

SUMMARY OF PROCEEDINGS
ROUNDTABLE ON THE COMPREHENSIVE MEDIUM-TERM STRATEGY FOR
IMPROVING THE LIVING STANDARDS OF THE PEOPLE OF UZBEKISTAN
(18 May 2004, Tashkent)

(Note: The agenda and list of participants are attached as Annexes 1 and 2 respectively.)

OPENING REMARKS

Mr. Sean O'Sullivan, Country Director, ADB Uzbekistan Resident Mission

Mr. O'Sullivan welcomed all participants on behalf of the Asian Development Bank and pointed out that since its establishment ADB's aim has been economic development and improving the livelihoods of the people of Asia, and in 1999 ADB's President Chino enhanced the institution's focus on poverty reduction making it the overarching goal.

He said that ADB has been working with its partners in developing member countries to understand better the causes of poverty and agree with them on goals that can be achieved together, and that ADB recognizes that, for each country, a unique solution needs to be found. He added that Uzbekistan started a comprehensive country poverty analysis in early 2003, has made substantial progress in this endeavor, and ADB has been pleased to be able to support the Government.

Mr. O'Sullivan mentioned that in 2003 the Government, with the assistance of the World Bank, completed a Living Standards Assessment and, with the support of UNDP, prepared a Study on Linking Macroeconomic Policies to Poverty Reduction, which provided more insight into the dimensions of poverty in Uzbekistan and formed the basis for developing the draft Medium Term Strategy for Improving the Living Standards of the People of Uzbekistan.

Mr. O'Sullivan commended the Government of Uzbekistan on the draft strategy and stressed that it sets out for the first time the key issues in relation to poverty in Uzbekistan and the Government's approach to addressing these issues. He appreciated the Government's openness and willingness to engage with the donor community on these key issues.

He also acknowledged the hard work of the government working groups and consultants led by Mr. Nasritdinkhodjaev, who had undertaken a comprehensive analysis of poverty in Uzbekistan and prepared a draft document reflecting all key elements of a poverty reduction strategy. He also mentioned that, to focus the team on this task, ADB even had to take team members to the ADB Institute in Tokyo where they formulated the overall framework and the policy matrices for the strategy.

Mr. O'Sullivan expressed his view that the draft strategy forms a good starting point for which the international donor community will provide support towards achieving the goal of a Government-driven poverty reduction strategy that is realistic and achievable. In conclusion, he reaffirmed ADB's continued support to this process and said that he is looking forward to today's discussions and recommendations on how best to improve the content of the draft strategy document to make it fully responsive to the Government's commitment to poverty reduction.

OPENING REMARKS

Ms. G. K. Saidova, First Deputy Minister of Economy

On behalf of the Government of Uzbekistan, Ms. Saidova, welcomed all participants to the workshop and expressed her satisfaction at being able to present the first draft of the Comprehensive Strategy for Improving the Living Standards of the People of Uzbekistan.

She thanked the ADB, which provided the initiative for this work and has also provided assistance in the formulation of the strategy document.

Ms. Saidova pointed out that poverty is a condition that exists all over the world, even in developed countries. In this sense, Uzbekistan is not unique in having to face the need to fight against poverty. She noted that Uzbekistan inherited a tense social-economic situation after the break up of the Soviet Union. During that, it ranked third last among the former Soviet republics in terms of living standards. During 13 years of independence and the transition towards a market economy, the Government made big efforts to maintain living standards and social protection of the population. Various programs were developed for improvement of social and economic life of people: in the areas of education, health, sports, and also annual social programs aimed at improvement of human development, increasing the role and status of women, mahallya, etc.

Ms. Saidova said that current modest economic growth, which has averaged at 4% per year, is not sufficient to improve radically the situation in living standards. Uzbekistan needs at least to double the current pace of economic growth in order to move to a qualitatively higher level in improving the living standards of the people.

Ms. Saidova particularly expressed her thanks to ADB for its support, both financially and organizationally, to the Government of Uzbekistan in the preparation of the comprehensive strategy for poverty reduction and improving the living standards of the people of Uzbekistan. The strategy is intended to show all, including the international community, the commitment of the Government of Uzbekistan to improve the living standards of its people.

Ms. Saidova said that the Government had clearly identified during the work on the strategy paper what it wished to do and what it actually can do. It has tried not just to write "pretty words", but to be quite concrete. However, for full realization of the strategy, not only resources of the Government will be needed, but also resources of donors – the international financial institutions. Ms. Saidova invited participants to discuss all aspects of the strategy document, and to pay attention particularly to those aspects of the strategy where international organizations and international financial institutions can provide assistance.

In conclusion, Ms. Saidova thanked all international organizations for their valuable comments on the first draft of the strategy document. All of the comments had been taken into account in the preparation of the presentations for this roundtable. The authors of the strategy would work to improve the document on the basis of the comments, and expect additional constructive comments to be received during this roundtable in order to improve and strengthen the strategy document.

SESSION 1 - PRESENTATIONS BY GOVERNMENT WORKING GROUPS

Overall Strategy and Sectoral Presentations on (i) Macroeconomic Policy and Pro-poor Growth, (ii) Employment and Income Generation; and (iii) Social Protection

- The presentation of the Government's overall vision and basic concepts of living standards was made by Mr. Nasritdinkhodjaev (see Annex 3).

(Mr. Nasritdinkhodjaev added some initial remarks to his presentation: The work began in 1999 when ADB offered its support for the development of a comprehensive strategy. The title and the content of the strategy took into account the model of transition adopted by Uzbekistan. The first working groups envisaged under the project covered a narrower range of topics than that which is actually now covered in the document. A simple comparison of the original terms of reference and the roundtable's table of contents shows

how the strategy development exercise has continually expanded its coverage, and also become more concrete.)

- The presentation on macroeconomic policy and pro-poor growth was made by Mr. Fayzullaev (see Annex 4).
- The presentation on employment and income generation was made by Mr. Alimukhamedov (see Annex 5).
- The presentation on social protection was made by Mr. Navotny (see Annex 6).

DISCUSSION AFTER THE SESSION 1 PRESENTATIONS

Mr. Martin Raiser, Country Manager, World Bank Uzbekistan Country Office

Mr. Raiser congratulated the Government of Uzbekistan with presentation of the first draft of the strategy document. He expressed his satisfaction with the fact that the strategy provided a link with, and partially built on, the World Bank's Living Standards Assessment for Uzbekistan.

He also expressed satisfaction that the presentations, especially that of Mr. Fayzullaev, went beyond the issues covered in the draft strategy paper, and actually already incorporated some of the comments provided by the World Bank.

Mr. Raiser's comments:

- The strategy requires further work on prioritization of goals and measures. The presentation today shows that some more work on prioritization has already been done, and this is welcome. However, in its list of policy measures, the Government seems in some key areas to be going beyond what is required even under the current "conditionalities" of international finance organizations. The Government should be reminded that it takes time to achieve many good intentions, and that for the strategy it would be best to be realistic about what can be achieved rather than to risk losing credibility by not living up to promises made. It would be better to identify in each sector 3-4 things that can be achieved, and to take a step-by-step approach. It should be made clearer what could be done in the short-term and what in the longer term.
- Poverty is a worldwide problem, and countries like Mr. Raiser's (Germany) also have a poverty problem. However, the difference is that Germany has financial resources to tackle its poverty problems. Uzbekistan, on the other hand, does not have enough resources, and therefore needs the assistance of donors for poverty alleviation. However, in order to receive such assistance the Government needs to spell out properly the cost of poverty alleviation measures. If the Government wants assistance, it would be easier to obtain if it could be clearly linked to specific tasks, which can be costed and monitored.
- Having congratulated the Government on producing the first draft, Mr. Raiser also said that he cannot hide that he still has some disagreements with it, especially with regard to trade policy, and the ways in which SME development and private sector development are to be promoted. Overall, the Government is still too proactive in its support of domestic production. Domestic production will develop better if it is left alone. It does not need subsidies. The intentions behind subsidies may be good, but their actual record is that they are bad for the economy. The more the Government intervenes, the more private business tends to run away. However, this is a government strategy, and not the World Bank's, and the purpose of this comment is just to signal that there is an important difference in approach here.

