

REPUBLIC OF UZBEKISTAN

**WELFARE IMPROVEMENT STRATEGY
OF THE REPUBLIC OF UZBEKISTAN FOR 2013-2015**

Tashkent 2013

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Acronyms

ADB	The Asian Development Bank
APS	
ASCAEP	Automotive System of Controlling and Accounting for Electrical Power
CDM	Clean Development Mechanism
CIS	The Commonwealth of Independent States
CSSPE	
DOTS	Directly Observed Treatment, Short-course
EDCF	
EEN	Enterprises of Electric Networks
FAO	The Food and Agricultural Organization of the United Nations
FEC	Fuel-and-Energy Complex
FRDU	Fund for the Reconstruction and Development of the Republic of Uzbekistan
GDP	Gross Domestic Product
GEF	The Global Environment Fund
GIZ	German Agency for International Cooperation
GRP	Gross Regional Product
IBRR	
ICC	
ICT	Information and Communications Technologies
IFI	
IFMR	Institute of Forecasting and Macroeconomic Research
INT	Identification Number of Taxpayers
ISC	The Independent Sociological Center
IsDB	The Islamic Development Bank
JSC	Joint Stock Company
KFAED	Kuwait Fund for Arab Economic Development
MDGs	Millennium Development Goals
NGO	Non-Governmental Organization
NHC	National Holding Company
NSS	
OPEC	The Organization of the Petroleum Exporting Countries
PCI	Preschool Children's Institutions
PPP	Public-Private Partnership
PSA	Production Sharing Agreements
SFR	
SNPC	Single National Processing Center
SSVE	Secondary Special Vocational Education
UN	The United Nations
UNDP	The United Nations Development Programme
UNESCO	The United Nations Educational, Scientific and Cultural Organization
UNFPA	The United Nations Population Fund
UNICEF	The United Nations Children's Fund
USAID	The United Nations Agency for International Development
VC	Vocational College
WHO	The World Health Organization
WIS-II	Welfare Improvement Strategy of Uzbekistan for 2012-2015
WTO	The World Trade Organization

INTRODUCTION

It was already in the early years of independence when the President of Uzbekistan, Islam Karimov announced the conduct of a strong social policy to be one of the five principles of transformation into the market economy, which later became widely known to the world as the “Uzbek model” of reforming and developing the economy.

At the beginning of this path the government determined that in line with the introduction of market relations, it is necessary to adopt effective measures that ensure the social security of the nation’s population, especially that of vulnerable groups. A number of programs and governmental regulations have been adopted along with creation of a whole system of governmental, non-governmental, and other civil society institutions in order to achieve these objectives.

As an independent member of international relations Uzbekistan has joined a number of international conventions and treaties that have direct or indirect relation to a wide range of issues related to increasing social security and population welfare. The country has been conducting active collaboration with international organizations and foreign governments.

In particular, in order to evaluate the process of implementation of the obligations Uzbekistan has taken within the framework of implementing the Millennium development goals (MDG), and formation of additional measures to ensure achieving the goals, the country has developed the Welfare Improvement Strategy Uzbekistan (WIS-I) for 2007-2010 in partnership with the United Nations Development Programme (UNDP), the World Bank, the Asian Development Bank (ADB) and other international organizations. The document has been widely used by international financial institutions and large international organizations to identify priority directions of cooperation with Uzbekistan.

After the completion of implementation of the measures, envisaged in the WIS-I, the need arose for reflecting in a single document all strategic directions and measures aimed at improving the population welfare for the future, while giving due consideration to specific features of Uzbekistan’s economic development in conditions of ongoing crisis in the world. For that reason the decision was taken by the government to develop the next Welfare Improvement Strategy for 2013-2015 (WIS-II) in order to ensure the continuity and sequence of ongoing reforms.

ADB made a decision to provide assistance to Uzbekistan, by financing the process of developing the WIS-II. After a selection process, the Institute of Forecasting and Macroeconomic Research (IFMR) under the Cabinet of Ministers of the Republic of Uzbekistan was chosen as the strategy’s developer.

In a course of developing the Strategy, a group of IFMR experts conducted a thorough work in collaboration with members of the special thematic working groups, established by the Government and consisted of heads and officials of a whole range of ministries and agencies of the Republic of Uzbekistan. A wide participation of representatives of international organizations, non-governmental organizations and academia was also ensured in the process of developing the document.

CHAPTER 1. The Key Goals and Priorities of the Welfare Improvement Strategy FOR 2013-2015

1.1. The Goals and Priorities of the Welfare Improvement Strategy of Uzbekistan for 2013-2015

The main goal of the Welfare Improvement Strategy of Uzbekistan for 2013-2015 (hereinafter WIS-II) is to identify both priority areas of action and the most effective measures and tools of socio-economic policy, in order to achieve the sustainable and quality growth of population welfare on the basis of the following:

- Institutional reforms, designed to continue the liberalization of the national economy as a key factor behind both the economy's sustainable development and the stable improvement of population welfare, thereby creating a favorable investment and business climate;
- An enhanced macroeconomic policy, including fiscal, monetary, investment and foreign economic policies, that creates the necessary conditions for the stable development of economic entities, while increasing the population's confidence in ongoing economic reforms;
- The further improvement of the structure of the economy, and the modernization of its key sectors, with the aim of ensuring sustainable economic growth through means of qualitative factors, while increasing the competitiveness of the national economy;
- The conducting of an active policy in the labor market, which ensures both the growth of rational employment and enhancing population income;
- The further enhancement of human development factors (education, healthcare, housing, public services and ecological preservation, etc) alongside the further development and support of the social sector and a significant increase in the quality of public services;
- The maintenance of social orientation of the State budget, i.e. channeling significant amount of expenditures to the social sphere, as well as strengthening and improving the efficiency of targeted social protection aimed at vulnerable groups of population;
- The enhanced activities of governmental and non-governmental organizations, within the area of environmental protection;
- The development of industrial and social infrastructure, improving the conditions for business and population welfare;
- The holistic development of all national territories, with the aim of reducing regional inequalities in regards to income and population welfare;

The main goal and the key aspect of expected results of the WIS-II has been identified as the need to reduce the level of Uzbekistan's low-income populations from 17.7 per cent in 2010 to 13.7 per cent in 2016.

1.2. The Mid-Term and Long-Term Objectives of Uzbekistan's Development

1.2.1. The Strategic Priorities of the National Economic Policy

On the basis of the development trends of the world economy, as well as the goals of the WIS-II, the implementation of the following priorities within amid-term timeframe will have key importance for Uzbekistan:

The maintenance of macroeconomic balance, based on balanced fiscal and moderately tight monetary policies, and the maintenance of **high rates of economic growth**. Key attention will be directed towards the qualitative factors of economic growth, in particular the growth of labor productivity, the effective usage of existing resources, and the introduction of innovative technologies.

The increased competitiveness of the national economy, which will ensure Uzbekistan's entry into the international list of developed democratic countries. The nation's achievement of economic competitiveness, and its access to world markets, will be secured through a range of means. These will include the diversification of the national economy, the rapid growth of new, high-tech enterprises and manufacturing facilities, the accelerated modernization and technical renewal processes of existing capacities, the significant enhancement of the investment climate and business environment. Increasing the competitiveness of the national economy will help reduce the gap between Uzbekistan and the world's developed countries, while strengthening both economic and social security, in particular, the energy and food security.

The stimulation of domestic demand, which will involve the localization of the manufacturing of parts, components, equipment and other types of final goods. This can be achieved through the processing of local raw materials, the development of industrial and social infrastructures, housing construction, and the non-inflationary growth of population income.

The continued speedy modernization and development of transport infrastructure, including that of automobile, railroad and air transportation, and pipelines. Other related goals will include the modernization and development of the infrastructure of energy, gas and water supplies, and sewage systems.

The assured rapid growth of the small businesses and services' sector, first of all in rural areas. This growth will have a significant positive impact on economic growth, will result in an increase in employment and income, and will enhance quality of life.

The enhancement of energy-efficiency of production, wide application of energy-saving technologies, and development of the energy sector, which will be based on renewable energy sources;

The rapid development of Information and Communications Technology (ICT), and its increased role in the national economy.

The targeted and active development of Uzbekistan's regions, in particular the development of small towns, townships and villages, in particular within the framework of the State Program for individual housing construction in rural areas on the basis standard designs.

The development of Uzbekistan's regions will also involve the creation of modern industrial, social, and market infrastructure, small processing units, and the establishment of service-providing enterprises in small towns, townships and villages.

The continuation of reforms in the healthcare sector. These reforms will be designed to optimize both the healthcare organizations' network, and the related system of financing and management. The reforms will also strengthen the infrastructure of district and regional level healthcare institutions, as well as specialized medical centers, while implementing a program for combating tuberculosis and oncological diseases;

The continuation of reforms in the education sector. Such reforms will also target general secondary and secondary specialized vocational education, designed to increase the quality of curricula and textbooks, and to increase the qualifications of teachers and the national system of education. Special attention will be paid to reforming and strengthening the infrastructure of the higher education system, and to increasing its capacity for science education by providing access to specialized university-based, inter-university and educational-scientific laboratories and centers; improving the system of post-graduate education.

The enhancement of activities in the area of environment and ecology, including those focusing on the Aral Sea zone, as well as in other ecologically-challenged regions of the country. The enhancement of activities designed to develop and introduce *green economy*, and alternative sources of energy.

The ultimate objective of the above priority tasks implemented within the WIS-II will be to achieve the following targets of economic development by the year 2015 (see Table 1):

- The assurance of sustainably-high rates of economic growth, with an average growth rate equal to no less than 8.0 to 8.2 per cent a year. At the same time, the Gross Domestic Product (GDP) shall increase by 26 per cent against the level of 2012;
- Accomplishment of qualitative structural shifts in the economy on the basis of advanced development of manufacturing industries and services' sector to increase their shares in the GDP to 26.8 and 55 per cent respectively by the year 2015;
- The increased economic contribution of small businesses and private entrepreneurship, by increasing their share in the GDP to 57.5 per cent by 2015;
- The assurance of an increase in the attraction of foreign direct investments to 9.3-9.7 per cent annually;
- A significant increase in the banking sector's contribution to the invocation of investment processes, by increasing the gross capital of commercial banks by 1.52 times, and that of credit investments by 1.73 times, during the period from 2013-2015.

Table 1.1. Key macroeconomic trends of Uzbekistan in 2011-2012 and projections of those till the year-end 2015, as percentages

Indicators	2011	2012*	2013	2014	2015
GDP growth rates	8.3	8.2	8.0	8.2	8.2
GDP deflator	16.1	14.7	13.0	12.6	12.2
Investment growth rates into the main capital	7.9	11.6	9.3	9.4	9.7
Share of investments in the GDP	23.1	22.8	22.6	22.9	23.2
The manufacturing sector's growth rates	6.4	7.7	8.4	9.1	9.3
The share of the manufacturing sector in the GDP	24.0	24.0	24.2	25.2	26.8
The agricultural sector growth rates	6.6	7.0	6.0	5.2	5.1
The share of services in the GDP	50.5	52.0	53.0	54.0	54.0
Exports growth rates	15.4	1.0	11.2	15-18	18-20

* Preliminary data from the State Statistics Committee of Uzbekistan (SSC)

Source: SSC and IFMR.

In order to implement the priorities of Uzbekistan's economic development in 2013-2015 a special attention will be paid to the following vital objectives:

- The preservation of a favorable macroeconomic environment and increasing business activities through the maintaining of an acceptable level of inflation, through lowering the tax burden on small businesses and private entrepreneurship, through insuring balance between money supply and demand, through increasing the quality of banking services, and through improving customs regulations;
- The creation of effective stimulus for investments of the own funds of enterprises and the national population's savings. The assurance of enhanced access to the credit sources of banks, thereby accelerating the processes of the modernization and the technical and technological re-equipping of the economy sectors, launch of new, high-tech productions;
- The creation of the most favorable business environment for attracting direct foreign investments, and for forming a large market of contract-based construction works;
- The creation of the most favorable conditions for the development of the private sector and entrepreneurship, primarily in the manufacturing sector but also in the activities of non-governmental and public institutions, as an important step towards enhancing employment and increasing population income;
- The assurance of the sustainable development of both the fuel and energy sector and the agricultural sector, with the aim of providing support to energy and food security, of lowering dependence on world market prices, and of modernizing the manufacturing and water-supply infrastructure that support such sectors;
- The creation of favorable conditions and stimulus for enhancing affordable housing construction.

1.2.2. Strategic priorities of social wellbeing and human development

Key priority tasks within the WIS-II, in the direction of promoting human development and social welfare, have been identified as the following:

In the area of employment and population income:

1. The assurance of the dynamic growth of the population income. This can first of all be achieved through the development of the non-governmental sector of the economy, and the enhancement of employment in that sector. The growth of the income in the non-governmental sector will be facilitated by a favorable business environment, and by the active attraction of investments into the processing sectors of the industry and services primarily available in rural areas.

In accordance with the target indicators of the economic development, the real aggregate per capita income of the population will increase by 1.5 times by 2015 against the 2012 level. The minimal salaries paid to workers, equaled to the first grade in the tariffs' net, will be increased almost 2.4 times during the period of 2013-2015, while the average salaries within budgetary areas, and for pensions, benefits and stipends, will be increased by 20-25 per cents annually.

2. The creation of new jobs and the assurance of the rational employment of the population, with due consideration of the number of youngsters with secondary special and vocational education, and those with higher education, as well as those who have entered the labor market for the first time. Demographic projections state that no less than 950 thousand new jobs shall be created annually in Uzbekistan, first of all through the establishment of small enterprises and micro-firms in rural areas that specialize in processing agricultural products and providing services to the national population. Also, various programs aimed at providing support to home-based businesses, and other types of self-employment designed to create permanent jobs, will be actively implemented.

3. The improvement of the target-orientation of social protection aimed towards vulnerable populations. This will be achieved through the further strengthening of the Institute of the Self-Governance Bodies of Citizens, and the implementation of targeted programs for the social protection of certain categories of the population. Such categories include people with disabilities, children with disabilities, the lonely elderly, children without parental care, unemployed citizens, and other socially-vulnerable population groups.

4. The undertaking of measures to further reduce inequities in incomes, fair distribution of advantages of the economy's high growth rates, first of all through the accelerated growth of the incomes of low-income families and the rural population. It is envisaged that there will be a decrease in the decile coefficient of the difference of incomes from 8.0 times in 2012 to 7.8 times in 2015.

5. The further enhancement of insurance principles within the pension system. This will be achieved through a gradual increase in the share of fees into the Pension Fund, paid directly by employees, and an adequate reduction of social payments as paid by employers.

In the field of providing housing and key public utility services:

1. The formation of a market of affordable housing. This will be achieved in cities through the demolition of slum dwellings and the construction of new, multi-flat housing, and in rural areas through the creation of new townships with comfortable housing. The key element of this strategy is the State Program for the ‘Accelerated Development and Construction of Housing and Social Infrastructure in Rural Areas’. New, modern rural houses were built between 2009 and 2012, within the framework of the program. These communities consisted of 24,136 houses in total. To continue this program’s implementation, it is envisaged that additional measures will be taken to create an effective housing sector, adapted to match regional conditions and to meet the requirements of the population, with due consideration of their solvency.

2. The improvement of access to public utilities, providing access to drinking water, modernization and enhancement of sewage systems, developing the waste utilization.

3. The improvement of the stable provision of electricity and heating to population. This will be achieved through the modernization of low-voltage electricity networks, transformers and sub-stations, and through the replacement of high energy-consuming and ineffective heating boilers with energy-saving ones. These modernization procedures will also involve the launching of projects and programs designed to use of alternative sources of energy.

Adequate investments into human development, is an important factor that will enhance population welfare and the country’s stable development in the long run. In that regard, during the period from 2013 to 2015, the Government of Uzbekistan will especially focus on the development and improvement of such sectors as education and healthcare.

Within the education sector, the Government of Uzbekistan has established a task of maintaining the level of the adult population’s literate within 99.9 per cent as one of the key factors designed to increase population welfare, people’s overcoming the low-income group, and increase the average duration of education from the current 12 years to up to 13 years by 2015.

In order to achieve the above-mentioned targets, the WIS-II strategy envisages the following initiatives:

- The continuation of works to provide the population of Uzbekistan with necessary quality services within the area of preschool education, by expanding the coverage of children aged 3 to 6 with preschool education. The purpose of this initiative will be to improve the preparedness of such children to study at schools. This initiative will require the effective usage of the potential of Preschool Children’s Institutions (PCIs), the development of the material/technical basis and the resources of PCIs, the development and introduction of state standards for preparing children for school, the enhancing of the skills of teachers and mentors, and the improvement of the standards of nutritional and medical services provided at PCIs;

- The continuation of investments into school infrastructure. First of all, such investments will be made into construction of schools in the areas where new residential quarters are build, and where construction of individual housing on standard deigns are carried out. It will also include the developing the infrastructure of schools that were not included into the State Program of ‘The Development of School Education in 2004-2009’. Such investment could

provide schools and non-school institutions, especially those located in rural areas, with a quality pool of teachers. They could also provide material support to the children of low-income families, for instance by increasing the supply of free textbooks, meals and clothes at the expense of the state budget;

- The full involvement of all 9th Grade graduates from general secondary education schools, including those in remote rural areas, into institutions of Secondary Special Vocational Education (SSVE). This will become a requirement from the start of the 2012-2013 academic year, while simultaneous efforts will increase the efficiency of and the equality of access to education in the SSVE system. These enhancements will include the improvement of curricula, the introduction of professional standards and qualification requirements within specialized areas, and the further enhancement of links with enterprises that facilitate both the improvement of professional skills and the further job placement of the graduates of vocational colleges;

- The deepening of reforms in the area of higher education, in order to improve the quality of specialists trained within higher education, based on the demand and need for them within the economy and within other areas of public life. This process will require the strengthening and the development of the material and technical bases of higher education institutions, the improvement of curricula, and the improvement of the quality of teachers and faculties of higher education institutions.

Within the area of healthcare, the Government of Uzbekistan has defined its main goal to be achieved by the year 2015 to be the assurance of access to primary healthcare services for 100 per cent of Uzbekistan's population. In order to achieve this goal, key reforms within the area of healthcare will be oriented towards the improvement of the quality of healthcare and medical services, while ensuring equality in the availability of medical services to all groups of the national population. In this regard, the following have been identified as the key strategic priorities in reforming the sector:

- The optimization of the healthcare network via elimination of low-capacity, poorly equipped and ineffective medical institutions, and the further usage of freed resources for strengthening the infrastructure and in later stages the maintenance of healthcare institutions. Such institutions will include district medical complexes and polyclinics, regional medical complexes and multi-field polyclinics, and both regional and national specialized medical institutions;

- The strengthening of the infrastructure of the diagnostic centers and units of regional medical complexes, in order to improve radically both the quality of the diagnosis of diseases and the timely organization of quality medical assistance, while developing the principles of healthy lifestyles and preventive healthcare;

- The continuation of activities designed to expand, equip and modernize Uzbekistan's institutes of primary medical-sanitary and emergency assistance, especially in rural areas;

- The improvement of the national system for training healthcare personnel, and the introduction of modern methods of neonatal resuscitation, the care of children with congenital anomalies, and the promotion of breastfeeding. All these initiatives will intend to reduce child mortality;

- The improvement of the obstetric care abilities and skills of healthcare providers, in order to strengthen maternal health. This work will include addressing the issue of the deficit of nutrition in women of reproductive age, including iron deficiency and iodine deficiency, through the undertaking of such measures as nationwide flour fortification and the iodization of salt. It will also involve increasing people's awareness of issues regarding reproductive health;
- The undertaking of activities regarding nationwide immunization against infectious diseases, while improving access to prophylactics for HIV/AIDS, tuberculosis and other dangerous, socially-significant diseases. At the same time, special attention will be paid towards the expansion of related partnerships with civil society.

1.3. The Relationship between the WIS-II Goals and MDGs

The objectives of the WIS-II correspond to the Millennium Development Goals (MDGs), as approved by the UN General Assembly in 2000. Uzbekistan has committed itself to achieving the MDGs by 2015, with a consideration of specific national requirements. The implementation of the Welfare Improvement Strategy for 2008-2010 has contributed to the achievement of significant progress made towards meeting the MDGs.

The 1st Objective is aimed to reduce the number of people with low income by half during the period from 2000 to 2015. In accordance with the assessments of the World Bank¹, the low-income people in Uzbekistan accounted for 27.5 per cent of the population in 2001, including 30.5 per cent in rural areas and 22.5 per cent in urban areas. In 2010 the indicator declined to 17.7 per cent and to 16.0 per cent in 2011. The group of Uzbekistan's population with low incomes has decreased by one third during the period from 2000 to 2011. This very fact indicates that Uzbekistan is well on its way towards achieving the MDGs' first objective by 2015.

The following measures have contributed to the achievement of the First Objective:

- The conducting of an economic policy that ensures macro-economic balance and high growth rates;
- The implementation of the effective measures within the developed and adopted Anti-Crisis Program for 2009-2012, which envisaged among other objectives the development and implementation of annual programs for creation of new jobs and increase in population employment, which in turn envisages the creation of about 1 million new jobs annually;
- The provision of comprehensive support to small businesses and private entrepreneurship, which has ensured the growth of the small businesses' share in the GDP from 31 per cent in 2000 to 54.6 per cent in 2012;
- The strengthening of support to the social sector, and an increase in government spending in the social sector and in social assistance, as well as an increase in levels of wages and population income.

¹ World Bank Report : 'Uzbekistan - Population Welfare Assessment'.

The 2nd Objective aimed to reduce the numbers of Uzbekistan's underweight children by 50 per cent, within the period from 2000 to 2015. Significant achievements have been made in this regard in recent years, specifically in terms of improving the quality of nutrition not only among children but also among the general population. Improvements in regards to child nutrition were partially achieved due to the implementation of a national program designed to promote breastfeeding, salt iodization, the prevention of Vitamin A deficiency, the fortification of flour with micronutrients, and other similar initiatives. The National Strategy for Improving the Population Nutrition in Uzbekistan for 2009-2011 was adopted and implemented.

Studies regarding child nutrition, as conducted from 1996 to 2011 within the framework of the medico-demographic study, have highlighted that the lagging of children under five, in terms of weight, has declined from 7.1 per cent in 2002 to 3.3 per cent in 2006, and to 1.83 in 2011. Meanwhile, lagging in terms of height has declined from 21.1 per cent in 2002 to 1.04 per cent in 2011.

The implementation of measures designed to enrich and fortify flour with iron and folic acid has allowed for a reduction in the prevalence of anemia among children under the age of five from 66.6 per cent in 2000 to 12.12 per cent in 2011. The prevalence of diseases related to iodine deficiency has reduced from 47.7 per cent to 15.0 per cent during the same time period.

A reduction of inadequate nutrition has been partially contributed to by measures designed to increase birth intervals, and to improve the awareness of parents of how to provide care to their children. Thus, within the total number of births in 2010 and 2011, the share of births with an interval of more than two years increased from 90.9 per cent to 94.6 per cent respectively.

The 3rd Objective is aimed to improve the quality of primary and general secondary education by 2015, while insuring general access to education. It was determined that in order to ensure this goal's achievement, the following tasks would have to be undertaken:

- The maintenance of 100 per cent gross and net levels of education coverage, and the assurance of an equal 50-50 gender ratio in general secondary education, from grades one to nine;
- The assurance that by 2015, 100 per cent of students enrolled in grade one would reach grade nine;
- The assurance of the 96.8 per cent coverage of Uzbekistan's population aged 7 to 15 in general education programs in 2000-2010, and the assurance of the 100 per cent literacy of the national population aged 16 to 24, in the same period.

Necessary measures have been taken in order to achieve the above-mentioned objectives. The implementation of the State Program on School Education for 2004-2009 has allowed for a significant increase in school infrastructure, the availability of necessary equipment and information technologies, and the creation of a solid ground for further quality changes within the national systems of primary and general secondary education.

A total of 1,574 new schools were built within the state program, which increased the total number of schools in Uzbekistan from 8,549 to 9,779. There more than 8,000 schools underwent a complete overhaul, and were provided with gas and water supplies, as well as connected to a central sewage system. In 2012, there new schools were built with total capacity

of 3,200 student places, reconstructed – for 65,600 student places and underwent complete overhaul – for 111,200 student places.

Given the fact that primary and secondary education in Uzbekistan is compulsory, in accordance with legislation, starting 2011, 99 per cent of students who enrolled in grade one reach the next level of grade five. The share of students, enrolled in grade one and reached grade nine, accounted for 95.6 per cent.

The complete gross coverage of children with school education demonstrates an absence of any regional or gender discrimination in access to education.

The 4th Objective is aimed to achieve gender equality within Uzbekistan's system of primary, secondary and vocational education from 2000 to 2015. In particular, this objective required:

- The achievement of gender balance within the system of higher education;
- The increase of the share of women within the total number of individuals employed within non-agricultural sectors by one third;
- The ensured growth in the representation of women at Parliament and increase in the share of women holding administrative and management positions.

The following results were achieved thanks to the adopted measures:

There is no gender imbalance within primary and secondary education, which covers children aged 7 to 15. During the period from 2000 to 2012 the gender balance was achieved among the students of academic lyceums and vocational colleges. In the case of higher education institutions, the same ratio reached 0.365/0.63.5.

In the period from 2000 to 2011, the share of women employed in the non-agricultural sector of the nation's economy increased from 67 per cent to 72.2 per cent. A significant growth in the employment of women in such sectors as trade and public catering, manufacturing industries, education, healthcare and others has been observed.

In 2004 Uzbekistan introduced the system of a 30 per cent quota for nominated candidates in Parliamentary elections, serving as a significant stimulus for women to participate in the country's political life. Thus, when new elections to the Oliy Majlis of the Republic of Uzbekistan were held in December 2009, 31 per cent of the elected representatives were women.

The following measures have been implemented, in order to both further promote gender equality, and to expand the rights and opportunities of women in Uzbekistan:

- The creation of opportunities for the employment of women within the framework of programs implemented in order to encourage social development of regions;
- The support of female entrepreneurs, especially those working in rural areas. Women are being attracted into home-based businesses, especially those established within areas of national craftsmanship, which assures increase in family income and growth of population welfare;
- The continued improvement of related legislation, taking into consideration recommendations made by the United Nations Committee on the Elimination of All Forms of Discrimination Against Women;

The 5th Objective is aimed to reduce the mortality of children under the age of five, by two thirds within the period of 2000 to 2015.

A number measures have been implemented in that direction, which include the following:

- The implementation of targeted programs aimed at securing mother and child health. In that regard the 2000 was promulgated as the “Year of Healthy Generation”, 2001 – “The Year of Mother and Child”, and 2010 – “The Year of Harmonously Developed Generation”. This contributes to increased attention paid by the society to the topic of the year, encourages the mass media for conduct of various events in line with the topic.

- The introduction of international standards in child healthcare;

- Various programs and projects have been conducted on such topics as safe motherhood, the improvement of the reproductive health of women, the facilitation and promotion of breastfeeding, and the prevention and elimination of micronutrient deficiency through the fortification of foodstuffs with Vitamin A, iron, and folic acid;

As a result of the efficiency of the above-mentioned activities, Uzbekistan has managed to achieve significant progress in reaching the 5th Objective. In the period from 2000 to 2011, the infant mortality coefficient of infants under the age of one decreased by 1.8 times (from 18.9 per mille to 10.4 per mille), while the coefficient of mortality of children under the age of five decreased by 2.0 times (from 28.5 per mille to 14.1 per mille).

The 6th Objective is aimed to reduce maternal mortality by one third in the period of 2000 to 2015. Reducing the risk factors among women of fertile age has contributed to a reduction of maternal mortality (PMM). Thus fertility indicators have decreased significantly, in addition to numbers of abortions. Cases of pregnancy among women under the age of 16 or above the age of 35 have decreased, while the average interval between births has increased correspondingly. During the period from 2000 to 2012 the PMM decreased from 33.1 to 20.2 per 100 thousand live births². Thus, the national task of reducing maternal mortality by one third was completed ahead of the planned deadline.

The 7th Objective required the initiation of a trend in reducing the HIV/AIDS sickness growth rates in the period of 2000-2015. The level of HIV prevalence in Uzbekistan is relatively low, at less than 0.1 per cent of the population. A number of measures have been taken in order to reduce the presence of HIV/AIDS, including the following:

- The strategic program to combat the spread of HIV for 2007 to 2011 is implemented. Presently the second part of the program is being developed to cover the period up to 2015;

- The adoption of the Resolution of the President of the Republic of Uzbekistan ‘About Additional Measures to Increase the Efficiency of Combating the Spread of HIV Infection in the Republic of Uzbekistan’, which introduced a single system of combating the spread of HIV infection;

- The implementation of the National Plan of Actions to Prevent HIV Prevalence for 2009-2011, resulting from the Resolution of the Cabinet of Ministers of the Republic of

² Preliminary data.

Uzbekistan 'On Measures to Improve the Organizational Structure and Activities of Centers on Combating AIDS'.

The actions taken by the Government of Uzbekistan in combating HIV have been supported by international organizations and civil society alike.

Starting 2010, the trend, stabilizing the reduction of new cases of HIV, was observed. The life expectancy of the HIV-infected has increased due to timely conduct of preventive medical measures, early diagnosis and the conduct of the antiretrovirus therapy based on the scheme recommended by the WHO.

The 8th Objective envisaged the cessation of the spread of tuberculosis and malaria, and the start of a trend of a reduction in related morbidity in the period of 2000-2015, and in particular:

- The reduction of the prevalence and mortality indicators of tuberculosis by half;
- The identification of 100 per cent of new morbid cases of tuberculosis, and the treatment of no less than 85 per cent of these cases within the Directly Observed Treatment Short-course (DOTS) framework.

Beginning in the year 2003, Uzbekistan has started the process of stabilizing and decreasing its numbers of tuberculosis cases. The introduction of the DOTS strategy, which secured a 100-percent coverage of the population in 2005, has allowed for a significant improvement of the national tuberculosis situation. In particular the indicators of diagnosis and treatment efficiency have increased, while tuberculosis-caused mortality cases have decreased accordingly. During the period from 2000 to 2011 the level of tuberculosis-caused mortality decreased from 13.5 cases down to 7.0 cases per 100 thousand people.

The detection of cases with a positive result has decreased by 100 thousand people, from 65.5 per cent in 2000 to 53.1 per cent in 2011. The percentage of recovery among those cases has reached 81.4 per cent.

During recent years the level of morbidity with malaria in Uzbekistan has remained at a low level. In 2011 only one case was detected. In general, the malaria cases are registered within the regions of Uzbekistan that border with Tajikistan or Afghanistan. There were no cases of internal transmission ever since 2009.

The achieved success has mainly been the result of adopted measures including:

- The improvement of the diagnosis, treatment, monitoring and supervision of tuberculosis cases;
- The undertaking of DOTS targeted initiatives for inmates and recently-discharged prisoners;
- The diagnosis and treatment of tuberculosis and latent tuberculosis among people living with HIV;
- The expansion of the DOTS+ pilot project after 2005, and the launch of a similar pilot project in Tashkent City.

The 9th Objective aimed to work towards the integration of principles of sustainable development into government policies and programs, and intended to reverse the national pattern of wasting natural resources by the year 2015. In line with recommendations of the UN Conference on Environment and Development (Rio-92), the Nukus Declaration, and the

obligations accepted by Uzbekistan when joining the Convention on Environment, national commissions have been taken on such issues as the prevention of climate change, the reserving of biodiversity, the combating of desertification, and stopping the usage of ozone-damaging substances. The establishment of those structures has become an organizational measure designed to ensure the effective participation of the republic in solving issues related to the sustainable development of its internal regions and the greater world community. The structures have also improved the inter-departmental coordination of actions for the implementation of plans and practical actions designed to solve ecological problems and achieve sustainability.

Uzbekistan's areas covered by forest are being reserved, and currently account for 33.2 thousand square kilometers, or 7.4 per cent of Uzbekistan's total territory. 88 per cent of Uzbekistan's forested areas are desert bush regions, 9 per cent are mountain forests, 2 per cent are valley forests, and 1 per cent are Tugai(shore) forests.

In order to effectively implement measures to reduce the delivery of greenhouse gases into the atmosphere, and to attract modern technologies for the implementation of ecological and energy-saving projects within various sectors of the national economy, in 2006 Uzbekistan established the Interdepartmental Council on the Clean Development Mechanism of the Kyoto Protocol (CDM). One of the main objectives of the council has been to identify priority directions of the use of the CDM. During the period from 2007 to 2010, the project 'Capacity Building for Clean Development Mechanisms in Uzbekistan' was implemented with assistance of the UNDP. The main objective of the project was to assist in the selection of a portfolio of CDM projects, and to develop recommendations for the improvement of institutional and legal bases.

Thanks to the project's successful implementation, Uzbekistan prepared the necessary grounds for the implementation of CDM projects. These projects ensure the reduction of greenhouse gas emissions into the atmosphere, primarily as a result of the modernization and technological renewal of existing manufacturing facilities.

At present, Uzbekistan leads the list of countries in the CIS and Eastern Europe in regards to the highest number of CDM projects registered and the level of decreased emissions. Thus the portfolio of the CDM projects in Uzbekistan contains more than 70 projects, with the gross reduction of greenhouse gas emissions being equal to about equivalent of 20 million tons of CO₂. Eleven such projects were registered by the Secretariat of the United Nations Framework Convention on Climate Change.

National procedures for the selection and approval of CDM projects in Uzbekistan have been prepared. Meanwhile, eight guidelines have been developed in regards to issues related to the financing of CDM projects, the conducting of negotiations with foreign investors in regards to CDM, the assessment and mitigation of the risks of CDM projects, and the development of a program of CDM activities. The website of the CDM national body has also been developed and launched at the Ministry of Economy of the Republic of Uzbekistan.

The program for effective water consumption has been conducted at the expense of the implementation of projects regarding melioration and irrigation. These reduced projects include those regarding the modernization, reconstruction and increased coefficient of the

efficiency of the irrigation systems, the reduction of water losses at water management facilities, and the introduction of water-saving technologies, drips and other types of irrigation.

In addition, the Resolution of the President of the Republic of Uzbekistan # PP-817 of the 19th of March, 2008 ‘About the State Program of Improvement of Irrigated Land for the Period of 2008-2012’ was adopted in order to introduce significant improvements into the system of improving irrigated land.

The 10th Objective aimed to increase the share of urban and rural populations with access to clean drinking water and sanitation by 2015. Ensuring the population’s access to clean drinking was achieved through the implementation of state target programs regarding the construction of water supply systems. In the period from 2001 to 2012, 27.9 thousand kilometers of water supply systems were launched, including the reconstruction, 24.2 thousand kilometers of which in rural areas. As a result, during the period from 2000 to 2011, the share of the population with access to drinking water increased from 80.4 per cent to 82.6 per cent, while a similar increase from 72.3 per cent to 75.8 per cent was experienced in rural areas.

