

NPRS-PRF

Helping Accelerate Poverty Reduction in Asia and the Pacific

IMPROVING THE LIVING STANDARDS OF THE POOR IN UZBEKISTAN

A technical assistance (TA) was aimed at providing the Government of Uzbekistan with capacity-building support to prepare the medium-term poverty reduction strategy with special focus on low income, vulnerable, and socially excluded groups.

The Republic of Uzbekistan was one of the poorest regions of the former Soviet Union. It became an independent state after the collapse of the Soviet Union in 1991.

The severing of economic links with the Soviet Union in the beginning of the 1990s led to a 24% decrease in the real gross domestic product (GDP) by 1996. This fueled the rise in poverty in Uzbekistan in the initial years of reforms. The transition has resulted in a significant fall in living standards for most of the population. The transition period has been accompanied by (i) a decline in production, (ii) an increase in unemployment, (iii) high inflation, (iv) decreasing standards of living, and (v) increasing income differentiation and inequality.¹

Subsequent economic growth and measures taken by the Government to strengthen social security of the population, which began in 1996, led to improvements in living standard indicators. The country started to recover from the economic decline and, by 2001, had practically regained its 1991 GDP level.² However, over the same time period, the numbers of poor people declined more slowly.

Poverty in Uzbekistan has not reached crisis proportions. However, empirical evidence suggests that 20–27% of the population is poor (depending on the poverty line chosen) while 7–9% lives in extreme poverty. A large proportion of the poor (69% of the poor, 72% of the extreme poor) are located in the rural areas and composed mostly of agricultural workers. Another 20–25% of the poor work in small- and medium-sized enterprises (SMEs) and unstable, low-paying jobs in the informal sector.

Disparities in poverty rates across regions are apparent. Poverty in the southern region (Kashkadarya and Surkhandarya oblasts³) is 3.5 times higher than in the Tashkent region, and nearly twice the national average.

As with other countries, the private costs of education have become a burden to the poor. The employed and unemployed are similarly affected by poverty, with low wages and debts.

In order to maintain and further improve the relatively high level of human development that Uzbekistan has achieved during the Soviet era, living standards in the rural areas and for vulnerable groups need to be improved. It is also critical that access to and quality of education and health services are enhanced and issues pertaining to environmental degradation are addressed.⁴

At the start of the new millennium, the Government was faced with the challenge of designing a comprehensive strategy to consolidate the economic gains made while addressing current poverty issues.

Preparing Towards Strategic Growth

The Asian Development Bank (ADB) Technical Assistance (TA) 3781: Preparing a Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan⁵ aimed at providing the Government of Uzbekistan with capacity-building support to prepare a medium-term poverty reduction strategy with special focus on the low-income, vulnerable, and socially excluded groups. The TA assisted in the collection of statistical data on living standards and provided training to policy makers on pro-poor growth strategies and social policies.

The TA had three components:

- (i) *Strategy planning and formulation*, which generated technical reports, studies, and other analytical papers on the priority issues identified by the Government,⁶ accompanied by a website to disseminate the information generated;
- (ii) A statistical component, which produced a common database on living standards that will serve as the indicators and parameters for assessing living standards in the country and the performance of the poverty reduction measures, approaches to targeting assistance, and a monitoring and evaluation (M&E) system; and

- (ii) Training and capacity building on pro-poor growth strategies and social policy for key policy makers.

Looking Closer

The TA outputs included (i) labor market and employment analysis, (ii) policy on income generation, (iii) living standard indicators, (iv) social assistance for the vulnerable and social protection for all, (v) regional aspects of living standards, and (vi) human development.

The specific TA activities were as follows: (i) assess government legal documents, programs, and currently available data and information related to the improvement of living standards; (ii) conduct special studies and policy analysis on the six priority areas of concern identified by the Government; (iii) hold participatory consultations to identify concerns and determine the role of stakeholders in implementing the strategy; (iv) draft the Living Standard Strategy (LSS); (v) address crosscutting topics, such as gender and governance; and (vi) develop a website that will serve as the repository of all data, documents, and materials gathered under the strategy formulation component.

The TA supported a study⁷ on a selected region, the Djizak oblast (Pakhtakor and Gallaaral districts). The region's economic performance indicators are similar to average country indicators and, at the same time, show considerable differences between the districts in terms of economic specialization, available resources, and forms of production. The study examined the role of local governments and local self-managed committees (mahallas) in addressing living standard issues.

The Djizak Study

1. Supported the initial findings that regional disparities in terms of living standards vary significantly, and these are affected by the combination of several key factors, including (i) territorial and geographical situation of regions, (ii) demographic factors, and (iii) economic development level. This poses a challenge for the government regional policy development.
2. Found that the current regional policy, which is focused on the redistribution of resources, does not encourage development of regions, sectors, and social groups. Instead, the policy slows the pace of development of promising regions/sectors.
3. Showed that effective regional policy processes require more effective governance at the middle level, primarily at the level of provincial and district khokims (governors). Administrative jurisdiction should be sustained with a budgetary reform that would enable a clear separation of jurisdictions between central and regional actors and delegation of such jurisdiction in part to local authorities.
4. Stressed the need to address several issues related to collection of statistical evidence for a poverty reduction strategy to be formulated. The lack of reliable statistical evidence that clearly describes the living standards situation of the vulnerable groups and depressed areas hinders the development of sound recommendations for improving the living standards of the people, specifically of the poor.