Ms. Brenda Vigo, Head of Office, UNICEF Central Asia Region and Kazakhstan

Ms. Vigo congratulated the Government on its first draft of the strategy. She stressed that the draft strategy has addressed some important issues relating to the welfare of women and children in Uzbekistan. With regard to social protection Ms. Vigo noted that the presentation has reflected UNICEF concerns, which had been provided prior to the roundtable as written comments. This was particularly true of the need to look at innovative methods for the social protection of children in institutions. Orphans represent only 16% of children in institutions; the rest of the children have biological parents, and more attempts should be made to try to ensure that the children are brought up by families rather than in institutions. Ms. Saidova stressed that Uzbek cultural values include the importance of bringing up children in a family environment and that this issue would be appropriately addressed in the draft strategy.

Mr. Sean O’Sullivan, Country Director, ADB Uzbekistan Resident Mission

Mr. O’Sullivan supported the view that the presentations were clearer and better structured, and that this signals that the second draft of the strategy document will also be improved. He suggested that the Government look again at infrastructure issues. Such important areas like transport, telecommunications and others need to be properly addressed in the strategy. He also stressed that the strategy be linked with issues relating to regional economic cooperation.

Mr. O’Sullivan also highlighted the need to improve the statistical base and data for proper monitoring of the implementation of the strategy.

Ms. Laura Rio, Advisor to the UN Resident Coordinator System

On behalf of the UN System in Uzbekistan, Ms. Rio advocated for the inclusion in the strategy of the Millennium Development Goals (MDG) framework as its framework for monitoring and target setting. She said that the national MDG goals, targets, and indicators are currently being defined, and should be reflected in the revised strategy document. The first draft of the strategy does in fact cover all the MDGs. However, if the links were made clearer, this would ensure that UN resources could be mobilized as assistance for implementation of the MDGs. In order to facilitate this, the strategy should contain cost estimates for the implementation of national MDGs. Ms. Rio added that the UN System in Uzbekistan stands ready to assist the Government and other stakeholders involved in the finalization of the strategy with advisory, coordination, and specialized inputs relating to the MDGs, their nationalization and costing.

Mr. Peter Darjes, GTZ Resident Representative in Uzbekistan

Mr. Darjes as an invited observer of the workshop expressed his thanks to the organizers for inviting GTZ to the workshop. He said that the government of Germany is keen to know the status of the strategy document in Uzbekistan. From the presentation, he was convinced that the strategy document is very promising, and he was encouraged by the candor in which the presentations raised issues, which are of concern to all interested parties in Uzbekistan.

Mr. Darjes suggested to provide a clearer time frame for the strategy and paying more attention to developing an action plan with concrete measurable and time-bound targets. He stressed the importance to formulate a core group of goals to be achieved through the strategy in the medium term. The strategy should take the form of a result-oriented document with a clear performance monitoring system.

SESSION 2 - PRESENTATIONS BY GOVERNMENT WORKING GROUPS

Human Development: Health and Education

- The presentation on health was made by Mr. Khashimov (see Annex 7).
- The presentation on education was made by Mr. Ruzukulov (see Annex 8).

Ms. Saidova added several comments to the presentations:

On health, she stressed the importance of international assistance. Uzbekistan has received international assistance in the health sector since its independence, particularly through the World Bank's health project and UNICEF's maternity and children project, and she looked forward to ADB's assistance in this area.

On education, Ms. Saidova mentioned the Government's priority of developing and strengthening primary and secondary school education. The recently announced state program for education (up to the year 2010) will develop programs in 5 main directions, including: (i) ensuring an adequate supply of basic textbooks (and other supplementary books) for children enrolled in the general schools; (ii) strengthening the curriculum and quality of education; (iii) substantially increasing teachers' salary rates; and (iv) developing sports in school education. The Government estimates that it would need around \$1 billion to implement the entire program. Ms. Saidova also stressed the importance of strengthening vocational education and training, which should be included in the living standards strategy.

DISCUSSION AFTER THE SESSION 2 PRESENTATIONS

Mr. Martin Raiser, Country Manager, World Bank Uzbekistan Country Office

Mr. Raiser pointed out that Uzbekistan occupies a unique position among many developing and transition countries, in that it spends a relatively bigger share of its budget on health and education. Yet, there are concerns about how the spending is targeted and its effectiveness. The World Bank has serious concerns regarding the cost of various health and education programs. This led him to stress the importance of monitoring and evaluation. There is a need to consult those who actually use these services, and get their feedback on access, quality, etc. He noted that the World Bank's health project (primary health sector reform) had recently carried out a survey to get users' evaluations of the services.

With regard to education financing, Mr. Raiser said that more financial autonomy and providing competition to education institutions would lead to greater sustainability, in terms of funds and quality, in this sector.

In response to Mr. Raiser's comments, Ms. Saidova noted that the Government has gained valuable experience in monitoring and evaluation of education programs within the framework of ADB's project supporting the National Program for Personnel Training. She also indicated that the Government team would build in monitoring mechanisms into the strategy.

Ms. Laura Rio, Advisor to the UN Resident Coordinator System

Ms. Rio stressed the importance of creating and including in the strategy, to the extent possible, monitoring mechanisms that are gender-disaggregated to measure how problems affect women and men differently, and including disaggregated indicators for urban/rural areas.

Mr. Murad Mirzaev, Deputy Head of Office, Swiss Cooperation Office in Uzbekistan

Mr. Mirzaev brought up the importance of not ignoring existing experience that has been or will be gained during implementation of projects in the communal services sector, e.g., electricity, water supply, and heating, particularly where Government welcomes private sector involvement while taking necessary measures not to disadvantage the most vulnerable groups of the population. He commented that it would be desirable if this aspect would be covered by the strategy. Mr. Mirzaev also mentioned the Swiss Cooperation Office's involvement in the Andijan region and the assistance being provided in reforming communal services in rural areas.

Ms. Saidova said that the issue is important but minor in the context of the strategy. She said that strategy would take into account programs related to communal service reforms and their implementation.

**SESSION 3 - PRESENTATION BY GOVERNMENT WORKING GROUP
Regional Development and Administrative and Institutional Reform**

- The presentation on regional development and administrative and institutional reform was made by Mr. Akhmedov (see Annex 9).

Ms. Saidova commented that the main problem was the significant and increasing differences in living standards and socio-economic conditions among the regions of Uzbekistan. She identified the following tasks:

- Ensuring equal access to basic social services throughout the country.
- Developing the investment climate in the different regions of Uzbekistan.
- Developing transport and communication infrastructure in the regions.
- Agriculture reform (regional policy is closely linked to agricultural reform since the most backward regions are predominantly agricultural; increasing incomes in agriculture is a priority for the Government).
- Strengthening decentralization of budgetary responsibilities between central and regional levels.
- Working on issues related to the environment and unhealthy ecological situation in some regions (especially in the Aral Sea area).