1.4. The Process and Outcomes of Ensuring Broad Participation of Stakeholders and Society in Development and Implementation of the WIS-II

The following issues were planned to be tackled in development of the WIS for 2013-2015:

- The assurance of the Republic of Uzbekistan’s guiding role in developing and implementation of WIS-II. This task is being carried out by the Inter-departmental Steering Council (ISC);
- The assurance of the broad participation of line ministries, agencies, think-tanks, NGOs, civil society and international organizations accredited in Uzbekistan, in discussing the chapters and components of the WIS-II as they are developed and approved by the ISC;
- The collaboration with international organizations accredited in Uzbekistan, first of all with ADB, within the process of developing the WIS for 2013-2015;
- The improvement of the knowledge and capacities of the national experts, as well as the responsible specialists of various governmental and non-governmental organizations, who assisted in the development of the strategy. This was achieved through the organization of trainings, the conducting of round-table discussions, and the delivery of presentations, conducted in the country or abroad, all with participation of leading national and international experts;
- The assurance of the sustainability of the conducted work, through the preparation of necessary institutional and administrative conditions and mechanisms needed for the smooth and effective shift to the stage of monitoring and evaluating the WIS-II, and of implementing and preparing annual reports;

In line with the above objectives, the following activities were implemented:

- The establishment the Inter-departmental Steering Council (ISC) of the Government of Uzbekistan, as responsible for coordinating activities related to the development of the WIS-II, and consisted of representatives of key ministries and agencies, think-tanks, and others;

- The establishment of seven tasks groups under the ISC on the following directions: *‘Macroeconomic Policy for Ensuring Sustainable Economic Growth’*; *‘Structural Reforms, the Deepening of the Processes of Modernization, the Improvement of the System of Administration and Regulation over Investment Processes’*; *‘Human Development and the Harmonious Development of the Population’*; *‘Formation of Modern, Effective Agricultural Production in order to ensure a Sustainable Food Supply, and to Improve the Appeal and Cultural Image of the Countryside’*; *‘Deepening the Processes of Developing the Industrial and Social Infrastructure’*; *‘Determining Expenditures for the Implementation of the WIS, and their Integration into the State Budget’*; and the *‘Formation of a Necessary Statistical Database and the Development of Indicators for the Monitoring and Evaluation, Analysis of the Policy-relevance’*.

- Four initiative task groups were established, in cooperation with international organizations, towards such directions as:

- o Environmental protection and the implementation of the Rio Convention in Uzbekistan, as conducted with the UNDP Representative Office in Uzbekistan;

- o The improvement of the system of micro-finance, designed to promote the development of small businesses in Uzbekistan, as conducted with the UNDP Representative Office in Uzbekistan;

- o The enhancement of maternal and child well-being in Uzbekistan, as conducted with the UNICEF Country Office in Uzbekistan.

The WIS-II has been developed with the close assistance and support of the ADB, and in collaboration with UNDP, United Nations Children’s Fund (UNICEF), the World Bank, the German Agency for International Cooperation (GIZ), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO) and other international organizations.

Over the course of developing the WIS-II numerous round-table discussions and meetings were conducted to discuss various parts of the Strategy.

CHAPTER 2. The Liberalization of the Economy and Formation of Favorable Business Climate as the Key Factor for Further Stable Development of the Economy, and for the Continuous Growth of Population Welfare

In 2010 the President of the Republic of Uzbekistan developed the ‘Concept of Further Deepening the Democratic Reforms and Formation of the Civil Society in the Country’, aimed to further enhance measures designed to ensure progressive movement towards the reforming and modernization of Uzbekistan. The measures included the following:

- The improvement of the legislative basis needed to enhance market reforms and free entrepreneurship, to ensure the prioritization and protection of private ownership, to improve market instruments and management mechanisms, and to perfect the nation’s competitive environment;
- The creation of a maximal favorable business environment, the liquidation of bureaucratic barriers and obstacles, and the reduction of the interference of state and controlling bodies into the activities of businesses;
- The creation of favorable conditions, benefits and preferences for the development of small businesses and private entrepreneurship;
- The liberalization of the national banking and financial system, and the strengthening and developing of the financial market with a simultaneous increase in the responsibility of banking and financial structures;
- The acceleration of the processes of modernizing the economy and diversifying its structure through the use of an active investment policy. The creation of a favorable investment climate, and the development of manufacturing infrastructure;
- The liberalization of foreign economic activity, the stimulation of the expansion of export potential, and the wide participation of small businesses in foreign economic activities.

Four mutually-interconnected strategic programs for the period from 2011 to 2015 were developed within the process of implementing the above-mentioned priority tasks. The programs envisaged the continuance of structural transformation, and the further enhancement of the competitiveness of Uzbekistan’s economy. Namely, the programs included the followings: the program on further deepening and expanding the scale of reforms; the program of the priority directions of industrial development; the program for the accelerated development of infrastructure, transportation and communication construction; and the program on priority directions for furthering reforms and increasing the stability of the national financial and banking system. The State Program “The Year of Small Business and Private Entrepreneurship”, along with the program of complex measures on improving the legislation and conduct of activities aimed at further significant improvements in the business climate and ensuring greater freedom for entrepreneurship.

2.1. The Reinforced Protection of Ownership Rights, and the Formation of a Favorable Business Climate, Target Development Indicators of Small Businesses and Private Entrepreneurship

In setting the priorities for the mid-term perspective the Government of Uzbekistan takes into consideration that significant reserves of economic growth, and the growth of employment and population income within a mid-term time frame, can be activated through the further liberalization of the economy. First of all, this process is related to the provision of state support for the development of small businesses and private entrepreneurship, and to the strengthening of the rights and protection of private ownership.

The priority objectives in this regard consist of the following:

1. The stimulation of the development of small businesses and private entrepreneurship, securing more freedom for their activities, and simplifying the mechanisms of establishing small businesses and private entrepreneurship. This can be achieved through the following measures:

- The simplification of procedures for the creation of small businesses and private entrepreneurship, secure more freedom for their activities. In that regard, in 2011, the requirement for a notaries' attestation of founding documentation was abolished, except in the case of enterprises with foreign capital. Likewise, the mechanism for the internet-based registration of business names has been launched, as has a mechanism for the registration of companies on the basis of typical founding documents;

- The stimulation of the expansion of the financing of small businesses by commercial banks, credit unions, micro-financing organizations, leasing companies, and other financial institutions;

- The provision of quotes for government procurement through small businesses, as well as setting differential minimal requirements for state enterprises in regards to the procurement of goods produced by small businesses;

- The abolishment of requirements for permanent license agreements as issued by certification bodies, when certified products are being sold;

2. The enhancement of the work undertaken by small businesses in order to develop family-based entrepreneurial activities within various sectors of the economy. In that regard, the Law of the Republic of Uzbekistan 'About Family Entrepreneurship' was developed and adopted. This Law envisages the introduction of a new organizational and legal form of business activities, in the form of a family enterprise.

3. The further improvement of the normative and legal basis aimed towards the exclusion of excessive bureaucratic barriers related to the conducting of licensing procedures and control within the area of entrepreneurial activities. In that regard, the development of the Law 'About Licensing Procedures in the Area of Entrepreneurial Activities' is foreseen. The Law envisages the unification of existing forms of enumeration and various forms of licensing procedures for the conducting of business activities into a single legislative act, while imposing a ban on the

state authority bodies' introduction of new types of permissions and licensing procedures as not stipulated in the Law. Also the Law further simplifies the mechanisms for issuing permissions, and assures that state bodies will meet requirements regarding procedures and time frames for licensing procedures, through the introduction of the 'one-stop-shop' principle. This principle involves the introduction of a final list of reasons for refusing to issue for retaining or for cancelling related permission.

4. The reinforcing of the rights and protection of private ownership, and the creation of a system of reliable guarantees regarding the inviolability of private property. In order to solve the issue the Law of the Republic of Uzbekistan 'About Protection of Private Ownership and Guarantees of Private Proprietors' Rights' was developed and adopted. The Law sets key guarantees for the government in regards to private ownership, the strengthening of the rights of private proprietors regarding the ownership, usage and management of property, and the toughening of accountability for the illegal actions of governmental bodies that infringe on private ownership.

5. The strengthening of the guarantee of rights of private proprietors, and the further improving of the procedures of inspecting their activities, through:

- The significant decrease in the rates of state fees, as paid by small businesses on the statements of claim submitted by them to courts;
- The simplifying of procedures for financial and statistical reporting as utilized by small businesses, including through the wide introduction of mechanisms for the electronic provision of tax, financial and statistical reports;
- The introduction of the compulsory application of a unified testing questionnaire, in regards to the conducting of inspections not related to business activities.

6. The increasing of the share of the non-governmental sector within various branches of Uzbekistan's economy. This will stimulate the attraction of private investors into the leading sectors of the economy, and will ensure equal access to privatization for all categories of the potential investors within the framework of developing a new draft of the Law 'About Privatization'. This Law will aim to achieve the following:

- The consolidation of existing normative and legal acts in the area of privatization into a single legislative document;
- The assuring of the openness and transparency of privatization transactions, and equal access to all categories of potential investors;
- The introduction of new conditions and methods of privatization;
- The expansion of the instruments of privatization that assure both the transparency and a clear universal understanding of its conditions.

7. The stimulation of the development of competitiveness and an improvement of the mechanisms of regulating monopolistic activities through implementation of the newly adopted Law 'About Competition'. This Law envisages, among others, the following measures:

- The introduction of norms that limit monopolistic activities in the goods' market as well as in the markets of financial services and services at the commodity exchange;
- The renewal, using foreign experience, of the legal instruments for suppressing and

preventing monopolistic activities at goods' markets, as well as at the markets of financial services.

The improvement of population welfare within a mid-term timeframe calls for a significant increase in population income. This can be achieved through the efficient usage of the production and resource potential of small businesses and private entrepreneurship, and the creation of favorable conditions for entrepreneurship, and it is considered to be one of the key directions of structural and institutional transformations. By the year 2015, it is planned that the share of small businesses within the national GDP should rise to 57.5 per cent, as compared to 54.6 per cent in 2011. Similarly, an increase in the share of small business within the total volume of industrial production is planned from 22.2 per cent in 2012 to 25-27 per cent by 2015. It is planned that related exports will likewise increase from 15.7 per cent to 23-25 per cent.

Table 2.1. The key development parameters of small businesses, in the mid-term time frame

Indicators	2012	2013	2014	2015
Share of the non-governmental sector in the GDP, as a percentage	83.6	85.7	86.8	87.9
Share of small entrepreneurship in the GDP, as a percentage	54.6	55.8	56.7	57.5
Number of operating small enterprises, excluding farmers, in thousands	219.4	250.3	295.7	320.4
Share of individuals employed in small entrepreneurship, as a percentage of the total of the nation's employed individuals	75.7	76.5	77.0	77.4

Source: State Statistics Committee of Uzbekistan, and IFMR.

The priority tasks for the further development of small businesses and private entrepreneurship include the creation of new work places. That in turn shall serve as a basis for raising of employment levels and entrepreneurial incomes of the population, and the development of modern, small refineries initially in rural areas. The tasks also require the accelerated development of the infrastructure of services, primarily of those that meet the demand of the population for increased incomes, increased levels of competition within the markets of goods and services, and improved product quality.

The conducting of monitoring regarding the implementation of the targeted events undertaken to reinforce the protection of property rights, and to form a favorable business climate in the country, will be implemented through a number of approaches. These will include the regular identification of problems that hinder the development of entrepreneurship, and the conducting of regular round-table discussions with the participation of representatives from governmental bodies regarding various topics related to increasing the legal literacy and awareness of entrepreneurs. Other methods will include launching an internet application

on the website of an authorized state organization, which will allow entrepreneurs to inform state authorities about cases of illegal interference by governmental bodies into their businesses.

2.2. The Further Liberalization of the National Financial and Banking System

The establishment of a sufficient resource base and a reliable reserve of durability within Uzbekistan's financial-banking system have played tremendous roles in mitigating the impact of the global financial-economic crisis. The level of capital adequacy in the banking system is three times higher than the universally accepted minimum requirements; the level of its liquidity exceeds the minimum requirements for more than twice. The liquidity and stability of the national banks has helped to ensure a stronger public reliance on the national banking system, and the mobilization of the available funds of businesses and the greater population for depositing in bank accounts.

The implementation of measures within the WIS-II will enhance the development of the country's banking-financial system, through further strengthening the related resource base, through increasing the investment activities of commercial banks and non-banking credit institutions, and through increasing their financial stability in line with international standards and requirements. Other measures will include enhancing the forms of available financial services, enhancing their coverage, and increasing their quality.

Further strengthening the potential of the national banking system, and improving the national monetary policy, will promote an increase in the volumes of population investments into the banking system, and will consequently secure the growth of the aggregate capital and assets of commercial banks.

Another significant direction for the further liberalization of the nation's financial-banking system is related to the active development of the private banking sector. At the same time, special attention will be paid to issues related to ensuring that the interests of investors are met, while minimizing the risks of the sudden bankruptcy of private banks and the negative impact of external shocks, in addition to ensuring that banking services are provided on a professional level. Competitive conditions for the development of banks should also be created.

In the coming years, special significance will be given to the financial support provided by banks in regards to the processes of the modernization and the technical and technological re-equipping of industrial enterprises, primarily those within the leading sectors of the national economy, conduct of deep examination and selection of the most promising investment projects, and provision of all required support to small businesses and private entrepreneurship. It is envisaged, in line with the Program of priority directions for further reforming and

increasing the stability of the national banking system in 2011-2015³, that during the period from 2011 to 2015, the amount of commercial bank loans provided to the investment projects of the enterprises and branches of the real sector of the economy will be almost tripled.

The implementation of the above-mentioned tasks will also be facilitated through measures designed to simplify procedures of providing bank loans to small businesses. This will be achieved through the simplification of procedures for documenting collateral security, as well as providing assistance to small businesses in developing quality project documentations, through the establishment of a specialized fund for the financing of the development of project documentation under the Association of Banks of Uzbekistan. The creation of a single register on collateral security, in the form of a unified database, and the introduction of a fixed rate of the state fee for documenting pledges by notaries, will aim to enhance small businesses' access to financial sources through the inclusion of movable property into the pledge turnover.

At the same time, significant consideration will be given to the quality of the credit portfolios of financial institutions. This will promote the wide introduction of mechanisms for forming the credit histories of borrowers, and for exchanging credit information among banks, credit unions, leasing and insurance companies, and other interested creditors.

During the liberalization of the national financial-banking system in the mid-term, special significance will be given to the further development of microcredit organizations, operating on the basis of international standards, thereby ensuring guarantees for investments and clients while not limiting their independent development. The main objectives in this regard are to develop financial institutions, and to ensure the availability of effective solutions for businesses in their attempts to obtain the financial resources needed to establish and operate their businesses. Work in that direction has been aimed to further increase the stability of non-banking credit organizations and the micro-financing sector as whole, and to enhance the network of non-banking credit organizations.

2.3. The Deepening of the Processes of Creating a Favorable Investment Climate, and Stimulating the Attraction of Investments into the Economy

The dynamics of economic growth along with the deepened processes of structural transformations, the modernization and diversification of the national economy, and the enhancement of the economy's competitiveness in world markets, will be largely determined by the volume and scale of investments attracted into the economy.

The main measures taken to stimulate the attraction of investments into the economy consist of the following:

1. The maintenance of current effective stimulus, and the creation of additional stimulus and conditions for expanding the participation of economic entities and the national population

³ Resolution # PP-1438 of the President of Uzbekistan "About priority directions for further reforming and increasing the stability of the national financial-banking system in 2011-2015, and achieving high international rankings" from 26.11.2010.

in investment processes. This measure will facilitate the input of investments into the creation of new, high-tech and competitive manufacturing facilities, as well as into the modernization and the technical and technological re-equipping of operating manufacturing facilities.

2. The creation of favorable conditions for stimulating the attraction of foreign investments. This can be achieved by providing foreign investors with additional privileges and preferences, including those related to the taxation and customs costs as associated with the priority sectors and regions of the economy, the simplification of procedures used to provide visa support to the management staff and engineers of related enterprises, and the simplification of access by enterprises with foreign capital to industrial infrastructure. Likewise a mechanism of stable taxation legislation for enterprises with foreign investments, specifically those that have signed investment agreements with the Republic of Uzbekistan, will be introduced.

3. The significant enhancement of the usage of funds of the Fund for Reconstruction and Development in co-financing the priority investment projects, and for that purposes, in increasing the Fund's charter fund by up to USD 15 billion.

4. The creation of an effective mechanism for the approbation, introduction and industrial application of promising scientific developments, and the provision of additional stimuli and privileges to enterprises that develop and implement innovational projects, primarily to high-tech branches of the manufacturing industry. In that regard, the Draft Law 'About Innovations and Innovational Activities' is prepared.

5. The stimulating of the issuance and turnover of securities of business entities for the targeted financial modernization and the technical and technological renewal of manufacturing facilities. This will be achieved by permitting joint-stock companies that operate in the real sector of the economy to issue stocks and infrastructure-related bonds from within a certain volume of their own capital. Such companies will be encouraged to allocate those stocks to the organized stock market, and to adopt normative documents designed to enhance the liability and roles of supervising councils, revision committees and general meetings of stakeholders.

6. The establishment of a single, periodically-renewed electronic database of industrial enterprises in the Republic of Uzbekistan. This database will contain information about nomenclature, the volumes of produced goods, raw materials and components that are used in manufacturing processes, the locations of the related facilities, and the contact information of potential investors and trading partners.

7. The review of the procedure and acting requirements regarding the compulsory certification of technological production, with due consideration given to the creation of a simplified mechanism for recognizing certificates issued in foreign countries for foreign producers and international companies when they import technological equipment, on the basis of enumeration, as approved by the Cabinet of Ministers.

8. The improvement of the regulation of the financial and goods-and-commodity exchange, reinforcing the guarantees of members of exchange transactions, and ensuring the wide participation of businesses in financial and goods-and-commodity exchanges. For that purpose a draft of the new edition of the Law 'About Exchanges and Exchange Activities' is developed. This Law envisages the application of regulation principles for financial and goods-

and-commodity exchanges, while establishing mechanisms that prevent the speculative growth of prices in goods-and-commodity exchanges.

The above-mentioned measures will result in the implementation of an active investment policy within a mid-term timeframe, aimed at conducting further structural transformations, diversifying the sectors and areas of the national economy, deepening the processes of the modernization and the technical and technological renewal of manufacturing facilities, and developing transport, engineering, communication, and social infrastructure.

2.4. The Further Stimulation of Enterprises that Export National Products

A significant objective in ensuring the stability of economic growth in the long-run, within the present conditions of globalization and the regional integration of national economies, is related to raising Uzbekistan's competitiveness in foreign markets. The key factors involved in increasing the competitiveness of Uzbekistan's economy on a global scale include the level of the export orientation of domestically produced goods and services, the introduction of innovational and progressive technologies in their production, and the introduction of new standards of quality management in manufacturing processes.

The objective of the WIS-II in that regard is to establish maximally-favorable conditions for the stimulation of domestic enterprises in their efforts to enhance the exports of their products, and to provide all possible forms of support to exporting enterprises in their attempts to enter foreign markets.

For the implementation of the above-mentioned objective it is envisaged to carry out continuous processes designed to renew sectors of the economy through the introduction of leading foreign technologies, imported at the expense of funds obtained through the expansion of the exports of national products.

In this regard, the Government of Uzbekistan has envisaged the implementation of the following measures within a mid-term perspective:

1. The adoption of a new edition of the Customs Code of the Republic of Uzbekistan, the main goal of which will be to secure effective customs control and regulation of goods turnover, the further stimulation of the development of foreign trade, and the establishment of maximally-favorable conditions for the conducting of foreign trade operations. The adoption of the draft Law aims to achieve:

- The perfection and improved efficiency of the activities of customs' bodies, including through such methods as reducing the number of bureaucratic procedures, the required time and costs, and the introduction of relatively-simplified procedures for undertaking export procedures by small businesses and private entrepreneurs;

- The introduction of the 'one-stop-shop' approach to conducting export operations, where all documentation required for the conducting of exports by businesses will be available at one place;

- The wide introduction of a system for the electronic declaration of goods, with a gradual

elimination of paperwork;

- The more-precise regulation of the process of transporting goods through the customs' borders, and putting them under certain customs regimes;

- The optimization of the active enumeration of goods that are subject to compulsory certification. This can be achieved through relisting some goods into enumeration of products that are subject to declarations of compliance, and the abolishment of the requirement for the certification of products when national certificates are either not recognized by or do not meet the requirements of the destination country;

- The limiting of the time allocated to conducting a post-customs appraisal of imported products for three years, and for issuing additional customs' fees – for a year.

2. The stimulation of the export of goods produced by small businesses and private entrepreneurs, through the following:

- The strengthening the activities of the recently established Bureau for exports' promotion under the Uzstandard Agency, which provides enterprises that produce goods for export with free consulting services regarding both international requirements and requirements of individual countries in terms of standards, certificates, labeling, packaging and other parameters;

- The improving of the activities of the Uztadbirkorexport, a specialized company for exporting the goods produced by small businesses, and establishing trading houses for companies within key foreign markets;

- The provision of additional support to small businesses, aiding their implementation of foreign-trade operations.

3. The provision of Uzbek entities taking part in international tenders, carried out within the territory of the Republic of Uzbekistan, with conditions equal to foreign participants. These conditions include payment alternatives and access to free convertible foreign exchange regarding the procurement of the goods and services needed to fulfill their contractual obligations. They will also be provided with privileges similar to those provided to exporters.

4. The introduction of measures designed to support the exporters of localized products.

5. The provision of assistance to business entities in order to increase their quality of management, through the development and dissemination of standard documents and technical regulations involved in transforming the relevant enterprises, based on international standards of quality management.

6. The enhanced participation of Uzbekistan's exporters in international exhibitions and fairs, including those conducted within the territory of the Republic of Uzbekistan.

2.5. The Legislative Basis for the Further Deepening of Market Reforms, and for the Liberalization of the Economy

The objective of deepening the democratic market reforms and liberalization of the economy envisages the following functions:

1. The further strengthening of the rights of and the protection of private ownership,

thereby creating a system of reliable guarantees regarding the inviolability of private property;

2. The improvement of the system of management and licensing procedures within the area of entrepreneurial activities;

3. The further improvement of the banking-financial system, through the attraction of private capital and the development of financial institutions on the basis of private ownership;

4. The further expansion of the scale of small businesses and private entrepreneurship, and its share in the national economy;

5. The further improvement of the mechanisms for regulating monopolistic activities within the commodity and financial markets;

6. The increasing of the share of the non-governmental sector, and the attraction of private investors into the leading sectors of the economy;

7. The further improvement of the income and consumer demand of the population.

In order to ensure the implementation of the above-mentioned measures the followings are envisaged:

- In the area of entrepreneurial activities: strengthen the supervision over the implementation of new laws, including such as: ‘About Protecting Private Property and Guarantees of Private Ownership’, ‘About Family Entrepreneurship’, ‘About Licensing Procedures in the Area of Entrepreneurial Activities’, ‘About Guarantees of Freedom in Entrepreneurial Activities’ (new edition), and ‘About the State Control over the Activities of Business Entities’ (new edition);

- In the area of investment and innovative activities: ‘About Investment and Unit Funds’, and the introduction of changes and amendments the into Laws ‘About Foreign Investments’, and ‘About Investment Activities’;

- In the area of foreign trade activities: ‘About International Commercial Arbitrage’;

- In the area of privatization and effective cooperative management: the adoption of developed draft laws, such as: ‘About Privatization’ (new edition), ‘About Joint-stock Companies and Protecting the Rights of Stockholders’ (new edition), ‘About Administration of the State Property’ and the introduction of changes and amendments to the Law ‘About Auditing’.

CHAPTER 3. The Macroeconomic Policy Measures to be Utilized to Implement the Goals and Priorities of the Welfare Improvement Strategy for 2013-2015

3.1. The Main Objectives of the Macroeconomic Policy

Notwithstanding the continuing recession within the global economy, the objectives of the macroeconomic policy for the mid-term perspective are based on the necessity of sustaining the macro-economic stability and maintaining high rates of economic growth. For that purpose, the Government of Uzbekistan will ensure:

1. The maintenance of macro-economic stability, through:

a. The maintenance of the balance of the state budget, by preventing the deficit of over 1 per cent to the GDP and covering it through non-inflationary sources;

b. The further reduction of the tax burden on the economy and businesses. Here, main attention will be paid to the issues involved in enhancing the taxable base and in improving administration in terms of tax collection, and the orientation of the budget towards achieving the expected results of the WIS-II;

c. The conducting of a moderately tight monetary policy, aimed at ensuring stability in financial markets and at maintaining high rates of economic growth at the same time. Strengthening the national money market will facilitate the growth of the economy's monetization, in order for it to achieve the level of 25 to 26 per cent by 2015. In order to mitigate destabilization within the financial and commodity markets, and within foreign exchange and the debt burden on businesses, the national level of inflation will be kept within 6.5 per cent up until the year 2015. Inflation will be maintained at the sustainably low level of 3-4 per cent beyond that period;

The exchange rate policy of the national currency will be developed as a rational compromise between moderate inflation on the one hand, and the creation of favorable conditions for exporters through preventing an increase in the real exchange rate of the national currency, on the other. Taking into consideration the target parameters of inflation, and based on the objectives established to ensure the competitiveness of exports, it is envisaged that the devaluation of the national currency by the year 2015 will not exceed the projected level of inflation.

At a sustainable level of inflation, it is projected that the rate of refinancing will be decreased down to 10 per cent by 2015, and the conduct of operations in the open market, such as the allocation of free funds of commercial banks, government securities and the special deposits of the Central Bank, which will ensure a growth of bank loans in order to stimulate economic growth.

Sustainably low rates of inflation create necessary preconditions for increasing the investment activities in the national economy, and for ensuring stable economic growth.

During the projected period the conservative policy within the area of foreign borrowings will be continued. The foreign borrowings will grow explicitly at the expense of long-term investment loans, based on the pace of economic growth and export potential of the country, which along with the confidence of creditors will also ensure the prevention of the growth of the debt burden on future generations.

2. The expansion of private investments into the economy through the creation of a more favorable investment climate.

The annual average growth rates of investments within the program period will equal 9.3-9.7 per cent, which will ensure the growth of investments by 1.31 times, and the growth of the share of accumulated investments into main capital from 25.4 per cent in 2012 to 26.4 per cent in 2015. These growths will be conditioned through the activation of non-centralized sources of investing, the share of which in total capital investments will increase from 79.4 per cent in 2012 to 83-84 per cent in 2015.

Privileges and preferences, as provided to foreign investors, will allow for the attraction of direct foreign investments into the growth rates that exceed the growth of the total volumes of investments, which in turn will ensure the increase in the share of direct foreign investments and unguaranteed loans within the total volume of capital investments from 21.7 per cent in 2012 to 25.5 per cent in 2015.

The volumes of the attracted foreign investments under the state guarantee, in particular through ADB, the World Bank and the Islamic Development Bank (IsDB), will be increased. In the period from 2013 to 2015 the volume of attracted loans under the state warranty will exceed USD 1.2 billion, as compared to USD 1.6 billion of such loans attracted during the whole period of the WIS-I implementation.

The resources of the Fund for Reconstruction and Development, as channeled into addressing issues regarding structural reforms in the economy and the modernization of its branches, will be more actively used.

State investments will be mainly channeled into the development of the material and technical basis of the various sectors of the economy that promote an increase of population welfare. These sectors include those related to education and healthcare, the construction of automobile roads of strategic and inter-regional significance, the modernization of irrigation systems, and the creation of a system that provides the country's regions with stable access to the irrigation water needed in the agrarian sector. This will serve as a guarantee for the growth of agricultural production, and a decrease in low income populations in rural areas.

3. The stimulation of the exports of goods and services of national producers through the provision of support to domestic exporters and through creation of favorable financial, economic and customs conditions for them. Along with the accumulation of export potentials and the development of domestic export-oriented manufacturing facilities, the level of tariff regulations will decrease while the level of competition in the domestic market will increase.

3.2. The Mechanisms and Instruments of the Macroeconomic Policy

3.2.1. The Fiscal Policy

Within the mid-term time-frame the Government of Uzbekistan will continue the tax policy aimed at stimulating the national economic growth, improving the investment climate, increasing the competitiveness of the economy, establishing effective work places, and legalizing the shadow economy. At the same time the objectives of the fiscal policy, within the framework of the WIS-II, will include the followings:

a) The further decrease of the tax burden, and the ensuring of its equitable distribution, which will facilitate the growth of domestic demand, increase investments into main capital, develop the high-tech sectors of the economy, and create new work places that generate income and reduce low income populations. This objective will be accomplished through the following measures:

- The simplification of the taxation system through the unification of taxes and other compulsory payments within certain sectors of the economy, as well as the optimization and streamlining of the usage of certain privileges in paying taxes;
- The reduction of single taxes, excises, customs payments, and value added tax, for certain types of activities;
- The ensuring of the stability of the taxation system, which allows entrepreneurs to provide sound projections regarding the development of businesses within mid-term time-frame.

b) The further improvement of tax administration, aimed at enhancing the tax potential and growth of tax collection through:

- The equalizing of the conditions of taxation through the reduction of tax and customs privileges;
- The improvement of the structure of the bodies of state taxation services;
- The assurance of the strict fulfillment of tax disciplines;
- The reduction of the scale of businesses' and population's non-payments into the budget;
- The establishment of favorable conditions for tax payers, through the further introduction and wide application of a system enabling tax payers to submit financial reports electronically;

c) The increased efficiency of budgetary expenditures through:

- The development and gradual introduction of mid-term results-based budgeting, where the budget, within the framework of the mid-term budget strategy, will become a tool used to restructure the measures of state policy into the mechanisms of their implementation, and achieving the previously-identified target indicators within the area of social policy;
- The optimization of state expenditures, which will be facilitated by:
 - The strengthening of the social orientation of budgetary expenditures, through an increase in the share of budgetary expenditures streamlined into the social sector and the social security of the population. Such expenditures should be particularly directed towards increasing the quality of education and healthcare systems, towards the annual

indexation of the volumes of wages of people employed at budgetary organizations, and towards the provision of stipends, social payments and benefits for low-income groups of the population;

- The transition into per capita financing within such sectors as healthcare and education, by allowing for a more flexible use of budgetary funds at the level of the recipients of the budget, including that of expenditures for wages and similar payments;
- The increasing of investments into human capital, primarily into the application of innovations into manufacturing processes and the stimulation of scientific-technical potential;
- The improvement of the system of mutual settlements among the economic entities, budgetary institutions, and organizations financed from the state budget.

d) The reformation of the system of inter-budgetary interactions, which will aim towards strengthening the independence and interest of local authorities in expanding revenues and increasing the efficiency of resource usage. This will be achieved through the following measures:

- The development of the draft ‘Budget Code of the Republic of Uzbekistan’, a single legislative within the area of budgetary regulation, which will ensure a clear legal distribution of expenditure authorities between central and local levels of state power;
- The development and introduction of a stable and transparent mechanism for the re-distribution of national taxes between central and local budgets on the basis of stable, three-year regulations regarding the deductions from the national taxes;
- The ensured balance of local budgets by regulating the norms of assessments from the income sources of national taxes, as well as at the expense of subventions.

The forecast of revenues and expenditures for the budget for 2013-2015 takes into account the parameters included in the package of the national programs, correlated within the dynamics of the economic growth. In 2015, the share of revenues of the state budget will not exceed 21 per cent of the GDP. At the same time, the recommended measures of the fiscal policy, as well as additional measures for the optimization of the expenditures, will allow for retaining the budget deficit at a level not exceeding 1 per cent of the GDP.

3.2.2. The Monetary Policy and the Reforms in the Banking Sector

The monetary policy for the mid-term will be aimed at gradual decrease in inflation level to reach 6.5 per cent. Sustainably low levels of inflation create necessary preconditions for ensuring sustainable economic growth, decrease in interests rates in the money market, and increase in investment activity in the country.

At the same time, the level of monetarization of the economy, which reflects the level of development of the financial intermediation in the economy, will be increased by no less than 3.2 percentage points to reach the level of 25-26 per cent by 2015.

The main directions for improving the national monetary policy for the period up to 2015 include the following:

- The creation of necessary preconditions for transformation from the administration of money aggregates to inflation targeting;

- The further improvement of the market mechanisms of the monetary policy related to the administration of monetary liquidity. In order to address this issue, the Central Bank will make wide use of the indirect instruments of the monetary policy. This will include the expansion of operations in the money market;

- The increased role of market mechanisms for managing interest rates and increasing the role of the interest channel of the transmission mechanism in impacting the monetary policy of the economy;

- The ensuring of the stability of the exchange rate of the national currency, and its gradual transformation into a more flexible form of management, which is a necessary precondition for transition into inflation targeting;

- The increased role of securities in the financial market, in order to stimulate investment activities and the development of the money market.

The reformation of the national financial and banking sector. The main objectives of reforming and increasing the stability of the financial and banking sector within the WIS-II consist of the following:

- The increased financial stability and liquidity of banks in line with the requirements of international standards, as set forth by the Basel Committee, through the further capitalization of commercial banks, the attraction of private capital into the sector, the increasing of resource bases, the improvement of the quality of assets, and the perfection of banking practices;

- The undertaking of systemic measures designed to strengthen guarantees for depositors and to further improve the confidence of the population and foreign investors in the national banking system; wide attraction of free financial sources of the national population and businesses into banking, through new, attractive types of investments and deposits, and through the expansion of the range of banking services;

- The introduction of a modern system of evaluation and analysis of commercial banks' operations, and the financial and banking system as a whole, based on the international norms, criteria, and standards used by leading international rating agencies. These norms, criteria and standards allow for the undertaking of an impartial evaluation of the process of transformation, as conducted by individual banks and by the banking system as whole, to the relatively-higher level of evaluation indicators adopted worldwide;

- The further improvement of the normative and legislative basis for financial and banking activities, the introduction of changes and amendments into existing relevant legislation and normative acts, and the adoption of new ones;

- The increased investment activities of commercial banks and the further expansion of commercial banks' participation in financing investment projects. The ensured continuous growth and improvement of the quality of commercial banks' portfolios through improving the system of project appraisal and risks' assessments, and through the adoption of preemptive measures designed to prevent the formation of problematic loan indebtedness;

- The formation of new approaches, the introduction of modern technologies and the methodic registration and accountability of commercial banks, and the increased level and quality of financial and banking information, securing its wide availability in line with the requirements of leading international rating organizations.

- The further increased role and development of the national network of non-banking financial organizations, leasing, insurance and audit companies, and stock-exchanges, ensuring their stability and efficiency in line with international norms and standards, expanding the spectrum of available services, and strengthening the infrastructure of the financial market;

- The stimulation of the development of micro-financing as the most significant instrument of financial development for small businesses and private entrepreneurship, increasing the population's employment levels and well-being;

In addition, it is envisaged that the WIS-II will address issues related to the following:

- The development of competitiveness, the maintaining a competitive environment in the banking business, and the further liberalization of banking activities;

- The increased transparency of the operations of banks, and the development and introduction of modern technologies and methodologies regarding financial and banking documentation and reports made by commercial banks. These measures will increase the level and quality of financial-banking and credit information, ensuring its wide accessibility;

- The further reduction of the state's share in the capital of commercial banks;

- The gradual liberation of banks from executing operations that are not characteristic to them, while increasing market orientation in the decision-making processes at banks, providing support to low-profit enterprises, and ensuring the gradual liberalization of the money market's interest rates.

