions to local problems, and fill the power vacuum at the local level which was further aggravated by the reorganization of shirkats.

Despite the obvious inefficiency of the present system of community organizations, they still represent the only tangible alternative to the previous system of shirkats

in addressing local development objectives.

II. Learning from Best Practices in Local Self-Governance

Global experience offers a substantial variety of organizational and economic solutions in the area of local self-governance.

The experience of promoting local self-governance in developed democratic countries points to a number of prerequisites for success, including: a) the opportunity to elect and hold accountable the heads of community organizations; b) the availability of economic and financial tools and mechanisms for reaching a set of clearly defined objectives; c) the existence of a strong and independent judicial authority, civic organizations and mass media to counterbalance the power and influence of the power of the local executive. This last variable is crucial: In cases where community organizations make incorrect decisions under a democratic system that allows the free exchange of views, the "total cost" for this mistake is lower and the sustainability of the entire system is higher than where the state makes even a minor mistake while trying to solve local problems through a centralized system of public administration.

2.1. Self-Governance in France: Social Responsibility

At the outset of a discussion on the municipalities (*communes*), it should be recalled that France's territorial structure of the *communes* as the bottom layer of local self-government is characterized by an extraordinary degree of fragmentation with a multitude of small and very small *communes*. While 241 municipalities (or 0.7% of all *communes*) have more than 30,000 inhabitants (comprising 31.5% of the entire population), some 28,000 *communes* (or 77%) have less than 1,000 people (or 15.7% of the entire population)⁸.

1. *Communes* inherited the traditional practice of "voluntary" social assistance which reaches back into the 19th century. Such "voluntary" social assistance consist of both very elementary assistance (such as small sums of cash or food and shelter to individuals in financially urgent or desperate situations), but also household assistance, home care etc. which compliment the "legal" entitlements, but in a more fragmentary and residual manner.

2. As a result of the transfer of the State's social assistance responsibilities to the local governments (*départements*), the *communes* have begun to support these in the implementation of their responsibilities, for instance, by acting as the "front office" in processing the applications from citizens.

3. A strong impulse for the *communes* to intensify their social policy involvement came from the "urban policy"⁹ which the central government inaugurated since the early 1980s. As a massive and programmatic first step in this direction, central government, in 1984, inaugurated the policy called *Développement Social des Quartiers*, DSQ. While DSQ focused policy attention on the "vulnerable neighborhoods", the law of July 13, 1991 takes a wider view meant to integrate the precarious neighborhood into the development of the entire municipality and thus to promote "social solidarity in towns".

4. The *communes* have begun to engage themselves increasingly in efforts to combat unemployment and the ensuing social exclusion. This commitment responds to the demands of the local citizens who expect the *commune* to play a major role in combating unemployment. It is directed particularly at young unemployed who pose the most serious social problem in the local communities.¹⁰

In sum, local social policy responsibilities has been rooted in the *communes* – with a significant difference and variance between them in the composition and accentuation of various tasks.

2.2. Self-Governance in China: How to Enhance Income Generation for Local Governance

The rural self-governance system in China pivots around the Committee of Villagers, a public organization established on the basis of democratic elections. Some analysts call the system created by China at the lower level a "collective democracy", as opposed to the Western "democracy of individuals." The key factors ensuring success for this model of self-governance are the following: (i) the effective use of the population's capabilities and participation; (ii) economic independence of local communities within the framework of the system; (iii) the right of the Committee to manage the property of villages and settlements while generating its own funds and sources of income; (iv) the initial drive of self-governance as a bottom-up initiative rather than through top-down decrees and regulations.

The Chinese government launched the rural self-governance program in 1987 with the initial objective to liberalize agriculture and stimulate economic growth by providing the rural population with the opportunity to make independent decisions on what to produce.¹¹ The program was followed by the introduction of elections to local self-governance bodies which allowed the rural population to elect their local leaders.¹² As a result, the rural areas of China benefit from a simple decentralized system of regulation and control between the head of the rural committee and rural assembly. Rural dwellers have the opportunity to engage in monitoring the activities of representatives of power and dismiss rural leaders. Elections to local governance bodies are widely acknowledged today as an effective mechanism of eliminating political corruption and reducing conflicts between villagers and the government.¹³

In order to examine the outcome of local self-governance, a study¹⁴ compared development indicators in rural areas which were centrally administered with those that were led by elected administrations. Not surprisingly, areas under elected administrations demonstrated better results. The average income was higher in villages which elected leaders of rural committees. The number of telephones, refrigerators and newly built houses were also higher. Moreover, the tax burden on households was lower in villages where the heads of administrations were elected while public expenditures per capita was higher in those areas where the administrators were assigned from the center.¹⁵

Local businesses provide a significant part of funds allocated to the activities and public services which elected administrations carry out, while financial support to villages continue to trickle from higher levels of the administration. Hence, the efficiency of local self-governance also depends on the size of the village. Large villages are able to generate more income and reduce service-related costs as per the economy of scale.