DISCUSSION AFTER THE SESSION 3 PRESENTATION

Ms. Brenda Vigo, Head of Office, UNICEF Central Asia Region and Kazakhstan

Ms. Vigo stressed the importance of developing regional capacities, and achieving more decentralization. This is particularly important for improving delivery of social services. She also suggested that the role of the 'mahalla' should be further strengthened as an important and effective instrument for community self-organizations. She also drew attention to UNICEF's pilot project which involves data collection at the mahalla level of data related to maternal and child welfare. Ms. Vigo also suggested that the health sector pay more attention to the problems of young children in families.

Mr. Khashimov replied that the current reforms in the primary health sector in fact aim to ensure better access to basic health services by families with children. 50% of the work of

doctors at rural medical centers was devoted not to curative, but to preventive measures at the family level.

Ms. Mekhri Khudaiberdiyeva, ABD Gender Consultant

Ms. Khudaiberdiyeva noted that gender is currently addressed in a separate chapter in the strategy. Usually gender is addressed as a cross-cutting issue, but sometimes this is combined with a separate section on gender issues. By improving the treatment of gender as a cross-cutting issue, without necessarily giving up the separate section, the document would be substantially improved. She also noted that gender issues are not only women's issues. The stress in the strategy should be on gender equity for both men and women.

NEXT STEPS

Mr. Manuel Perlas, Deputy Country Director, ADB Uzbekistan Resident Mission

Mr. Perlas expressed his thanks to the government working groups for their presentations and their diligent and cooperative efforts that had led to the first drafting of the strategy. He then invited participants to turn their attention to the issues that have to be addressed after the workshop. He indicated that, within the framework of the ADB technical assistance (TA), the strategy formulation component would be largely completed with the finalization of the draft strategy after this roundtable. However, a number of important aspects of the draft strategy still need to be further developed, namely, clear prioritization (he proposed identification of 3-5 top priorities per sector), detailing of monitoring and evaluation indicators and strengthening their links with the MDGs, strengthening of the regional and environmental aspects of the strategy, and detailing a concrete action plan with the accompanying resource implications.

Mr. Perlas also stated that, after the roundtable, donors might likely be inclined to use the draft strategy to pursue their respective development agenda. He expressed the hope that donors would coordinate closely in this respect and create partnerships among themselves. In particular, strategy development is an ongoing dynamic process and, with cooperation among Government, donors, and civil society, the strategy could be developed further into a full Poverty Reduction Strategy and Program (PRSP) that could be considered by the international donor community for further assistance.

Mr. Perlas reminded the participants that the TA consists of two more components, namely, the statistical and training components. Work on the statistical component, particularly on improving the State Statistical Committee's Household Budget Survey (HBS), will continue in the coming months, in coordination with the World Bank. It would be important to coordinate the use of indicators from other surveys such as the Labor Force Survey carried out by the Ministry of Labor, and the periodic demographic and health surveys.

Mr. Perlas indicated that the training component actually cuts across the other two components and would be carried out in partnership with the Center for Economic Research and the World Bank. For strategy formulation, the training component would be used to promote broader dialogue among Government, donors, and civil society through information and advocacy campaigns throughout the regions. For the statistical component, the training component will focus on the organization of training seminars on statistical techniques and methods.

Mr. Bakhodur Eshonov, Manager, Center for Economic Research, and Programme Analyst, UNDP

Mr. Eshonov stressed the links between the strategy measures and past and ongoing UNDP activities. Recent UNDP initiatives and research papers could be used in the revision of the strategy document (e.g. the Family Assets Survey, the Human Development Report, the Land Reform Project, and the Regional Development Study for Kashkadarya).

Mr. Martin Raiser, Country Manager, World Bank Uzbekistan Country Office

Mr. Raiser pointed out how useful the roundtable had been in bringing all interested partners to the table. He suggested continuing to hold regular meetings of this type (Government and donors) in order to effectively share plans and initiatives with regard to poverty and living standards. In this regard, a mechanism could be set up such as a special working group. He outlined the World Bank's next steps, including developing the existing strategy into an interim PRSP that could open up substantial resource mobilization, providing support to strengthen the strategy's environment section, and providing support to improve the HBS survey and strengthen capacity in the use of statistics and the HBS for poverty monitoring. He also proposed the use of the 2002 and 2003 HBS data to update the World Bank's Living Standards Assessment.

CONCLUSION

Mr. O'Sullivan summarized the following conclusions from the roundtable discussions. There is a need to:

- Set clearer priorities in the goals and objectives of the strategy.
- Give some thought to the resource implications for implementation of the strategy (what can be done by the Government and where foreign assistance is required).
- Fully include and incorporate MDG goals and targets.
- Draw up monitoring and evaluation systems and mechanisms.
- Set regular consultative meetings (Government and donors).
- Draw up action plans for the implementation of the envisaged policy measures.

Ms. Saidova extended her thanks to the ADB and to all participants for their participation in the roundtable.

**ROUNDTABLE ON THE COMPREHENSIVE MEDIUM TERM STRATEGY
FOR IMPROVING THE LIVING STANDARDS OF THE PEOPLE OF UZBEKISTAN**

MAY 18, 2004

09:30 – 09:40	<p>OPENING REMARKS</p> <p>Mr. Sean O’Sullivan, URM Country Director, Asian Development Bank Ms. Galina Saidova, First Deputy Minister of Economy</p>
	<p>OVERALL PRESENTATION OF GOVERNMENT’S VISION AND BASIC CONCEPTS OF THE LIVING STANDARDS STRATEGY</p>
09:40 – 09:50	<p>Goals, Objectives and Directions of the Strategy for Improving the Living Standards of the People of Uzbekistan</p> <p>Mr. Zavikhulla Nasritdinkhodjaev, Cabinet of Ministers</p>
	<p>SECTORAL PRESENTATIONS:</p>
09:50 – 10:10	<p>Macroeconomic Policy and Pro-Poor Growth</p> <p>Mr. Yadgar Fayzullaev, Ministry of Economy</p>
10:10 – 10:25	<p>Employment and Income Generation</p> <p>Mr. Aleksandr Navotny, Ministry of Labor and Social Protection Mr. Botyr Alimukhamedov, Ministry of Labor and Social Protection</p>
10:25 – 10:40	<p>Social Protection</p> <p>Mr. Aleksandr Navotny, Ministry of Labor and Social Protection</p>
10:40 – 11:00	<p>DISCUSSION</p>
11:00 – 11:20	<p>Coffee-break</p>
11:20 – 11:40	<p>DISCUSSION</p>
11:40 – 12:00	<p>Human Development: Health, Education</p> <p>Mr. Shukhrat Khashimov, Ministry of Health Mr. Namaz Ruzikulov, Ministry of Public Education</p>
12:00 – 12:30	<p>DISCUSSION</p>
12:30 – 14:00	<p>LUNCH</p>
14:00 – 14:15	<p>Regional Development, Administrative Reforms and Institutional Reforms</p> <p>Mr. Tursun Akhmedov, Ministry of Economy</p>
14:15 – 14:50	<p>DISCUSSION</p>
14:50 – 15:10	<p>Summary and Closing Remarks</p> <p>Mr. Sean O’Sullivan, URM Country Director, Asian Development Bank Ms. Galina Saidova, First Deputy Minister of Economy</p>