In order to address the issues at hand, the 'Program of Priority Directions for the Further Reforming of the Banking and Financial Sector and Increasing its Stability in 2011-2015' was adopted in 2010, on the basis of a Resolution of the Government of Uzbekistan. The program includes comprehensive measures designed to further reform the banking system and increase its stability during the period from 2011 to 2015, in order to achieve high international ratings, as well as measures to further develop the area of micro-financing and the non-banking system of the country during the same period.

The introduction of new recommendations of the Basel Committee in 2011-2012 were envisaged by the Central Bank in order to ensure further stability of the banking and financial system along with the measures to improve the supervision over activities of non-banking credit organizations. Besides, new systems for evaluation and analysis of financial institutions, based on criteria and standards of the leading international ranking organizations were developed to evaluate the activities of banks and the financial-banking system as whole.

In line with the program, the implementation of the following measures will be undertaken:

- 1. The further improvement of the legislative basis of the financial-banking system** through establishing legal basis for future development of the financial-banking system, including private banks and financial institutions, stimulating the system of collective investments, which in turn will promote the expansion of competition and increase in the quality of customer services in the market of banking and other financial services. It will also facilitate creation of conditions for development of modern market infrastructure.

In that regard, the Law of the Republic of Uzbekistan 'On Private Banking and Financial Institutions and Guarantees of their Activities' was adopted in 2012 along with the Law of the

Republic of Uzbekistan about introducing amendments and addenda into the Law of the Republic of Uzbekistan ‘On Microcrediting Organizations’, aimed at further improvements in the area of microfinancing in line with international principles and standards.

Besides, drafts of such laws of the Republic of Uzbekistan as “On Mortgage Register”, On Exchanges and Exchange Activities’, ‘On joint-stock companies and protection of stockholders’ rights’ (new edition), ‘On Investment and Unit Investment Trusts’ and others were developed.

The amendments and addenda will be introduced to such laws of the Republic of Uzbekistan as ‘On Insurance’, which envisages further improvements to the system of regulating and implementing the activities of professional players of the insurance market, taking into consideration best international practices; ‘On Leasing’, aimed at further empowerment lessors in regards to the impoundment and secondary usage of a lease; ‘On Auditing’, aimed at further development of auditing in line with international principles and standards;

2. The wide introduction of international norms, standards and evaluation indicators used by leading international rating agencies such as ‘Fitch Ratings’, ‘Moody’s’, and ‘Standard and Poor’s’ **for evaluation of activities of commercial banks and those of the financial and banking system;** introduction and further improvement of the national system of ratings of non-bank credit organizations, insurance companies, investment funds, and other organizations, that provide financial services, national issuers and securities issued by them.

3. The increased level of capitalization of commercial banks, and the further institutional development of the banking system through:

- Ensuring during 2013-2015 the increase in the aggregate capital of commercial banks by an average no less than 15 per cent⁴ per annum;

- The development and implementation of series of measures designed to further enhance the share of the non-governmental sector in the aggregate capital of the banking system;

- The introduction of new recommendations of the Basel Committee on banking supervision into the banking system, that envisage the improvement of the requirements for capital sufficiency, and the formation of reserves for possible losses on the basis of the model of expected losses;

- The improvement of the tariff policy of commercial banks of the country in line with international banking practices, taking into account the coverage of operational costs and the rational profitability of banking structures.

4. The enhancement of the volumes and the spectrum of financial and banking services offered to the national population and businesses, through the following:

- The increasing of the volumes of deposits by the population and businesses in commercial banks by 1.6 times⁵ during the entire period of the WIS-II’s implementation, or by no less than an average 20 per cent annually;

⁴The Resolution of the President of the Republic of Uzbekistan from the 26th of November, 2010, №-1438 envisaged the increase in the aggregate capital of banks by 2.1 times during 2011-2012. During that period the aggregate capital of banks increased by 1.52 times.

⁵The Resolution of the President of the Republic of Uzbekistan ‘On Priority Directions for Further Reforming and Ensuring the Increase in the Sustainability of the Financial and Banking System of Uzbekistan for 2011-2015, as well as the Achievement of High International

- The regular introduction of new types of savings and deposits, based on the demand of population and businesses, including the issuance of long-term bonds, deposit certificates, and the attracting of subordinate debts;

- The implementation of a series of measures to enhance the spectrum and quality of available banking services through the wide usage of Information Communication Technologies (ICT), which includes ensuring that by 2015 all commercial banks in the country will start to provide internet banking services for businesses and individuals;

- The further expansion of the system of non-cash payments using plastic banking cards. This will be achieved by enhancing their usage by 1.5 times in the period from 2013 to 2015, and by accelerating the procedure of payments using banking plastic cards. The latter will be achieved by the exclusion of intermediate links of information processing in route from the departments or branches of commercial banks to information processing centers at their headquarters, the Single National Processing Center (SNPC) and a clearing bank.

5. The further enhancement of the role of banks' councils and the improvement of corporative management at commercial banks. This can be particularly achieved by enhancing the role of minority stockholders in bank management, by improving the efficiency of banks' councils in regards to risk management, and by further strengthening the internal audit services at banks.

6. The enhancement of the investment activities of commercial banks, and the volume of loans channeled by them into projects for the modernization and the technical and technological renewal of manufacturing facilities, by 1.6 times⁶ in the period of 2013-2015 or by no less than an average 20 per cent annually, through the following measures:

- The increased quality of assessing investment projects at commercial banks, including the increased transparency of procedures, and the strengthening of relationships between banks and design institutes. The latter will involve the exchange of experiences, and the assured consideration of all potential factors and risks involved in project assessment;

- The establishment of engineering companies by commercial banks in cooperation with businesses and large enterprises to develop project feasibility studies and other documentation for investment projects;

- The improved activities of the branches of commercial banks that are responsible for investment-related issues, including the improvement of the system of organizing and increasing the efficiency of their work, and increasing their human-resource potential.

7. The assurance of the further growth and improved quality of the assets of commercial banks, including their credit portfolio and their systems of risk assessment, including through the following tasks:

Ratings' adopted on 16th of November, 2010 under the number PP-1438 envisaged an increase in the volumes of deposits of population and businesses by 2.5 times in the period of 2011-2015. In 2011-2012 the increase in deposits equaled to 1.72 times.

⁶ The above mentioned Resolution envisaged 2.8 times increase in volumes of investments for financing the investment projects. In 2011-2012 the increase was equal to 1.77 times.

- The improvement of the monitoring of the quality of commercial banks' assets, and the introduction of a clear mechanism for conducting a thorough analysis of managing the risks of banks, forming reserves, diversifying credit portfolios, and taking preventative measures against problematic indebtedness;

- The introduction of effective methods of identifying operational and market risks regarding the conducting of banking operations, as well as modern methods of the scoring analysis of the creditworthiness of commercial bank clients, based on the practices of the world's most stable banks.

8. The further development and ensurement of the most effective usage of funds, as accumulated by the pension system including through the development and implementation of measures regarding the following directions:

- The stimulation of an increase in the inflow of funds into the Accumulative Pension System (APS) from the voluntary payments of residents through measures, including the followings: a) the establishment of beneficial banking services provided by the People's Bank for people who make voluntary payments into the APS, including crediting and attractive rates on banking services; b) the conducting of a wide range of information programs among the population of Uzbekistan, outlining the advantages of the long-term allocation of funds into the APS, the tax privileges in line with legislation, and the establishment of guarantees regarding the profitability and return of the deposited funds;

- The expansion of the co-financing of strategically-significant investment projects, implemented within basic industries and large industrial infrastructure, from the funds of the APS as delivered through commercial banks. Such approaches include co-financing from the Fund for the Reconstruction and Development of the Republic of Uzbekistan (FRDU) loans, as provided in foreign currency.

9. The provision of financial and loan support to small business and private entrepreneurship, enhancing the volumes of loans provided to them by no less than 1.52 times⁷ or 15 per cent in average per annum, through the following measures:

- The active attraction of privileged credit lines and grants of international financial institutions, as well as those of foreign governments, to enhance the financing of small businesses and private entrepreneurship. This takes into consideration current financing at an amount of no less than USD 110 million in 2013, USD 130 million in 2014, and USD 155 million in 2015;

- The increased volume of funds for the privileged crediting of commercial banks, having envisaged the procedure of primary financing for small businesses and private entrepreneurship, dekhkan and farm entities, located in remote and hard-to-access districts, as well as in districts and cities with excessive labor force;

- The expansion of the activities of the newly established Specialized Fund, created to finance the project documentation of investment projects working within the priority

⁷ The Resolution of the President of the Republic of Uzbekistan from the 26th of November, 2010, №-1438 envisaged the increase in the expansion of volumes of credits provided to small businesses and private entrepreneurs by 2.7 times during the period of 2011-2015. In 2011-2012 the volume of credits provided to small businesses and private entrepreneurs increased by 1.98 times.

directions of economic development. It shall be noted that the resources of the Fund are used for the development of feasibility studies on projects, and the above-mentioned costs will then be included into the bank credit after the start of the project's financing;

- The development and approval of annual programs for enhancing the micro-lending of small businesses and private entrepreneurship by commercial banks with the projected parameters of providing privileged loans by regions, types of activities for crediting (including the development of services, agricultural products' processing, and the manufacturing of consumer goods, etc.), as well as new jobs created on the basis of the provided loans;

- The organization and expansion of activities of the Guarantee Fund for Entrepreneurship Development.

10. The further improvement of financing for the construction of individual housing in rural areas, based on standard designs with connections to necessary infrastructure, through the implementation of the following measures:

- The conducting of a wide-scale information program among the population of Uzbekistan through mass-media regarding the advantages of constructing individual housing in rural areas based on standard designs;

- The expansion of crediting for the construction and reconstruction of housing, especially in rural areas, through the introduction of the model of housing-construction savings currently offered by the Qishlok Qurilish Bank joint stock commercial bank to operations of other commercial banks;

- The attraction of foreign loans in order to expand the program of rural housing, first of all using the ADB loans.

11. The expansion of the volumes of loans to enterprises that produce consumer goods, by streamlining the loans of commercial banks primarily into the crediting of enterprises that produce consumer goods in regions, especially those enterprises that produce meat-and-dairy products and vegetable products. The active usage of various financial instruments that are attractive for the producers of consumer goods, including the commercial financing of purchases of equipment, raw materials and components, factoring services regarding export operations and other matters.

12. The expansion of consumer loans for the population of Uzbekistan, for the purchase of domestically-produced goods including furniture, sophisticated home appliances and other durables.

The development of non-banking financial institutions.

The main related priorities of the Government of Uzbekistan include providing favorable conditions for the development of non-banking financial institutions within a mid-term timeframe, which includes the enacting of the following measures:

- The creation of favorable conditions for the development of micro-financing institutions, activities of which are oriented first of all towards meeting the needs of small businesses and micro-firms, as well as that of a wide layer of low-income but economically-active populations, especially in the rural areas;

- The deepening of the competitive environment in the insurance market, the development of modern types of insurance activities, and the increasing level of the capitalization of insurance companies;

- The further development of leasing services that serve as an effective mechanism in materializing the financial resources of enterprises into basic production assets;

- The creation of necessary preconditions for the development and the full-fledged functioning of the national securities market.

Based on the Program of the priority direction for further reforming the financial and banking system, and for increasing its stability, the following tasks are to be accomplished in the period from 2013 to 2015:

1. The development of the activities of micro-financing organizations, and the expansion of the volumes of micro-lending and the provision of other types of micro-financing services, through the following measures:

- The establishment of micro-financing organizations in the regions of Uzbekistan that specialize in offering micro-credits and micro-loans to women of low-income families. The provision of those organizations with privileged resources from various sources, including international financial institutions, investors and donors;

- The increase in the financial stability of micro-financing organizations, by enhancing the volumes of their aggregate capital by an average 2.1 times during the period from 2011 to 2015;

- The enhancement of the volumes of micro-loans provided by commercial banks, and that of micro-financing services provided by micro-financing organizations, by 2.8 times during the period from 2011 to 2015;

- The implementation of a series of measures designed to ensure the effective usage of funds, as provided by ADB within the framework of the Project ‘Development of Small and Micro-Financing. Phase 2’, with the further crediting of small businesses and private entrepreneurs;

- The improvement of the interest-rate policy regarding micro-lending, aimed at increasing the accessibility of their services to the national population while ensuring their rational profitability;

- The expansion of the practices of using insurance policies in ensuring the return of loans as collaterals in issuing micro-loans, as provided by banks and non-banking credit organizations.

2. The development of the insurance market and the further expansion of the activities of insurance companies. The main measures involved in achieving this development consist of the following:

- The gradual increase in requirements regarding the minimal size of the charter capital of insurers, and the obtaining of the following maximum levels by 2015: the equivalent of 1.5 million euro in general insurance, of 2.0 million euro in life insurance, of 3.0 million euro in compulsory insurance, and of 6.0 million euro in reinsurance;

- The introduction of amendments and addenda into the legislative documents aimed at the further development of the life insurance sector, including long-term and accumulative life insurance;
- The transition into the use of electronic document circulation, introducing the procedure of the provision of periodic financial and insurance reports, and other reports by insurers, using a single system of electronic document circulation;
- The increase of the qualification requirements for the heads and chief accountants of insurers, including those of regional branches of insurance companies, and for insurance and reinsurance brokers;
- The strengthening of the mechanism of legal influence on insurers for violations of the Law on counteraction against the legalization of illegally-generated income, and the financing of terrorism. The mechanism would also cover failures to fulfill the requirements of the authorized government body for regulation and control over insurance activities, and the unreasoned denial of payments of insurance compensation;
- The further development of the insurance market infrastructure, through expanding the activities of professional players in the insurance market, including the adjusters, surveyors, actuaries and companies that provide assistance services.

3. The development of leasing services. The main directions for the development of leasing within the mid-term timeframe include the following:

- The development of a regulative basis, and standards of leasing activities and operations, on the basis of generally-accepted international norms and normative acts regarding the procedures of carrying out secondary leasing with the identification of an authorized governmental body, and on the coordination of activities of organizations that provide leasing services;
- The improvement and expansion of the leasing operations of commercial banks.

4. The development of auditing services has been envisaged through the accomplishment of the following tasks:

- The improvement of the national standards of audit activities, on the basis of international standards of auditing;
- The introduction of a system for the certification of the personnel of internal auditing services, through the establishment of qualification requirements regarding internal auditing and the practice of conducting independent auditing activities of large enterprises in the country, as based on international auditing standards;
- The improvement of the activities of the national associations of auditors, through the implementation of activities regarding raising the interests of enterprises in terms of the development of auditing services, and the improvement of methods of rating the evaluations of auditing organizations' activities;
- The improvement of the system for training and increasing the qualifications of auditors by optimizing the process. These include the processes of providing specialized training through higher education institutions, and the process of training and retraining auditors in specialized training centers.

5. The development of the national securities market. The main measures required to achieve this task consist of the following:

a) The facilitation of the creation of a favorable environment for the issuance and circulation of securities by economic entities, through allowing enterprises in the real sector of the economy to issue target bonds within a certain limit of their own capital. The following tasks are envisaged in that regard:

- The decreasing of the state share in non-strategic enterprises, through selling those shares to private investors in the securities market;

- The expansion of the issuance of corporative securities, infrastructure and investment bonds of enterprises, and selling those primarily within the organized securities market;

- The increased transparency of the securities' market, and the introduction of a system for disclosing information on the basis of single standards;

- The development of a new composite index of securities, which includes key indicators regarding the exchange activities of issuers;

b) The increasing of the liquidity of the primary and secondary securities markets through two processes. The first involves the establishment of a single national electronic trading platform with access provided to small investors through 'one-stop-shop' services, within branches in regional centers. The second involves the implementation of measures designed to stimulate civilized trading within the trading platforms of these securities market, on the basis of international experience. The proposed measures in this regard include:

- The creation of additional conditions for the accelerated expansion of the secondary market of securities within the framework of the Law 'On the Securities Market' (adopted in 2008);

- The introduction of standard forms for preparing documents regarding the issuing of securities;

- The introduction of a system for insuring within the securities market, as well as improving the methods of operations of the depository system in line with international standards;

- The stimulation of the work undertaken by collective investment institutions towards the establishment of a single, effective mechanism of control over their activities, that ensures the formation of a system of obligatory norms and the public disclosure of information.

c) The ensured gradual transition to an electronic format of information disclosure, on the website of the stock exchange, in line with international practice (until the time of the complete transition, the participants of the transition processes have the right to disclose information both electronically and through the 'Birja' newspaper). The implementation of the current task has been justified by the fact that the acting legislation obliges joint-stock companies to disclose a great volume of reports and information (four quarterly reports and 15 publications) on existing facts.

d) The revision of the existing related norms and legal documents, while envisaging an increase in the attractiveness of joint-stock companies and the significant simplification of their registration and provision of reports. It is envisaged that reports to the participants of the securities market will be prepared once a year.

e) The development of the institute of professional consultants for preparing documents regarding the issuing of securities for registration, while envisaging the following:

- The establishment of a training center for the securities market with an imitation of trading undertaken at stock exchanges, in order to provide the trainees with opportunities to become closely acquainted with the processes of trade, while mastering the skills needed to operate special equipment used during online trading;

- The improvement of the system of qualification requirements for specialists in the securities market, on the basis of generally-accepted international norms;

- The organization of mass media campaigns on national and regional levels, using TV and radio broadcasting, in order to provide a wide explanation of the advantages of investing in securities;

In general the solving of the above-mentioned measures within the monetary policy, and the implementation of measures for further deepening reforms in the financial sector, will contribute to macroeconomic stability while ensuring stable economic growth. The measures will also increase the confidence of businesses and Uzbekistan's general population in the national banking system. The accumulation of the savings of such individuals and entities in banks will allow for an expansion of crediting in the economy. Access to financial resources will be improved at the same time. Members of the national low-income population will be able to access micro-financing, and will have more opportunities to establish their own businesses, the results of which will be an increase in employment and population welfare.

3.3. The Investment policy

The main objectives of the investment policy within the WIS-II consist of the following:

- The maintenance of the most favorable investment climate for enhancing the activities of the national and foreign investors that can provide direct investments into the development and modernization of the manufacturing and services sectors, as well as for involving national manufacturers into the global chain of value added products, through accomplishing the following tasks:

- The granting of priority to private investors through establishing of tax stimulus for businesses that invest their profits into the development and modernization of their manufacturing processes;

- The provision of governmental support to investment projects that ensure the processing of mineral resources and agricultural raw materials;

- The introduction of changes into the criteria and priorities utilized in selecting investment projects, in favor to projects that increase the share of final goods, including consumer products and services, within the structure of the GDP, and that create large numbers of new jobs primarily in rural areas;

- The improvement and expansion of the mechanisms, forms and methods that facilitate the attraction of foreign direct investments. This shall be achieved through the creation of most-convenient procedures used to register enterprises with foreign investments, by providing them with necessary assistance through the ‘one-stop-shop’ approach, and by simplifying the procedures used to issue entry visas to foreign investors;
- The strengthening of the rights of ownership, and other guarantees and rights of investors, through the creation of alternative methods and institutions for resolving commercial disputes, particularly through arbitration and arbitration tribunal;
- The equalizing of conditions for conducting business activities, for the benefit of national and international investors;
- The improvement of works undertaken to raise the awareness of national and foreign investors of the rich natural and economic potential of Uzbekistan, both as a whole and in terms of each of its regions. This campaign will be accompanied by an increase in the quality and accessibility of related statistical data;
- The adoption of additional measures designed to improve the involvement of commercial banks in the investment crediting of manufacturing industries, in the development of the market of securities, and in the system of microcrediting;
- The increased investment attractiveness and the circulation of the instruments of the securities market;
- The provision of state support for the active attraction of the funds of international financial institutions and the state financial organizations of foreign countries into the implementation of large investment projects, including those aimed towards the modernization of energy sector, the development of transport infrastructure, the improvement of population access to public utilities, and other measures;
- The stimulation of the effective allocation of investments by regions. This measure will ensure comprehensive regional development and the implementation of perspective programs for their development based on the existing resource potential, the advantages of each region, and the development level of the industrial infrastructure;
- The ensuring of the full-fledged use of the potential of the Navoi Free Industrial Economic Zone and the Angren Special Industrial Zone, in order to encourage foreign investors to establish new high-tech manufacturing facilities within the zones;
- The stimulation of investment projects aimed to make the most effective use of limited resources. Such projects include those focusing on energy-saving and water-saving, as well as those working to reduce the national emission of greenhouse gases;
- The increased efficiency of state investments, through strict control over limiting the spheres of their activities, and through control over their usage;
- The stimulation of the inflow of private capital into socially-important investment projects, creating effective mechanisms for Public-Private Partnership (PPP).

In the period from 2013 to 2015 more than USD 44.5 billion will be disbursed. This will include the equivalent of USD 13.5 billion at the expense of businesses, USD 2.6 billion provided by the Fund for Reconstruction and Development, USD 5.5 billion in loans of

national banks, and the equivalent of USD 5.2 billion from the State budget and non-budgetary funds.

In particular, the establishment of a more favorable investment climate in the country, the setting of reliable guarantees and the strengthening of the trust of foreign investors, will help attract USD 11.6 billion worth of foreign investments and loans during the period from 2013 to 2015. This amount will be 1.51 times higher than in the previous three-year period. The attracted amount will be disbursed for the implementation of large investment projects with the participation of foreign investors. These projects will work towards the establishment of new manufacturing facilities, and their equipping with up-to-date technologies. These developments will aid in the processing of raw materials and the manufacturing of competitive final goods, thereby increasing Uzbekistan's export potential while simultaneously creating new jobs.

3.4. The Foreign Economic Policy

Within a mid-term timeframe, Uzbekistan's foreign economic policy will be aimed towards increasing the competitiveness of Uzbekistan's national economy, and ensuring its integration into the world economy, through the expanded usage of existing competitive advantages and through the encouragement of exports.

The key target indicators in the area of foreign economic activities, for the period from 2013 to 2015, will include the growth of exports by 16.6% per annum in average. The achievement of high rates of growth of exports is envisaged to be achieved by further implementation of measures aimed at introducing changes into the structure of industrial production through increasing the share of final goods with relatively higher value added, the leading growth rates in the manufacturing of final goods that are competitive in foreign markets.

A key role in implementation of the outlined tasks will be played by measures aimed at deep processing of raw materials, first of all – the cotton fiber. This will be undertaken to increase the volumes of final goods produced domestically thus ensuring the growth of textile exports.

The priority of deep processing of the commodities will facilitate the expansion of exports goods in such sectors as gas, non-ferrous metallurgy, foodstuff, and light industry. Accelerated growth rates of exports are expected within the machinery building and construction materials industries.

The positive shifts in the structure of exports will be ensured by expansion of exports of communication and information services, growth in exports of transportation, hotel, and tourism services.

Based on the above-mentioned goals, the main objectives of the foreign trade policy will consist of the following:

- **The further encouragement of the activities of national exporters**, aimed towards ensuring the manufacturing of globally competitive goods by improving the forms and methods of financial support;

- **The further diversification of exports' structure** through the maximal usage of existing capacities, the more effective usage of export potential, and the accumulation of scientific and technical potential;

- **The provision of support to small businesses and private entrepreneurship in expanding their export activities** through the promotion of exports, especially those of new types of goods, into regional and world markets. This will also be achieved through the establishment of information services regarding the conjuncture of the world markets and the potential buyers of products, as well as through the simplification of procedures used to document export contracts;

- **The improvement of inter-regional integration, and the strengthening of integration-based collaboration with foreign countries**, creation of conditions for attracting investments from partner countries, with the aim of further modernizing and technical renewing the existing manufacturing facilities, establishing joint enterprises that produce goods for export.

The expansion of the export potential and the development of foreign trade in Uzbekistan will be facilitated through the following measures:

- Strengthening Uzbekistan's positions in traditional markets, exploring new markets, while paying close attention to expansion of exports to countries and regions that demonstrate high growth rates, primarily Asian countries;

- The further development of new transport corridors, including those travelling eastwards and southwards, that reduce Uzbekistan's dependence on monopolist transit countries. Special attention will be paid to the transport corridor to China through Kyrgyzstan, and the corridors that connect Uzbekistan to the seaports of Pakistan and Iran through Afghanistan. These measures will allow for the further deepening of the integration of the transport system, on the basis of developing regional cooperation regarding the modernization of transport infrastructure and the provision of transport services, through the harmonization and simplification of the legal and regulative regime of the transport sector;

- The creation of additional stimulus for exporters of new types of final goods, as well as the geographical diversification of the exports. The latter could include efforts to expand into the markets of such countries as India, Pakistan, Bangladesh, Vietnam and Malaysia, with due consideration of the expected increase in the share of the above-mentioned countries in regards to the global consumption of raw materials and consumer goods;

- The reduction of the transaction costs of export-import operations and an increase in the efficiency of exports and imports. This can be achieved through the simplification of customs procedures, the harmonization of those with international standards, the introduction of automation elements, the reduction of the number of bureaucratic procedures related to processes of exporting, and the reduction of the numbers of terms and costs, as well as introduction of simplified and less expensive procedures regarding the export activities for businesses;

- The reduction of foreign trade transaction costs within the areas of certification, standardization and licensing, which can be achieved by conducting a series of measures

designed to modernize and improve those systems in line with international standards. Such measures shall include the optimization of the existing list of goods to be certified, by shifting certain goods into the list of goods that are subject to the declaration of compliance. The list can be further optimized by excluding the requirement for the certification of products in such cases when national certificates are not recognized, or do not comply with requirements of the destination country;

- The development and implementation of measures for the gradual liberalization of the imports regime, in line with the interests of national manufacturers involved in the localization of the manufacturing of components, raw materials, parts and final products;

- The development of the mechanisms for the state support of small businesses and private entrepreneurs involved in exports, by helping to strengthen and expand the presence of Uzbekistan's producers in world markets;

- The expansion of the access of national producers to the markets of foreign countries, through the implementation of existing regional trade agreements, through enhancing the processes of regional integration, and through increasing the efficiency of economic diplomacy;

- The implementation of planned actions aimed at ensuring economic integration, within the framework of the Shanghai Cooperation Organization, and other regional organizations;

- The increasing of the rates and the efficiency of negotiation processes within the framework of Uzbekistan's accession into the World Trade Organization (WTO), by increasing the potential of institutions that facilitate foreign trade, and by communicating directly with members of the WTO. In that regard, the implementation of measures designed to ensure the compliance of goods manufactured in the country within international sanitary, phyto-sanitary requirements and technical standards, the strengthening of the infrastructure and activities of laboratories that oversee compliance with sanitary norms and standards, the insuring that goods are correctly marked, and that all other similar processes have been envisaged;

- The improvement of the forms and methods used to encourage and provide support to national exporters operating in foreign markets, including through such measures as:

- o The expansion of banking services related to export crediting, and/or the provision of responding banking guarantees through the system of state insurance, with the aim of increasing the level of the private sector's involvement in export activities;

- o The improvement of the activities of relevant state services and bodies, including the Ministry of Foreign Economic Relations, Investments and Trade, the Chamber of Commerce and Industry, and industrial and business associations. The purpose of these improvements will be to provide support to all participants of the foreign economic activities, and to promote national goods in foreign markets, including through the creation of a system for the wide dissemination of information. This system is a necessary prerequisite for conducting foreign economic activities, and for attracting foreign direct investments.

CHAPTER 4. THE ECONOMIC POLICY MEASURES TO IMPLEMENT THE GOALS AND PRIORITIES OF THE STRATEGY WITHIN INDIVIDUAL SECTORS AND BRANCHES OF THE ECONOMY

4.1. Agriculture and Rural Development

Given the high proportion of rural population (48.9 per cent⁸) and the share of low-income people in the rural population (18.5 per cent⁹), as well as the target indicators of the WIS-II aimed to reduce the nation's level of low income populations to 13.7 per cent by 2015, a special attention will be paid to ensuring the enhancement of labor efficiency in Uzbekistan's rural areas, the insurance of income generation based on both agrarian development and the enhancement of the infrastructure and industries that process agricultural products. It is recognized that an increase in labor efficiency in the agrarian sector decreases the prime costs of products, which in turn makes foodstuffs more affordable for low-income populations, while an increase in employment can serve as a source of income generation and can enhance population welfare.

For the purpose of achieving the above policy in the period of 2013-2015, it is envisaged to ensure the growth of the agrarian sector by an average of 5.4% annually. It is also projected to increase the share of fruit-and-vegetable processing industries in the total volume of production from 13.3% in 2012 to 16-20% in 2015, and that of meat and milk products from 11 to 20%, during the same period.

In order to achieve the projected parameters, the following were identified as the key objectives of the agrarian policy within the WIS-II:

1. the deepening of structural reforms within the agrarian sector and the diversification of agricultural production. The following tasks have been envisaged in order to fulfill this objective:

- The further implementation of measures designed to improve the structure of the cultivated area. This will be achieved by expanding the scale of lands for crops, in order to ensure a higher income generation capacity and a greater manufacturing of foodstuffs, as well as the gradual decrease of cotton-growing land in poor-production areas whose feasibility cannot be ensured. Given the existing trends, both the reduction of the land dedicated to cotton during the last three years (by a total of 130 thousand hectares), the maintaining of such a trend is envisaged in low-productive areas up to the year 2015. During the same period it is envisaged to ensure an 18 per cent increase in the gross agrarian production from 1 hectare of cultivated land;

- The increase in the area dedicated to producing vegetables, fruits, berries, and melons around large and medium cities, where the populations have high purchasing power;

⁸ Data as of January 1, 2013.

⁹ The most recent estimate is conducted in 2011.

- The provision of stimulus to the development and introduction of new selected varieties of crops and breeds of animals, in addition to improved agrarian technologies and cultivation methods, in order to increase the productivity of crops and livestock;

- The improvement of the system of cooperation between the government and farmers in regards to such matters as state orders regarding cotton and wheat production, on the basis of the norms and principles of the market economy that ensure the feasibility and independence of farm entities in disbursing financial resources, covering all expenses financed from the profits generated from the sales of agricultural products. This will allow increasing the share of farm entities in the total structure of gross agricultural production from 34.4% in 2012 to 36.5% in 2015;

- The formation of economic mechanisms created to stimulate the organization and development of cooperation between farmers, agro-enterprises, marketing firms and other infrastructure organizations that provide services within the field of agro-entrepreneurship. These services may include the stocking, processing and transportation of fruit-and-vegetable and meat-and-dairy products;

- The improvement of the access of agricultural producers to necessary infrastructure and credit resources;

- The development and adoption of a special target program designed to support the personal subsidiary plots and dekhkan entities in rural areas. This will be achieved through the expansion of the land, including for housing construction. It will also be achieved through increasing the efficiency of the provided land, through the provision of state support for the development of highly-productive agricultural products and livestock, and through the development of greenhouses and both poultry and fishery farms. These processes will require the development and adoption of a targeted program for the support of private subsidiary plots and dekhkan entities, designed to create equal conditions for farmers and dekhkan entities in regards to the provision of access to resources and services, including credit resources. They will also require the cooperation of dekhkan entities in preparing the necessary conditions for the expansion of their land, through the use of unused lands, the land of farming entities that have gone bankrupt, and through the development of new land.

2. the acceleration of the processes of the modernization and the technical and technological renewal of the agrarian sector, and of the infrastructure facilities and businesses that process agricultural products, through the following measures:

- The increasing of the investment attractiveness of the agrarian sector, through the implementation of measures designed to enhance capital investments into improving the ameliorative condition of lands and increasing soil productivity. It is also be enhanced through the introduction of innovational agro-technologies, through the use of selected varieties of crops and breeds of animal that ensure the growth of productivity, and through the use of methods for organizing and managing agricultural production;

- The improvement of the operations of infrastructure networks, including the systems of stocking and selling fruit-and-vegetable products;

- The significant increase in capital investments into the area of irrigational water supplies, and into the introduction of water-saving technologies;
- The improvement of contract-based relations among farm entities, processing enterprises and agro-firms, in the area of the regular provision of funds for advanced and consecutive payments for the purchases of fruit-and-vegetable products from farmers.

3. the improvement of mechanisms for the effective usage of land and water resources in agriculture, through the implementation of the following measures:

- The arrangement of legal conditions and guarantees, in order to stimulate the effective usage of agricultural lands and resources;
- The development and implementation of organizational and economic measures designed to ensure a decrease in the share of lands with low productivity;
- The allocation of a variety of agricultural crops, with a consideration of the natural and climatic conditions of the country, resource-supply and market demand patterns;
- The development and implementation of a program for the stable provision of the regions of Uzbekistan with irrigational water. This program includes the development of a list of the most important investment projects (primarily in the areas where intensive processes of land degradation have been observed). Within a mid-term timeframe, the implementation of measures aimed to improve the ameliorative condition of lands is expected to help improve the condition of 500-600 thousand hectares of irrigated land;
- The increased efficiency of the use of irrigational water, through the introduction of progressive, resource-saving irrigation technologies (either non or minimal tillage, crop circulation, and crop-growing technologies such as water collectors and drip irrigation, with the application of flexible and plastic pipes, siphons, and other equipment);
- A gradual shift towards the system of partially-charged water-usage in agriculture, in order to stimulate efficient water consumption, and to accumulate the funds needed to cover the exploitation and investment costs of irrigation and pumping systems;
- The improvement of the activities of the Association of Water Users, which will become a key basic link in administering the effective use of water resources in agricultural production.

4. The development and improvement of the infrastructure of the agro-food market, through the following measures:

- The development and implementation of measures designed to provide support to entities that offer market services to structures that can quickly adapt to market conditions, and can ensure the growth of qualified jobs within rural areas;
- The improvement of the scientific component of agrarian science, and the introduction of mechanisms designed to stimulate the application of scientific and technological advancements, as well as innovations into agricultural production.

5. To increase the financial stability of farm entities, the liberalization of agricultural policy, and to strengthen the protection of the rights of agricultural producers through the following measures:

- The improvement of the legal conditions and guarantees that ensure the expansion of the economic independence of farm entities, of small agricultural producers, and of family entrepreneurial enterprises, that encourage the effective usage of agricultural resources;
- The implementation of innovative ideas, designed to ensure the effective usage of the qualities of individual land zones, and of the advantages of individual regions, including the rational usage of the potential of old-irrigated zones, of mountainous areas and foothills, and of deserts and semi-desert pastures, in order to enhance the production of non-traditional crops;
- The implementation of regional programs, aimed to maintain rational proportions in regards to the allocation of industrial crops and food crops, with due consideration given to the natural and climatic conditions of the regions being addressed;
- The implementation of regional and industrial programs regarding the modernization and technical re-equipping of the agrarian sector, and the introduction of modern agrotechnologies and methods of organizing and managing agricultural production;
- The implementation of a comprehensive program designed to develop animal husbandry that includes the modernization of selection and breeding, the improvement of the quality and variety of available services, the improvement of the level and quality of fodder production, and the improvement of veterinary-sanitary conditions in regards to animal husbandry, the prophylactics of diseases among animals, and the provision of veterinary medicine;
- The improvement of systems and mechanisms for the economic stimulation of farm entities that can utilize resource-saving technologies;
- The improvement of the normative and legislative bases and the economic mechanisms that can stimulate the development of non-agricultural types of activities within farm entities, in order to mitigate the effects of seasonal production.