III. Strengthening Local Self-Government Institutions

3.1. Institutional Strengthening

In the long run, support to development of local self-governance should be focused more and geared towards broadening participation in decision-making and on the introduction of modern governance and management methods. Community-based development of this type can prove an effective means of addressing the gaps that have developed at the local level during the period of transition and may also serve to overcome some of the dissatisfaction that could create a potential for instability.

This will require:

- strict delineation of authorities and functions between local self-governance and local public administration bodies;
- training programmes for local self-governance bodies' staff members in the area of financial and human resource management;
- introduction of mechanisms for ensuring transparency and accountability of local self-governance bodies through open and transparent procedures of managing local funds and financial accounts;
- creating conditions for more active participation of citizens in solving local problems and objectives, and establishment of participatory, community-based monitoring and evaluation systems.

From the Government's perspective, more effective local self-governance institutions would enable it to:

- i. Reduce the burden of responsibility it currently carries for the delivery of services at the local level;
- ii. Reduce disappointments with the system at the local level;
- iii. Gain the confidence of the communities concerned by minimizing government interference in their affairs.

Given the serious problems within the system of local self-governance in Uzbekistan and the necessity to implement a set of measures to further develop this system, the Government should focus on the following mid-term objectives:

1. Introduce important amendments in the Law "On Citizens' Self-Governance Bodies," since the current Law does not provide a legal basis for the further decentralization and strengthening of local self-governance.

In particular the new edition of the Law should provide clear definitions of functions and objectives to be performed by self-governance with the currently available financial and human resources. It may therefore be necessary to reduce the functions to be performed by community organizations. International practices show that the main functions of community organizations may include:

- settlement of conflicts in *makhallas*;
- advocacy
- implementation of small business development and self-employment programs.

2. To formulate concepts and government programs for the development of local self-governance¹⁶ with underlying principles of financial sufficiency and the strict delineation of authorities, functions and objectives to be performed separately by public government bodies and local self-governance bodies.

It is necessary to confirm the legal provision that *khokimiyats*, as state administrations, are public governance bodies. The *Khokim* of the region, province or city, is a government official responsible for implementing the laws and the Decrees of the President and Government. Citizen's assemblies are on the other hand local self-governance bodies with enlarged power to: a) develop local infrastructure, b) manage communal property, c) develop the economic and financial base for local self-governance and the social infrastructure of settlements, d) engage the population in public and reconstruction activities, e) mobilize off-budget funds devoted to urgent local issues, and – most importantly – f) exert real independence from executive power.

It is also necessary to abandon permissions of *khokimiyats* to intervene into election of the chairmen of *Kengashes* of citizens' assemblies.

It is therefore necessary to expand the power of the citizens' assemblies through:

- transferring the authority to distribute, monitor and control the rational utilization of land and water resources within supervised territory, currently performed exclusively by provincial *khokimiyats* and respective commissions, to the jurisdiction of citizens' self-governance bodies;
- assigning community organizations to open target accounts for implementing and attracting donors to specific area-based development projects and programs in order to ensure both the efficiency and transparency of expenditures;
- envisaging opening a bidding process for special annual programs for self-governance bodies to Association of NGOs
- understanding that community organizations do not have sufficient opportunities for ensuring independent financial sustainability at the moment. Global experience shows that the state needs to develop adequate financial support mechanisms. In particular, it is necessary to adopt the Law "On Government Support to Self-Governance Bodies" in order to define specific forms of government support to community organizations and implementation mechanisms. One such mechanisms may be to introduce the redistribution of tax proceeds from businesses (i.e. by transferring a certain proportion of taxes paid by entrepreneurs to the accounts of *makhallas*). This would provide additional incentives for community organizations to engage the private sector to their areas of competence.

The empowerment of local community organizations should be accompanied by measures to increase the performance of local governance bodies at the level of provinces and cities. These moves would enhance decentralization, ensure the clear delineation of power between the central, regional and local governance bodies within the framework of ongoing public administration reforms, and define more clearly the differences in responsibilities of public government bodies and self-governance bodies.