PARTICIPANTS OF ROUNDTABLE MEETING

1.	Galina Saidova	First Deputy Minister of Economy
2.	Zavihulla Nasridtinkhodjaev	Head of Sector, Information and Analytical Department, Cabinet of Ministers
3.	Yulduz Abduganiyeva	Main Specialist, Information and Analytical Department, Cabinet of Ministers
4.	Artur Tukhtarov	Leading Specialist, Information and Analytical Department, Cabinet of Ministers
5.	Yadgar Fayzullayev	Head of Department, Ministry of Economy
6.	Batir Alimukhamedov	Deputy Minister of Labor and Social protection
7.	Alexander Navotniy	Head of Department, Ministry of Labor and Social Protection
8.	Shavkat Khashimov	Head of Department, Ministry of Health
9.	Namaz Ruzikulov	Ministry of Public Education
10.	Tursun Ahmedov	Deputy Director, Center for Effective Economic Policy, Ministry of Economy
11.	Sergey Samoilov	Head of Department, Goskomprirody
12.	Reyganat Makhmudova	Deputy Chairman, State Statistics Committee
13.	Sean O'Sullivan	Country Director, URM, ADB
14.	Manuel Perlas	Deputy Country Director, URM, ADB
15.	Rustam Abdukayumov	Portfolio Management Officer, URM, ADB
16.	Mekhri Khudayberdiyeva	Specialist on Gender Issues, ADB
17.	Mandar Jayavant	Economist, URM, ADB
18.	Sheila Marnie	Team Leader, ADB Consultant Team
19.	Uktam Abdurakhmanov	Deputy Team Leader, ADB Consultant Team
20.	Jakov Asminkin	Member, ADB Consultant Team
21.	Olga Nemirovskaja	Member, ADB Consultant Team
22.	Nadezhda Asminkin	Member, ADB Consultant Team
23.	Eric De Mul	Acting UN Resident Coordinator in Uzbekistan
24.	Bakhodur Eshonov	Programme Coordinator, UNDP Uzbekistan
25.	Laura Rio	Adviser of UN Resident Coordinator System
26.	Brenda Vigo	Chief of Representative Office, UNICEF CARK
27.	Martin Raiser	Country Manager, World Bank
28.	Kae Yanagisawa	Chief of Representative Office, JICA
29.	Peter Darjes	Chief of Representative Office, GTZ
30.	Murad Mirzaev	Deputy Head of Representation in Uzbekistan, SADC
31.	Atabek Sharipov	Representative, DFID
32.	Peter Reddish	Coordinator, Europa House

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| 33. | Azizkhan Khankhodjaev | Acting Manager, Center for Economic Research (CER) |
| 34. | Nodirbek Ibragimov | Chief, Public Relations Department, CER |
| 35. | Nishanbay Sirajidinov | Senior Research Coordinator, CER |
| 36. | Communa Jurayeva | Research Coordinator, CER |
| 37. | Khusniya Muradova | Research Coordinator, CER |
| 38. | Victoria Anoshkina | Research Coordinator, CER |
| 39. | Tal'at Shadibayev | Research Coordinator, CER |
| 40. | Bakhtiyor Ergashev | Research Coordinator, CER |
| 41. | Juliy Jusupov | Deputy Editor-in-Chief of "ER" magazine, CER |
| 42. | Kostina Galina | IMF Liaison in Uzbekistan |

**Strategy for improving living
standards of people of
Uzbekistan
for 2004-2006
and period till 2010**

**Goals, Objectives and Directions of the
Strategy**

Basis for the Strategy: what we know about poverty/ vulnerability in Uzbekistan

- ***How many low-income?*** 27% of the population live below the absolute poverty line (estimate for 2001)
- ***Who are low-income and where are they?*** Rural areas (and small towns), southern and western oblasts, unemployed and underemployed (seasonal, part-time work, low wage and low intensity jobs), families with more than 4 children, those who cannot work (disabled, single pensioners, single parents)
- ***Why are they low-income?*** Low levels of wages and productivity in agriculture and in some budget sectors; low access to productive resources (land degradation, access to irrigation, lack of opportunities to undertake entrepreneurial activities)

Non-income aspects of poverty

- Health care: indicators of child and maternal mortality improve, but still cause a concern;
- Consequence of an insufficient nutrition among low-income are women's anemia and children's iodine deficiency;
- Tuberculosis and other infectious diseases are widespread among the poorest part of the population.
- Education : Uzbekistan has inherited a high literacy rate and education level of population. Enrollment rate in secondary, professional and in particular higher is reduced +gender differences. Quality of education declines. Main goals are maintenance of quality of education and equal access (by gender, incomes, rural / urban population);
- Environment: land degradation influences on opportunities of low-income in use of land for income generation, particularly in Aral sea zone , however there are also problems in other regions (Fergana); pollution of surface waters influences on potable water.
- Potable water: access and quality, especially in rural areas and Aral sea zone;
- Worsening condition of public infrastructure (water supply, municipal services, etc.) has an adverse effect on living standards in various regions. Poor have less opportunities for solving problems if there is no gas, water, electricity etc.,

Main Directions of the Strategy

The strategy envisages a combination of economic, social and institutional policies to improve living standards

1. Economic:

- Ensure macroeconomic stability and economic growth as the prerequisite for the rest of the strategy
- Carry out reform in the agricultural sector, including land reform, in order to ensure that there are increased opportunities for employment and income generation in rural areas
- Promote private sector development, particularly SME development
- Focus on promoting labour-intensive economic growth, particularly in the light industry sector
- Direct public investment in infrastructure to rural areas and areas where economic development needs to be stimulated
- Reform of the banking sector

Main Directions of the Strategy (social policy)

2. Social.

- Improve education, with special focus on improving the quality of general education and guaranteeing equal access to higher education
- Improve access to basic health services, through reform of primary health care
- More targeted and effective social protection of the vulnerable, especially children, disabled,
- Stage by stage transition to accumulative pension system
- Improve maternal and child welfare
- Improve supply and quality of drinking water
- Reverse a process of land degradation

Main directions of the strategy (institutional reform)

3. Institutional

- Successful implementation of all actions on reduction of low-income situation in the field of economic and social policy depends on parallel administrative and institutional reforms.
- Creation of competitive environment contributing to economic development (banks and microfinancing institutions, insurance, liberalization of foreign trade activities, access to information, tax reform, etc.)
- Increasing efficiency of budget policy
- Administrative reforms and decentralization
- Consider, where state regulation should be increased and where it should be reduced. Increase state role 1) for observance of legislation and norms with all parties and 2) in control of equal access 3) in observance of minimal guarantees. Reduction of state role in administration of economic sectors, regions, etc.
- Demonopolization and access to resources

Comments received on the strategy

- Overall, the strategy will be revised, taking into account the following:
- Need to give a clearer formulation of priority goals, and priority policy measures to obtain them
- Need to improve the links between the overall aim of poverty reduction and the sector programmes/policies
- Need to improve the poverty profile, using the available data, to help the process of defining priority policy measures

Comments: points to be clarified

- The priority attached to agriculture and rural development should be more clearly formulated in the strategy.
- The discussion of institutional reform and financial sector reform should be expanded and given more prominence
- Clearer emphasis should be placed on the intention to shift to a more labour-intensive pattern of economic growth, and the ways in which this will be achieved

Other points to be clarified

- Need to improve the treatment of gender aspects of poverty
- Need to set out more clearly the links between environmental degradation and living standards
- Need to bring out the links between the strategy and the ongoing work on developing and defining national MDG targets and indicators

Structure and Presentation of the Strategy Document

- Throughout the document, data presentation will be improved, through use of tables etc
- Data will be gender disaggregated wherever possible
- Chapter 2 will be shortened, and made more precise (some material will be used for an executive summary)

Strategy for improving living
standards of people of Uzbekistan
for 2004-2006
and period till 2010

Macroeconomic policy and growth for improving
living standards

Macroeconomic policies aimed at improving living standards

- Results and problems
- Economic growth strategy
- Institutional reforms

Economic development of Uzbekistan

- Economic growth rate (4.2% annual average for 1996-2003)
- Positive trends in inflation rate reduction (down to 3.8 %)
- Stability of national savings dynamics (share of investments in GDP - 20.8%)
- Budget deficit (annual average 1-2 %)