The implementation of the above-mentioned measures will allow for an increase in the productivity of crop yields and livestock, and will ensure the accelerated development of processing facilities in rural areas. The measures will facilitate the improvement of the population's food security, will enrich the domestic market and will increase the export potential of the agrarian sector. This will in turn help to increase the employment levels and income of a significant part of the rural population.

4.2. Industrial Development

The strategy of developing Uzbekistan's industry within a mid-term timeframe will be based on the 'Program on Priorities of Industrial Development in the Republic of Uzbekistan for 2011-2015'¹⁰, as adopted by the Government of Uzbekistan.

The implementation of the Strategy will allow for the assurance of the stable, dynamic and balanced development of the national industry, in conditions of deepening structural reforms in key sectors, the diversification of manufacturing, and the growth of export potential, as well as further increase the efficiency and competitiveness of enterprises,

¹⁰The Resolution of the President of the Republic of Uzbekistan from the 15th of December, 2010. № 1442 'On Priorities of Developing the Industry of the Republic of Uzbekistan in 2011-2015'.

through the modernization and the technical and technological renewal of the manufacturing processes they utilize.

It is projected that during the period from 2013 to 2015, industrial production in Uzbekistan will grow by 1.3 times. The accelerated growth of industry will be ensured by the on-going and expected investment projects that are included in the Program of industrial development.

Within the framework of the projects included in the Program, and based on the relevant list approved by the Cabinet of Ministers, it is envisaged that imported equipment, material and components not produced in Uzbekistan will be exempt from customs duties (except for customs fees) for the period up to the 1st of January, 2016.

Given the goals and objectives related to reducing the level of low income populations in Uzbekistan, the outlined industrial policy will also aim to strengthen its social component by leading the development of labor-intensive manufacturing facilities. The purpose of this initiative will be to create new jobs, primarily in rural areas, and to plan the training and retraining of personnel in order to create an effective, innovation-oriented structure for Uzbekistan's industry.

The followings are the WIS-II's key objectives and priorities for the development of industry during the period of 2013 to 2015:

- The ensuring of the accelerated development of industry, primarily that of processing and high-tech industries that are oriented towards ensuring the output of products that are in demand on domestic and foreign markets, as well as formulating specific, well-planned roadmap for the development of key sectors of the national industry;
- The further deepening of structural reforms within industry, aimed at leading the development of such sectors as energy, petro-gas-chemical, chemical, non-ferrous metallurgy, machinery construction and car manufacturing industries, in addition to the construction material, pharmaceuticals, textiles and light industries. The establishment of industrial facilities in rural areas, aimed towards the quality manufacturing of agricultural products;
- The implementation of the large-scale modernization, technical and technological renewal of industrial facilities, equipping them with the latest high-tech equipment, while accelerating the application of scientific achievements and progressive innovation technologies;
- The ensured stable development of export potential, the increased manufacturing of export-oriented, competitive industrial goods, and the expansion of markets on the basis of diversifying both the manufacturing and the processing of domestic raw materials;
- The further development of internal cooperation between industries, the localization of manufacturing facilities, and the arrangement of conditions for the accelerated development of small businesses and private entrepreneurship within various sectors of industry. The allocation of industrial facilities in all regions of Uzbekistan, thereby ensuring import-substitution, the creation of new jobs, the growth of population employment, and an increase in the income and welfare of the population.

The undertaking of the above-mentioned tasks, and the implementation of measures for the development of industry, will be ensured through the adoption of measures that envisage the following:

- The increase in the competitiveness of national industrial production, and a decrease in the dependence of industrial development and the national economy as whole on price fluctuations within the world markets;
- The expansion of the volumes of financing for investment projects, aimed at creating new high-tech manufacturing facilities, equipped with the latest technologies, while ensuring the processing of raw materials and the creation new jobs, partially at the expense of loans of both the Fund for Reconstruction and Development and of commercial banks;
- The enhanced attraction of new technologies, including using the practice of signing contracts with foreign investors on the basis of industrial-compensational deals. Such deals attract long-term investments in the form of science-intensive technologies at exchange of final high-tech products;
- The widening and development of stable, cooperative relations between enterprises, with the active involvement of small businesses and private entrepreneurship into the process;
- The development of industrial infrastructure, primarily that of the roads, power supplies, gas supplies, water supplies and sewage connections, needed to ensure the stable functioning of acting enterprises while stimulating the creation of new ones;
- The systematic introduction of international standards of quality and technical regulations, in regards to the manufacturing of industrial products that are competitive in external markets;
- The stimulation of the transfer of national and foreign technologies, the application of innovations at enterprises, the creation of industry-based scientific-production clusters primarily in such areas as the electronics and solar energy industries, and the manufacturing of medicine and chemical products;
- The assurance of effective coordination in regards to innovative economic activities, increasing the role of applied science in the introduction of innovations into industrial production, consolidating financial, human and institutional resources into the implementation of scientific-industrial projects, and applying the results of R&D activities;
- The implementation of pilot projects designed to create financing for venture funds, to establish special mechanisms to support firms during stages of rapid growth, and to certify the appraisers of firms and intellectual property. The projects will also insure innovative investments, the leasing of high-tech equipment and tools, and the establishment of a securities market for science intensive companies, trading houses and other such organizations;
- The introduction of modern forms of innovative management, and the commercialization of know-how (through a market of scientific and technical products);
- The provision of investment support into the intensive technological renewal of industrial production on the basis of energy- and resource-saving technologies, by expanding the sources of financing that envisage the usage of mechanisms of the preferential taxation of parts of income generated through reductions of energy costs;

•The formation of a system for the training and retraining of qualified personnel for modern industrial complexes.

The enhancing of the industrial development's social implication envisages the development of effective mechanisms designed to stimulate job creation, increase the income of population groups engaged in industrial production, and expand the variety of the manufacturing of quality consumer goods. The implementation of this priority demands the development of related measures, and the creation of mechanisms that envisage the following:

- The assessment of domestic demand for competitive products, including consumer goods, and the preparation of proposals on this basis for how to increase production capacities, organize the manufacturing of new products, and create new jobs;
- The assessment of the demand and development of proposals for the training and retraining of engineering and service personnel;
- The encouragement of the involvement of engineers and workers into the industrial sector, through providing them with decent wages in line with their levels of qualification, the quality of the produced products, and the use of innovative methods in the work of specialists.

In general, the implementation of the above measures will allow for an increase in the efficiency of industrial production. This improvement will be the result of a gradual reduction of production costs, the introduction of modern, energy-saving and resource-saving technologies, and the improved organization of the manufacturing sector. This will in turn have a positive impact through an increase in demand for national products, and consequently an increase in employment levels and population incomes.

4.2.1. The Development of the Fuel-and-Energy Complex

The main goal of developing the energy sector is to ensure the stable provision of energy, based on the country's needs, in order to achieve the goals of the WIS-II. The following measures have been envisaged in order to achieve the above-mentioned goal:

- Ensuring necessary fuel and energy levels, based on the growing manufacturing of liquid and gas hydrocarbons. This growth will be the result of the introduction of new technologies in geological exploration, including the exploration of abyssal deposits;
- The development of new deposits and the acceleration of processes for the modernization of the technological infrastructure needed to exploit deposits of hydrocarbon raw materials. These developments will ensure the stabilization and further enhancement of the volumes of extracted fuel-and-energy resources, while introducing new technologies for the extraction of hydrocarbons that ensure higher levels of extraction and decreased losses;
- The implementation of projects on technological reconstruction and the active application of new capacities regards to the processing of hydrocarbons, and the active application of innovations into the development of processing industries within the Fuel-and-Energy Complex. These projects will ensure the diversification of the structure for the manufacturing and exporting of products (projects aimed at expansion and development of new types of gas-chemical products; projects aimed at the improved manufacturing of

liquefied gas and synthetic liquid fuel made of methane; and the ones aimed the accelerated review of issues related to the processing of pyroschist into synthetic oil);

- The implementation of a strategic program designed to significantly expand the nomenclature and volumes of localized products. This program envisages the mastering and manufacturing of high-tech equipment for systems used for boring oil and gas wells, in the extraction, transportation and processing of hydrocarbons, and in the related sectors of the economy as whole;

- The reconstruction and development of the national gas transportation system, in order to ensure the reliable supply of gas to domestic consumers, and to expand the export volumes of the gas. In solving these issues, an important role will be played by measures designed to introduce a modern system for the control and counting of gas, or the Smart Metering System (SCADA), the achievement of target parameters in regards to the reduction of losses, and the utilization of the associated gas;

- The priority modernization and expansion of energy generation capacities, and the reconstruction of power lines, that will ensure the increased reliability and efficiency of the power supply provided to all sectors of the economy. The main methods for the modernization of power stations will include the introduction of combined cycle plants with higher parameters of economic and ecological compatibility;

- The further enhancing of measures regarding the maintaining of power supplies, the decreasing of the sole cost of products, and the active introduction of innovational methods for managing the related manufacturing processes and the consumption of fuel-and-energy resources. Such measures include the introduction of a modern Automotive System of Controlling and Accounting for Electrical Power (ASCAEP);

- The deepening of diversification processes regarding the production structure in the Fuel-and-Energy Complex (FEC), in order to release gas for industrial processing, and to accelerate the use of alternative sources of renewable energy such as wind, solar and hydro energy, and the introduction of integrated solar-thermal power stations of combined cycle.

The main methods for achieving the goals and implementing the priorities of developing the FEC within a mid-term timeframe will consist of the governmental regulation of economic relations between the producers and consumers of fuel-and-energy resources, through the following actions:

- o The further improvement of the price and fiscal policies that are directed towards the FEC, and that aim to allow a comprehensive increase in the level of the collection of funds, in order to secure the supply of energy resources and to increase the financial stability of enterprises involved with the FEC;

- o The improvement of the investment policy that creates conditions for manufacturing processes in the energy sector. Such conditions will be created by expanding the sources of financing for projects regarding the modernization, technical and technological re-equipping of enterprises within the FEC at the expense of the funds of large companies (such as the 'Uzbekneftgas' NHC and the 'Uzbekenergo' State Joint-Stock Company), and the funds of the Fund for Reconstruction and Development. Other contributions will be made through foreign

investments, including the attraction of funds based on Production Sharing Agreements (PSA), risk-service contracts and project financing;

- The improvement of the legislative basis in the FEC sector that regulates relations within the energy sector. The development of priority normative-legal and institutional documents that form mechanisms for the effective implementation of tasks regarding energy-saving and the active development of sources of renewable energy, including the adoption of the Law ‘About Renewable Sources of Energy’.

- The creation of additional encouragement for energy-saving, through the development and introduction of a mechanism for the preferential taxation of part of the income. This income can be generated through the reduction of spending regarding energy resources;

- The maximum reduction of losses and the increased energy efficiency of equipment and technologies involved in all energy-producing and energy-consuming processes that ensure a re-distribution and balanced consumption of energy resources within the social sector.

4.2.2. The Development of the Chemical and Petrochemical Industry

Priority directions have been established for the development of Uzbekistan’s ***chemical and petrochemical industry*** in 2013-2015. These directions include the acceleration of structural shifts on the basis of mastering the manufacturing of new types of chemical products, with high-consumption features, on the basis of establishing new innovational sectors and introducing high-tech technologies. In the period of 2013 to 2015, output of this industry will increase by 1.2 to 1.3 times.

It is envisaged that the growth of the outputs of Uzbekistan’s ***chemical industry*** will be mainly ensured by a number of activities. These will include the ***launch*** of enterprises in Jizzakh City producing synthetic detergents and household chemicals, with a projected output of 20 thousand tons of products. Other activities will involve the expansion of the production capacities of the Dekhanabad plant for the manufacturing of potassium fertilizers (stage II) with a project capacity of 400 thousand tons (or an increase in the project capacity by 600 thousand tons). Other initiatives will involve the manufacturing of calcine soda at the Kungrad soda plant with a project capacity of 50 thousand tons, and the organization of the manufacturing of conveyor belts, and tires for both cars and agricultural machinery. The latter will result in projected products including 100 thousand running meters of conveyor belts, 200 thousand agricultural tires, 1.5 million car tires, and other related goods.

During the period of the WIS-II, the most important factor for the stable development of chemical and petrochemical production in Uzbekistan will involve the reduction of product sole cost, which will allow for the maintaining of price competitiveness in regards to traditional types of export products, and in regards to the implementation of new investment projects.

4.2.3. The Development of the Construction Materials Industry

In the *construction materials* industry, a 10-11 per cent growth rate will be experienced during the period from 2013 to 2015. The sector will represent 6 per cent of the total structure of industry, as compared to 5.4 per cent in 2012. The growth in production outputs will mainly be ensured through the implementation of a number of projects. These projects will include the organization of the manufacturing of ceramic tiles in Ferghana City with a project capacity of 1 million square meters, the manufacturing of soft roofing materials in the Tashkent region with a project capacity of 5 million square meters, and the construction of a new cement plant in the Jarkurgan district of Surkhandarya region with a project capacity of 420 thousand tons. Other projects will include the modernization of the manufacturing of sanitary-technical ceramics within Angren city, with projected production capacity of 12.5 thousand pieces, while the previously-unused potential of this sector will be utilized.

The main factors involved in the stable development of the sector from 2013 to 2015 will consist of the following:

- A high domestic demand for the traditional products of the sector, as well as that of special construction materials (ceramic tiles, glass products, etc.);
- The availability of permanent external demand from neighboring countries in the Central Asian region for the sector's products, especially for cement;
- The launch of the manufacturing of new types of construction materials, including gypsum cardboards, vermiculite, foam concrete, wood-particle boards, medium density fiberboards, laminated parquet and other products that meet the regional and domestic demand.

4.2.4. The Development of Light and Food Industries

The rate of production of Uzbekistan's *light industry* will increase by 1.7 times in the period of 2013 to 2015. It will take place as a result of measures adopted to stimulate the expansion of the manufacturing of domestic non-food goods, as well as the ongoing modernization and technical and technological re-equipment of textile enterprises. The share of the sector within the structure of the national industry will account for 15.6 per cent, compared to 12.9 per cent in 2012.

It is envisaged that the main part of the growth in this sector's output will be ensured by the finalization of the implementation of projects designed to organize spinning facilities in Khorezm, Jizzakh and the Republic of Karakalpakstan. It is expected that such initiatives will result in the projected manufacturing of 16 thousand tons of cotton yarn and 4 thousand tons of knitted fabric a year. Sewing enterprises based in Buka district of Tashkent region will be launched and are expected to produce 5 million pieces of clothes and 2 thousand tons of mixed fabrics annually. There are six textile complexes will be established in Namangan region (stage 1) with total project capacity of 1 million square meters of silk fabrics and mixed fabrics per annum, while similar initiatives in the Bukhara region will be expected to produce 18 thousand tons of cotton yarn, and those in the Surkhandarya region will be expected to produce 7.3 thousand tons of cotton yarn and 6 million square meters of fabrics annually. Enterprises to be established in Tashkent region will have project capacity of 6 thousand tons of cotton yarn, 7.5 million square meters of fabrics, and 5 million pieces of apparel, while those to be launched in

Namangan region will have project capacity of 4.75 thousand tons of cotton yarn, 8.2 million square meters of fabrics, and 2 million pieces of apparel. Lastly, enterprises that will be launched in Kashkadarya region will have project capacity of 18 thousand tons of cotton yarn, 18 million square meters of fabrics, and 5 million pieces of apparel.

The main factors influencing the stable development of the light industry, during the period of the WIS-II implementation, will include the following:

- The high and constant growth demand of the domestic consumer market for the products of textile, sewing, leather, fur and footwear industries, and others;
- The stimulation of the expansion of the manufacturing of domestic non-food goods;
- The demand and price competitiveness of Uzbekistan's textiles in external markets;
- The increased level of capacities of large enterprises;
- The establishment of modern manufacturing processes with complete technological cycles, designed to produce high added value products, primarily in districts with high levels of unemployed labor forces. The products will include apparel, knitted products, socks, cotton yarn, nonwoven products, small textile wares, processed leather, lamb's leather and karakul fur, wool, footwear and other items.

The development of the *food industry* will be ensured by an increased level of the processing of local agricultural raw materials, and the secured manufacturing of final goods. The manufacturing of goods within the sector will increase two-fold during the period of the WIS-II. The share of the sector within national industry will reach 17.2 per cent in 2015 as compared to 14 per cent in 2012.

In the period of the WIS-II implementation it is envisaged that about 850 enterprises will be established that process fruit-and-vegetable and meat-and-dairy products.

The prioritized development of the meat-and-fat, fruit-and-vegetable, liquor and flour-grinding industries, as well as the organization of modern industries in regards to the manufacturing of children's food, confectionary and soft drinks, will ensure growth in the food industry by 1.9 times within the period from 2013 to 2015. The main factors affecting the stable development of the sectors within the food industry will consist of the following:

- The high and constantly-growing demand of the domestic consumer market for foodstuffs;
- The demand of the external market for competitive fruit-and-vegetable products;
- The increased level of the utilization of the capacities of large enterprises;
- The establishment of modern manufacturing facilities with complete technological cycles, preferably in the form of small enterprises, in order to produce high value added foodstuffs (vegetable oils including those manufactured from non-traditional raw materials, dairy products including infant and baby foods, fruit-and-vegetable products in the form of canned food and juices, confectionary, and others). The development undertaken for the manufacturing of such products will be prioritized within districts with high levels of unemployed labor forces.

4.3. The Program for the Comprehensive Development of Regions

The levels of low income populations in Uzbekistan have clear regional distinctions. The highest risk of low income populations in the country has been related to the insufficient level of development of regions, the low industrialization of their economies, and high levels of inequity in regards to education and the distribution of population income.

Thus, based on an analysis of the socio-economic conditions of regions, as well as the earlier documents adopted by the Government¹¹, the main objective of the WIS-II in the area of reducing inequality in regards to the indicators of income and growth of population welfare in the regions of Uzbekistan are related to the arranging of conditions for the comprehensive socio-economic development of regions. This development particularly requires:

- The ensuring of the effective usage of the natural, mineral, raw material, industrial, agricultural and human potential of each region, by accelerating the processes of modernization on the basis of developing and adopting individual territorial programs for development. This will allow for a reduction in excessive differences between regions in terms of social and economic development levels, and for an increase in the levels of employment and incomes of local populations;

- The involvement of the private sector's financial resources in implementing programs and ensuring their effective usage, by increasing the investment attractiveness of regions through arranging favorable conditions for investors, by forming strategic activities on implementation of key directions for investing, and by improving the system of managing the investment processes undertaken in regions;

- The further development of a single zone for the whole country in terms of transportation, telecommunications, and energy-saving, in order to ensure the stable and secure economic development of Uzbekistan's regions. Such work will also ensure the establishment of systems of water and gas supplies that are correlated with investment projects, the rates of economic development, and the needs of growing populations in both Uzbekistan's regions and the country as whole;

- The ensured coordination in regards to implementing strategic programs for the development of basic sectors, as well as coordination between national level institutions and local authorities in addressing issues related to the socio-economic development of regions;

- The arrangement of conditions for the stable development of industry through the establishment of potential and competitive advantages for the industrial facilities of each region;

- The arrangement of conditions for the comprehensive development of Uzbekistan's agrarian sector within the nation's regions, and the social development of the countryside. This

¹¹The Executive order of the President of the Republic of Uzbekistan of the 14th of January 2011 №R-3557 'On Measures on the Implementation of the Priority Directions of the Concept for the Promotion of Democratic Reforms and the Formation of Civil Society in the Country, in the area of Deepening the Democratic Market Reforms and the Economy's Liberalization'.

will be achieved through the development of mechanisms to stimulate the processes of establishing agro-logistical centers for the storing, processing and transportation of fruit-and-vegetable products, the development of financial infrastructure to ensure the support of agricultural producers, and the provision of other services to agricultural producers;

- The growth of the export potential of Uzbekistan's regions, at the expense of involving the regions into the global economic integration as independent members of global markets, and engaging in competitive relations for winning new segments of markets. The increase in the competitiveness of domestically produced goods in international markets, through the implementation of effective program measures designed to increase the level of the effective usage of potential competitive advantages within the regions of Uzbekistan;

- The development of social infrastructure within the regions of Uzbekistan, in accordance to each region's demographic needs;

- The development and implementation of measures designed to improve the activities of local authorities, and to increase their ability to implement programs for the holistic development of the regions of Uzbekistan, while addressing social issues related to improving population welfare within the regions;

- The development of conceptual recommendations regarding the strengthening of processes of decentralization, in order to manage the economies of regions, and to independently identify the needs of territories in regards to stable economic and social development;

- The harmonization of the actions of central, sector-based and territorial bodies of administration, ensuring private-public partnership in the implementation of program measures directed towards the comprehensive development of regions;

- The development of measures designed to ensure high levels of population employment through the reduction of informal activities, specifically through enhancing the generation of formal jobs;

- The development of measures undertaken to expand regional opportunities for organizing target training and/or the retraining of local officials, managers and business specialists;

- The arrangement of necessary conditions for increasing standards and quality of life, and the expectations of the nation's population, through the implementation of the following measures:

- o The improvement of the demographic condition, stabilization and growth of Uzbekistan's population in regions, by developing the family institute;

- o The improvement of the quality and accessibility of medical assistance;

- o The achievement of a high quality of preschool, secondary, secondary special and vocational education;

- o The arrangement of conditions that ensure the accessibility of housing, and that increase the quality of public utility services;

- o The achievement of normative levels of infrastructure availability (such as that of natural gas, electrical power, drinking water, roads and others).

4.3.1. The key objectives of the regional economic policy

During the period of the WIS-II's implementation, the regional economic policy as elaborated within the programs for the comprehensive development of regions, will aim to achieve the following goals:

- The ensured higher rates of economic development in regions that have lower indicators on per capita Gross Regional Product (GRP), industrial production and services, and thus a reduction in the level of differentiation in regards to the development levels of regions, especially of those lagging behind Tashkent City;
- The reduction of differentiation levels between districts in terms of industrial development, as well as the development of services within each district, and the higher development rates in less developed districts that do not have significant manufacturing industries;
- The active development of small cities and townships, through the establishment of new industrial manufacturing facilities and service centers within their regions;
- The ensured full employment of all youngsters entering the labor market for the first time, preferably within the areas where they live or in nearby territories. The arranging of conditions for the related support to unemployed labor forces, including labor migrants who had previously traveled to other regions and countries for work;
- The secured living conditions for rural population, brought as close as possible to the level enjoyed in cities, through the active development of transport and public utilities infrastructure, educational institutions, healthcare units, and sporting facilities.

The mechanisms implemented within the regional policy shall consist of the following:

- The rapid expansion of the volumes of investments into the industrial sectors of the regions of Uzbekistan, at the expense of the development of large enterprises, with bank loans and foreign investments being directed towards the expansion of existing manufacturing facilities and the establishment of new ones. Very large facilities will be constructed in the Republic of Karakalpakstan (the Surgil Gas-Chemical Complex, the expansion of the Kungrad Soda Plant, the drilling and arranging of gas deposits, and the development of textile manufacturing facilities), in Kashkadarya region (the Shurtan Plant for the manufacturing of liquid fuel, the Mubarek Plant for the manufacturing of liquefied gas, the Mubarek Gas Processing Complex, and the expansion of the capacities of the Dekhkanabad Plant of Potassium Fertilizers), as well as in Navoi and Tashkent regions (a number of chemical manufacturing enterprises);
- The effective and comprehensive usage and processing of raw material resources in each region, at their deposits or in adjoining areas, in order to improve industrial production;
- The sharp increase in investments into the processing sectors of the regions of Uzbekistan, including enterprises processing fruit-and-vegetable products, meat-and-dairy products, industrial crops (vegetable oil, cotton fiber, silk fiber and wool, etc.), and processing fish and honey;
- The accelerated development of services in Uzbekistan's regions, primarily in the countryside, on the basis of the growth of population income as generated from industrial and agricultural production. The targeted establishment of business service centers, providing them

with relevant privileges and preferences; the development of tourism, including in rural areas, and the enhancement of roadside infrastructure;

- The arrangement of necessary conditions for the attraction of foreign investments into regions, including through the expansion of the system of privileges, as well as through the provision of locations with enterprises, and through the equipping of territories with necessary infrastructure and networks to supply power, water, gas, and transportation infrastructure;

- The enhancement of investment volumes using resources from the state budget, from non-budgetary funds and from state companies, as well as foreign investments under the guarantee of the state, towards construction of facilities of social infrastructure (of healthcare and sports), public utility infrastructure (water supply, sewage systems, electrical power supplies and gas supplies). The channeling of part of the Road Fund's resources into the construction and reconstruction of roads of regional and local value;

- The continuation of the policy of housing construction in rural areas, through the provision of mortgages for standard rural housing, and through the establishment of modern complex construction areas designed to channel part of the funds of the state budget, and soft loans from ADB and the population;

- The increased quality of administration, and the provision of support to the conduct of socio-economic reforms on the regional level. This will include the creation of stimulus for the introduction of instruments of strategic planning, for the enhancement of program-targeted management, for the improvement of non-budgetary relations, for the arranging of the mechanisms of administrative regulation and management, for collaboration with local authorities, and for the development of the mechanisms of private-public partnership.

In that regard, a set of measures will be implemented including:

- o The improvement of the administrative potential of local authorities, through perfecting the system of training, retraining and allocating personnel;

- o The improvement of information supplies to the system and business environment of each region;

- o The improvement of the system of developing long-term projections and regional comprehensive programs;

- o The assurance of integration into the global information system;

- o The perfection of the regional system for administrating the industrial centers, as well as small and medium cities.

The achievements of the goals stipulated in the comprehensive programs for regional development by 2015 shall ensure the following:

- The dynamic development of the economies of Uzbekistan's regions, with an average GRP growth rate of 8 to 9 per cent per annum;

- The modernization of the economy, and the accelerated development of high-tech sectors such as machinery construction, light and food industries, electrical appliances manufacturing, the chemical industry, the construction material industry, the pharmaceuticals industry and others;

- The significant development of the services sector, primarily through the development of entrepreneurship (to the point that it represents more than 55 per cent of the GRP);

- The improvement of living conditions, the further development of the system of social security, and the increasing of average life expectancies, enhancements which should lead to an improvement of national human development indexes from the average 0.55 in 2011 to 0.60 by the year 2015.

4.4. The Development of the Services Sector

During the implementation of the WIS-II, paramount attention will be paid to the services sector in order to create new jobs, increase employment and population income. In that regard, the services sector is considered to ensure high population employment within regions with tense labor markets, and to reduce regional differentiation in regards to employment. In that direction, the Government of Uzbekistan has developed measures to strengthen further the role of the services sector in the national economy during the mid-term perspective. These measures will intend to achieve:

- The assured growth of the services sector by 1.66 times from 2013 to 2015, and an increase in its share in the GDP from 52 per cent in 2012 to 55 per cent in 2015¹²;

- The increased contribution of the sector in solving the issues of population employment, through the establishment of more than 1 million jobs in the services sector, including 282.6 thousand – in 2013, and through the expansion of the services sectors in regions with tense labor markets;

- The stimulation of the accelerated development of new types of modern services, such as communication and informatization (including software programming and electronic education), the repair and maintenance of technological equipment and other similar services.

Table 4.1. The development of the services infrastructure in the Republic of Uzbekistan, up to 2015

Indicators	2011	2012	2013	2014	2015
1. In the financial and banking sector					
Insurance companies, in units	959	1067	1017	1048	1079
New types of insurance services, in units	1002	1032	1063	1055	1128
Insurance agents – legal entities, in units	1722	1774	1827	1882	1938
Insurance agents – individuals, in units	6140	6324	6514	6709	6911
Tax consultation companies, in units	30	53	90	142	209
Auditing companies	104	111	116	122	127
Leasing companies	103	107	135	148	158
Mini-banks, in units	2337	2382	2413	2454	2496
Branches of savings banks	1665	1742	1802	1843	1885

¹²The Draft Resolution # PP01757 of the President of Uzbekistan 'On Program of Developing Services Sector in the Republic of Uzbekistan for 2011-2015' from May 10, 2012.

Indicators	2011	2012	2013	2014	2015
Teller terminals,by thousands of units	99.6	128	138	148	155
Plastic banking cards, by millions	8.2	9.3	10.1	10.9	11.5
Financial transactions through terminals, by trillions of Soums	9.1	9.3	10.2	11.2	12.0
Loans for developing the services sector, by billions of Soums	351.0	373.4	403.9	483.8	580.6
Including those of “Microcreditbank”	30	22	27.6	35.6	45.6
Credit investments of banks, by billions of Soums	15651.5	17999.3	20699.2	23804.0	27374.6
Including consumer crediting, by billions of Soums	701.8	807.1	928.1	1067.4	1227.5
2. In the area of communications and informatization					
Number of subscribers, by millions:					
Telecommunication networks	27.3	28.7	29.8	30.8	31.9
Mobile phone connections	25.4	20.3	27.9	29.4	30.0
Digital telecommunication stations, by thousands	10.2	11.4	12.5	13.4	14.2
3. In the area of auto-transportation					
Passenger transportation routes, by thousands	3.7	3.7	4.1	4.2	4.2
Including in rural areas	2.4	2.5	2.8	2.9	3
4. In trade					
Established retail sales enterprises, by thousands	1.3	4.2	1.9	1.9	2
Trade and consumer services complexes, in units	0	97	86	84	93
Public catering entities, inunits	194	744	419	416	460

The following are envisaged as important mechanisms for the implementation of program measures designed to stimulate the development of the national services sector:

- The provision of special privileges to micro-firms and small enterprises in the services sector that provide the services included in above table (finance and banking services, tax consultation, information-resource services, information-library centers, appraising operations and consumer services, etc.). For the period up to the 1st of January, 2016 enterprises that provide various services, even those that are not included in the above table, are to be exempt from the single tax with the condition that profit generated from providing such services will account for no less than 80 per cent of the total profit;

- The provision of support by local authorities in parcellation (the division of land plots) in line with acting regulations, in providing earmarked loans for the construction of facilities, and in listing unoccupied premises for rent at low rates.

In addition, during the period of the implementation of WIS-II, Uzbekistan shall utilize its geographical advantages of being located in the center of the Central Asian region. For that purpose, special attention will be paid to the development of a wide range of services in line with international standards. The capacities of touristic centers, tour agents of transit-logistic centers, and cargo and passenger transportation units shall consequently be used to the maximum. This will contribute to the development of transportation services, and will further promote the national tourism industry in foreign markets.

The measures being implemented in order to develop Uzbekistan's services sector will ensure the empowerment of small businesses within the sector, which will in turn have a positive impact on employment, on population income, and on social wellbeing of the population.

4.5. The Development of Industrial Infrastructure

The further development of industrial infrastructure, within such areas as energy supply and transportation, will be one of the strategic objectives for the period of the WIS-II's implementation. This development of industrial infrastructure will help to ensure the sustainable development of the industry, agriculture and services sectors, and will enhance the development of small businesses and private entrepreneurship.

In order to increase the level and quality of the electrical power and gas distribution networks within Uzbekistan, it is envisaged that projects should be implemented for the modernization, reconstruction and development of the energy network. The policy for the support and development of the technological potential of the system of electrical power and gas distribution has been oriented in order to ensure the following:

- The maximum reduction of losses to power networks, the improvement of the quality, reliability and security of electrical power supplies to consumers, primarily to the general population, and the strict adherence to environmental requirements;

- The enhancing of the energy efficiency of the system of electrical power supply, through the reconstruction and capital overhaul of electrical power networks. The renewal of more than 46.5 thousand kilometers of electrical power networks, and 24.1 thousand units of operating transformer points and substations (35 Kw) is envisaged for the period of the WIS-II;

- The improvement of the balance between the consumption and production of electrical power, through the construction of more than 1.2 thousand kilometers of lines of power supply, and through the launch of 415 new transformation points and substations;

- The acceleration of the processes of the modernization, reconstruction and expansion of the national gas supply system, ensuring a reliable supply of gas to internal and external consumers;

- The increased efficiency of gas networks, on the basis of maximizing the reduction of gas losses and leakages during transportation, on improving the accounting of natural gas consumption, and on ensuring the introduction of a system for the administration and the technological connection of the national gas-transportation system (SCADA);
- The strengthening of measures to regulate seasonal inequalities in the consumption and supply of gas to regional consumers, and to ensure the optimal usage of existing gas-transportation systems. This will be achieved through measures including the further modernization of main gas pipelines, the construction and reconstruction of gas-pumping compressor stations, and the establishment of underground gas storage facilities;
- The enhancement of transit and export potential of the country through utilization of the *Uzbekistan-China* gas pipeline's capacities at full.

The following tasks have been envisaged in order to ensure the leading development of transport and engineering-communication infrastructure that will ensure the implementation of the program for the perspective development of various sectors of the economy and regions of the country, the creation of new jobs, the enhancement of employment levels and the stable development of the population welfare:

- The comprehensive and leading development and construction of transport communications, modern telecommunication systems, and engineering infrastructure facilities, on the basis of the expansion of the level of attraction of foreign and domestic sources of financing, renewal of construction and manufacturing facilities;
- The accelerated development of projects designed to establish a single national automobile transportation system. This system will establish a reliable connection with all regions of the country, expanding the construction and reconstruction of portions of the four-line roads that are part of the Uzbek National Highway, while providing them with the modern cement-concrete and asphalt-concrete pavements required in line with high international standards. Another major project will include the reconstruction of the automobile road over the Kamchik mountainous pass;
- The accelerated development and modernization of railroad transportation in Uzbekistan, the reconstruction of railroad lines, and the conducting of the electrification of railroads between the cities of Bukhara and Karshi. The renewal of rolling stock with modern, highly-efficient locomotives, cargo and passenger cars (coaches);
- The modernization and accelerated development of modern telecommunication networks and facilities, expanding the network of mobile connections and broadband internet, and making a gradual shift towards the introduction of digital television into the regions of Uzbekistan, with the aim of finishing the transition process by the year 2016;
- The further improvement of the system of the organization and development of transportation, and for the establishment of modern, effective, multitask transport-transit infrastructure in line with international requirements and standards. A contingency will be ensured by providing automobile, railroad and aviation transportation services, while strengthening the material and technical basis and increasing the efficiency of the functioning of the intermodal centers in Angren City and the Airport of Navoi City;

- The formation of new transport corridors that ensure the shortest possible links to international transport communications and enhanced transit transportation, while expanding access to regional and world markets, increasing efficiency regarding the use of export potential, and expanding foreign markets for national products;

- The construction and reconstruction of roadside infrastructure and services alongside national highway and railroads, and the arrangement of comfortable conditions for users of automobile and railroad highways, in line with international standards. New jobs will be established, and population employment will increase as a result;

- The ensured timely procurement of new road-building machinery for the reconstruction and development of the Uzbek national highway, and the introduction of new construction technologies, equipment and quality materials into road construction;

- The expansion of the construction, modernization and reconstruction of engineering-communication networks within the regions of Uzbekistan, especially in rural areas, with a special focus on the systems of water supply, sewage, electrification and other essential utilities. This in turn will serve as a basis for improvement of the level and quality of the water and electrical power provided to Uzbekistan's population and businesses, and the improvement of the sanitary-epidemiological situations in cities and in other populated settlements;

- The gradual reduction of production costs and sole costs in regards to the construction and exploitation of facilities of industrial infrastructure, transportation and communications, through the introduction of modern, energy-saving and resource-saving technologies that ensure the effective usage of raw materials, components and energy resources.