It is therefore necessary to consider the following measures:

1. The development of the new edition of the Law "On Local Governance Bodies", addressing the structure, objectives and functions of local government bodies in a clear and transparent manner.
2. The deepening of the process of budget decentralization. A greater independence of local governance bodies in distribution of tax proceeds could stimulate local governments to expand the taxation basis and increase tax proceeds to local budgets by supporting the development of businesses. It is therefore necessary to develop and adopt a new edition of the Law "On the Budget System" which would ensure a) a more reliable and transparent distribution of power between the central and local budgets, b) the revision of the current methodology of budget planning, and c) the development of new norms for financing social expenditures (for instance, norms per 1 student). Furthermore, it is necessary to enlarge the power of *khokimiyats* to redistribute funds among various budget items within the framework of new approaches to budgetary planning. This would solve financial problems at the level of provinces.
3. The improvement of participation mechanisms for NGOs in addressing local problems. In particular, it is necessary to introduce amendments into the Law "On Local Governance Bodies" in order to authorize *khokimiyats* to organize tenders for: (i) monitoring the implementation process of specific social programmes; (ii) collection and analysis of information. These functions can be transferred to local NGOs, profit-oriented organizations and research institutions while empowering government agencies with sufficient mechanisms and resources to ensure a transparent and efficient social order at the local level.

3.2. Improving Financial Mechanisms of Community Organizations

Financial means of community organizations should comply with the authorities provided by the Constitution and the law. Strengthening financial resources of community organizations in addition to budget means allocated for social support requires increasing boosting resources stemming from entrepreneurship, small enterprises and service companies. Part of receipts should be ensured through local dues and taxes.

Community organizations can additionally strengthen their resources through the following activities:

1. Within the framework of the current elaboration of the new edition of the Tax Code, it should be identified that the local land and property tax should be directed to the special accounts of community organizations. Property taxes, land taxes, agricultural land taxes, single tax on the right for land possession should provide the basis for community organization's budget¹⁷.
2. Part of dues to special public funds (the State School and Road Funds), collected within the territory of a community organization should be transferred to special settlement accounts. In case the due rate of 1% from the profit tax to School and of 1.5% to Road Funds community organizations may receive 0.4% and 0.3% accordingly. These means are to be spent only for repair of schools and roads within the territory of a community organization.
3. Based on the current legislation it seems reasonable to transfer at least 50% from the state duties for registration of marriage and birth to the special accounts of community organizations.
4. Based on the current legislation the sale of houses and apartments, garages and other types of real estate is levied by a certain state duty. At least 50% of the duty should be transferred to the special settlement account of community organizations.
5. Duties levied on game clubs located on the territory of a *makhalla* should be transferred to the settlement account of community organizations.


Within the framework of activities aimed at improving the budget system it is necessary to:

- establish a monitoring system for the Law "On Budget System";
- increase the financial and legal literacy levels of the heads of community organizations to fulfill their duties to manage the budget;
- establish an Economic Reform Fund within the framework of the state budget and allocate budget funds to projects developed by regions on a competition (grant) basis.

Conclusion

Uzbekistan has a unique national model of local self-governance in the form of citizens' assemblies in villages and rural settlements. As part of commitments to a democratic society and market economy, it is necessary to develop and implement a comprehensive government policy aimed at the establishment of effective and functional local self-governance bodies that adhere to the social and political system of Uzbekistan and stem from the ancient national traditions of the Uzbek people.

Decentralization, the delegation of power to a lower level, and the expansion of the power and opportunities for local self-governance bodies and local government authorities in Uzbekistan today must be combined with the establishment of judicial oversight independent of executive bodies, the strengthening of the role of civil-based organizations and the development of an independent mass media. Without the simultaneous development of all the


 aforementioned components, decentralization and the promotion of local self-governance may result in continuing management by the authorities of the local community organizations, limiting the citizens' participation in local governance. Such a reduction of people's participation in community actions is likely to increase social tension.

¹ These issues are highlighted in the policy paper "Reorganization of Shirkats into Farming Entities", Center for Economic Research, 2004.

² In 2003 the number of unprofitable shirkats constituted 40%, whereas unprofitable farming entities - only 3.9%. Ibidem.

³ According to the Statute of the Association of Farming Entities, the Chairman and his office (7 staff members) are to focus exclusively on solving economic problems.