Problems constraining future economic growth

1. Current rates of GDP growth are not sufficient to guarantee sustainable growth in real incomes and employment, and improvements in living standards
2. Low contribution of industry to GDP (15 %), due to the large number of non-modernized enterprises with a high level of physical deterioration of fixed assets; where production is material- capital- and energy-intensive. They do not contribute to the process of increasing employment and promoting SME development
3. Complicated financial position of modernized enterprises on the basis of foreign credits due to devaluation of exchange rate and introduction of convertability

Problems constraining future economic growth

4. High energy intensity of Power Plants
5. Remaining problems of inefficient development of agricultural sector:
 - incomplete process of forming real property owners in agriculture and imperfect pricing system
 - highly labour intensive and technologically low level of agricultural production
 - Lack of diversity of employment possibilities in rural areas due to underdevelopment of market infrastructure, service sector, and agro-processing enterprises

Problems constraining future economic growth

6. Lack of institutional transformations to ensure effective structural shifts in the economy
 - Slow pace of privatization of enterprises
 - High monopolization of economy, hindering creation of a competitive environment for private business
 - Underdevelopment of infrastructure, goods and raw materials markets
 - Need to strengthen legal rights of entrepreneurs and SMEs
 - Incomplete financial sector reforms

Problems constraining future economic growth

7. Insufficient use of export potential

- Need to introduce international standards of goods quality certification
- Weak marketing to promote goods for export
- Low price competitiveness of export goods due to high material costs
- Slow pace of development of processing industry
- High transportation costs due to country's geographical location

Strategy of economic growth for improving living standards for the period up to 2010

- 1. Ensuring sustainable economic growth rates of 7-8 %, which will enable implementation of measures contributing to improving living standards:**
 - Achievement of investment growth by 8-9 % targeted to expansion of less capital-intensive enterprises, including SMEs
 - Creation of new productive jobs to address the problems of population growth, state enterprise reconstruction and labour surplus in agriculture
 - Develop export potential and export diversification to reduce the raw materials orientation
- 2. Achievement of equal distribution of fruits of economic growth:**
 - Improve tools for income distribution through budget
 - Reduction of overall inequality rate (Gini co-efficient) to 0.35
 - Implementation of strong social policy

Strategy of economic growth (continued)

3. Ensuring macroeconomic stability and conditions for economic growth:

- Keeping inflation rates at 4-5 % by means of a balanced monetary policy which can guarantee credit supply and also limit demand
- Maintain stability of the real exchange rate of the national currency
- Improve fiscal and budget policy tools, aimed at ensuring equal distribution of the results of growth
- Reduce the tax burden on economic sectors, in order to guarantee stable opportunities for employment growth
- Increase efficiency of budget policy by optimization of expenditure structure, in line with policies aimed at improving living standards
- Increase the independence of local authorities in use of budget funds
- Further liberalization of foreign economic activities

Strategy of economic growth (continued)

4. Further reforms in agriculture, and development of non-agricultural production in rural areas

- Improving pricing and state procurement system for basic items of agricultural produce
- Development of mechanisms of market distribution of inputs and creation of competitive markets
- Assistance to farms in accessing credits and also machinery through leasing arrangements
- Reform of system of water use and improvement of irrigation system by increasing public investments
- Implementation of the program for rational employment in rural areas by expansion of network of the processing enterprises, marketing of agricultural output, and creating market infrastructure
- Support to infrastructure projects in rural areas

Strategy of economic growth (continued)

5. Industrial, investment and structural policies

- Assistance to development of less capital-intensive industries in sectors with sufficient local resources and creation of incentives for employment growth
- Implementation of measures aimed at creating a competitive environment and limiting monopolies in the economy
- Need to improving system of regulating natural monopolies activity
- Stimulate private investments and access to medium and long-term credits for SMEs
- Targeted support to enterprises which have carried out technical modernization using credit, through prolongation and re-structuring of their repayment schedules
- Creating favourable conditions for attracting foreign investment in the development of agro-processing industries and sectors producing finished products
- Introduction of a package of technological, organizational and financial measures aimed at encouraging energy and resource savings

Strategy of economic growth (continued)

6. Support to private sector and SMEs development

- Implementation of measures to promote SME development and bringing its share of GDP to 55 %
- Stimulate employment growth by creation of enabling environment for SMEs development
- Improving business environment , access to credits and input markets
- Development of mechanisms stimulating SME development, especially in rural areas through financial and material assistance
- Improving legal framework of SME development and tools for competitive policy
- Development of corporate management
- Support to privatized enterprises
- Implementation of measures to create conditions to attract foreign investments and credits for the post-privatization period

Strategy of economic growth (continued)

7. Creation of modern integrated market infrastructure

- Support to market infrastructure development
 - Telecommunication, roads, transport, communication
 - Stock exchanges, banks, etc. and other financial and commodity markets
- Development of non-banking financial sector
 - Leasing
 - Microcrediting institutions
 - Auditing and other kinds of services

Strategy of economic growth (continued)

7. Further liberalization of foreign trade

- Improvement of tariff and non- tariff procedures
 - Reduction of tariffs for import of raw materials and other materials
 - Selective removal of tariffs for import of raw materials for export producers
 - Introduction of international standards of goods quality certification
 - Simplification of procedures for licensing, certification and permits to deal with foreign markets
 - Implementation of effective mechanisms for export growth
 - Introduction of subsidizing and tax compensation mechanisms
- Creation of infrastructure to promote exports, also for SMEs
 - Activate marketing services to study foreign markets
 - Extension of the network of mobile foreign trade companies to promote of export of domestic products to foreign markets
 - Expansion of international economic cooperation

Institutional reforms

- 1. Deepening of institutional reforms in agriculture**
 - Implementation of land reform by transfer of land to agricultural enterprises and farms on the basis of long-term lease
 - Restructuring of collective enterprises by establishing farms
 - State assistance to low-income groups of population in getting access to land
- 2. Simplification of procedure for establishing SMEs**
 - Simplification of licensing procedures
 - Reduction of time required to complete registration and the number of permits for SMEs creation
 - Activization of mahallya role in SMEs creation on its territory

Institutional reforms(continued)

3. Financial sector reforms

- Increasing trust of the population to banks
- Creating conditions for competition in the financial sector
- Cancellation of bank control over deposits and tax collection
- Removal of difference between cash and non-cash accounting by lifting restrictions on withdrawal of cash from accounts
- Creation of favorable environment for development of non- banking financial institutions

4. Reforms in management of the economy

- Elimination of allocative methods of management
- Simplification of access of SMEs and farms to material resources
- Limiting interference of state bodies in the activities of SMEs

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Employment and Income Generation

Main goals of strategy of employment generation

- Increasing employment rate, mainly of rural population, and also certain social and demographic groups, especially those which cannot compete in the labour market
- Keeping unemployment rate within admissible level
- Improving sectoral and regional structure of employment
- Ensuring a balance of demand and supply of labour in the market for skilled labor
- Improvement of labour quality and mobility
-

labour market and employment in Uzbekistan

Economically active population, total	10620 th
Employed in official sector	7270 th
Employed in informal sector	2980 th
Unemployed	370 th
Of whom, registered with labor agencies	37 th
Hidden unemployment (%)	2 %
Unemployment rate, including hidden (%)	6 %
Economically inactive part of labor force	2850 th