The implementation of measures for the development of transport infrastructure will facilitate an increase in the efficiency of integration into both intra-regional and international markets:

- The adoption of measures, within the framework of inter-regional integration in Central Asia, to complete the construction of the 'Nukus-Beineu' automobile highway of the first category. This highway will allow for the establishment of a single road network in the country with connections to the border of Kazakhstan. Within the period of the WIS-II's implementation, a total of 2.3 thousand kilometers of roads will be constructed or reconstructed within the system of Uzbek national highways;

- The national railroad network will be further developed. 1030 kilometers of railroad lines will be reconstructed, the railway section Karshi-Tashguzar-Boysun-Kumkurgan-Termez will be electrified (including the development of infrastructure and social facilities will be undertaken on the new Tashguzar-Boysun-Kumkurgan railroad line).

CHAPTER 5. THE MEASURES OF THE SOCIO-ECONOMIC POLICY TO DEVELOP HUMAN POTENTIAL AND THE SOCIAL SECURITY OF THE POPULATION

5.1. The Policy Mechanisms and Instruments in the Labor Market

Special measures designed to ensure quantitative and qualitative balance within Uzbekistan's labor market consist of the following:

The creation of demand in the labor market:

- The creation of jobs within the small business and private entrepreneurship sectors;
- The implementation of programs for the development of the infrastructure used in transport and communications construction;
- The streamlining of a system of migration processes, and the improvement of the legislation in order to increase its efficiency.

The improvement of the policy of labor supply in the labor market:

- The strengthening of the practical orientation of all curricula of high schools, vocational colleges and universities, based on the needs of industrial enterprises and the services sector;
- The strengthening of the program for monitoring the supply in the labor market, and for ensuring the compliance of such supply with demand;
- The expansion of the current programs of legally and socially-protected labor migration, in line with existing intergovernmental agreements.
- The employment of Uzbekistan's population will be ensured through the following directions, envisaged in the WIS-II:
 - The creation of jobs through the launch of new industrial enterprises that are equipped with modern, highly productive equipment and technologies, and that will ensure the full production cycle of goods, with ever-increasing export potential and the labor-intensive productions, based on the processing of local natural resources, including for those enterprises specializing in the processing of agricultural products;
 - The increased levels of employment at existing workplaces, through the increased usage of production capacities, technological re-equipment and the expansion of production. The following measures are to be envisaged in that regard:
 - The conducting of stock-taking, and the identification of enterprises' potential (both the material and technical potential) in each district and town, and related production reserves required for the creation of additional jobs;
 - The provision of targeted financial support to enterprises that are undergoing temporary economic difficulties, with the aim of maintaining existing work places;
 - The increased application of control over the effective usage of technological equipment and idle time during shifts, as a result of the fault of the administration of enterprises that are partially owned by the state;

- The increase of employment levels through the stimulation and acceleration of the development of small businesses and private entrepreneurship. At present, some 9.3 million people are engaged in small businesses, including individual entrepreneurs. Small businesses account for no less than a half of all newly established jobs in Uzbekistan. The arrangement of necessary conditions and preconditions, and the strengthening of state support for the development of small entrepreneurship, will no doubt have a positive impact on the increasing numbers of new jobs;

- The increase of employment at farms and dekhkan entities, including those dedicated to animal husbandry, and the manufacturing and sale of livestock-related products. This benefit can be used to ensure employment growth among rural population, and can increase efficiency in agricultural production. The work, conducted in order to merge farm entities, has facilitated the release of excessive labor forces while at the same time contributing to the arrangement of necessary conditions and preconditions for growth of production, and the expansion of both the types of activities being conducted and the range of goods being produced;

- The growth of employment at the services sector envisages the formation of necessary conditions and preconditions for expanding the spectrum of available infrastructure-based, household-related, social, and high-tech services, as well as services within sectors such as tourism and hotel management and others;

The increased quality of the labor force and its competitiveness within the labor market:

- Secure even stronger link of specializations taught at vocational colleges with directions and parameters of structural reforms and the modernization of the economy, particularly processing industries, social, industrial and market infrastructure, and small businesses and private entrepreneurs, all within the framework of the directions of personnel training;

- Conduct of ongoing monitoring of the efficiency of personnel training aimed at ensuring the compliance the training of specialists within certain fields with the structure of demand. Necessary corrections shall be introduced into the structure and scale of the trainings and their conducting at educational institutions, based on the results of the above-mentioned tasks;

- Introduction of the practice of the early formation of requests for the training of the specialists by the higher and secondary vocational education institutions within certain fields of the economy.

5.2. The Strengthening of the Government's Role in Social Protection and Increasing the Living Standards of the Most Vulnerable and Low-Income Populations

The following measures will be implemented within the Strategy, in addition to the acting and adopted measures, for the period up to 2015:

- The optimization and streamlining of acting privileges regarding pensions, in particular through the development of alternatives regarding the revision of a significant number of gender-based privileges;

- The strengthening of insurance principles regarding the compensation of damages caused by on-the-job injuries and occupational illnesses;

- The implementation of a targeted program designed to protect the lonely elderly, and people living with disabilities, and citizens outside the workforce;

- The continuation of programs designed to provide targeted micro-loans to low-income families in order to aid in the development of family businesses;

- The targeted allocation of new industrial manufacturing facilities and services in order to reduce unemployment in regions with a tense situation in the labor market;

- The continuation of programs designed to involve unemployed individuals in paid public works, predominantly in such areas as the beautification of territories, the development of transport infrastructure, and the taking care of the lonely elderly;

- The creation of jobs for youngsters by actively involving them in entrepreneurship programs, and by providing them with privileged loans in order to enhance their businesses.

5.3. The Improvement of the National Pension System

The following tasks have been envisaged within the WIS-II in order to improve further Uzbekistan's pension system:

- The optimization and streamlining of existing privileges regarding the provision of pensions;

- The ensured closer connection of the individual contributions of citizens in forming the resources of the Pension Fund with the size of their future pensions;

- The establishment of a single information base for accounting the length of services and wages of employees, on the basis of the Identification Number of Taxpayers (INT);

- The optimization of the formation of the 'revenue' and 'expenditures' parts of the Pension Fund, through:

- The use of the advantages of the accumulative pension system, which identifies the lengths of service based on the monthly payments of employees, which are detailed in their pension books. The effective use of modern information technologies for the identification of pension fees will help strengthen the link between the sizes of pensions and the individual contributions to the Pension Fund. This mechanism will allow for the introduction of the concept of the 'insured period of service', in order to replace the concept of the 'length of service', when assigning pensions to citizens from the State Pension Fund.

This will in turn allow for a situation that only takes into account the periods during which pension fees were paid. Such a mechanism will allow for the termination of a number of privileges, and the exclusion of the illegal entry of additional years of service into labor books;

- The studying of foreign experience regarding pension systems, particularly that of similar pension systems within European countries and other CIS member states, which could be applied in order to improve Uzbekistan's national pension system;
- The development of concrete measures in order to increase employment within the formal sector of the economy, in line with the active taxation system and perspectives of demographic development;
- The studying of issues related to labor migrants' participation in the social insurance system, including within the framework of the accumulative pension system;
- The development of a few alternative methods of forming the Pension Fund, development of two alternatives for projecting its revenues and expenditures. The first method is inertial, which assumes that the fund's revenues and expenditures will not change in the future, while the second is progressive. This latter approach takes into account the introduction of new mechanisms into the pension system, based on best international practices.

5.4. Further Improvement of the Education System

Preschool education

The strengthening and expanding the traditional forms of preschool education, including through the more active process of establishing private educational institutions.

The development and implementation of measures regarding the following:

- The effective use of the active state Preschool Education Institutions (PEI), in order to increase their coverage of children aged one to six;
- The achievement of the 85 per cent¹³ usage of existing capacities at preschools by 2015, in both urban and rural areas, through the additional enrolment of children in preschools. This will increase the coverage of children in the age group from one to six by the PEI system approximately to 23.7% in urban areas, and to 10.9% in rural areas.
- The expanding of social security to the children of large families who are attending PEIs, through the provision of privileges regarding parental benefits.

The ensuring of a high quality preschool education will be continued within the following areas:

- The improvement of state standards for the preparation of children to attend school;
- The upgrading of the qualifications of teachers, and the improvement of a scheme of the preschool educators' salaries to equal the level secured for teachers at general education schools who provide high quality education and tutoring for children;

¹³ In 2010 the indicator equaled to 76% nationwide, 80 % in urban areas and 69% - in rural areas.

- The improvement of the standards of nourishment and medical services available at PEIs, and the strengthening of the programs of local self-governance bodies designed to monitor the quality and timeliness of food and medical services provided at PEIs, in line with the approved standards for nourishment and medical services at the institutions.

Primary and general secondary education

The key objective state in the WIS-II in this regard is to increase the quality of teaching and learning, while maintaining full coverage and ensuring the 100 per cent graduation of students from nine-year schools.

As of the academic year of 2012-2013, the enrollment of students into the 10th Grade of general education schools will cease. Instead, all graduates of 9th Grade classes will be sent to SSVE institutions.

During the period of the WIS-II, the Government of Uzbekistan will ensure the allocation of the budgetary resources for the followings: the construction of schools in areas where complexes of residential houses are being constructed and to replacing old buildings that are to be demolished; the complete reconstruction and full overhaul of schools that were not covered by previous programs; and for the continuous maintenance of school infrastructure at appropriate levels.

Also, the work will be continued on improving of the quality of textbooks, and the enhancement of student access to information resources. The priority in this regard will be belletristic literature and textbooks in the Latin alphabet.

Work will be conducted in increasing the qualifications of teachers, and in improving the processes of learning and the rating of students' knowledge, while the introduction of modern technologies designed to enhance the quality of education will be continued.

Secondary special and vocational education

Main goals of the WIS-II in this area include:

- The completion of the establishment and maintaining of the infrastructure needed to ensure the full coverage of all school graduates with secondary special and vocational education that ensures the discontinuance of admission to the 10th Grade and 100 per cent involvement of all 9th grade graduates into the SSVE system, including thorough inclusion into the Investment Program such activities as the construction and launch of new vocational colleges and their branches, as well as dormitories for students from other regions.

- The increased quality and professional orientation of teachers in line with labor market demand, the establishment of stable jobs, and the achievement of balance in the labor market in order to reduce structural unemployment among the graduates of academic lyceums and vocational colleges;

- The organization of short-term study at vocational colleges for the groups of youngsters who did not undergo professional training, as a result of their withdrawal from vocational colleges during the first years after their establishment. This will contribute to the

100 per cent coverage of 9th grade graduates by the SSVE system, as envisaged by the National Program for Personnel Training;

- The assessment of additional opportunities for the provision of social security to the students of academic lyceums and vocational colleges who have come from low-income families and remote areas, by providing them with free public transportation. Such students staying in dormitories will receive a free meal a day, while housing will be provided to the graduates of academic lyceums and vocational colleges who have no parental care.

Higher education

The improvement of the system of assessing the quality of education

The Government of Uzbekistan has approved the Program for the development of the infrastructure of higher education institutions by the year 2015. This program will envisage the arrangement of necessary conditions for the quality training of specialists at higher education institutions through both the construction of new and the reconstruction and capital overhaul of existing training and laboratory buildings and dormitories for students. Such facilities will be equipped with necessary equipment, and modern technical means of learning, as well as textbooks and methodological literature.

The implementation of a range of measures designed to ensure the training of highly-qualified personnel for the period from 2011 to 2015 envisages the gradual optimization of admissions in line with demand from both within the regions and within the sectors of the economy for graduated specialists, through the following measures:

- The increase in the admission quotas of engineering and technical specializations from 26.8 percent during the academic year of 2010-2011 to 36.1 percent during the academic year of 2015-2016;

- The reduction in the admission quotas for various specializations from 31.1 per cent during the academic year of 2010-2011, to 24.6 per cent during the academic year of 2015-2016. Specifically, the quotas for economics will be reduced from 8.7 per cent to 5.7 per cent, the quotas for Law will be reduced from 1.3 per cent to 0.9 per cent, and the quotas for other specializations will be reduced from 35.5 per cent to 32.7 per cent.

- While maintaining of general admission quotas for undergraduate studies, the following changes will be introduced in within:

o The carrying out of a general reduction in grants from 34 percent during the academic year of 2010-2011, to 33 per cent during the academic year of 2015-2016;

o The increased admission of grants for engineering, technical and scientific specializations from 34.6 per cent during the academic year of 2010-2011 to 40-45 per cent during the academic year of 2015-2016 by reducing the admissions in such specialties as Economics and Law from 31.5 per cent to between 15 and 20 per cent;

o The gradual increase in the admission quotas at regional higher education institutions from 60.4 per cent in the academic year of 2012-2013 to 66.1 per cent in the academic year of 2015-2016, given the demand for specialists in the local labor markets.

o The optimization of admission quotas at higher education institutions in Tashkent City, by terminating the duplication of specializations;

- The termination of the training of specialists of non-profile specializations at higher education institutions;
- The discontinuation of trainings on specializations that are not relevant to a particular higher education institution's field of specialization.

During the implementation of the 'Program for Developing the Infrastructure of Higher Education Institutions', it is envisaged that necessary conditions for the quality training of specialists at higher education institutions will be established through the implementation of the following measures:

- The introduction of innovational, scientific-methodical products and technologies into educational processes, and the introduction of an effective system of re-training and increasing the qualifications of teaching personnel, the supplying of leading pedagogical technologies through the use of the module system of training;

- The introduction of effective mechanisms for integrating science and manufacturing techniques into education programs, and the establishment of modern scientific research laboratories on promising directions for the development of the sciences and the innovation technologies, the formation of promising national scientific schools, equipped with modern research tools and equipment in line with international standards. These schools will utilize the potential of line ministries and large industrial enterprises to organize in their stead lab-based learning and research works, thereby attracting students and teachers to participate in scientific developments;

- The strengthening of the information-resource base of higher education institutions, equipping them with modern equipment, electronic textbooks, scientific literature, and communication systems that will ensure that students and teachers have access to the internet. This service will allow for access to international education and information resources, and will introduce modern programming, multimedia and distance-learning tools into educational processes.

The opportunities for talented youngsters from low-income families to be admitted into higher education institutions have been provided through regulations approved by the Government of Uzbekistan. At present the Ministry of Higher and Secondary Special Education is working to provide privileges at admission, including in the above-mentioned area, concepts of which in the near future will be submitted to the Cabinet of Ministers.

5.5. Strengthening the Healthcare System

The following measures aimed at further strengthening the healthcare system are envisaged in the WIS-II:

- The reformation of the national system of healthcare through the development and introduction of the concept of increasing the quality of medical services, and the introduction of renewed standards of diagnosis and treatment into the practice of healthcare institutions;

- The expansion of the accessibility of free medical assistance and key medicine to low-income citizens, children, the elderly and people living with disabilities;

- The enhancement of the medical culture of families, the strengthening of the health of women, and the ensuring of the delivery and upbringing of a healthy generation. These objectives will be achieved through the implementation of activities designed to increase the efficiency of works conducted to:

- Strengthen the reproductive health of Uzbekistan's population, by arranging necessary conditions for the delivery of healthy children;
- Further strengthen the infrastructure of maternal houses, maternal and child healthcare institutions, and of primary healthcare institutions that provide medical assistance to mothers and children;
- Enhance the population awareness regarding such topics as the delivery and upbringing of healthy children, and the forming of the desire of youngsters to both establish healthy and happy families and to live healthy lives;
- The assuring of the necessary conditions for the development of a physically-healthy and spiritually-developed upcoming generation;
- The upgrading of the qualifications of medical personnel working in the area of maternal and child healthcare, and the improving of the quality of medical assistance provided to mothers and children.

- The introduction of advanced methods of neonatal resuscitation, the treating of children born with anomalies, and the promotion of breast feeding. In that direction, joint projects will be implemented with international organizations such as ADB, UNICEF, and UNFPA, to allow for:

- The introduction of modern technologies regarding maternal and child healthcare into national medical practices;
- The increased population access to quality services, while maintaining reproductive and maternal health at healthcare institutions;
- The improvement of the quality of services regarding the voluntary prevention of unwilled pregnancy by strengthening the national system of contraceptive logistics, and by enhancing the qualifications of doctors, obstetrics, and nurses;
- The improvement of the quality of services provided within the area of maternal healthcare, with a focus on strengthening the systems of emergency obstetrics assistance.

- The further improvement of systems for ensuring the reproduction healthcare of the national population, by enhancing the reproductive healthcare centers for women, girls and youngsters. The latter will be achieved by improving the operations of such centers and equipping them with audio-visual and learning aids.

- The system of continuous education will be developed, upgrading the qualifications of specialists and the level of the national population's knowledge in the area of reproductive healthcare.

- Both the identification of extragenital diseases in women and the widening of contraceptive coverage will be achieved through the implementation of national programs aimed to prevent micronutrient deficiencies through the enriching of flour with microelements and vitamins, and through salt iodization.

The following tasks are envisaged within the WIS-II in prevention and reduction of socially-significant diseases:

- The improvement of the normative basis aimed at protecting the rights and interests of people living with tuberculosis and those of medical personnel;
- The optimization of the structure and network of anti-tuberculosis institutions;
- The conducting of the capital overhaul and reconstruction of related healthcare centers, the assurance of their adherence to regulations regarding infections control, and their re-equipping with modern medical equipment;
- The conducting of activities designed to improve the organization of anti-tuberculosis assistance to the population of Uzbekistan, that envisage the treatment of all revealed cases and the conducting of prophylactic and anti-epidemic activities designed to control tuberculosis in line with established standards;
- The assurance of the systematic training and increased qualification of specialists, including that of phthisiatricians, general practitioners, laboratory assistants, healthcare organizers, nurses, and workers of pharmacy warehouses, in regards to tuberculosis treatment;
- The development of information materials and programs regarding tuberculosis prevention for various population groups;
- The ensuring of close cooperation and task coordination with the state and international organizations operating within the area of combating tuberculosis.

In order to increase the efficiency of oncology services' operations it is necessary to form a single 'Cancer-registrar' in line with international standards of cancer registration, as approved by the WHO. The conduct of further organizational activities on studying of epidemiology and that of the causes of diseases, mortality, and disablement in Uzbekistan it is necessary to introduce the modern medical technologies, equip the healthcare facilities with modern equipment, and the establish the system of the national registrar of diseases.

The increased efficiency of the provision of narcological assistance to the population of Uzbekistan, which will require the filling of vacancies for medical personnel at narcological institutions, including that of psychotherapists, clinical psychologists and social workers, and the ensuring of the timely qualifying of narcology doctors, as well as training regarding the cycles of psychotherapy and medical-social rehabilitation for narcology patients; secure all necessary conditions for work-therapy, and for insuring the introduction of programs of medico-social rehabilitation at specialized departments for compulsory treatment.

5.6. Ensuring Gender Equality

The further ensuring of gender equality requires a holistic approach, which is envisaged within the WIS-II by the following key priority directions:

- The improvement of the institutional mechanism for achieving gender equality. This involves the strengthening of the gender component of national legislation, and the more comprehensive consideration of gender issues during the development and implementation of policy measures and national, regional and sector-based programs and projects. It also relies on the reporting on the implementation and achieved results of such programs and projects, as

well as the conducting of relative studies and analysis, and the development of sound recommendations and proposals;

- The development of the National Plan of Actions regarding the achievement of gender equality, and the matrix of activities for its implementation during a mid-term time-frame;

- The strengthening of relevant democratic institutions, where the chains of the national mechanism shall play a special role, including specialized councils and commissions regarding national gender policy, as well as relative services at regional bodies of legislative and executive power;

- The development and implementation of national and regional programs regarding socio-economic development, with due consideration of gender issues;

- The introduction of the mandatory state gender examination of all socially-significant plans and projects, in order to make timely corrections and adjustments as required;

- The development of gender statistics that monitor changes in gender distinctions, the monitoring and evaluation of women's participation in various sectors of state construction and public development;

- The improvement of social security and the enhancing of economic opportunities provided for women, by assisting in the employment of women and the establishment of new jobs within the framework of the state program, and by involving them in business and entrepreneurial activities;

- The development and implementation of measures designed to improve working conditions for women, especially in rural areas, and the level of their social security at enterprises, institutions and organizations;

- The further stimulation of entrepreneurial activities among women by improving the system of financial services such as crediting and micro-financing;

- The assurance of business women's participation in constructive dialogues between the state and private sector, regarding the development of policy measures and legislative acts that regulate the activities of private businesses and entrepreneurs.

5.7. Securing Child Welfare

The policy for strengthening the family, especially in regard to protecting the interests of children, families and women, is being implemented in line with State programs, funded through the state budget as well as donors' assistance. Thus, the work on the following areas will be continued within the WIS-II in accordance with the 'Program of Additional Measures for Improving the Upbringing of Children, and Forming a Healthy and Harmoniously-Developed Generation' as adopted in October, 2011 on the following directions:

- The development and improvement of the legal basis for protecting the interests of families, mothers and children, taking into consideration best international practices and legal systems;

- The arrangement of economic conditions for the strengthening of families, for ensuring the material well-being of children, and for the development of small businesses and private entrepreneurship, as the key factors for increasing population income and for ensuring employment, primarily that of youngsters who have graduated from vocational education institutions;

- The implementation of a range of measures designed to ensure the delivery and upbringing of healthy children, and the starting of healthy young families, by offering free state medical assistance during child birth, in child care and during vaccinations, and the free provision of all medical services to children;

- The successive involvement of children into physical culture and sports, as a key factor in strengthening the healthy and harmoniously developed personality of a child;

- The implementation of an educational program at the national level, envisaging twelve years of free education for children, and the allocation of significant funds through state grants for the education of youngsters at higher and secondary special educational institutions, upon their completion of general education;

- The ensuring of state protection for socially-vulnerable groups of children, such as children with disabilities, children without parental care, and children from low-income families;

- The arrangement of social conditions, and a system of ethical norms and rules of behavior focusing on the family, the mother, and the child. The public state acknowledgement of the merits of citizens has helped establish a society suitable for the upbringing of a healthy generation;

- The development and enhancement of the efficiency of the established healthcare and education infrastructure, including cardinal improvements to the quality of education, and the further development of infrastructure established in order to better meet the requirements of children with special needs.

The implementation of this policy involves the strict controlling of activities regarding the realization of important state decisions related to protecting the interests of children, families, and women, as well as relative state programs as financed by the state and by donors.

5.8. The Policy of Improving the Living Conditions of the Population

The main objectives of the State policy, as related to improving the living conditions of the population in the mid- and long-term, include:

1. The expansion of families' access to independent housing, especially for young families, and the improved quality of housing. Both the implementation of the 'Program for Developing Housing Construction in Rural Areas for the period up to 2015'¹⁴.

According to the program, the following will be provided:

¹⁴The Resolution of the President of the Republic of Uzbekistan # PP-1683 from the 11th of January, 2012 'About Priority Measures to Implement the Program of Multi-tranche Financing the Project 'Developing Housing Construction in Rural Areas' with ADB's participation.

- The construction of 41.4 thousand houses in the countryside (with a total floor space of five million square meters) in line with standard designs. The required funding will total to USD 2.2 billion, including USD 500 million from ADB loans, including USD 499 million to implement the ‘credit line to provide mortgage loans’ component, and USD 1.0 million for the implementation of the ‘Capacity building and support in project management’ component;

- The concessional lending to individuals for 15 years for buying houses of standard design in rural areas, for amounts of up to 1,000 times the minimum wage, with a 1-year grace period, and an interest rate of 7 percent per annum, which is approximately 2 times lower than the commercial banks’ lending rate for mortgage loans;

- The assured availability of non-agricultural land for residential development, with access to basic municipal infrastructure, social services and the annual allocation of land for construction in line with the Program of housing construction in rural areas, in accordance with ADB’s conditions and the Laws of the Republic of Uzbekistan. The Program envisages the provision of land to individual developers within a lifetime inheritable possession arrangement, documented in line with a resolution of the district (city) governor without holding an auction. This process is undertaken once an agreement is signed between an individual developer and the IC ‘Qishloq Qurilish Invest’, regarding the implementation of the functions of the customer to build housing on the basis of approved standard designs, using a ‘turnkey’ approach;

- The increased access of potential buyers to housing, by raising public awareness of the Program of housing construction in rural areas, creating a transparent and objective system of social orientation, and developing a new effective mechanism for buyers’ appeal under the program;

- The development of a transparent and reliable scheme for selecting buyers with consideration of gender aspects as well as criteria that give priority of choice to low-income families and to vulnerable groups of the national population while selecting buyers. The group also includes families with one breadwinner, young families, and families whose skills are needed to accelerate the social development of rural areas (such as those headed by teachers or doctors, entrepreneurs, and individuals with other priority skills);

- The conducting of research within the framework of the Program of housing construction in rural areas, and the preparing of proposals for the provision of additional support for the housing sector. These proposals involve improving the energy efficiency of housing projects, improving housing construction standards and procedures for their quality control, and improving the business environment for rural micro - and small businesses;

- The building of the capacity of local authorities, in order to develop and implement local investment strategies and integrated plans for rural development;

- The implementation of measures to ensure the availability of water and sewage systems, gas and electricity supplies, transport and communications services, and both social and market infrastructure, while undertaking housing construction initiatives in rural areas.

Thus, the implementation of the Program of housing construction in rural areas will allow increase in the space per household member within each household will increase from 15.1 square meters in 2012 to 16.0 square meters in 2015.

Table 5.1. The main indicators of launching the housing and communal services' facilities

Indicators	2012	2013	2014	2015
Launch of housing, by thousands of square meters	10,162.2	9,407.5	9,355	9,355
Including in rural areas	7,706.0	7,318.3	7,258.4	7,258.4
Availability of housing, by square meters	15.1	15.8	15.9	16.0
Launch of water-supply networks, by kilometers	2,577.7	2,642.7	2,685.0	2,710.0
Including in rural areas	2,285.8	2,292	2,328.7	2,350.4
Population provided with access to a drinking-water supply, as a percentage of the total population	82.6	83.3	84.2	85.1
Including in rural areas	76.1	76.2	76.3	76.6
The turn-key construction of individual housing on the basis of standard designs, by numbers of houses	9,127	10,000	10,000	10,000
by thousands of square meters	1,264.5	1,408	1,350	1,350
Construction of a water-supply network, by kilometers	393.1	312.4	460.5	419.2
Construction of a gas-supply network, by kilometers	252.3	279.4	363.8	278.5
Construction of power-lines, by kilometers	219.6	393.7	349.7	349.7

2. The improvement of the population's access to public services, and the increasing of the quality of such services. This goal can be attained by:

- The revision of tariffs and the procedures for their fixing on the basis of cost and the required profit, with due consideration of population solvency;

- The development of mechanisms providing targeted support to the poor in regards to utility payments;

- The improvement of the financial performance of utility services' providers by improving metering and the collection of payments for services provided;

- The establishment of a system for monitoring the suppliers of public services at the national and regional levels (number of hours of uninterrupted water supplies, reduced energy costs, reduced losses, increased numbers of consumers, etc.);

- The introduction of a system of incentives designed to improve the efficiency by implementing public-private partnership contracts between local authorities and service providers;

- The development and implementation of sub-law departmental regulations, that provide a practical mechanism for ensuring the competition in regards to the operation of the housing fund, in order to reduce the cost of services;

- The improvement of the billing and collection of payments, including through a campaign to raise awareness of the need to pay utility bills, and the provision of collectors with incentives for the timely collection of payments from the population;

- The active support of housing and utility services' providers in order to improve information systems in key areas (such as accounting and finance, customer databases, and

billing and collection, etc.), the provision of them with technical assistance and training, and the ensuring of the exchange of experience among service providers;

- The prioritization and sequencing of investments into housing and utility services, in order to ensure the efficient use of resources and energy-saving within the framework of introducing the instruments for mid- and long-term financial planning at national and regional levels;

- The encouragement of financing the technical assistance and training in the area of developing mid- and long-term investment and financing plans, and of enhancing capacity building for all levels of specialists in the area of housing and public services.

The following are expected as a result of implementing the above-mentioned measures designed to improve public access to communal services, and to increase the quality of such services, during the period from 2013 to 2015:

- The launch of more than 8 thousand kilometers of centralized water supply networks connected to consumers (apartments, houses). This will increase the coverage of drinking water supplies, as a percentage of the total population, from 82.9 per cent in 2012 to 83.7 per cent by 2015;

- The development of 17 projects to be implemented with support of the IFI and foreign banks, in order to improve the level of availability of clean drinking water and sewage system for the population.

The improvement of population access to public services, and the improvement of the quality of such services, requires improved organizational control over utility services.

3. The optimization of the system of state control within the sector of housing and communal services. The main directions of state regulation of the sector will be provided on the following key directions:

- The development of regulatory and methodological frameworks which create favorable conditions for the normal functioning of industry;

- The increased independence of economic entities to form contractual relationships, in order to better provide housing and utility services;

- The avoidance of changes within the profile of privatized utilities, and the licensing of certain activities within the sector;

- The conduct of supervision in regards to the provision of guaranteed services to the consumers of utility services, in line with the established standards;

- The establishment of consumption standards, the minimum level services to be provided, as well as the priority groups of consumers who must be provided with access to such services;

- The optimization of state control over the setting of tariffs by entities holding natural monopolies. This process will involve assessing the expenditures paid and the benefits gained by such entities;

- The coordination of measures undertaken to introduce individual metering units to control the flow of water, heat, gas, and other energy sources and essential utilities;

- The strengthening of the material and technical base of the utilities industry, based on program-targeted approaches, structural changes, the conducting of a balanced tax policy, and the attraction of foreign investments;

- The provision of technical assistance and training to institutions that conduct supervision and regulation within the sector, in order to monitor and analyze information regarding the activities of enterprises;

- The provision of technical assistance, training and equipment to enterprises, with the purpose of encouraging the provision of accurate reports regarding performance indicators.

4. The development of a competitive environment within the area of public services.

The de-monopolization and creation of a competitive environment in communal relations is a key direction behind reforming the provision of public services, and the obtaining of the necessary quantity and quality of works and services at the most affordable prices. This process is to be undertaken through:

- The deepening of the processes of industry privatization, while promoting measures for their de-monopolization;

- The formation of orders by homeowners and management organizations (the client) for the maintenance and development of housing and utility services facilities, with the involvement of contractors, regardless of the type of ownership, for the provision of public services;

- The improvement of the system of payments for services on a contract basis, and the use of economic and administrative sanctions to address breaches of contractual obligations;

- The stimulation of the creation and development of a competitive environment in the housing sector through establishing alternative enterprises for serving the housing fund, through establishing private management companies, and through removing barriers to the development of fair competition;

- The conducting of tenders for specialized work, including for the maintenance of elevators;

- The introduction of state standards of service quality;

- The de-monopolization and development of a competitive environment in regards to the management and maintenance of housing, through the transfer of natural monopoly enterprises to management companies foretrusted administration on a competitive basis;

- The creation of a competitive environment within individual segments of services' provision (seasonal complete overhaul, the purchase of fuel and materials, etc.) by contractors of all forms of ownership;

- The introduction of the management of concessions and other agreements into the practice by which non-governmental investors are granted the right to use communal property. That includes terms regarding the immediate and free usage of such communal property, and the right to carry out activities that constitute a natural monopoly.

At the same time, certain sectors of housing and utility services already have the necessary conditions required to create a competitive environment. That requires the implementation of structural changes by means of splitting the functions of the primary and support activities (sanitation and waste disposal services, landscaping, and funeral services).

5. The optimization of the system of tariff-formation and financing. Under the current system of pricing, providers of housing and communal services are not interested in pursuing resource-saving activities. The reason for this reluctance is that as soon as a company reduces its costs due to energy-saving and other measures, it is subject to a tariff reduction. The resulting savings would be attributed to the company's profit, and would consequently go to the payment of tax.

Neither the cost-is-no-object method of forming regulated tariffs nor the concept of limited profitability provides incentives to utilities' companies to increase their efficiency. The reasons for this situation are that cost reductions result in tariff reductions, while the growth of costs is covered by the growth of tariffs. This situation has led companies to be interested in the growth of costs and not in their reduction.

The use of standard costs as the basis for the formation of tariffs leads to the situation when the tariff structure does not correspond to the structure of the real financial needs of the company due to the use of old, energy-intensive technological equipment and other fixed assets.

The associated regulatory system shall be based on the following principles:

- The need to establish a system of state tariff regulation, under which a company would be able to use the economic effect of investments to pay-off loans and interests;
- The maintenance of the consistency and predictability of tariff changes, in order to ensure the predictability of utility companies' activities, to increase their investment attractiveness, and to reduce the cost of loan capital;
- The maintenance of the transparency of tariffs, that helps to maintain the confidence of each consumer and of society as a whole;
- The introduction of clear procedures for setting the transparent and standardized tariffs, and for the development of practical tools (computer modeling of pricing and financing) using financial modeling.

The main objective of the tariff regulation of natural monopolies is to redistribute the related incomes gained by monopoly entities in the favor of consumers, and to provide monopolies with the incentives and resources that allow them to improve their efficiency.

In order to ensure the maximal efficiency of the regulatory system to be created, the following conditions shall be met:

- The provision of appropriate incentives to utility companies in order to promote the economical use of financial and natural resources;
- The provision of adequate stimulus to investors in order to encourage them to invest into promising and well-managed utility companies;
- The maximum involvement of consumers, investors, and taxpayers into regulatory processes.

Service-providing activities should also be separated from the activities of executive bodies of the state management within the services' sector.

The abilities of the regulatory body should not only include the identification of regulated prices for the provision of utility services by monopolistic companies, but also the development of utility tariffs which, can include a range of both regulated and market prices.

The following shall be set in order to establish the general principles and methods of the formation of regulated tariffs:

- A regulatory period - that is the period of the fixed rate or regulated price;
- The conditions upon which the rate may be revised during the regulated period.

It is necessary to ensure the transparency of tariff regulation for stakeholders, in addition to the transparency of the processes involving the representatives of consumers (consumer rights protection societies) in regulatory processes.

The regulatory system should give the regulatory body the responsibility to make decisions. This shall be ensured through the development of methods for the regulatory body to report on the decisions made, as well as rules regarding the appealing such decisions.

An important feature of the new phase of reforms within the system of utility services is the change in the tactic of pricing to a more gradual change in tariffs. This approach takes into account the growth of the real income of the population while taking steps towards reducing costs and energy consumption, and towards increasing efficiency and optimizing the financial flows of enterprises providing communal services.

5.9. Environmental Protection

The Government of the Republic of Uzbekistan will continue to implement a policy of environmental protection and the prevention of ecological problems related to land degradation, water resources deficiency, losses of biodiversity, and climate change. The purpose of this policy will be to ensure Uzbekistan's ecological security, and to promote the country's stable socio-economic development.