In December 2003, the Asian Development Bank Institute (ADBI) held a training course focused on the Uzbekistan Case in Living Standard Strategy (LSS) Formulation in Tokyo, Japan. The training aimed to provide the participants with concepts and skills considered most useful for the development of poverty reduction strategies and to apply these acquired knowledge and skills in developing the LSS.⁸

The training included discussions on social policy tools and macroeconomic policies for poverty reduction, with specific application to Uzbekistan, as well as presentation and discussion of actual experiences in poverty reduction strategy development in Viet Nam and the People's Republic of China.⁹

The government delegation and ADB representatives agreed¹⁰ on an overall framework for a medium-term LSS for Uzbekistan and supporting policy matrices summarizing the main elements and direction of the LSS for key sectors. The agreement included basing the LSS on three main pillars, namely, economic growth, strong social policy, and improvements in public administration.

During the policy formulation, the next steps were identified: (i) incorporation of regional development; resource analyses; monitoring indicators; and crosscutting issues, such as environment, gender, governance, and private sector development; and (ii) review and comment by stakeholders, including international organizations and wider civil society representation.

Looking Beyond

Uzbekistan has made some progress in economic reform following a more gradual and controlled reform process. In the Central Asia region, Uzbekistan has exhibited the most proactive social policy during the last decade.

The TA has been highly useful in terms of placing poverty reduction on the Government's reform agenda. The basic inputs for an effective strategy for improving the living standards of the poor in Uzbekistan have been laid down. Subsequently, the Government developed a Welfare Improvement Strategy (WIS) in close coordination with ADB, the World Bank, and the United Nations Development Programme (UNDP), which was endorsed by the Cabinet of Ministers of Uzbekistan on 27 August 2007 and is posted in English and Russian on the Government's website www.wis.uz. The challenge now is in the implementation of the strategy.

Endnotes

- ¹ http://www.adb.org/Documents/Books/Country_Briefing_Papers/Women_in_Uzbekistan/Chap_1.pdf
- ² Interestingly, Uzbekistan—the country among the Central Asian republics that had chosen a gradual and controlled approach to the transition—experienced the smallest decline in GDP over the period 1990–5 and, subsequently, sustained a moderate but acceptable annual growth rate of GDP of 3.5–4.0%. (http://www.networkideas.org/featart/mar2004/Uzbekistan_1991_2002.pdf)
- ³ Also called viloyati - an administrative territorial division. In the now-dissolved Soviet Union, oblasts were one of the types of administrative divisions of the union republics. As any administrative units of this level, oblasts were composed of districts (raions) and cities/towns directly under oblasts' jurisdiction. Some oblasts also included autonomous entities called autonomous okrugs.

- ⁴ Millennium Development Goals in Uzbekistan Published by the United Nations Country Team and the Asian Development Bank in Uzbekistan. 2004.
- ⁵ TA 3781 Preparing a Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan. Executing Agency: The Cabinet of Ministers; Implementing agencies are Inter-ministerial Committee for the strategy planning and formulation; State Department of Statistics and Center for Economic Research. Total TA amount was \$1,150,000, of which \$800,000 was financed by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (contributed by the Government of the Netherlands and administered by ADB) and \$125,000 was the counterpart government financing. TA Approval Date: November 2001. TA Completion Date. March 2004.
- ⁶ The priority issues identified by the Government are (i) labor market and employment analysis, (ii) policy on income generation, (iii) living standard indicators, (iv) social assistance for the vulnerable and social protection for all, (v) regional aspects of living standards, and (vi) human development.
- ⁷ The study was conducted in August–September 2003 through combined approaches of reviewing related data, sociological survey, in-depth interviews, and focus group discussions with key informants emphasizing the use of participatory methods and inclusion of vulnerable sectors, such as women and youth. The United Nations Development Programme (UNDP) was also interested in parallel financing a similar study for another region. These studies will be used to pilot-test a living standard strategy for one region.
- ⁸ The training involved 13 government officials, two representatives from civil society, four international consultants, and four ADB staff, and was funded mainly by the Asian Development Bank Institute, with cofinancing from UNDP.
- ⁹ Two of the governments who also received technical assistance from ADB for formulating LSS toward poverty reduction.
- ¹⁰ Joint Statement on the Living Standards Strategy Formulation: The Uzbekistan Case. Signed by Z. SH. Nasritdinkhodjaev, Head, Uzbek Government Delegation, and M. P. Perlas, Deputy Country Director, ADB Resident Mission in Uzbekistan.

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