⁴ Associations of Water Consumers are established in Uzbekistan based on the Decree of the Cabinet of Ministers of the Republic of Uzbekistan # 8 of 05.01.02 "On Measures towards Reorganization of Agricultural Enterprises into Farming Entities".

⁵ Excluding state property owned exclusively by the Republic of Uzbekistan.

⁶ According to the Resolution "On Ratification of the Instruction on Calculation and Payment of Local Taxes and Duties to the Budget", effective from February 26, 2003, local taxes and duties include: a) property tax; b) land tax; c) tax for development of social infrastructure; d) tax for individual consumption of oil, diesel and gas for transport means; e) duty for the right for trade activity including license duties for specific goods; and f) registration of legal entities and individual entrepreneurs.

⁷ Main directions of local government reform in Uzbekistan. CER. Working paper 2004/07.

⁸ Hellmut Wollmann, "The social policy responsibilities of the local government levels in France". Draft report. Institut für Stadtforschung und Strukturpolitik Berlin. <http://www2.rz.hu-berlin.de/verwaltung/Down/france.social%20policy.draft%20feb%2005.rtf>

⁹ The "Urban policy" came as a reaction to the social tensions and riots in the outskirts of major cities (Marseille, Lyon) and to the rising unemployment and social "exclusion". Central government urban policies were increasingly marked by a concern about the social problems in and within the municipalities, whereby, going hand in hand with decentralisation, the attempt was made by central government to get the municipalities involved in the implementation (and also financing) of such "urban policies".

¹⁰ Moreover the *communes* have increasingly gotten involved in the implementation of the RMI scheme. RMI (*Révenu Minimum d'Insertion*) has been introduced by the legislation of December 18, 1988 and aimed at the addressing unemployed persons of more than 25 years old who do not receive unemployment benefits.

¹¹ A draft "Organic Law of Village Committees" approved in November 1987, provided the legal basis for organizing and conducting elections to rural committees and assemblies. By the end of 1989, pilot rural elections were conducted in 14 provinces, 6 of them based on the amendments to Organic Law which benefited from lessons learned. In 1990, the central government extended the pilot on a mass scale and in 1998 the Organic Law was officially adopted. By the end of 1998, 8,329 thousand villages had introduced the election system.

¹² Xiaobo Zhang, Shenggen Fan, Linxiu Zhang, and Jikun Huang. "Local Governance and Public Goods Provision in Rural China." Environment and Production Technology Division, International Food Policy Research Institute and Center for Chinese Agricultural Policy (CCAP) Chinese Academy of Sciences. *EPTD Discussion Paper* № 93, July 2002. <http://www.ifpri.org/divs/eptd/dp/papers/eptdp93.pdf>

¹³ Li Fen, "Rural Democracy in China", LOGOS-PRESS, #47 (447), December 21, 2001, <http://logos.press.md/Weekly/Main.asp?IssueNum=447&IssueDate=21.12.2001&YearNum=47&Theme=58&Topic=6443>

¹⁴ Xiaobo Zhang, Shenggen Fan, Linxiu Zhang, and Jikun Huang. "Local Governance and Public Goods Provision in Rural China." Environment and Production Technology Division, International Food Policy Research Institute and Center for Chinese Agricultural Policy (CCAP) Chinese Academy of Sciences. *EPTD Discussion Paper* № 93, July 2002. <http://www.ifpri.org/divs/eptd/dp/papers/eptdp93.pdf>

¹⁵ Xiaobo Zhang, Shenggen Fan, Linxiu Zhang, and Jikun Huang. "Local Governance and Public Goods Provision in Rural China." Environment and Production Technology Division, International Food Policy Research Institute and Center for Chinese Agricultural Policy (CCAP) Chinese Academy of Sciences. *EPTD Discussion Paper* № 93, July 2002. <http://www.ifpri.org/divs/eptd/dp/papers/eptdp93.pdf>

¹⁶ While preparing this Concept and Strategy, it is necessary to conduct a comprehensive study in order to identify tools and mechanisms for increasing the financial self-sufficiency of the citizens' assemblies. These could include, for example, expanding the role of self-governance bodies in fostering the development of rural micro-business and self-employment and tapping into public property within their territory.

¹⁷ International experience proves that local public administration bodies have the right for retention of one of the main taxes, for instance property tax (Great Britain, the Netherlands), merchandise tax (France, Germany) or subsidiary income tax (Scandinavian states) to manage them at their discretion.