Main problems in employment generation

Demographic "pressure" on labour market	The labor force is increasing by 240 thousand annually
High share of employed in informal sector	29 % of total number of employed
Large scale of hidden unemployment	5 % - in industry; 3 % - in construction
Considerable regional disproportions in labour market	About one third of raions of republic have difficulties in employment development
Imbalance between supply and demand for skilled workers	There are circa 30 thousand vacancies requiring skilled labour
Reduction of employment in large enterprises	Reduction by 7 %
Relatively low level of wages in official sector of economy	Wages in the budget sphere are about 65 % of the national average

Main areas of employment generation

- **Creation of new jobs** by:
- introduction of new industrial units;
- Restructuring, technical modernisation of production capacity;
- SME development and private entrepreneurship;
- Further development and increasing efficiency of private and dehkan farms;
- Development of social and market infrastructure;
- Increasing investment in areas where the labour market situation is critical

Main areas of employment generation

- Improving a quality of labour force and its competitiveness on the labour market by:
- ensuring links between structure of training and demand in regional and national labour markets;
- restoration of system of intra-industrial vocational training;
- Further development of training system in national crafts;
- Development and expansion of services offered by labor bodies in the field of vocational training, re- training and improvement of professional skills

Main areas of employment generation

- Improvement of sectoral and regional structure of employment by:
 - - Growth of employment in small business, private entrepreneurship, including farms; overall in the non-state sector;
 - - Growth of employment in non-production sector, service sector on the basis of economic factors (productivity growth, investment, structural policy etc.), leading to a corresponding reduction of employment in material production;
- Release of "excessive" number of workers from large agricultural shirkats, economically insolvent enterprises, state bodies and enterprises;
- Employment Growth in rural areas with low level of development of industry and infrastructure

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Social Protection

Strategic approach to the development of the system social protection

The approach of the SILSP in the area of social protection is a combination of:

Strategy of preventive social protection of the population	- Creation of conditions for reduction of social risks
Strategy of risks mitigation	- Reduction of risks for different categories of the population
Coping strategy	- Neutralization of already-existing risk

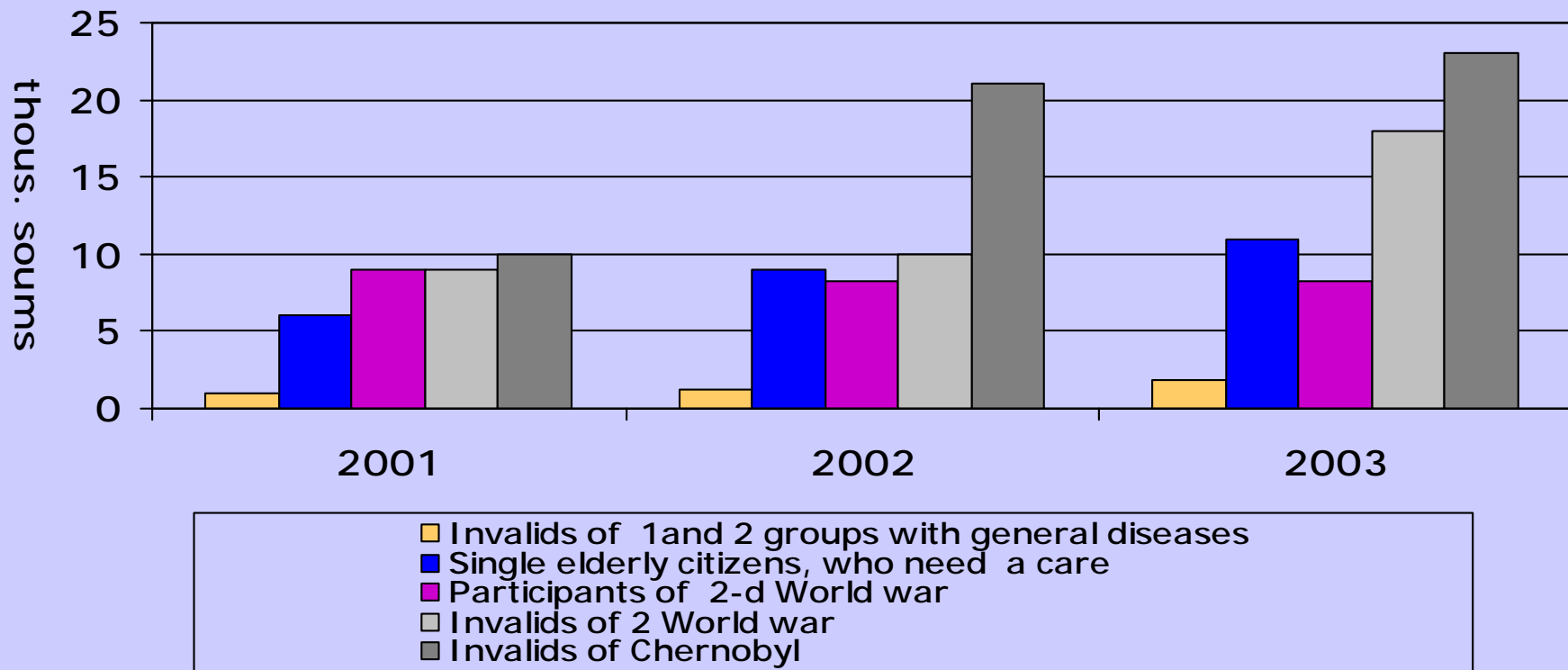
Social protection system of Uzbekistan

Social security	Invalids of all categories; single elderly citizens who need care; orphans;
Social assistance	Low-income families; Families with children; Families of unemployed; Orphans (when starting independent life); Women (not working) caring for children under 2 years; Single elderly citizens without an employment record
Social insurance	Hired workers, unemployed
Provision of pensions	Persons who have reached pension age (men - 60 years, women - 55 years); Invalids; Families which have lost bread-winner
Privileges	covering more than 2.5 million people (except for labour privileges), including those with "socially significant diseases"

SILSP priorities in social protection of the population

- Improving the targeting of social assistance
- Improving the pension system
- Increasing the level of social security
- Improving the quality of social services
- Adjusting the system of privileges
- Improving the management system for social protection

Estimates of additional income for recipients of privileges. (monthly, per capita, not counting pensions received)



Beneficiaries of social assistance and its size (2003)

Child Benefits	954.4 thousand.	7.1 t.s.
Material assistance for low-income families	61.1 thousand.	9.5 t.s.
Benefits for non-working mothers looking after children under 2 years	461.2 thousand.	11.1 t.s.
Provision of pupils from low-income families with winter clothes	705.8 thousand.	14.5 t.s.
Assistance for children - orphans entering independent life (leaving state care)	0.2 thousand.	0.6 million.
Provision of single elderly citizens with food products	15 thousand.	11.0 t.s.
Material aid to families of unemployed (apart from unemployment benefits)	5.2 thousand.	2.5 t.s.