Within a mid-term timeframe, the innovative approaches used to integrate ecological issues into the processes of national planning will be effectively introduced by further improving the legal and institutional frameworks for facilitating economic development aimed towards the stable management of natural resources. The following tasks have been envisaged within the framework of the set objectives:

- The further improvement of the national system for environmental management, through building necessary national capacities for the integration of global ecological priorities into national plans for the development and management of the environment;

- The strengthening of cooperation and coordination of activities among the interested bodies, specifically those engaged in environmental planning and management. This will be implemented through the establishment of a new mechanism, which allows for the effective integration of the priorities of all conventions adopted within the areas of climate change, biodiversity, and fighting desertification, into the processes of planning and developing sector-based plans and programs, including the development of a Five-year Plan of Actions regarding environmental protection;

- The formation of a national strategic vision in regards to existing environmental issues, the assessment of the impact of such issues on economic growth and population

welfare, and the adoption of additional measures as a joint solution for achieving maximum economic efficiency;

- The introduction of new approaches for the financial management of investment funds for environmental protection, including an increase in their operational and professional potential, which will ensure the effectiveness of financing the programs and projects within the area of environmental protection;

- The increase of public and private investments into the process of fighting land desertification, reducing carbon emissions and pollution, increasing energy- and resource-efficiency, and preventing losses in regards to biodiversity and services within the ecosystems;

- The further development of a financial market that ensures the introduction of market principals and new opportunities for investing in order to support and restore the nation's natural wealth, which is the basis for the economic wellbeing of the country's population;

- The establishment of a favorable macroeconomic environment for the implementation of tasks regarding environmental protection and the prevention of ecological problems: improving the government's pricing, fiscal and monetary policies.

The priority directions for the development of a system of managing the national environment, during the period of the WIS-II's implementation, will consist of the followings:

1. The further improvement of measures designed to alleviation the impact of climate change, and to support natural adaptation to changes by means of:

- o The further stabilization of the concentration of greenhouse gases in the atmosphere, at a level which does not allow for a dangerous anthropogenic impact on the climate system. It will be ensured that such a stabilization process takes place during a time period which is sufficient for the natural adaptation of the environmental system to climate changes, which will not put the production of foodstuffs at risk, while ensuring further economic development within a stable environmental system;

- o The acceleration of the attraction of investments to finance projects, specifically those aimed at reducing greenhouse gases emissions, including through the Clean Development Mechanisms (CDM). In the period of the WIS-II's implementation, the priority sectors for the implementation of CDM projects will include (i) traditional and renewable energy, (ii) the oil and gas sector; (iii) the chemical industry, (iv) the public utilities' sector, and (v) agriculture;

- o The improvement of investment mechanisms for the implementation of programs regarding the modernization, technical and technological re-equipping of the related sectors of the economy. This process will aim towards increasing the share of company financial resources dedicated to introducing the energy-efficient machinery that can ensure the achievement of energy-saving targets, as a key factor in the reduction of greenhouse gas emissions;

- o The state support for the large-scale involvement of small businesses and private entrepreneurship into the processes of utilization and re-processing of waste using conversion technologies.

2. The further improvement of measures designed to fight against land desertification by means of implementing the following tasks:

- The increase of the efficiency of measures designed to revive and maintain land, while ensuring the stable and effective usage of land and water resources, as the basis for increasing the population's living standards;

- The further promotion of integrated approaches within the area of stable land usage, while ensuring the effective usage and protection of water resources¹⁵. In addition, efforts will be made to strengthen the concentration and enhance the efficient use of external and innovative sources of financing earmarked for investment projects. In this regard, priority will be given to projects fighting against land desertification, addressing issues related to fighting land desertification, improving the ameliorative condition of lands, and reconstructing the national irrigational and collective-drainage network¹⁶;

- The strengthening of measures designed to increase the efficiency of developing the agricultural sector of the national economy, and the establishment of additional conditions for the accelerated introduction of advanced approaches and technologies for using land and water resources. Such measures will include the use of zero processing and the laser treatment of soil, the introduction of biotechnologies and drip irrigation technologies, and the acceleration of diversification processes. These approaches will allow for the realization of technology's potential to alleviate climate change and facilitate the stable development of agro-eco-systems, and will allow for the adaptation of agriculture to climate change, in close coordination with measures for the effective management of land and water resources.

3. The further improvement of measures designed to maintain biodiversity via:

- The acceleration of activities taken towards reorganizing and enhancing the system of natural reservations under state protection, and the introduction of an integrated approach towards their management. The tendency of natural resources to be exposed to strong anthropogenic impacts has become a key factor in including this task into the priorities of Uzbekistan's environmental policy. In that regard, the importance of protected natural reservations continues to grow. The farsighted environmental policy aimed at securing favorable conditions for the life of future generations will be reflected in the establishment of new protected natural territories¹⁷;

- The increased population awareness and their support of governmental actions taken to maintain biological resources, and to use them for the purposes of economic, scientific, recreational and cultural development. These goals will be achieved through the use of maximally-effective principles designed to enhance public involvement in environmental protection;

- The development and introduction of a general monitoring system designed to monitor changes in biodiversity, and to evaluate the impact of regional climate changes on downward trends regarding the potential of biological resources and their diversity.

¹⁵The program supported by the Global Environment Fund.

¹⁶The Initiative of Central Asian Republics on Land Management serves as an example for attracting foreign assignments.

¹⁷The Establishment of Lower-Amudarya State Biosphere Reservation (Resolution # 243 of the Cabinet of Ministers of the Republic of Uzbekistan from the 26th of August, 2011) is an example.

A key role in addressing environmental issues will be played by measures aimed towards the following:

- The acceleration of activities designed to enrich human knowledge and skills, in order to increase the level of understanding of the real values of environmental products and services, and their significance in regards to the sustainable development of Uzbekistan, within both short- and mid-term timeframes;

- The further development and reformation of a system of environmental education, and the implementation of developed state programs regarding environmental education, specifically aimed towards a wide audience including students of higher education institutions and schools, administrative government officials of various levels, land users (farmers) and dekhkans;

- The implementation of measures within the framework of the 'Concept of Continuous Environmental Education', the 'Standards of Environmental Education', and the 'Program of Environmental Education' for schools and ecological lyceums, as well as 'Regional Environmental Programs';

- The improvement of the legislative basis within the area of environmental protection, with the active participation of the Ecological Movement of Uzbekistan.

CHAPTER 6. The Cost Estimates for the Implementation of the Welfare Improvement Strategy for 2013-2015

The Government of Uzbekistan has developed the mid-term development plan for 2013-2015 in order to ensure the successful implementation of the Welfare Improvement Strategy. The plan includes the estimates of investments and total government expenditures made into key sectors and industries of the economy.

6.1. Investment in Development

The WIS-II has identified the increase of investments into the economy as one of the key factors of economic growth and welfare improvement in Uzbekistan. Within amid-term timeframe, the total volume of investments in the country will gradually increase until its growth in real terms in 2015 will be 1.4 times higher the level of 2012. The overall demand of the economy for investments will equal USD 100,577 billion soums or account for no less than 23.2 per cent of the national GDP by 2015 (see Table 6.1).

Table 6.1.

The projected Growth of GDP and Investments

Indicators	2012*	2013	2014	2015	Growth in 2015 against the level of 2012
The GDP, in billions of Soums	96,589.8	11,7921	14,3591	174,376	x
The GDP in millions of USD (by the annual average exchange rate)	51,106.8	56,341	63,290	72,136	x
Investments, in billions of Soums	220,66.0	27,123.3	33,067	40,387	100,577
Investments, in millions of USD	11,669	1,2959	14,575	16,707	44,509
Investments, as a percentage of the GDP	22.8	23.0	23.0	23.2	x
Note: Annual average exchange rate	1,889.9	2,093.0	2,268.8	2,417.3	x

* Note: Preliminary data from the State Statistics Committee of Uzbekistan.

The highest growth rates in regards to total investments will belong to investments into the manufacturing industries, the fuel and energy sector, the power industry, and the housing construction industry. High rates of investments will continue to be delivered to the transport and communication, agriculture and irrigation industries.

The existing sources of funding will provide 76.1 per cent of the total volume of projected investments, including 42.7 per cent of such funds being provided by the enterprises' own sources and bank loans, 5.9 per cent – by the FRDU, 11.8 per cent - will be provided from the budget and non-budgetary funds, and 23.9 per cent will be provided from foreign

investments and loans. The investment deficit is estimated to be at the level of 4.5 per cent of total consumption or approximately USD 2.7 billion.

1. The projected volume of the required investments for the industry (not including the Fuel-and-Energy Complex and the power industry) for the period from 2013 to 2015 is equal to 26,023 billion Soums or USD 11,5 billion (25.9 per cent of the total volume of investments). The financing of the sector will be carried out mainly at the expense of the financing resources and loans of domestic banks, FRDU and the general population (86.9 %), and foreign investments and loans (11.1%). The preliminary assessments indicate to possible deficit of investments is to equal to 2 per cent, which will be compensated during the implementation process of the WIS-II through additional measures taken to attract foreign investments.

2. The Fuel-and-Energy Complex and the power industry shall attract investments in the volume of 29,081 billion soums or USD 12.9 billion (28.9 per cent of total national investments). The sector's need for investments will be fully met at the expense of the own resources and loans of domestic banks (51.7%), as well as foreign direct investments (48.3%).

3. Agriculture and irrigation. The share of investments into the sector shall equal 3,032 billion soums or USD 1.3 billion (3 per cent of the total volume of investments). It is envisaged that the budget will allocate 14.6 per cent of the required amount, while 16.9 per cent will be provided by the confirmed foreign investments. The sector's deficit of investments equals to 57.2 per cents. The main volume of the funding will be spent in implementing programs designed to introduce new agrarian and water-management technologies, ensure the rural population's sustainable access to irrigation water, and rehabilitate pumping stations.

In order to improve innovational development of the agrarian sector, the funds allocated to agrarian science shall be increased by 15 per cent. The funds will be mainly spent on fundamental, applied, and innovational studies regarding issues related to the improvement of the infrastructure of the agrarian food market, the introduction of innovational agrarian technologies, scientific and methodological basis for the sector's modernization, and the impact of such enhancements on population welfare.

In addition, funds are to be provided to improve the qualifications and production skills of the management of farms and dekhkan entities, while helping to achieve other target objectives of the WIS-II.

4. It is envisaged that the sector of transport and communications will receive 14,563 billion soums or USD 6.4 billion, which equals to 14.5 per cent of the total projected investments. The sector's demand for investments will be fully covered at the expense of the resources of enterprises, the loans of national and foreign banks, and the funds of both the FRDU and the general population (76.1%), as well as at the expense of the State budget and non-budgetary funds (23.9%).

5. The sector of communal services requires a relatively large volume of investments in order to implement projects that ensure the population's access to drinking water, sewage systems, the replacement of boilers, and the installation of gas, water and energy meters, while introducing modern methods of management designed to ensure the quality of the services provided. The total need for the period of 2013-2015 is estimated to be at 4,083 billion soums,

an equivalent of USD 1.8 billion, which comprises 4.1 per cent of the total volume of required investments. The sector's demand for investments will be met by internal resources, covering 40.6 per cent of the demand, as well as at the expense of foreign investments and credits that cover 16.8 per cent of the demand. The deficit of financing equals to 1,743 billion soums or 42.7 per cent of the total volume of required investments.

6. The housing construction sector's need for investments is estimated to exceed 15,338 billion soums or an equivalent of about USD 6.8 billion. Internal resources will cover about 94.5 per cent of the required funds, while 5.59 per cent will be covered by confirmed foreign investments.

7. A total of 2,594 billion soums or an equivalent of USD 1.1 billion is planned to be allocated into the development of the education sector Education. Funds provided from the State budget and non-budgetary funds are expected to cover 76.4 per cent of the sector's needs for investments, while 9.6 per cent will be provided by funds of enterprises and banks, and 8.9 per cent will be covered by foreign investments. The deficit of financing (mainly for the program of development and modernization of the higher education) will account for 5 per cent of the total volume of investments required by the sector.

8. The healthcare sector will require 2,564 billion soums of investments or USD 1.1 billion. Some 40.4 per cent of that amount will be provided at the expense of the state budget and non-budgetary funds, while 32.5 per cent will be covered by the private sector, and 9.2 per cent will be provided through attracting foreign investments. The deficit of investments is estimated to account for 17.9 per cent, which shall be attracted from foreign sources.

Table 6.2.

The investment requirements for the implementation of the WIS for 2013-2015, by sectors of the economy, in billions of Soums

Sectors	Estimated need for investments in 2013-2015		Including					
			The resources of enterprises, loans of domestic banks, the resources of the FRDU and population	State budget and non-budgetary funds (except for FRDU)	Foreign investments and loans			
					Total	Projects with identified sources of financing	Projects without identified sources of financing (Financing deficit)	
In billions of soums	In per cents					In billions of soums	In per cents	
Total investments	100,577.3	100.0	64,717	11,829	24,031.4	19,456	4,575.1	100.0
Manufacturing sectors	72,699	72.3	49,068	3,930	19,701	17,457	2,244	49.1
Energy providers and the power industry	29,081	28.9	15,037	-	14,045	14,045	-	-
Industry (excluding energy providers and the power industry)	26,023	25.9	22,612	-	3,411	2,900	512	11.2
Agriculture and irrigation	3,032	3.0	343	443	2,245	513	1,733	37.9
Transport, communications and infrastructure	14,563	14.5	11,076	3487		-	-	-
Non-manufacturing sectors	27,878	27.7	15,650	7,898.4	4,330	1,999	2,331	50.9
Education	2,594	2.6	250	1,983	361	232	129	2.8
Healthcare	2,564	2.5	834	1,035	695	236	459	10.0
The utility services sector (excluding the power and gas networks)	4,083	4.1	1,169	487	2,427	684	1,743	38.1
Housing construction	15,338	15.2	13,366	1,124	847	847	-	-
Other non-manufacturing sectors	3,300	3.3	30	3,270		-	-	-

6.2. The Financing of Non-Capital Expenditures in the Social Sector

During the period from 2013 to 2015, the total volume of non-capital expenditures of both the Government of Uzbekistan and society in general, as related to the social priorities of WIS-II, is projected to be at a level of approximately 23 to 24.9 per cent of the GDP. This figure will include the expenses of the state budget and the state non-budgetary funds, at an amount equaling 21.7 to 23.1 per cent of the GDP (Table 6.3).

Table 6.3.
The mobilization of the financial non-capital expenditures for the implementation of the WIS-II in social sectors, in billions of Soums

№	Priority sectors and directions	2012	2013	2014	2015	2012 - 2015
1.	GDP	96550	117921	143591	74376	X
2.	Education, in total	8098,8	10186,5	12434,0	5034,6	45753,9
	As % of GDP	8,4	8,6	8,7	8,6	
	Through state budgetary funds	7215,9	9052,9	11023,7	3387,08	40679,6
	as % of GDP	7,5	7,7	7,7	7,7	
	Through state extra-budgetary funds (the Books' Fund)	20,3	50,6	91,6	46,1	208,6
	as % of GDP	0,02	0,04	0,06	0,03	
	Through private funds (students, sponsors)	862,6	1082,9	1318,7	1601,4	4865,6
	as % of GDP	0,89	0,92	0,92	0,92	
3.	Healthcare, in total	3554,1	4464,3	5607,4	6944,2	20570,0
	As % of GDP	3,7	3,8	3,9	4,0	
	Through state budgetary funds	2820,3	3544,5	4444,3	5462	16271,1
	as % of GDP	2,9	3,0	3,1	3,1	
	Through private funds (patients and sponsors)	733,8	919,8	1163,1	1482,2	4298,9
	as % of GDP	0,8	0,8	0,8	0,9	
4.	Social protection of the population, in total	1718,6	2087,8	2533,8	3015,1	9355,3
	As % of GDP	1,8	1,8	1,8	1,7	
	Social security	89,2	109,9	135,0	162,5	496,6
	Social benefits for families, including those with children	1585,8	1926,2	2337,3	2779,4	8628,7

5.	Other sectors of the social sphere, in total	376,4	468,9	586,4	720,2	2151,9
	As % of GDP	0,4	0,4	0,4	0,4	
6.	The retirement scheme, in total	7850,6	10328,7	13489	17644,8	49318,9
	As % of GDP	8,1	8,8	9,4	10,1	
7.	State Fund for Employment Promotion, in total	19,4	24,5	30,9	38,9	113,8
	As % of GDP	0,020	0,021	0,022	0,022	
8.	Total expenditures of the state budget and state extra-budgetary funds aimed for non-capital expenses of social sectors	20236,3	25558,1	32199,7	40314,2	118308,2
	As % of GDP	21,0	21,7	22,4	23,1	
9.	Estimated non-capital expenses in the private sector aimed for social priorities	1596,4	2002,7	2481,8	3083,6	9164,5
	As % of GDP	1,7	1,7	1,7	1,8	
10.	Total amount of expenses of the state and society aimed for the social priorities of the WIS-II	21832,7	27560,8	34681,4	43397,8	127472,7
	As % of GDP	22,6	23,4	24,2	24,9	

The analysis of the non-capital expenditures show that the amount spent on education will increase from 8.3 per cent of the GDP in 2012 to 8.6 per cent of the GDP in 2015, which will be partially provided by budgetary and non-budgetary funds that will account for 7.4 per cent of GDP in 2012 and to 7.7 per cent of it in 2015. At the same time, non-capital expenses for the healthcare will increase from 3.9 per cent to 4.0 per cent of the GDP during the same period, partially at the expense of the budget and non-budgetary funds that will account for 3.1 per cent of the GDP.

The projected total expenses for the certain prioritized sectors of the WIS-II that require the most foreign investment are reflected in Table 6.4. The related calculations confirm that the program is financially achievable, since the most of the required financing will be provided from internal sources.

Table 6.4.

The estimated priority expenses for 2013-2015, including capital and non-capital expenses, in billions of Soums

WIS-II Priorities	2013-2015, in total	Including	
		From internal sources	From external sources (Deficit included)
Total	20,6217.3	182,186.0	24,031.4
<i>including:</i>			
Agriculture	3,031.6	786.2	2,245.4
Healthcare	19,804.1	19,108.9	695.1

Education	40,180.2	39,819.5	360.8
Communal services	4,082.6	1,655.9	2,426.7

6.3. The Principles of Financing the Welfare Improvement Strategy

Considering the strictly limited government resources, the key issue related to the budgeting of the policies, programs and measures identified in the WIS-II, is the prioritized assignment of expenses by sectors based on the following basic criteria/principles:

- The actions and expenses that directly or indirectly promote the welfare improvement of the population and/or economic growth;
- The actions or expenses that adequately cover all agents inside the respective target group of the population, compared to expenses that only cover part of a target group;
- The expenditures that focus on the vulnerable or less provided groups of the population;
- The expenditures on measures that focus on the efficient use or saving the resources (such as the liquidation of loss-making productions);
- The expenditures on the planned measures with realistic and moderate manufacturing costs.

In order to rationalize the budgeting process, the Government of Uzbekistan will improve the existing practices of forming the budget and allocating financial resources as based on an annual planning cycle, and the mid-term (three-year) system of budgeting (WIS-II). The key characteristics of the system will include a centralized approach to sectorial planning, and a three-step scheme of expenditures planning:

- The identification of a package of budgetary expenses, as based on macroeconomic projections and the established macroeconomic and fiscal objectives;
- The division of the package of budgetary expenses into a series of absolute limits of sectorial financing, as based on inter-sectorial development priorities;
- The division of sectorial spending limits by intra-sectorial limits, corresponding to separate activity fields in line with the priorities of sector development, as identified by the respective sectorial agency.

The system of budgeting, which will be continuously improved and adjusted will promote this process through the clear identification of spending parameters in each sector, based on which the priority implementation of development policies and programs will be determined.

Another important factor in budgeting for the expenses of implementing the WIS-II is the current policy of reducing the tax burden. This policy on the one hand creates favorable conditions for the development of the real sector of the economy, while on the other hand it limits the resource base for planning and allocating budgetary resources, especially within the social sector.

In this regard, an emphasis will be placed on the attraction and effective use of alternative sources of financing for the implementation of major social projects. Focus will also be placed on the encouragement of public-private partnership and the attraction of external assistance from international organizations and donor countries.

CHAPTER 7. The Improvement of the System of Economic Administration and Organizing the Monitoring of the WIS-II Implementation

7.1. The Improvement of the System of Public Institutions and Administration Mechanisms

The development of the institutions responsible for the formulation and implementation of socio-economic policy will be correlated in the future with the process of further improving the forms and methods of cooperation between the Government and business entities, as well as the rules and regulations that define the terms and conditions of the institutional environment for the achievement of the WIS-II goals.

The objectives for reforms within the area of state institutions are based on the requirements of the current stage of deepening the democratic market reforms and the liberalization of the economy, the adopted programs for the development of sectors and industries of the economy, and the implementation of the state resolutions on developing and implementing the 'Program of Measures on Reforming and Increasing Effectiveness of Public Administration'¹⁸. At the same time, the implementation scales of the objectives for improving the system of state institutions go beyond a medium-term timeframe and into a long-term timeframe.

The main tasks in this area can be defined as follows:

1. *The strengthening of the role of legislative bodies in the process of decision-making*, which will be achieved through the following:

- The improvement of the mechanisms of collaboration between the bodies of legislative and executive power, in (a) the approval and supervision of the implementation of the state budget (annual and mid-term budgets); (b) the development and adoption of mid- and long-term national development programs; (c) the enhancement of mechanisms for social protection and the promotion of employment growth, and (d) the provision of information support to the activities of legislative bodies;

- The reorientation of law-making activities from the practice of development and adoption of framework laws into the practice of development and adoption of legal documents of direct action aimed to reduce the capacities of state authority and administration bodies to produce departmental (local) regulatory acts;

- The clarification, in terms of legislative acts of direct action, of the competencies of the bodies of state power regarding the development and adoption of departmental regulatory acts.

2. *The increased efficiency of state economic administration bodies*. The following measures will be implemented in order to achieve this goal:

¹⁸The Resolution of The Cabinet of Ministers of the Republic of Uzbekistan 'On the Establishment of the Commission for the Preparation of the Program of Measures on Reforming and Increasing the Effectiveness of Public Administration' № P-3863 on the 26th of June, 2012.

- The development of the system of criteria and methods used to assess the level of state presence in the economy, and the efficiency of public administration, with due consideration of the development of specific tools for situation analysis, of the development of targeted measures to further improve the mechanisms of the state management of the economy, and of the assessment of the level and quality of management structures at various levels.

- The shift in the focus of the activities of ministries, agencies and local authorities, from addressing current problems, to the organization, development and implementation of strategic directions and programs for the development of industries and sectors of the economy, including those of various regions, within mid-term and long-term timeframes. This approach will also aim to ensure the balanced development of all sectors of the national economy through the enhanced consistency and coordination of actions taken by various governmental bodies. In order to accomplish this task it is envisaged that work should be conducted in order to improve the interactive mechanisms used by executive powers in regards to ensuring the provision of information for the forecasts and the increased quality of statistical works. Such improvements shall allow for the enhanced analysis of trends within the industries and sectors of the economy;

- o The reduction of the flow of non-systematized information into the activities of the Cabinet of Ministers, ministries, agencies and local authorities, through (a) the inventory and unification of the information used, the structuring of data (by levels of aggregation) and the strengthening of horizontal interagency exchange; (b) the formation of a unified electronic database of systematic statistical data that meets the requirements of modern information technologies;

- The extensive use of ICT in state administration in order to enhance the efficiency of governance, to enhance the accountability and transparency of relevant authorities, and to provide interactive services in electronic form;

- The expansion of access to information regarding the activities of the state administrative bodies, thereby ensuring the transparency of national and local government. Such an expansion shall include the establishment of clear mechanisms of providing information about decisions taken by them, and the careful regulation of their activities;

- The further strengthening of public control over the activities of state authorities, in regards to their fulfillment of their objectives, and the fulfillment of legislative acts regarding the legalization of systems, mechanisms and procedures for public supervision;

- The insuring of the introduction of a system for the control and monitoring of the implementation of state programs into all levels of executive power, based on a single information resource with an electronic method of providing data, and the ability to interactively monitor the implementation of programs in real-time;

- The conduct of the cardinal reduction or redistribution of powers (functions) of state executive bodies in order to eliminate duplicative functions as well as functions that do not comply with market-oriented management.

3.The liberalization of the state regulation of the activities of economic entities, given the further strengthening of the market-based principles of management. The main measures involved in the implementation of this task include:

- The unification of legal acts regulating relations in the sector of the state registration of business entities;
- A fundamental improvement of the state control of business entities through the legalization of:
 - o A list of ministries and agencies with the authority to exercise state control over business entities;
 - o The frequent routine inspections of economic entities, as not related to financial and economic activities, and the defined maximum period of inspections;
 - o The mechanism of one-time comprehensive inspections of economic entities, as not related to their financial and economic activities;
 - o An exhaustive list of grounds for the unscheduled, short-term inspections of economic entities;
 - o The deadlines for inspections;
 - o The grounds for conduct of counter inspections of economic entities;
- The increase in the accountability of regulatory authorities for the audits of the financial and economic activities of economic entities, and the limiting of unlawful interference with business entities for the purpose of audits. This will be achieved through the introduction of a mechanism for the certifying of control personnel, with the issuance of special permits for inspection, and the defining of circumstances for their recall.
- The creation of a legal framework for the organization and implementation of crime prevention, designed to identify the causes of crime, and to implement measures of addressing crime;
- The review of the criteria used to evaluate the effectiveness of activities of the regulatory and law enforcement agencies, to improve the quality of work in the field of crime prevention, and to create a favorable business and investment climate;
- The development of the draft of the Code of the Republic of Uzbekistan ‘On Administrative Responsibility’ (as amended). This code envisages the further liberalization of national administrative and criminal legislation through the decriminalization of a series of compositions of the Criminal Code, through the harmonization of legislative acts regarding administrative responsibility, and through the improvement and democratization of procedural mechanisms used to deal with administrative cases, to ensure the rule of law, and to secure the protection of citizens' rights in this area;
- The establishment of legal frameworks reviewing the appeals of economic entities to the state agencies through the development and adoption of the Law of the Republic of Uzbekistan ‘On the Complaints of Businesses and Individuals’ (based on the Law ‘On Citizens' Complaints’), which provides for:

- The unification into a single law the legal order for the submission and review of the requests of legal entities;
 - The defining of how public authorities should review electronic applications, and the outlining of the terms and conditions related to responding to those applications;
 - The definition of sanctions for violations regarding the review of appeals by officials.
- The establishment of an exception at the legislative level for the possibility of creating economic management bodies in the form of associations. In this case associations, unlike public companies acting as business units, are unable to exercise economic control over their member companies through the portfolios of those companies.

4. The radical improvement of the business environment, and the creation of favorable conditions for the activities of business entities. This area will be addressed in accordance with relevant resolutions of the President of the Republic of Uzbekistan¹⁹, and the Programs of comprehensive measures to improve legislation and implement measures aimed at the further significant improvement of the business environment, and the provision of greater freedom of entrepreneurship in 2013-2014. The following tasks are planned in that regard:

- The reduction of the number of reports related to state statistics, finances, tax, and other types of reports through the abolition and consolidation of duplicate forms, and a reduction in the frequency of their submission. In particular:
 - The cancellation of three forms of financial reporting, starting from the third quarter of 2012;
 - The abolishment of 50 report forms starting from the 1st of July, 2012, and the reduction of the frequency of other 20 forms of reports required by state authorities and economic administration bodies starting the third quarter of 2012;
 - The abolishment of 65 forms of state statistical reports and reduction of 23 forms of state statistical reporting, as effective from the 1st of January 2013;
- The establishment of an order in accordance with which from the 1st of January 2013, monthly reports regarding all types of taxes and other mandatory payments, except for the tax on extra profit, will be abolished. At the same time, micro-firms will present statistical reports on an annual basis, while statistics agencies will conduct quarterly sample surveys in relevant areas and fields;
- The reduction of licensing activities and permitting procedures;
- The establishment of a systematic control over the absolute compliance of state and economic administration bodies with the law governing reporting, licensing and

¹⁹The Decree of the President of the Republic of Uzbekistan №DP-4453 dated the 16th of July, 2012 'About Measures of Drastically Reducing the Statistical, Fiscal, Financial Reporting, Licensable Activities and Permission Procedures'.
The Decree of the President of the Republic of Uzbekistan №DP-4455 dated the 18th of July, 2012 'About Measures of Further Radically Improving the Business Environment and Providing Greater Freedom for Entrepreneurship'.

permit procedures, through the adoption of effective measures for removing bureaucratic barriers and preventing violations of the law.

- The revision of the fees paid by entrepreneurs to obtain licenses and documents, allowing them to carry out their business activities while reducing their costs by at least two times.

- The ensured gradual transfer of all businesses to the electronic system of reporting on statistics, tax and financial matters, by the end of 2014. The introduction of e-forms for the applications for license and permits through the internet in the time period from 2012 to 2016, providing applicants with an opportunity to interactively monitor the progress of their applications.

- The creation of a single website with posted information regarding the list of licensed activities and licensing procedures, the required documents for obtaining licenses and permits, and constantly updated information on the subjects of business and the obtaining of licenses and permits for respective activities.

- The establishment of a mechanism for the online state registration of all business entities (excluding credit institutions) through the use of a digital signature.

- The establishment, as of the 1st of January 2013, a procedure according to which business entities may choose to carry out the following procedures in an electronic form at the relevant bodies of state and economic administration.

- o The payment of taxes and other obligatory payments through distance banking, including through 'internet banking', at the State Tax Committee, the Central Bank of the Republic of Uzbekistan, and commercial banks;

- o The declaration of goods by business entities at customs clearance, at the State Customs Committee of the Republic of Uzbekistan;

- o The registration of the ownership of legal entities for real estate, through the 'one-stop-shop' principle, at the State Committee of the Republic of Uzbekistan on Land Resources, Geodesy, and Cadastre;

- o The submission of the claims and applications of business entities in commercial courts, and at the Supreme Economic Court of the Republic of Uzbekistan.

- The introduction of the mechanism of receiving the requests from businesses in regard to getting connected to the powerlines of the system of the Enterprises of Electric Networks (EEN) at district and municipal enterprises on the basis of the 'one-stop-shop' approach. The process shall include the preparation and issuance of technical conditions for connection to power networks;

- The adoption of the Law of the Republic of Uzbekistan 'On Pledge Registry'. This Law will allow for the creation of a single registry of information regarding the rights of creditors (the right of pledges, ownership and leasing, property, etc.) regarding all kinds of the debtor's movable property. These include accounts receivable and inventories, while the registry will be accessible through the internet;

- The removal of bureaucratic barriers in the area of foreign economic activities by removing the requirements for submissions to the customs authorities the certificate of quality, a list of exported goods at the customs clearance, and the packing lists to confirm

the stated information on the customs value, the import contract and information about settlements, while envisaging the monitoring of those by the customs authorities through the Single electronic information system for foreign trade.

- The increased protection of the rights and interests of investors, by:

- The adoption of the Law of the Republic of Uzbekistan ‘On Joint-Stock Companies and the Protection of Shareholders' Rights’ (as amended). This Law will refine both the definitions of ‘affiliated persons’ and ‘related party transactions’ and the requirements requested for both, while it also will increase the transparency of transactions. The latter will be achieved through the requirement for established joint-stock companies to disclose information about their transactions in which there is interest, and a requirement for either the preliminary study of such transactions or the undertaking of a related valuation by an independent audit organization. The relevant findings from these studies will be presented at the request of either the Supervisory Board or shareholders. The Law will also increase the accountability of company management to shareholders, in particular during transactions undertaken with relevant parties, by establishing both liabilities for damages and acknowledging the possible recognition of such transactions as invalid by a court, through a law suit filed by shareholders.

- The improvement of the judicial practice used to strengthen the protection of minority shareholders when applying to the courts in order to protect their rights and legal interests.

- The further simplification of procedures used to restore the solvency and liquidation of businesses by establishing a special tax regime for bankrupt companies, by enhancing the security needed by creditors to return their invested funds, and by expediting the procedures of liquidizing business entities;

- The implementation of measures to strengthen the legal protection of businesses, by:

- The provision of economic courts with the right to review disputes between a shareholder and a joint-stock company, participants of other economic alliances and companies, where the disputes being related to their operations with exception of labor disputes;

- The further liberalization of criminal legislation related to business risks;

- The further improvement of economic courts, judicial practices, and the strengthening of the institution of judicial executors;

- The insured publication of decisions made by economic courts on their websites.

5. *The improvement of corporate governance and the role of shareholders.* The implementation of this task envisages the gradual realization of the following activities:

- The development of the rules of good conduct at joint stock companies, including the effective protection of the rights and interests of shareholders and other stakeholders (creditors and potential investors, and others), the ensuring of the professional and ethical

responsibility of the members of the Supervisory Board and other officials of joint-stock companies;

- The increased accountability of large shareholders and managing companies for corporate governance, through the introduction of legislation and measures designed to establish:

- The mandatory participation of major shareholders (or their authorized representatives by proxy) in both duly organized general meetings and meetings of the Supervisory Board, with the introduction of penalties for the non-performance of obligations;

- The increased role of shareholders in determining the direction of a company's development by establishing rules on a legislative basis that envisage the followings:

- The approval of shareholders at a general meeting regarding a development strategy for the medium and long term, developed in collaboration with professional consulting (engineering) companies and design institutes;

- The presentation of the report prepared by consulting companies regarding the approval of the annual business plan of the mid-term and long-term development strategies, as developed by the company's management;

- The increased investment activities of joint stock companies, as a result of:

- The limiting of the size of the reserve fund, in the event of the deterioration of the companies' financial position by up to 15 percent;

- The priority allocation of the net profit remaining after the payment of dividends and the reserve fund, to the capitalization of the company;

- The introduction of market mechanisms for joint-stock companies to attract funds for modernization and technical and technological re-equipping processes by issuing shares, and the public offering on the stock exchange for a wide group of investors;

- The establishment of audit committees within the Supervisory Boards of the major corporations, the main objectives of which have been defined as:

- The review and submission for the approval of the Supervisory Board, plans of the internal audit, reports on the results of inspections, and the initiation of early and targeted inspections;

- The selection of an audit organization to conduct an external audit, the setting of limits for the payment of its service, and an analysis of the quality of its external audits;

- The addressing of problems arising from external and internal audits, including the imposition of any limitation on the scope of audit procedures or access to information;

- The development of recommendations to the Supervisory Board regarding the appointment of the head and the employees of the internal audit service, and the early termination of their powers, as well as the establishment of the size of their wages and payments;

- The reduction of the state's presence in the equity of companies selected for non-strategic sectors;

- The improvement of the quality and transparency of corporate reporting, and the transparency of Joint-Stock Companies (JSCs) for shareholders, potential investors and lenders, through the revision of the legislation regarding the disclosure of the corporate reporting of JSCs;

- The creation of the necessary prerequisites for the stock market to carry out its functions of undertaking the external control of the JSC's corporate governance. These prerequisites require the development and implementation of the Concept on the Development of the Stock Market of Uzbekistan, which itself identifies the tools required for the comprehensive development of this market;

- The improvement of the existing system of control and supervision aimed at reduction of the administrative constraints of entrepreneurship, the assurance of the effective regulation of the powers of control and/or supervision, and the increased safeguards protecting the rights of legal entities and individual entrepreneurs within the framework of state control and/or supervision.