Factors behind the main problems in the social protection system

- Demographic structure and high dependancy rate of households: about 50 % of the population are children under 16 years old, pensioners represent 11 %
- Labour surplus and uneven distribution of industrial and market infrastructure in the regions of the country. This creates limited opportunities for productive employment: about one third of the "raions" in the Republic do not have adequate infrastructure;
- The process of enterprise re-structuring has not been carried out in a "socially responsible" way;
- Ecological problems in some regions of the Republic and an inadequate level of a work safety measures in enterprises have led to a relatively high level of invalidity;
- Undeveloped system for defining and estimating household incomes;
- Low incomes of households in rural areas;
- Insufficiently developed domestic production of aid equipment for the disabled;
- Privileges which are unjustified from an economic and social unjustified point of view, including pension privileges

The main characteristics of the pension system in Uzbekistan

Type of pension system	Solidarity
Number of pensioners (including recipients of benefits from the PF), million.	2.9 (11 % from the population)
Dependency rate	0.35
Average size of pension, thousand soums	17.0
Replacement ratio	0.4
Pension fund expenditures as share of GDP, % (2003)	7.0
Contribution Rate to Pension fund, as % of Wage Fund	31.6 - employer; 2.5 - worker
Number of pensioners who receive privileges in pension provision, (as % of total number of pensioners)	26

Main problems of pension system

High tax burden on wages	Evasion of payments to Pension fund	1. Collecting of fees is less than 80%, 2. Participation in payments is less than 50 % of employed
"Estrangement" of workers from process of formation of PF funds	The law does not stipulate any responsibility of the employee for non-payment by the employer of payments to PF	
Lack of incentives to participate in the pension system	Distributive character represents a disincentive for highly paid workers	About 65 % of pensioners receive subsidies at the expense of highly paid workers
Pension assets are not used in market infrastructure	There are no opportunities for capitalization	
Lack of long-term financial stability	Low "resistibility" to demographic risks	In medium run the share of pensioners will increase from 11 % to 13 % of the population

The main directions for further development of social protection system of the population

- **Pension system:** Introduction and stage-by-stage strengthening of accumulative and insurance principles in pension provision;
- Gradual reduction in size of payments to the pension fund by employers and increase in the level of collection of pension fees
- Adjusting and revision of pension privileges.
- Introduction of individual records of participation of citizens in the pension system;
- Ensuring participation of the self-employed citizens in the pension system;
- Introduction of a mechanism for pension funds capitalization;
- Creation of a reserve in the Pension fund for mitigating demographic risks

The main directions for further development of social protection system of the population

- **Social Assistance:**
- Adjusting the system of privileges
- Improvement of procedure of identification of low-income families
- Attraction of additional sources of financing
- Improvement of management of financial resources, including redistribution of funds released through adjusting system of privileges
- Development of microfinancing institutions focused on low-income families
- Improvement of the social assistance system for unemployed citizens;
- Increase in skill level of staff delivering social assistance

The main directions for further development of social protection system of the population

- **Social security:**
- Increase in level of provision of disabled with aid equipment, rest in sanatoria and health resorts and medical treatment
- Development of rehabilitation centers, their equipping with modern techniques and technologies
- Increasing the competitiveness of disabled in labour market through improvement of access to vocational training, strengthening of assistance in job seeking;
- Further development of system of Houses "Sahovat" and "Murovat"
- Simplification of access to sport activity and development of creativity
- Attraction of donors and sponsor organizations for increasing financial capability of social security system
- Support to NGOs, rendering real assistance to disabled
- Increasing the level of social services for elderly citizens living alone

The main directions for further development of social protection system of the population

- **Children-orphans:**
- Support and stimulation of foster families
- Development and expansion of system " SOS-children's village ";
- Improving logistics of houses "Mehribonlik" and boarding schools;
- Priority employment of children - orphans with assistance of labor agencies, priority provision of accomodation;
- Development of social and rehabilitation centers and centers for psychological support to children who have stayed without parents and children without supervision
- Active attraction of sponsors' funds and NGOs potential for increasing the level of social protection

On comments

Strategy should aim for reduction of number of children's institutions; returning children to biological families	Basically it is true, however improving infrastructure and forms of work with children - orphans is also important area of social protection
Good data collection on living standards is very important for use in centralized planning	It will be covered in " Statistical component " of SILSP
Pay attention to microfinancing and support to actions on attracting incomes to low-income families	In Section " Employment and incomes of population " the given direction is put forward as priority. It is possible to strengthen
Increase role of NGOs in area of social protection of the population	It is reflected in Chapter IX.
According to LSA institutional system is adequate, but there are also drawbacks in it	Elimination of deficiencies is one of tasks of the Strategy, together with improvement of social protection system of the population

On comments (continued)

<p>The main source of improvement of pension system is parametrical changes (equalising or increasing pension age) - are not tackled</p>	<p>In the medium term, priority is being given to institutional improvements in the Pension system. Parametrical changes are basically related to adjusting pension privileges</p>
<p>Unemployment benefits should not be targeted only to low-income groups of the population</p>	<p>Basically it is true, however statistics show that the risk of families of unemployed to fall into poverty is significant</p>
<p>HBS data can be used for evaluation of existing programs. It will not be sufficient to maintain a database on only low-income households</p>	<p>HBS Data is very valuable, however the database on low-income households will be useful for development of targeted measures for specific families</p>
<p>It is useful to study the cost-effectiveness of "Training" and " Paid public works " Programmes</p>	<p>Active forms of social protection of the unemployed are successfully applied in Uzbekistan, they should be developed.</p>

Why is domestic base for aid equipment production necessary? WB comments

Invalid carriages	65 %	Import - 70 % Ratio of cost: import – domestic products: 3 : 1 (on similar products)
Hearing aids	43 %	Import - 95 %
Prosthetic-orthopedic commodities	100 %	Import - 3-7 % (accessories and materials) Ratio of cost: import - domestic products : 12 : 1 (on similar products)

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Human development: Health care

State program of reforms in health care system has been implemented in Uzbekistan since 1998.

Substantial improvement on a number of basic indicators (child and maternal mortality rate, life expectancy, vaccination of children) has been achieved since Soviet period.

Directions of reform

- Creation of emergency medical aid service
- Development of primary level of public health care
- Training and retraining of staff
- Protection of mothers and children
- Stage-by-stage transition of some medical establishments to paid services
- Improvin mechanism of sector financing

Directions of reform

- Restructuring of network of state medical establishments
- Improving medicine supply
- Formation of medical services market and non-state sector of health care
- Improving preventative measures aimed at improving population's health
- Maintenance of sanitary and epidemiologic well-being of the country

Budget financing is provided for:

- emergency and primary medical aid
- immunizations and vaccination of the population against infectious diseases
- obstetrical services
- out-patient examination and treatment of “privileged” categories of patients
- specialized aid for socially-significant diseases and diseases posing a threat to the local population
- organization and carrying out preventive, environmental, sanitary-and-hygienic and anti-epidemic actions
- Specialized help for “privileged” groups, including low-income families.

Health care and living standards of the population

- Quality. An effective system of health care protects and restores to health members of society, reduces the number of cases of disability and in these ways enables people to earn money and helps raise living standards.
- Access. Limited access to medical aid means a longer period of time before the patient asks for help; and increases the risk that help is requested only when the illness has become serious or chronic, thus reducing the patient's ability to earn money.
- Sanitary and epidemiologic well-being.

TASKS OF STRATEGY FOR IMPROVING LIVING STANDARDS IN HEALTH SECTOR:

- Expansion of access of the population to good quality medical services
- Preservation of sanitary and epidemiologic well-being

MAIN SECTORAL PROBLEMS

- Insufficient development of primary level of health care
- Low quality of emergency and specialized medical aid to population
- High indicators of maternal and infant mortality rate, compared to developed countries
- Insufficient medicine supply
- Tense situation with regard to several socially significant diseases (tuberculosis, HIV/AIDS, drug abuse) and diseases related to deficit of nutrients in organism.
- Preservation of sanitary and epidemiologic well-being

PRIORITY DIRECTIONS AND PROPOSED MEASURES

1. Development of primary level of health care
 - Expansion of reforms in primary level of health care within the framework of the project "Health" across all regions of republic
 - Equipping with specialized transport, communication facilities
 - Improvement of staffing levels
 - Improving system of financing
2. Improving services of the emergency and specialized medical aid
 - Provision of modern medical equipment
 - Increasing skill level and retraining of personnel

PRIORITY DIRECTIONS AND PROPOSED MEASURES

3. Strengthening system of mothers and children protection
 - Strengthening capacity of establishments and improvement of quality of assistance to women of fertile age and to children.
4. Improvement of supply with medicaments:
 - Further development of domestic pharmaceutical industry
5. Prophylaxis and reduction of socially significant diseases
 - Strengthening the network of medical centers specialized in diagnosis and treatment of socially significant diseases (tuberculosis, HIV/AIDS)

PRIORITY DIRECTIONS AND PROPOSED MEASURES

6. Implementation of special measures for prevention of diseases

- Immunization of population (especially children)
- Enriching food products with minerals and micro-nutrients (especially salt and flour)
- Strengthening propaganda for healthy life styles

7. Improvement of sanitary and epidemiologic conditions

- Implementation of targeted measures and involving civil society in this process.

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Human development: education

- In Uzbekistan high educational indicators have been achieved. Literacy rate, enrolment rate in secondary and vocational education are comparable to economically developed countries.
- However there are signs of a gradual decline in the achieved indicators: extremely low enrolment rate in preschool education, enrolment rate in secondary education does not grow, enrolment rate in vocational (especially in higher) education is declining. Quality of education declining at all levels and this has negative consequences for employment. There is a growing quantitative and qualitative gender imbalance especially in vocational training

MAIN POLICY PRIORITIES IN EDUCATION

SILSP and national MDGs for Uzbekistan have been formulated in a similar way

- state guarantees of access and equal opportunities in education at all levels
- development of mechanisms and creation of conditions for improving quality of education

MEASURES ENVISAGED IN THE STRATEGY FOR ALL LEVELS OF THE EDUCATION SYSTEM

- Strengthening material-technical base of educational institutions*
- Improving quality of textbooks and access of pupils, especially low-income ones, to them*
- Improving the professional level of teaching staff*
- Increasing enrolment rate at all levels, except for the higher education*
- Development and introduction of new normative documents*
- Package of special measures at all levels for increasing access of low-income people to quality education*

SPECIAL MEASURES FOR INCREASING ACCESS OF LOW-INCOME PEOPLE TO QUALITY EDUCATION

Improvement of educational standards and quality will expand access of low-income people to vocational and higher education

- *Introduction of competitive system of preparation and publishing educational literature will allow to lower cost, to improve quality and to increase quantity of textbooks. Introduction of system of borrowing textbooks and measures for improving work of libraries will reduce expenditure of families for the education of their children*
- *Expansion of employment opportunities of parents, first of all mothers, through creation of “prolonged day” groups with provision of food*

SPECIAL MEASURES (continued)

- **Expansion of targeted programs for provision of children from low-income families with clothes, educational accessories and food in schools**
- **Priority financing of education system in rural areas and disadvantageous regions, also in terms of respecting sanitary norms**
- **Introduction of system of inclusive general and vocational education will allow provision of qualitative education and social integration and adaptation for children with learning problems**
- **Raising wages for teachers**

PROPOSALS FOR IMPROVING SILSP

(based on comments received)

- emphasize impact of proposed measures on increasing living standards of population and reducing gap between social groups
- envisage in SILSP appropriate financing of secondary education
- strengthen within the overall framework of SILSP, the links between the education system with measures envisaged for budget, regional and institutional policy

PROPOSALS FOR IMPROVING SILSP (2)

- Set out measures aimed at increasing the enrolment rate in pre-school education, taking into account the experience of non-traditional kindergartens in mahallyas
- Set out measures for ensuring equal opportunities to access higher education
- Define more precisely the mechanisms for achievement of the proposed policy objectives

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**Regional Development, Administrative Reforms and
Institutional Reforms**

Aims and Tasks

- living standard trends by regions;
- regional inequality
- regional and local government;
- regional development strategy .

Information base

- Laws of the Republic Uzbekistan, Decrees of the President of the Republic Uzbekistan, Resolutions of the Cabinet of Ministers of the Republic Uzbekistan;
- sectoral policy directions (employment and income generation, human development, social protection);
- official statistical data of State Committee on Statistics of the Republic of Uzbekistan, including HBS, sociological survey in Djizak oblast carried out within the framework of current ADB TA project;
- reports, papers and various projects of the international organizations on living standards (UNDP, World Bank, etc.).

Positive improvements in socio-economic development of regions:

- legislative - legal base was formed;
- rights and authorities of local governmental bodies have been expanded;
- State social programs with a clear territorial link are being implemented;
- big investment projects aimed at the development of industrial infrastructure for regions development are being carried out;
- a relatively effective mechanism of social protection through "makhallya" has been established.

Trends in inter-regional differentiation of socio-economic development

Indexes	1991.		2000.		2003.	
	Level of Variation	without Tashkent	Level of Variation	without Tashkent	Level of Variation	without Tashkent
Gross regional product	2.1	1.4	3.4	2.4	4.2	4.2
Industrial production	5.4	5.4	11.2	11.2	23.3	23.3
Consumer goodproduction	4.9	4.6	8.2	5.6	7.2	5.6
Investment	3.5	3.5	5.8	4.3	6.5	5.1
Gross output of agriculture	2.1	-	3.6	-	3.3	-
Retail turnover	3.5	1.7	6.8	3.0	5.0	3.0
Paid services	3.5	1.5	8.4	2.5	11.1	2.3

Classification of Regions according to socio-economic development level (2003)

Level of economic development [1] High level	Ranking	Level of economic development [2] High level	Ranking
Navoiy oblast	1	Tashkent	1
Tashkent	2	Bukhara oblast	2
Bukhara oblast	3	Navoiy oblast	3
Tashkent oblast	4	Tashkent oblast	4
Average level		Average level	
Fergana oblast	5	Fergana oblast	5
Andijan oblast	6	Andijan oblast	6
Syrdariya oblast	7	SyrdDariya oblast	7
Djizak oblast	8	Khorezm oblast	8
Surkhandariya oblast	9	Namangan oblast	9
Kashkadariya oblast	10	Samarkand oblast	10
Low level		Low level	
Samarkand oblast	11	Kashkadariya oblast	11
Khorezm oblast	12	Republic of Karakalpakstan	12
Namangan oblast	13	Djizak oblast	13
Republic of Karakalpakstan	14	Surkhandariya oblast	14

[1] The level of economic development is determined by GRP per capita

[2] The level of social development is determined by per capita incomes, amount of social infrastructure, volumes of turnover and paid services

Problems and disproportions of uneven regional development

- high level of centralized management of social processes;
- disproportions in division of functions, tasks and responsibility of central and local authorities;
- inadequate material and technical basis, financial resources of local government bodies;
- insufficient consideration of specific territorial factors and conditions;
- low level of informational-analytical, methodical base for effective regulation of socio-economic processes at various territorial levels.

Main Tasks of regional development

- relative levelling of regional differentials in living standards and quality of life;
- differentiated approach to regional development taking into account their natural-economic potential;
- state support for less developed regions;
- Provision of a minimum level of social guarantees irrespective of the population's place of residence ;
- consistent decentralization of socio-economic development of regions.

Priority strategy directions for stable development of regions

- decentralization of regulation systems of regions' socio-economic development ;
- improvement of interbudgetary relations and increase of a role and value of local budgets;
- state support and stimulation in solving of socio-economic problems of less developed rural areas (mountain territories, territories with water and environmental tensity, small cities;
- development of program measures by rural administrative areas on rapid development of sphere of services in rural area, on base of makhallya and "guzarz");
- organization of effective evaluation system , monitoring and forecasting of the population living standards at various territorial levels.