6. *The improvement of management methods and mechanisms for the development of a competitive environment and the de-monopolization of the economy*, reducing the entry barriers into markets of goods and services. This can be achieved by creating the necessary preconditions for the extension of incentives aimed to increase the competitiveness of the economy. This will require:

- The creation of a better system for the prevention and suppression of the acts of production and management structures that restrict competition in the business sector;

- The improvement of the methods and mechanisms used to regulate natural monopolies;

- The simplification of access by business mechanisms to markets of products and services through the expansion of sales on the commodity exchanges, the auctions and direct contracts, the creation of a network of modern wholesale trade, and the introduction of market mechanisms used to access previously limited and quota-based resources;

- The reduction of licensing procedures required to start a business, through replacing the licensing of certain activities with mandatory liability insurance, financial guarantees, or controlling by civil society organizations;

- The all-round reduction of costs for the population and businesses, in regards to the registration of real-estate rights.

7. *The improvement of the management of the state budget, state property and the process of privatization*. The main objectives of the WIS-II in this direction consist of the following:

Within the field of state budget management:

- The strengthening of the powers and responsibilities of the bodies of state administration for the use of budgetary funds and the assurance of the budget's coherence

and consistency, with the forecasts of socio-economic development and national programs;

- The further improvement of budget legislation, through the development and adoption of the Budget Code;

- The acceleration of the implementation of Result-Based Medium-Term Budgeting (RBMTB), that empowers ministries and budget organizations to undertake the more targeted and efficient use of budgetary resources, through the development of a medium-term fiscal programs designed to achieve certain goals;

- The enhancement of the use of the normative method of funding by budget organizations;

- The improvement of inter-budgetary relations on the basis of a more defined legislative division of powers related to the generation of income and expenditures between the budgets of the various levels of administration.

Within the area of managing the state property and privatization process:

- The development and adoption of the Concept for the management of state property and privatization in the Republic of Uzbekistan for the mid-term perspective. This concept will be developed as a policy document that sets goals, priorities and principles of the state policy in the area of management and disposal of state assets, including their privatization, and the definition of measures used to implement the policy and the mid-and long-term priorities of developing the national economy;

- The improvement of regulatory processes regarding the privatization of property, aimed at expanding the rights and obligations of participants in the privatization procedures, and increasing the transparency of the tools of privatization;

- The development of mechanisms for the pre-privatization preparation of state enterprises, which include sales plans of the state shares (stocks), through:

- o The conducting of pre-privatization work, during which the state takes measures to improve the financial condition of a company, and to relieve it of debts to the state;

- o The improvement of the management and implementation of other measures aimed at increasing the financial sustainability of an enterprise as regulated by the relative laws;

- The assurance of conditions for fair competition in bidding for the sale of state assets, by complying with mechanisms through the stock-exchange and other types of organized sales of state shares and stakes in business entities, as well as the real estate of state companies;

- The introduction of procedures for tracking progress in the execution of contracts regarding the privatization of state property, by the type of the property sold through biddings and tenders. The goals of the support procedures shall include:

- o The provision of assistance in resolving disputes arising between investors and the bodies of state power and administration;

- The protection of a privatized company from undue government interference in its activities, from attacks on its property, and from restrictions of its rights and freedoms of entrepreneurship;

- The improvement of the legal framework for managing state property, and the portfolios of the state stocks and shares in the charter funds of economic entities, with the clear and concise formulation of goals, principles and objectives of management;

- The improvement of tools for the management of the assets of the state portfolios of stocks (shares), including the possibility of their subsequent purchase, with a clear definition within Law of the conditions under which the state entrusts the right to manage the shares of the trustee. It envisages the following:

- The development of criteria by which the decision to sell the shares to the trustee, and not to other persons, is taken;

- The formation of a ‘portrait’ of a trustee, who has the capacity to effectively manage a portfolio of state-owned shares;

- The identification of a mechanism for the organization of tenders for the asset management of a portfolio of state-owned shares (stocks);

- The specification of the powers of a trustee, in regards to managerial decision-making, including in matters of independent decision-making on the issues related to the formation of the business entity’s executive body;

- The specification of the powers of the state authority, acting as the administrator of the state property, in assessing the performance of a trustee, the forms and mechanisms of remuneration of the trustee, and the reasons for the possible termination of asset management.

8. *The deepening of institutional reforms that ensure the development of human capital and the social sectors.* The main measures to increase the efficiency of governmental institutions consist of the following:

- The improvement of mechanisms for attracting funds from non-budget sources, including charity organizations and sponsors for co-financing the measures related to the population’s social protection, which will increase the amount of social payments made to low-income populations;

- The improvement of the mechanisms of school funding on a per capita basis, through the development and implementation of management information systems in education, in order to ensure the allocation of necessary funds and the making of timely and informed decisions;

- The improvement of the efficiency of managing the higher education institutions (HEI), by specifying the functions of government and HEIs, by identifying their authorities within the implementation of the educational process, by increasing the independence of HEIs on such issues as the introduction of collective methods regarding internal management, choosing training methods, financial management, and the capacity building of the pedagogical staff;

- The development and implementation of methods designed to assess the quality of education at HEIs and transition to the financing the HEIs on the basis of a per capita

approach, the expansion of the sources of competitive financing of the research activities of HEIs, the upgrading of internal audits, the tracking of students' performance, the improvement of the methods used to evaluate teaching staff, and the development of mechanisms of public oversight;

- The improvement of the quality of healthcare services through an increased investment in health infrastructure, especially in the maintenance and upgrade of medical equipment, in the improvement of the supplies of drugs and pharmaceutical products to medical institutions at the expense of the budget, in the creation of non-budgetary funds, and in the raising of funds from donor organizations;

- The implementation of measures designed to ensure a more effective use of budget funds by moving from a system of 'estimated funding' to the per capita financing of outpatient care, and by shifting from secondary care funding to the financing of preventive and primary health care, and the restructuring of inefficiently-used final assets;

- The improvement of the monitoring of financial flows in the healthcare sector, through the introduction of modern information technology and development of software aimed to improve the processes of situation analysis and decision-making;

- The improvement of the system of healthcare facilities providing free and paid medical services.

7.2. Increasing the Efficiency of State Administration at the Local Authorities' Level

For the purposes of the WIS-II, the following tasks will be undertaken in a phased approach, within a long-term timeframe, at a regional level:

1. **The improvement of the administrative capacity, empowerment and responsibility of local authorities.** Such local authorities will conduct economic and social policies on the ground, through the decentralization of the organizational structures of state and economic management, through the empowering of regional subdivisions and lower level administration bodies, and through increasing their autonomy in regards to decision-making. The main measures involved in achieving this goal can be defined as:

- The improvement of the forms and methods of territorial government, which allows for:

- o The conduct of an inventory of the roles, responsibilities and tasks assigned to provincial authorities in order to reveal the ones that are unusual, overlapping, and declaratory, as well as the ones not provided with specific implementation mechanisms, the organizational, legal, logistical and technical capacities needed to implement them;

- o The development and submission on that basis the proposals to the Cabinet of Ministers on the followings:

a) The empowerment of khokimiyats with necessary legal, institutional and material resources;

b) The gradual freeing of khokimiyats from performing the functions, duties and assignments that were not provided for with necessary resources;

c) The reduction of the non-relevant, declarative and overlapping functions of khokimiyats;

- The establishment of a clear distinction between the functions, tasks and responsibilities of central and local authorities. This will help to reduce administrative interference in regards to the regulation of economic processes, and will help to rapidly resolve social issues and problems regarding the welfare of regional populations;

- The increased transparency of local authorities in regards to regional development programs, and reporting to the public in regards to the execution of such programs;

- The promotion of the efficient operation and development of self-governance bodies and the institutes of civil society;

- The strengthening of efforts to coordinate, to develop, and to implement the regional programs, and the introduction of modern methods for developing regional development programs;

- The establishment of legal mechanisms for local authorities' actions which are coordinated and concerted with central ministries and agencies that often carry out independent policies²⁰. That will increase the efficiency and targeted actions of local authorities in development and implementation of programs for socio-economic development of regions, as well as allow for resolve existing disproportions and imbalances in their development;

- The empowerment and enhancement of the capacities of the khokimiyats of districts and cities in developing the engineering infrastructure needed to help improve the condition of the roads (especially local ones), water, gas, power and other communications systems;

- The ensuring of the full computerization of local authorities and the territorial branches of the bodies of state administration, and the introduction of electronic methods of records' management and the ability to provide public services to citizens and legal entities through electronic means;

- The strengthening of works used to improve the performance of information and analytical services to enhance training and recruitment of specialists. In that regard, the implementation of the following measures is envisaged:

o The increasing of the productivity of information-analytical services, through the introduction of modern information technologies and the monitoring of the execution of orders, which will improve the quality of the analytical and operational work undertaken by local authorities in a systematic manner;

²⁰ The Law "About Local Authorities" does not provide comprehensive definition of competencies of the Council of people's deputies and khokimiyats, nor does it explain their relations with central authorities, relations between the national authorities, khokimiyats and the Council of people's deputies.

- The improvement of the system of recruiting and placing public specialists, and the introduction of the competitive selection of personnel for public service;
- The creation of a multi-level system for the training and retraining of management, and the further attestation and promotion of professionals in the system, which will have a positive impact on the quality of decisions taken²¹;
- The establishment of analytical services (centers) in order to develop comprehensive regional development programs, through the training and involvement of economic analysts with professional skills, and through strategic thinking regarding the development of regions within mid- and long-term timeframes.

2. The increased autonomy of local budgets and the settlement of inter-budgetary relations. The following measures are envisaged in order to achieve this goal:

- The expansion of the powers and independence of local authorities in regards to the development and execution of a budget at an appropriate level;
- The improvement of inter-budgetary relations, in order to strengthen the role and responsibilities of local authorities;
- The strengthening and improvement of the revenue base of local budgets, by:
 - The abandoning of the practice of canceling or delaying the repayment of debts and tax payments of enterprises and organizations without sufficiently-valid reasons;
 - The regular and wide discussions of budget execution;
 - The increase in the tax revenues to local budgets (revenues from the sales of state property, from rental incomes, fees, and other cash receipts and payments, from fines, penalties and voluntary payments of businesses and the population, etc.) by enhancing the motivation of local authorities to increase the amounts of such revenues;
 - The transition to the medium-term planning of revenues (for no less than three years) within the parameters of regulatory taxes;
- The introduction of changes into the procedure used to define criteria and correction levels in regards to limiting the revenues' part of the budget of donor territories (districts and cities) in favor of remote, underdeveloped territories. This will help to eliminate the leveling and loss of interest by local authorities in increasing the revenues' part in the budgets.²² In practice, redistribution of the revenues accumulated in

²¹ Many specialists with high potential and talented young people are not interested in becoming public servants at local level state authorities. Instead, they choose the entrepreneurship or other forms of employment. The work at local level state authorities becomes the highest point in the carrier of the majority of public servants.

²² The correction is carried out in executing a local budget in line with the approved plan of revenues. According to the regulations the introduction of correction of the plan on the basis of revenues belongs to the competencies of the Ministry of Finance. However, along with cities and districts that regularly execute (and even over perform) the revenues part of a local budget, there are territories that consistently underperform. In the end of each quarter budgets' performance of the underdeveloped territories on the revenues part is those of donor territories using corrections of plans. The Law of the Republic of Uzbekistan "About Budget System" defines limits (up to 15 %) for introducing changes into the revenues part of the budget.

the national budget via the system of provision of subventions and subsidies is carried out in order to cover the expenditures of local budgets of underdeveloped territories;

- The conduct of works on economic justification of receiving subventions by local bodies, while assessing the tax potential of a territory and with further determination of volumes of subventions that shall be provided not for a year, but for three-four years, will contribute to elimination of parasitical behavior of local authorities, to increased interest of local authorities in raising additional revenues, expansion of the tax basis and reduction of arrears²³;

- The identification of mechanisms for improving financial management at a local level in regards to fiscal decentralization with involvement of NGOs and other bodies of self-governance in the processes of forming local budgets and identifying areas of expenditures.

7.3. The Development of Public-Private Partnership

The relevance of implementing projects through Public-Private Partnership (PPP) in Uzbekistan, at present, is based on a progressive transition from the administrative control measures to market mechanisms. This is being achieved through the involvement of private companies in projects designed to provide public infrastructure and social services, in areas that have previously been part of state monopoly. The state reserves the right to control and regulate the tariff policy, the quality of services provided to clients, related security and the environment.

The creation of additional opportunities for the investment of private capital through PPP, which will subsequently increase numbers of employees, increase population incomes, and widen the class of property owners that comply with the WIS-II goals.

To allow for the efficient organization of the PPP, the following measures are envisaged:

- The provision of opportunities for the private sector to participate in the offering of socially-significant services. This process should improve the quality of both the services themselves and resource efficiency by optimizing production costs in such areas as housing, utilities (including water, heating, electricity and gas supplies, and the maintenance of the housing fund), irrigation infrastructure, telecommunications, education, healthcare, and solid waste recycling;

- The creation of an enabling environment for businesses. This will be achieved through transferring a number of public functions to businesses, while providing the necessary legal, economic and financial environment required for attraction of private investment. Also, laws and regulations necessary for the efficient and smooth operation of the PPP will be enforced;

²³ The Law of the Republic of Uzbekistan “About Budget System” and other legislative documents do not provide detailed and clear enough elaboration of procedure, priorities and mechanisms of providing the subventions.

- The creation and support of a link between government agencies and the business sector, which will include technology transfer centers, business incubators, technology parks, venture capital funds and other facilities that help close the gap between Research and Development and the market. These processes will result in the commercialization of the knowledge and technologies developed in public institutions;
- The creation of a legal framework for conflict resolution and the capacity building of organizations that oversee and regulate PPP contracts;
- The assured involvement of relevant governmental agencies in:
 - o The development of PPPs in the healthcare sector with usage of a wide spectre of various legal forms of organizing PPPs that will cover all directions (provision of medical services, the development of medical innovations and education, and the development of the pharmaceutical industry);
- The improvement of education quality and educational institutions through:
 - o The creation of a system involving private organizations in the management of the content of education, on a limited range of issues and within a limited amount of rights, through the implementation of joint educational programs and the development of training and methodological support;
 - o The establishment of education centers and other corporate institutions in order to implement programs within the field of the training or retraining of specialists of the private sector, as well as employees of the education system;
- The creation of a partnership basis for research, development and engineering works, as well as joint research activities (the organization of the financing of and the establishment of technology towns and techno parks).

7.4. The Increase in the Participation of Civil Society and Local Self-Governance Bodies in Decision-Making Processes

The participation of civil society in decision-making, and the increasing of the transparency and accountability of executive authorities, requires the following measures:

- The institutionalization of the consultation process used by the government and the parliament when interacting with stakeholders, in regards to the processes of formulating, implementing and monitoring policies and programs, and of developing draft laws and other resolutions;
- The establishment of an institution of mandatory preliminary public expertise regarding the draft laws that are being developed, both at the level of parliament and at the level of the central government, as well as individual ministries and agencies.

The continued development of the local self-governance system (mahallas and the rural gatherings of citizens) in Uzbekistan continues to play an undeniably important role in identifying and supporting poor and marginalized groups of the population. The main policy measures undertaken to increase the capacity of local communities include:

- The further improvement of the organizational framework for the self-governance institutions of citizens, the mahallas, the increased value and role of mahallas in addressing social issues, and the development of family businesses;

- The enhanced promotion of the role and significance of the development of mahallas, the advantages and benefits of improving the living conditions of local populations, and the implementation of targeted social security;

- The conducting of regular training seminars regarding management skills and the drafting of plans to develop and improve local infrastructure, in order to promote conflict resolution and team work, to mobilize and network resources, and to develop cooperation;

- The establishment and strengthening of support to small, micro and individual entrepreneurship, to stimulate the creation of new micro-enterprises and to expand the existing ones within the territory of the local self-governance bodies, and to place emphasis on involvement of women and the population's vulnerable groups in the job placement;

- The improvement of mechanisms for forming sources of funding, and for ensuring the government's support of a mahalla's activities regarding the implementation of local development plans and projects aimed at mobilizing resources for improving the infrastructure and living conditions of community members, including the poor;

- The development of methods and tools for ensuring the financial stability of mahallas, including for the development of simplified arrangements for opening the special accounts of self-governance bodies, and for their implementation in close cooperation with local authorities.

7.5. The Organization of the Welfare Improvement Strategy Implementation Process

The successful implementation of the WIS-II will be ensured through the development and implementation of comprehensive socio-development programs of Uzbekistan's regions, and through targeted programs within economic sectors that will take into account the following:

1) The development of a system for managing the implementation processes required for the objectives set in the WIS-II;

2) The identification of the responsible parties for the implementation of the WIS-II objectives, from amongst the representatives of local authorities;

3) The development of measures used to provide informational support for the implementation of the WIS-II.

The program for the comprehensive social and economic development of regions is considered to be a basic document used to define the priorities and main directions of social and economic policy. The program is developed in order to identify specific

objectives, directions and actions of local authorities, regional organizations, and other institutions involved in the implementation of the WIS-II.

Sectorial-targeted programs develop the measures aimed to develop the basic sectors of the economy and the social sector, and to enhance international relations, and marketing within the framework of implementation of the WIS-II.

In addition to sectorial programs, individual regional development programs have been developed for each region. Local authorities develop mid-term programs in accordance with the approved guidelines for developing the mid-term programs of socio-economic development. Also, local authorities develop plans of actions in terms of operative documents that identify specific activities and actions of the governing bodies and territorial institutions, in order to regulate social and economic development in line with the objectives and priorities of the WIS-II. The action plans of local authorities specify activities, their due dates, and the relevant responsible implementers.

The implementation of the WIS-II will be undertaken through interaction between national ministries and agencies, regional khokimiyats (regional authorities), city and district authorities, the associations and unions of entrepreneurs and businesses, NGOs, mass media, and other parties.

7.6. The Monitoring of the Welfare Improvement Strategy Implementation

The purpose of monitoring the WIS-II is to establish a reliable tool for reporting on the progress made towards achieving its measures, goals and forecast parameters.

This monitoring is to be carried out by analyzing the dynamics of the indicators that characterize the impact of the implementation of the tasks outlined within the WIS-II, while assessing the impact of various factors on welfare indicators.

An important step in the organization of the monitoring system is to develop the required institutional capacities, and to locate the necessary financial support.

The monitoring of the WIS-II will be conducted by a group of experts, consisting of the specialists of research institutions and key ministries and departments.

Data collection and handling, the analysis of indicators, the assessment of achievable goals and the justifying of the WIS-II measures will serve to help develop periodic reports and publications.

Monitoring and evaluation will be organized at several levels, including: (a) the macro level, (b) the local (regional) level, and (c) the industry level. The rationale behind such an approach is based on the following justification:

- Macro-level monitoring and evaluation will rely on official statistics;
- Monitoring and evaluation conducted at the regional level will utilize primary data collected from observations, from focus groups' interviews, and from surveys among professionals of educational institutions, among beneficiaries, and among other interested social groups who are involved in the WIS-II's implementation. This will ensure the quality of the analysis and its objectivity;

- Monitoring and evaluation undertaken at the industry-level will be based on an analysis of the achieved results, with reference to industry and macroeconomic indicators. This will serve to assess whether goals and objectives have been achieved in regards to the development of certain industries and sectors of the real sector of the economy, while assessing the implementation of the government's policy within the WIS-II.

The monitoring requires careful preparation, including the development of the methods, approaches and procedures to be utilized. Therefore, monitoring will consist of three main phases, including the initial (preparation) stage, the stage of testing the approaches and pilot projects, and the stage of full-scale monitoring (see Figure 7.1.).

The results of the monitoring and evaluation processes will be presented in the form of reports, analyses and tables for all sections of the matrix of indicators, with a focus on the analysis of the assessment of the following:

- The risks involved, through the identification of the factors and causes that create the greatest barriers against the achievement of the WIS-II;

- The impact of the indicators on the growth of the population's real income, on reducing inequalities, and on the growth in consumer spending and its distribution. Also addressed will be the impact made on the national low-income group and other indicators of well-being, including MDGs;

- The assessment of the level of welfare achieved by Uzbekistan in the global development pattern (Uzbekistan's indicators in comparison with that of a pre-selected pool of developing countries);

- The measurement of the index of the population's subjective perception of changes made in regards to levels and quality of livelihoods.

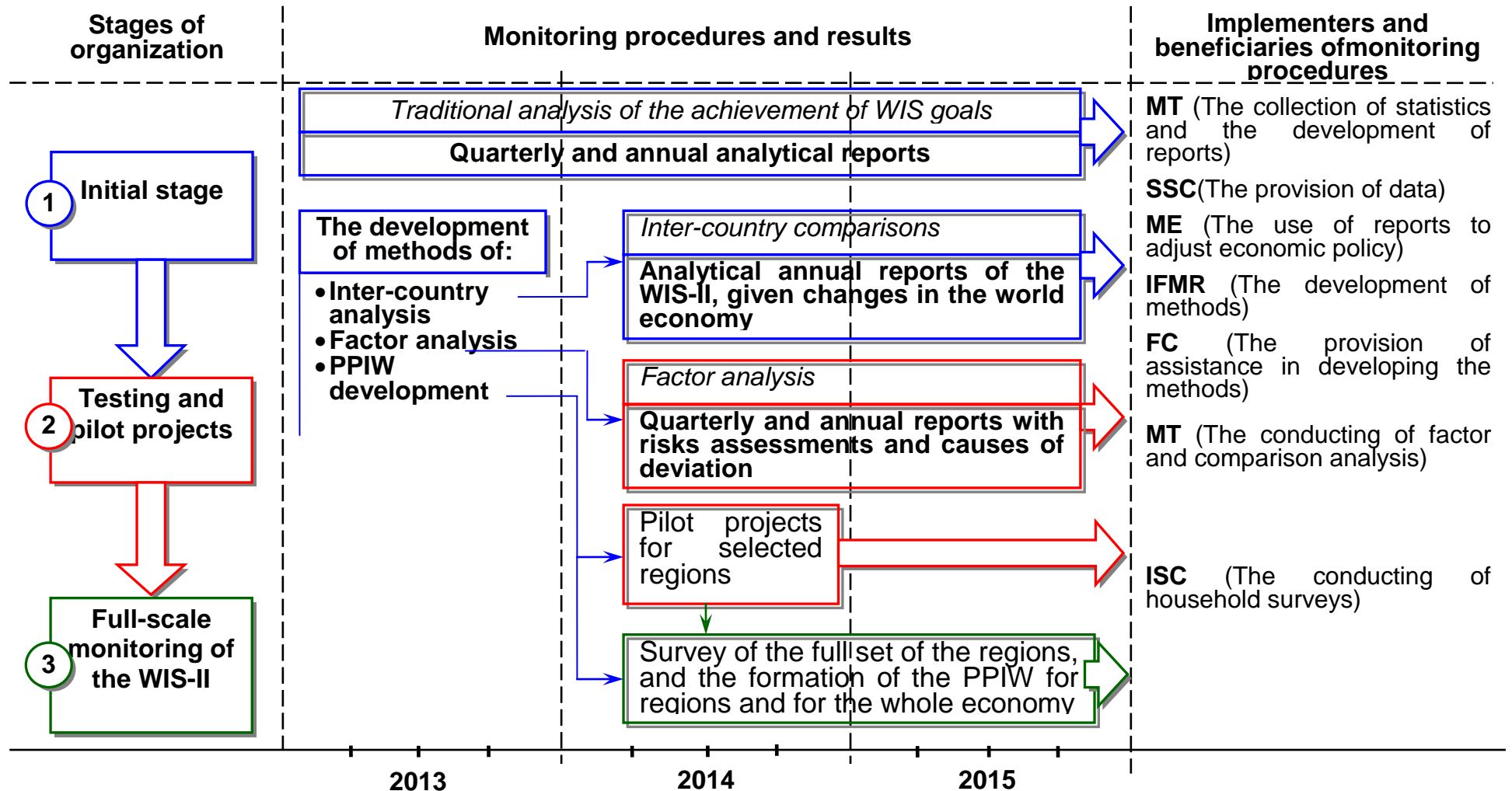
Monitoring and evaluation will be carried out within the four main directions of measuring progress made towards the goals and predictive indicators of the WIS-II.

The first direction involves monitoring the achievement of the intermediate targets of implementing the WIS-II measures. It is characterized by a greater macroeconomic policy focus on the key indicators of welfare, which involves improving the existing statistical system of the formation of these indicators, including indicators of the even distribution of income in a regional context, on an ongoing basis.

The second direction is dictated by the increasing instability of the world economy, and the ever-strengthening processes of globalization. In times of global crises, the progress made towards achieving the WIS-II goals can be significantly slowed down.

Therefore it is important to not only obtain absolute but also relative estimates, by comparing the respective reporting indicators for Uzbekistan with similar indicators of the world, formed as an average estimate from a pre-selected pool of developing countries. Given that the shocks of instability within the world economy negatively affect all developing countries to some extent, this approach will increase the objectivity and the quality of the monitoring and evaluation of the WIS-II's implementation.

Figure 7.1. The Roadmap for Implementation and Monitoring of the WIS-II



Abbreviations: **MT** – the monitoring team, **PPIWC** – the Population Perception Index of Welfare, **ME** – the Ministry of Economy, **IFMR** – the Institute of Forecasting and Macroeconomic Research, **FC** – foreign consultants, **ISC** – Independent Sociological Center

Testing this approach may require the methodical support of international organizations in terms of justifying the selected countries, and in providing technical assistance regarding the sources and methods of gathering operational statistics regarding the selected countries.

During the process of monitoring it is important not only to establish the fact of the indicator's deviation from its assessed target, but also to investigate the causes of such deviation, followed by the work on developing additional measures and recommendations for both central and regional governments.

The third direction includes the assessment of the risks and barriers that impede the achievement of the WIS-II goals. The implementation of this function of the monitoring program will require a factor analysis of the series of mechanisms used to form the welfare of the population, and its strengths and weaknesses.

Numerous studies carried out in different countries suggest that mere economic growth and low inflation are not guarantees of progress in regards to improving welfare. There are additional terms and conditions that can increase the effectiveness of the impact of economic growth in regards to the reduction the national level of low income populations and other tasks outlined in the WIS-II.

The first studies on the subject given the realities in Uzbekistan²⁴, provide solid grounds to assert that the task of reducing low-income populations will be one of the most significant and complicated tasks involved in the analysis of the macroeconomic problems that influence Uzbekistan's economic development.

Most macro-economic, social, demographic and financial indicators, including all indicators within the matrix of indicators of the WIS-II, have a statistically-significant relationship with the low income population indicator.

The methodological assistance offered by international organizations could be directed here in order to perfect the approaches used to undertake a number of tasks. These tasks include identifying the existing schemes and channel relationships between the indicator of low income population and the growth rate, an accurate quantitative estimate of such an effect (low income population elasticity coefficient on growth indicators, development of financial system, etc.), the search for and justification of new conditions necessary for increasing the effectiveness of the economic growth's impact on the national level of low income populations.

The fourth direction. In addition to the traditional evaluation of the monitoring results of the WIS-II, formed within the framework of the existing statistical system, the effectiveness of the program shall be assessed based on the opinion of the populations of specific regions of Uzbekistan.

The generation and measurement of a population subjective perception index on a quarterly basis will help to overcome the shortcomings of a traditional statistical reporting system to some extent, to maximally increase the relevancy of the measures

²⁴The IFMR and UNDP publication *Impact of Economic Growth on the Decrease in the Number of Low-income People in Uzbekistan*. Tashkent 2012.

included in the program given the specific needs of the population, to promote more fully involvement of the civil society in the process of the program’s implementation. Assistance provided by international organizations could involve the provision of necessary information and expertise required in developing such indices, and in supporting the study of public opinion regarding levels and quality of life.

The results of the monitoring and evaluation of implemented measures and approaches aimed at achieving the objectives of the WIS-II will serve as a basis for making decisions regarding necessary adjustments to the current economic policy. The results themselves will be provided through electronic media. For this purpose, a website of the monitoring and evaluation project will be launched, which will ensure civil society’s widest possible access to this information, and will increase the efficiency of the reaction of the executive bodies to the changes taking place in regards to the process of implementing the Strategy.

The progress regarding the WIS-II’s implementation should be discussed regularly with a wide range of society representatives, political parties, and experts. The results of the monitoring processes will be an important aspect of these discussions. Therefore, a list of key indicators that characterize qualitative changes to the achievement of the goals shall be identified. The following indicators could compose such a list: GDP per capita, level of employment, population income, HDI indicators, population welfare indicators, and others.

The assessing of the achievement of the objectives may include the use of data obtained by indirect methods. For example, the assessment of the status of the informal sector, of unemployment and migration, of the level of provision of social services, and of the state of household budgets, etc.

Monitoring should be carried out by local authorities, by representatives of public organizations, and by individuals interested in the quality of the WIS-II implementation in both the real sector of economy and in the social sector.

An important role in regards to monitoring belongs to the Council of deputies, who according to the Law of the Republic of Uzbekistan ‘On Local Authorities’ carry control functions and special powers for conducting monitoring.

Monitoring should also be carried out through discussions and dialogue with the public, a practice which is not yet utilized at regional level.

The Preliminary Schedule of Monitoring

Activities	Frequency
Regular discussion of the results of the WIS-II with a wide participation of members of public and political parties, with the assistance of experts in regards to issues of regional development; and the conducting of discussions and dialogues.	Quarterly
Monitoring the key indicators that characterize qualitative changes within the process of achieving the goals of the WIS-II.	Monthly

Monitoring by the Council of People's Deputies, which has control functions and special monitoring powers.	Semiannually and annually
Intermediate corrections and adjustments to policies, tools and approaches, as required in order to achieve the objectives of the WIS-II.	As deemed necessary

The monitoring process will allow for some interim corrections and adjustments to be made to the policies, tools and methods of the objectives of the WIS-II. After all, the WIS-II should be considered a permanently updating and evolving document. This characteristic provides flexibility to the tools and mechanisms of the development policy. The renovation, modernization and modification of some components of the WIS-II should be considered a necessary stage of its implementation, and a guarantee of its progress.

7.6.1. The Main Sources of Information

The first step in the analysis of population welfare, and in the monitoring and evaluation of the WIS-II's impact, will be to identify all available sources of information.

Ministries and agencies such as the Ministry of Labor and Social Protection, the Ministry of Finance, the Ministry of Health, the ministries of education and others will be the most reliable sources of information within the initial stage of the analysis of welfare and the assessment of the impact of the WIS-II. The data, those sources can provide, will describe the effects of specific government policies on the employment rate, morbidity, nutrition, the development of infrastructure, and other factors.

Using the data of the State Statistics Committee of the Republic of Uzbekistan, particularly statistics regarding the country's economy and that of its regions, of its population, and of the housing conditions of families and their property, gathered through the use of household budget surveys, will provide information and allow for conducting analysis of the welfare of families with different levels of income (decile and quintiles).

Information collected through the household survey will be crucial for the determination of levels of low income populations, for the analysis of the distribution of wealth, and for the assessment of changes in the scale of low income populations and income inequality.

The multidimensional examination of welfare based on the income and expenditures of households, population employment, demographic and health indicators, as well as the operational monitoring on the survey of the population satisfaction level as conducted by research centers and institutes, also aim to determine the impact of measures and policy actions implemented under the WIS-II.

7.7. Cooperation with International Organizations

Cooperation with international organizations plays an important role in ensuring the success of the WIS-II. In that regard, it is planned that increased cooperation with

international organizations and funds will support the implementation of the project activities of the WIS-II. In that regard the plans include the expansion of cooperation with such international organizations and IFI as Asiand Development Bank, UNDP, World Bank, WHO, UNICEF, UNESCO, the Global Environment Fund (GEF), ICARDA, GIZ, USAID, FAO, and others.

The main areas of cooperation with the international organizations include:

- The technical and technological modernization of industrial infrastructure and industry, and the development of high-tech and labor-intensive activities;
- The development of rural infrastructure, and the modernization and improvement of the mechanisms of the agro-food sector;
- The development of the small businesses and services' sectors;
- The development of human capital and the social sector;
- The addressing of environmental matters and climate change.

ANNEXES

Annex 1.

The Matrix of Laws and Draft Laws Developed for the Further Deepening of Market Reforms and the Liberalization of the Economy of Uzbekistan

Name of the Draft Law	Goals and objectives	Main content
‘About Protection of Private Ownership and Guarantees of Private Proprietor’s Rights’ (adopted in 2012)	To strengthen the rights of property owners, to protect private ownership, and to create a system of reliable guarantees regarding the inviolability of private property.	<p>The legally-binding main guarantees of the state regarding private ownership;</p> <p>The strengthening of the guarantees of rights of private proprietors to the ownership, usage and management of their own properties;</p> <p>The increasing of liability for the illegal activities of governmental bodies, in regards to private ownership;</p> <p>The banning of the reconsideration and cancellation of the results of privatization.</p>
‘About Licensing Procedures in the Area of Entrepreneurial Activities’ (adopted in 2012)	To improve the system of management licensing, and to eliminate excessive bureaucratic obstacles in licensing procedures within the area of entrepreneurial activities.	<p>The clear identification of enumeration and types of licensing procedures for the conducting of business activities (with a consideration of shortening the existing list);</p> <p>The prohibiting of the introduction of new types of permissions and licensing procedures by governmental agencies’, as not envisaged by acting laws;</p> <p>The simplification of the mechanisms of issuing licenses and requirements, by governmental agencies, through adherence to acting procedures and time limits which can be achieved, as a rule, through the introduction of the ‘one-stop-shop’ principle;</p> <p>The introduction of the issuing of certain types of permissions on the basis of requests (i.e. on the basis of a declaration by an applicant about their compliance with all necessary requirements, without additional inspection);</p> <p>The identification of the final enumeration for the refusal to issue permissions, and to terminate or cancel them.</p>
‘About Family Entrepreneurship’ (adopted in 2012)	To enhance small businesses and private entrepreneurship, to create necessary conditions for the development of family businesses in various areas of the economy, and to increase legal guarantees for family businesses and the opening of new jobs.	<p>The introduction of a new organizational and legal form of business activity, namely the family business, and the identification of the areas in which this type of business can be conducted;</p> <p>The precise identification of the members of a family enterprise;</p> <p>The identification of mechanisms used to register and close down a family enterprise;</p> <p>The application of a simplified mechanism to improve a family enterprise’s access to infrastructure;</p> <p>The identification of a simplified procedure for the accounting and taxation of family enterprises.</p>
‘On private banks and financial institutions and guarantees of their activities’ (adopted in 2012)	To form the legal basis for the establishment of private banks and financial institutions as based on private ownership, to enhance competition and increase the quality of services offered by banks and other financial	<p>The legal binding of the procedures used to establish private banks and financial institutions;</p> <p>The establishment of the rights and responsibilities of founders of private banks and private financial institutions;</p> <p>The legal binding of the guarantees of the activities of private banks and private financial institutions, and the prohibition of the illegal intervention of governmental and local authority bodies into their</p>

Name of the Draft Law	Goals and objectives	Main content
	services, and to create conditions for the development of modern market infrastructure.	activities.
‘About Competition’ (adopted in 2012)	To further stimulate the development of competition, and to improve the mechanisms of regulating monopolistic activities.	<p>The introduction of norms that limit monopolistic activities in the goods’ market, as well as in the markets of financial and exchange services;</p> <p>The renewal, as based on foreign experience, of the legal instruments used to suppress and prevent monopolistic activities in the goods’ market and in the market of financial services;</p> <p>The simplification of procedures used to control and regulate mergers, acquisitions and stock purchases.</p>
‘About Exchange of Credit Information’ (adopted in 2011)	To further improve credit interactions, and to reduce the credit risks of commercial banks, through the formation of the credit histories of borrowers and the exchange of credit information among banks, credit unions, leasing and insurance companies and other interested creditors.	<p>The wide introduction of the mechanism of forming the credit histories of borrowers;</p> <p>The defining of the procedure used by governmental agencies, business entities and other interested parties to submit and publicize information;</p> <p>The development of a mechanism that allows for the exchange of credit information among banks, credit unions, leasing and insurance companies, and other interested creditors.</p>
‘About the Pledge Registry’	To further improve the procedures of documenting loans, to enhance the availability of credit financing for small businesses at the expense of the inclusion of moveable properties into pledge, and to reduce the risk born by commercial banks when providing loans on the basis of the mortgage of properties.	<p>The creation of a registrar of collateral security, as a single database;</p> <p>The identification of the types of guarantees to be included into the registrar, the defining the concept of the holder of the registrar, and the holder’s rights and liabilities;</p> <p>The legal securing of the rights and liabilities of owners of assets and those of creditors;</p> <p>The review of the rates of the state fee for documenting pledge agreements.</p>
‘About Innovations and Innovative Activities’	To establish an effective mechanism for the probation, introduction and industrial application of promising scientific innovations, and for the provision of additional stimulus and privileges to enterprises that develop and apply innovative projects, primarily within high-tech industries.	<p>The identification of the concept, types and directions of innovations;</p> <p>The setting of concrete measures regarding stimulating the development and industrial application of innovations, including the provision of additional privileges to enterprises that develop and introduce innovative projects;</p> <p>The development of mechanisms for financing innovations, including through special funds.</p>
‘About Investment and Unit Funds’	To stimulate the development of the system of collective investment, to mobilize the temporary unused funds of the population, and to channel them into financing various sectors of the national economy.	<p>The identification of the main principles regarding establishing investment and unit funds;</p> <p>The identification of the participants of the investment and unit funds, and their rights and responsibilities;</p> <p>The identification of the limits of the activities of investment and unit funds, on the basis of the numbers of participants and their terms of operation;</p> <p>The setting of mechanisms of control over the goals to establish well-justified unit funds, and the targeted usage of funds attracted by the fund (in order to prevent possible abuses related to attracting</p>

Name of the Draft Law	Goals and objectives	Main content
		<p>population funds into funds that are being established); The identification of an authorized body to regulate the activities of funds.</p>
‘About the Management of State Property’	To ensure the effective administration of enterprises that have the state’s share in their charter funds.	<p>The identification of the system, principles and mechanisms used to manage state property; The identification of the list of sectors and spheres through which maintaining the shares of the state is envisaged; The identification of institutions that can be used to administer state property, including their rights, responsibilities and liabilities.</p>
‘About International Commercial Arbitrage’	To introduce international commercial arbitration in the Republic of Uzbekistan, to reduce the expenditures of businesses in the resolution of disputes related to foreign economic transactions, and to heighten the reputation of the country in the region in terms of addressing disputed issues related to international transactions.	<p>The establishment of an effective mechanism for resolving disputes with international partners, and other parties involved in international commercial and economic relations; The identification of main operational principles regarding international commercial arbitration; The regulation of mechanisms for accepting and adhering to the decisions of the arbitration.</p>
‘Customs Code’ (new edition)	To further ensure effective customs control and regulations over trade in the customs territory of the Republic of Uzbekistan, to promote the development of foreign trade, and to establish maximally-favorable conditions for the conducting of foreign trade operations.	<p>The improving and increasing of the efficiency of the operations of customs bodies; The reducing of the number of bureaucratic procedures, terms, and the related costs, in addition to introducing simplified and relatively-less expensive procedures of conducting exports for small businesses and private entrepreneurship; The identification of mechanisms for the system of the electronic declaration of goods, on the basis of best international practices; The introduction of clear regulations regarding the process of moving goods through border customs and of putting them under a certain customs regime; The optimization of the existing list of goods that are subject to mandatory certification, through re-listing certain goods as products that are subject to declaring compliance, and through abolishing the requirement for certification in cases when national certificates are not recognized, or do not meet the requirements of the destination country; The streamlining of the mechanisms of acquiring deferral on customs duties by small businesses; The setting of time limits for the post-clearance evaluation of imported goods and the subsequent charges of customs payments.</p>
‘About Joint-Stock Companies and Protecting the Rights of Stockholders’ (new edition)	To provide a clearer identification of relevant authorities, and the rights and responsibilities of the bodies of corporate management and supervision, to improve the role and significance of Supervisory Boards, general meetings and the revision commissions at joint-stock companies with due consideration of the introducing of and	<p>The identification of the relevant authorities, rights and responsibilities of bodies involved in the control and administration of joint-stock companies; The clear identification of procedures for reorganizing joint-stock companies; The improving of procedures for the allocation of stocks and the clarification of the rights of stockholders, when significant amounts of stocks are being purchased; The streamlining of the procedures used in changing the charter funds of joint-stock companies; The strengthening of the protection of the rights of minority stockholders, including for acquiring information about operations of joint-stock companies, as well as in regards to the conduct of transitions</p>

Name of the Draft Law	Goals and objectives	Main content
	the new realities of the development of market relations. To increase the transparency and availability of information about the activities of joint-stock companies for all stockholders and potential investors.	that violate their interests.
'About Guarantees of Freedom for Entrepreneurial Activities' (new edition, adopted in 2012)	To further promote the development of small businesses and private entrepreneurship, to provide more freedom for their operations, and to simplify the mechanisms of establishing small businesses and private firms.	<p>The simplification of the processes required for establishing small businesses and private entrepreneurship, providing more freedom for their operations;</p> <p>The revision of the criteria for and the definitions of small business entities;</p> <p>The stimulation of the expansion of the financing of small businesses through commercial banks, credit unions, micro-financing organizations, leasing companies and other financial companies;</p> <p>The establishment of quotas in government procurement for small businesses;</p> <p>The provision of additional privileges regarding the selling of products manufactured by small businesses;</p> <p>The further improvement of the system of financial and statistical reports of small businesses, including through the introduction of electronic mechanisms for submitting tax, financial, and statistical reports.</p>
'About Privatization' (new edition)	To further enhance the share of the non-governmental sector within various branches of the economy, to stimulate the attraction of private investors into the leading sectors of the economy, and to ensure equal access to privatization for all categories of potential investors.	<p>The consolidation of existing legal acts in the area of privatization into a single legislative document;</p> <p>The insurance of the transparency of privatization transactions, and of equal access for all categories of potential investors;</p> <p>The identification of the definitions of 'investment liabilities' and 'social liabilities';</p> <p>The introduction of new conditions and methods of privatization;</p> <p>The enhancing of the instruments of privatization, the ensuring its transparency and the unambiguous comprehension of its terms.</p>
'About Commodity Stock Exchanges and their Activities' (new edition)	To further improve the regulation of financial and commodity exchanges, to strengthen the guarantees of participants of transactions, and to ensure the wide participation of businesses in stock and commodity exchanges.	<p>The division of the principles of regulating the activities of stock exchanges, and of commodity exchanges;</p> <p>The identification of the definitions of 'exchange activity' and 'exchange commodity', the introduction of the definition of 'exchange listing', and the procedure of making inclusions into the exchange listing;</p> <p>The insurance of guarantees for the timely delivery of goods purchased at commodity exchanges;</p> <p>The establishment of mechanisms designed to prevent the speculative growth of prices at commodity exchanges.</p>
'About Auditing' (introducing changes and amendments)	To improve auditing activities in line with international principles and standards, and to increase the role of auditing.	<p>The introduction of conditions that envisage a reinforcing of professional liabilities regarding the quality of auditing services being provided;</p> <p>The insurance of the full compliance of auditing procedures with international auditing standards;</p> <p>The establishment of requirements regarding the mandatory auditing of large state companies and enterprises.</p>
'About Foreign Investments' (introducing changes and	To further stimulate the attraction of foreign investments, especially for investment into	The provision of additional stimulus and privileges for the attraction of foreign investments, primarily into high-tech industries;

Name of the Draft Law	Goals and objectives	Main content
amendments)	high-tech industries.	<p>The identification of the definition of the 'reinvesting' of profits by foreign investors;</p> <p>The allowance of not only foreign entities, but also foreign individuals to be included into the lists of founders of enterprises with foreign investments;</p> <p>The improvement and simplification of procedures used to register enterprises with foreign investments, and to provide visa support to foreign investors.</p>
'About Investment Activities' (introducing changes and amendments)	To further enhance the participation of businesses and the national population in investment processes, and to establish additional stimulus and conditions for investment into the modernization, technical and technological re-equipping of manufacturing facilities.	<p>The streamlining of the main concepts used in carrying out investment activities (concepts including 'investment project', 'investment liabilities', 'investments into modernization', and others);</p> <p>The identification of the procedures used to carry out all forms of investments;</p> <p>The legal binding of the rights and liabilities of participants in investment processes, including the developers of projects, and the investors and recipients of investment resources.</p>
'About the State Control over the Activities of Business Entities' (new edition)	To improve the procedures of controlling the activities of business entities, to ensure the stability of their operations, and to reduce interference into the activities of businesses operating in line with legislation.	<p>The renewal of the list of justifications for conducting the inspections of the activities of businesses;</p> <p>The detailed legislative regulation of such a form of state control as the controlling of inspections;</p> <p>The introducing of a system for the after-inspection analysis of each controlling body, which shall identify system-based reasons for the unintentional violations of business entities, including due to the identification of gaps or incompliances in the legislation;</p> <p>The streamlining of the system of criteria for checking the efficiency of the inspection activities of controlling bodies.</p>
'About Bankruptcy' (introducing changes and amendments)	To significantly reduce time limits for the liquidation of unprofitable, low-profit, and economically unpromising enterprises, through the procedures of bankruptcy, in order to ensure their speedy sales to new, effective owners, and thereby aiding in the establishment of modern, profitable manufacturing facilities.	<p>The introduction of a simplified procedure for the liquidation of certain categories of unprofitable, low-profit, and economically-unpromising enterprises;</p> <p>The legal binding of procedures and mechanisms used to restore production activities at bankrupted enterprises, and their handing over to commercial banks, including those related to the stopping of their activities.</p>
'About Micro-financing Organizations' (introducing changes and amendments)	To improve legislation regarding micro-financing organizations, and to further enhance the resource basis for developing small businesses and private entrepreneurship.	<p>The establishment of mandatory economic norms in order to ensure financial stability and sustainability of micro-financing organizations;</p> <p>The improvement of the supervision systems for operations;</p> <p>The identification of mechanisms for the registration of branches of micro-financing organizations, and the identification of procedures for their operations;</p> <p>The establishment of requirements for carrying out auditing and internal control.</p>

The Matrix of Indicators for Monitoring the Welfare Improvement Strategy of the Republic of Uzbekistan for 2013-2015

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
1. MACROECONOMIC POLICY							
1.1. The maintenance of macro-economic balance, based on sound fiscal and monetary policies, and the ensuring of high rates of economic growth.	Ministry of Economy	The GDP growth rate, as a percentage of the previous year	8.3	8.2	8.0	8.2	8.2
		The GDP growth rate per capita, as a percentage of the previous year	5.5	6.6	6.4	6.5	6.5
		The GDP growth rate per capita in USD (based on the official exchange rate)	1547.4	1716.4	1884	2087	2311
		The GDP growth rate per one employee, as a percentage of the previous year (in 2011 prices)	5.7	5.5	5.6	5.6	5.5
		The share of the final consumption in GDP, as a percentage	65.7	68.0	69.1	70.0	70.6
		including the final consumption by households	50.3	52.2	52.7	53.8	54.7
		The share of the aggregate savings into the GDP main capital, as a percentage	25	25.4	25.6	26.0	26.4
1.2. Fiscal Policy and State Expenditures Management							
1.2.1. The ensuring the balance of the state budget, the prevention of the increase in the deficit by more than 1 per cent a year, and the ensuring of its clearance through non-inflationary resources.	Ministry of Finance	The revenues of the consolidated state budget (the state budget including non-budgetary funds), as a percentage of the GDP	31.3	31	30.7	30.5	30.1
		The state budget revenues, as a percentage of the GDP	22	22	21.3	21.3	21
		The state budget expenditures, as a percentage of the GDP	21.6	22.6	22.3	22.3	22
		The balance (deficit (-)/ surplus (+)) of the state budget, as a percentage of the GDP	+0.4	+0.4	-1	-1	-1

* All the data for 2012, provided in the present Matrix, are preliminary data from the State Statistics Committee of the Republic of Uzbekistan.

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
1.2.2. The further reduction of the tax burden, and the enhancing of its fair distribution.	Ministry of Finance	The level of industrial differentiation of the tax burden to the net income, excluding the agrarian sector	2.2	2.1	1.8	1.5	1.2
		The VAT rate	20	20	20	20	20
		The tax rate on the incomes of legal entities	9	9	9	9	9
		The Single Tax rate for industrial enterprises	6	5	5	5	5
		The share of customs dues (including tariffs, excise taxes, VAT on imports, and customs fees) within total imports, as a percentage	2.9	3.0	3.1	3.1	3.0
1.2.3. The increasing of the efficiency of budgetary expenditures.	Ministry of Finance	The current budget spending in the social sector, and the social protection of the population, as a percentage of total expenditures	58.7	58.9	59.2	60.1	60.1
		The current and capital expenditures of the budget and non-budgetary funds on education, as a percentage of the GDP	7.7	8.4	8.5	8.6	8.5
		The current and capital expenditures of the Budget on healthcare, as a percentage of the GDP	3.0	3.14	3.2	3.4	3.4
1.3. Monetary Policy And Financial Sector Reforms							
1.3.1. The establishment of necessary preconditions for a transition from money aggregates' management to inflation targeting.	Central Bank	The level of inflation (PPI) to December, as a percentage	7.6	7.0	7-9	6.8	6.5
1.3.2. The improvement of the market mechanisms of the monetary policy for managing liquidity.	Central Bank	The monetization rate (M2), as a percentage	21.7	22.3	23.9	24-25	25- 26

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
1.3.3. The increased efficiency of the work of the percentage channel of the transmission mechanism of the monetary policy, in the money market, through regulating the interest rate.	Central Bank	The rate of re-financing, as a percentage	12	12	12	11	10
1.3.4. The ensured stability of the Soum exchange rate, and a gradual transition to its more flexible management.	Central Bank	The rate of devaluation of the official exchange rate of the national currency, as a percentage	9.5	10.5	11.0	8.2	8
1.3.5. The increased role of the securities in the financial market to stimulate investments and develop the money market.	Center for Coordination and Control over the Functioning of Securities Market	The securities' market turnover, as a percentage of the GDP	2.1	2.2	2.6	2.8	3.0
1.3.6. The increased financial stability and liquidity of banks, in line with international standards.	Central Bank	The assets of commercial banks, as a percentage of the GDP	35.3	30.2	38	39	40
		The annual growth of commercial banks' aggregate capital, as a percentage	22.3	24.2	15	15	15
		The annual growth of credit investments of the banking system, as a percentage	35	30.5	20	20	20
		The credit investments of commercial banks into the economy, as a percentage of the GDP	20.1	21.2	22.1	23.5	24.0
1.3.7. Adoption of systematic measures designed to improve guarantees for depositors, and to further strengthen the confidence of Uzbekistan's population and foreign investors in the banking	Central Bank	The remainder of deposits as a percentage of the GDP	23.2	23.6	24.8	25.6	27
		The growth of population deposits into banks, as a percentage of the previous period	38.8	34.6	20	20	20

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
system, and to attract unused funds of population and economic entities into banking turnover.		The number of bank accounts of individuals, per thousand adults	1025	1027	1100	1200	1300
1.3.8. The strengthening the investment activities of commercial banks, further expansion of commercial banks' involvement in financing the investment projects, ensuring the continuous growth and improvement in the quality of credit portfolio of commercial banks	Central Bank	Commercial bank loans as a percentage of investments	11.6	11.4	11.9	12.5	13.8
1.3.9. The stimulation of development within the area of micro-financing, as an important instrument for financing small businesses and private entrepreneurship.	Central Bank	The micro-loans provided by banks during a year to small businesses and private entrepreneurship, as a percentage of the total volume of loans	4.8	5.9	6.0	6.3	6.7
2. STRUCTURAL INVESTMENT POLICY							
2.1. The encouragement of the growth of savings as a share of the national GDP, with the aim of maximizing the efficient use of domestic savings for the purpose of investments.	Ministry of Economy, Ministry of Finance, Central Bank, and MFERIT	The share of capital investments, as a percentage of the GDP	23.1	22.8	22.6	22.9	23.2
		The capital investments' growth rates, as a percentage of the previous year	7.9	11.6	9.3	9.4	9.7
2.2. The establishment of a favorable climate for domestic and foreign investors, exercising direct investments	Ministry of Economy, and MFERIT	The share of enterprises' own funds within the total volume of capital investments, as a percentage	34.8	30.3	27.3	28.5	30.2
		The share of the population's funds within the total	18.6	20.5	14.7	15.0	15.0

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
into the development and modernization of the manufacturing and services sectors.		volume of capital investments, as a percentage					
		The share of capital investments channeled into the manufacturing sector within the total volume of capital investments, as a percentage	69.1	66.6	74.1	74.5	73.2
		Including the investments channeled into:					
		Expansion, modernization, within the total volume of capital investments, as a percentage	27.0	25.6	33.0	33.4	34.2
		New construction, within the total volume of capital investments, as a percentage	53.3	57.8	56.7	57	57.2
2.3. The state support to investment projects that ensure the complete processing of both mineral and raw-material resources, and agricultural goods.	Ministry of Economy, and Central Bank	The capital investments through bank loans, as a percentage of the total volume of capital investments	11.6	11.4	11.9	12.5	13.8
		The capital investments through the FRDU, as a percentage of the total volume of capital investments	3.5	5.3	6.0	6.2	6.4
2.4. The improvement of the mechanisms for attracting foreign direct investments, while enhancing the mechanisms, forms, and methods that promote the attraction of foreign direct investments.	MFERIT	The share of foreign investments within the total volume of capital investments, as a percentage	21.5	21.7	23.2	24.1	25.5
3. FOREIGN ECONOMIC POLICY							
3.1. The stimulation and support of domestic exporters' operations.	Ministry of Economy	The growth rate of the export volumes of goods and services, as a percentage of the previous year	15.3	11.6	14.0	15-18	18-20
3.2. The further diversification of the exports' structure, through the maximal consideration of existing capacities for the more effective usage of Uzbekistan's export potential, and potential in the fields	Ministry of Economy	The share of non-commodity exports within total exports, as a percentage	68.5	54.4	66.0-67.0	66.0-68.0	68.0-70.0

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
of science and technology.							
3.3. The provision of support to small businesses and private entrepreneurship in expanding their export operations and in promoting exports.	Ministry of Economy	The export of goods and services of small businesses, as a percentage of total exports	18.8	15.7	21.5	23.5	25
4. INDUSTRIAL POLICY							
4.1. The ensuement of the accelerated development of industry, specifically within the processing and high-tech industries, aimed at production of goods highly demanded in domestic and foreign markets.	Ministry of Economy	The growth rates of industrial production, as a percentage of the previous year	6.4	7.7	8.4	9.1	9.3
		The share of production-oriented investments in the total volume of investments, as a percentage	69.1	66.6	66.8	67.4	68.6
		The share of industrial products' exports in the total volume of industrial production, as a percentage	44.3	46.1*	51.8	58.0	63.2
		The share of the scientific, high-tech sector of the industry in the total volume of industrial production as a percentage	10.8	12.4*	12.6	12.9	13.2
		The share of innovative products in the total volume of industrial production, as a percentage	3.1	3.6*	4.8	6.2	7.8

* assessment

* assessment

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
4.2. The further deepening of structural reforms within industry, aimed towards the leading development of energy, petro-gas-chemical, chemical, non-ferrous metallurgy, machinery building and car manufacturing, construction materials, pharmaceuticals, textiles and light industries. Also, the reforms will be deepened in the area of establishing industrial productions in rural areas, providing for the quality and deep processing of agricultural products.	Ministry of Economy	The share of industry in the GDP, as a percentage	24.0	24.0	24.2	25.5	26.8
		The share of the processing industry in the GDP, as a percentage	80.2	78.2	82	84	85
		The share of the value added in the total volume of industrial production, as a percentage	40.0	41.6	46.4	47.5	48.5
		The share of final goods in the total value of industrial production, as a percentage	55.6	55.5	56.2	58.7	61.2
4.3. The further development of intra-industrial cooperation and the localization of manufacturing, the creation of conditions for the accelerated development of small businesses and private entrepreneurship in industries, and the allocation of industrial manufacturing in all regions of Uzbekistan, thus ensuring import substitution, the creation of jobs, the improvement of employment levels, and an increase in population income and welfare.	Ministry of Economy	The production volumes of localized products, as a percentage of the total volume of industrial products	16.4	17.1	18.5	21.0	24.5
		The share of small businesses in industrial production, as a percentage	21.0	22.2	23.7	25.5	26.3
4.4. Development of the Fuel-and-Energy Complex							
4.4.1. The implementation of projects regarding technological reconstruction, and the active launch of new capacities regarding the processing of hydrocarbon raw materials.	Ministry of Economy, Uzbekneftgaz	The volume of investments into FEC and power-energy, as a percentage of total investments	15.1	17.1	16.3	16.0	15.8

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
4.1.2. The priority modernization and enhancement of energy-generating capacities, and the reconstruction of power-lines that ensure an increase in the reliability and efficiency of power supply in all sectors and industries of Uzbekistan's economy.	Ministry of Economy, Uzbekenergo						
4.1.3. The further deepening of energy saving measures, while reducing the sole cost of products, actively introducing innovative methods of managing the processes of production and consumption of fuel-and-energy resources, including introduction a modern ASCAEP.	Ministry of Economy, Uzbekenergo	The rates of reducing the energy capacity of the GDP, as a percentage of the previous year	9.2	16.8	9.5	9	9
4.1.4. The deepening of the processes of diversifying the production structure of the FEC, with the aim of releasing gas for industrial processing, and with the intention of rapidly introducing alternative sources of renewable energy.	Ministry of Economy, Uzbekneftgaz, Uzbekenergo	The share of alternative sources of renewable energy, within the structure of the Fuel and Energy balance	1.2	1.4*	1.6	2.0	3.0
5. DEVELOPMENT OF AGRICULTURE							
5.1. The deepening of structural reforms in agriculture, and the diversification of agrarian production.	Ministry of Economy, Ministry of Agriculture and Water Resources	The agricultural production growth rate, as a percentage of the previous year	6.6	7.0	6.0	5.2	5.1
		The production volumes of farms, as a percentage of the gross output of agriculture	35.1	34.4	35.2	35.9	36.5
		The share of cotton and wheat within the structure	19.4	20.5	19.6	19.0	18.1

*Assessment

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
		of gross agricultural production, as a percentage					
5.2. The acceleration of the processes of modernization, and the technical and technological renewal of agriculture, infrastructural facilities and enterprises processing agricultural products.	Ministry of Economy, Ministry of Agriculture and Water Resources	The share of capital investments into the agrarian sector, as a percentage of the total volume of investments	5.2	4.1	5.5	6.0	6.2
		The share of processed fruits-and-vegetables products, within the total volume of fruits and vegetables produced, as a percentage	13.1	13.3	14.0-15.0	14.0-16.0	16.0- 20.0
5.3. The improvement of the mechanisms for the efficient usage of land and water resources in the agrarian sector.	Ministry of Economy, Ministry of Agriculture and Water Resources	The growth of the gross production of agricultural products from one ha of cultivated land, as a percentage of the previous year	9.6	6.6	6.6	6.6	6.6
		The reduction of water consumption per one ha of cultivated land, as a percentage of the previous year	1.3	1.8*	2.0	1.8	1.9
5.4. The development and improvement of the agricultural products market infrastructure.	Ministry of Economy, Ministry of Agriculture and Water Resources	The improved ameliorative conditions of cultivated land, by thousand hectares	260	265*	270	280	390
		The growth of expenditures dedicated to developing agrarian science, as a percentage	10	15*	15	15	15
6. CREATION OF FAVORABLE CONDITIONS FOR PRIVATE SECTOR DEVELOPMENT							
6.1. The promotion of the development of small businesses and private entrepreneurship, and the enhancement of the freedom of their operations, simplifying the mechanisms of establishing small businesses and private entrepreneurship.	Ministry of Economy	The share of the non-governmental sector within the GDP, as a percentage	82.8	83.6	85.7	86.8	87.9
		The share of small businesses within the GDP, as a percentage	54.0	54.6	55.8	56.7	57.5
		The share of population employed by small businesses (as a percentage of the total number of the employed in the economy)	75.1	75.7	76.5	77.0	77.4

*Assessment

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
		The bank loans provided within a year to small businesses and private entrepreneurship, as a percentage of the total volume of loans	25.9	26.2	28.1	30.3	31.9
		The number of small enterprises (excluding farm entities) to every 1000 of the employed individuals	18.4	17.9	19.4	20.8	22.3
7. DEVELOPMENT OF THE SERVICES SECTOR							
7.1. The ensuring of the growth of the services sector by 1.9 times from 2012 to 2015, and the increasing of its share in the GDP to 54-56 per cent by the year 2016.	Ministry of Economy, and MLSPP	The share of the services sector within the GDP, as a percentage	50.5	52.0	53.0	54	55
7.2. The increasing of the sector's contribution to addressing the issues of employment and the growth of population income, including through the enhancement of the services sector in regions with a strained services market.	Ministry of Economy, and MLSPP	The share of individuals employed within the services sector, as a percentage of the total number of the employed in the economy	50.5	50.5	50.5	58.0	58.0
		The number of jobs created in the services sector, in thousands	254.7	273.8	282.6	285.0	287.5
7.3. The promotion of the rapid development of new types of modern services, such as communication and informatization (including software programming and e-education), the repair and maintenance of technological equipment, etc.	Ministry of Economy	The volume of loans for the development of the services sector, in billions of Soums	30	22.0	27.6	35.6	45.9

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
7.4. The enhancement of the export of services.	Ministry of Economy	The share of services in exports, as a percentage	11.8	16.2	13.6	14.9	16.5
8. THE COMPLEX DEVELOPMENT OF REGIONS							
8.1. The ensuring of the higher rates of economic development of regions with lower per capita GRP, production and services. On that basis, the reduction of the level of differentiation in the development of regions, especially in comparison to Tashkent City.	Ministry of Economy, Cabinet of Ministers of the Republic of Karakalpakstan (CMRK), and regional khokimiyats	The level of differentiation of the per capita GRP, in times	4.7	4.6	4.1	4.0	4.0
8.2. The reduction of the level of inter-district differentiation in the development of the manufacturing and service sectors, while ensuring higher growth rates in depressive districts that have not had significant industrial enterprises for a long time.	Ministry of Economy, CMRK, and regional khokimiyats	The level of differentiation on per capita indicators, in times					
		- In industrial production	14.2	14.5	14	12	10
		- In the volume of services	9.1	8.7	7.5	7	6
		- In the volume of investments	6.2	7.2	5.2	5	4.5
8.3. The active development of small towns and townships, through the establishment of new industrial enterprises and services' centers.	Ministry of Economy, CMRK, and regional khokimiyats	The number of small towns and townships that have industrial enterprises	519	630*	755	886	1001

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
8.4. The ensuring of the employment of all youth entering the labor market for the first time, preferably in their local areas or nearby. The creation of conditions for the additional employment of free labor forces that worked in other regions or countries.	Ministry of Economy, CMRK, and regional khokimiyats	The unemployment level among Uzbekistan's young population, as a percentage	5.3	5.3*	5.2	5.1	5.0
8.5. The ensured balanced increase in living standards, and the improvement of living-communal conditions, for the population of the regions.	Ministry of Economy, CMRK, and regional khokimiyats	The level of differentiation in house ownership, in times	2.46	2.43*	2.2	2.1	2
		between urban and rural areas, in times	1.06	1.04	1.03	1.02	1.01
		The level territorial of differentiation in access to natural gas, in times	1.58	1.60	1.48	1.45	1.4
		between the urban and rural areas, in times	1.14	1.16	1.06	1.05	1.04
		The level of territorial differentiation in access to water network, in times	1.51	1.45*	1.4	1.35	1.3
		between the urban and rural areas, in times	1.09	1.07*	1.05	1.04	1.02
9. ENSURING THE GROWTH OF EMPLOYMENT AND POPULATION INCOME							
9.1. The conducting of an active policy of increasing employment and regulating the labor market.	MLSPP, CMRK, and khokimiyats of regions and Tashkent city	The establishment of new jobs, in thousands	970.9	972.5	972.7	No less than 950 thousand jobs annually	
		The share of jobs created in rural areas, as a percentage	61.0	66.5	64.0	66.0	65.5
9.1.1. The creation of jobs through enterprises' own funds, the loans of	Businesses, CMRK, and	The growth of employment from the previous year,	102.5	102.6	103.0	103.4	103.6

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
commercial banks, foreign investments, budgetary and non-budgetary sources of financing.	khokimiyats of regions and Tashkent city	as a percentage					
9.1.2. The improvement of the sector and regional structure of employment.	Line ministries and enterprises	The share of Uzbekistan's employed population:					
		- In industry and construction, as a percentage	22.3	22.3	23.0	23.8	24
		- In services, as a percentage	50.5	50.5	52.1	53.0	55.3
		- In agriculture, as a percentage	27.2	27.2	24.9	23.2	20.7
		The share of Uzbekistan's employed population in the informal sector, as a percentage	35.2	35.4	34.2	33.1	32.0
9.1.3. The reduction employment in the informal sector of the economy.	Ministry of Economy, and MLSPP	The unemployment rate, at beginning of a year, as a percentage	5.0	4.9	4.08-4.9	4.08-4.9	4.08-4.9
9.1.4. The reduction of the number of job-seekers.	MLSPP	The growth of the per capita real aggregate population income, as a percentage of the previous year	19.4	15.7	A growth rate at no less than 18 per cent a year		
9.2. The ensured increases of salaries and population income.		The income concentration coefficient (Gini index), as a percentage	0.30	0.30	0.30	0.30	0.30
		The increase of the minimum rate of wages. as a percentage	26.5	26.5	A growth rate at no less than 20 to 25 per cent		

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
9.2.1. The increase of minimum wage.	Ministry of Finance. and MLSPP	The increase of the real average salary in the economy. as a percentage of the previous year	16.0	9.9	A growth rate at no less than 11 per cent		
9.2.3. The increase of average salary.	Ministry of Finance. MLSPP. and Ministry of Economy	The increase of pensions. benefits. stipends. as a percentage of the previous year	26.5	26.5	An average growth rate at no less than 20 per cent		
9.2.4. The increase of pensions. benefits and stipends.	Ministry of Finance. MLSPP. and Ministry of Economy	The level of low income populations (the percentage of the population that consume less than 2100 kcal/day)	16.0	15.7*	15.0	14.5	13.7
9.3. The increase in the income of low-income families.	MLSPP. and commercial banks	The decile coefficient of income difference. by times	8.3	8.0	8.0	7.9	7.8
9.3.1. The provision of targeted micro-loans to low-income families for the development of family entrepreneurship.		The increase in the number of families receiving micro-loans. as a percentage	5	5	6	5	5

* Projected estimation

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
10. THE INCREASED ACCESS OF UZBEKISTAN'S POPULATION TO QUALITY EDUCATIONAL SERVICES							
10.1. Preschool Education							
10.1.1. The coverage of children by preschool educational institutions.	Ministry of Public Education	The level of the usage of existing capacities of preschools, as a percentage	78	79	80	83	85
		- In urban areas	82	84	86	90	92
		- In rural areas	71	72	73	74	76
		The coverage of children aged 1 to 6 by preschool institutions, as a percentage:	15.2	15.5	15.9	16.3	16.7
		- In urban areas	23.2	23.3	23.4	23.5	23.7
		- In rural areas	8.6	10.2	10.4	10.7	10.9
		The coverage of children aged 3 to 6 by preschool institutions, as a percentage:	20.2	22	23.0	25.5	28
		Including ages 5 to 6 (The number of children in preschools. as a percentage of the corresponding age groups)	20.8	20.9	18.1	17.0	16.4
10.2. General Secondary Education							
10.2.1. The increase in the quality of teaching and learning. while maintaining the overall coverage and completion of 9-year school by all students	Ministry of Public Education. CMRK. and the khokimiyats of regions and Tashkent City	The coverage of children aged 7 to 15 at primary and secondary schools. as a percentage of the total number children in the age group	96.8	96.8	96.8	97.0	97.2
		- Including girls	96.4	96.4	96.6	97.6	97.7
• The improvement of school textbooks. and the increase in school	Ministry of Public Education. CMRK.	The budget spending on textbooks. from (the textbooks' fund). in billions of Soums	25.7	20.3	50.6	91.6	46.1

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
student access to information resources, and the khokimiyats of regions and Tashkent City	and the khokimiyats of regions and Tashkent City	The number of schools with IT classrooms, as a percentage of all schools	76.7	77.8	79.0.	82	85
10.3. Special Secondary and Vocational Education							
10.3.1. The increased quality and professional orientation of education in line with labor market demands, and the creation of stable jobs and the achievement of the balance in the labor market.in order to reduce sector-based unemployment among the graduates of Academic Lyceums (AL) and Vocational Colleges (VC).	Ministry of Public Education, CMRK, and the khokimiyats of regions and Tashkent City	The share of VC graduates placed in jobs, as a percentage of the total number of VC graduates (including the ones admitted to higher education institutions)	92.6	90.7	92.0	93.1	94.0
10.4. Higher Education							
10.4.1. The creation of conditions for the quality training of specialists in new higher education institutions, through the construction of new facilities. The reconstruction and capital overhaul of existing teaching and laboratory buildings and dormitories, as well as the equipping of such facilities with modern technical means of teaching.in line with the Program of Developing the Infrastructure of Higher Education Institutions up to 2015.		Capital expenditures of the budget for higher education, as a percentage of total expenditures in billions of Soums	28.2	92.2	139.3	179.1	230.5

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
10.4.2. The implementation of the system of measures designed to optimize the directions and specialties of the training highly qualified professionals in 2011-2015. envisaging the gradual optimization of admission processes with consideration of the demand for field professionals in the regions and sectors of Uzbekistan's economy.	MHSSE, Ministry of Economy. CMRK. and the khokimiyats of regions and Tashkent City	The admission quotas for engineering and technical specialties. as a percentage	26.8	29.6	31.8	34.0	36.1
		The number of grants-based admissions for engineering and technical. scientific and natural-scientific specialties. as a percentage	34.6	36.7	39.2	42.4	45
		The admission quotas for regional higher education institutions. with consideration of the demand for professionals in local labor markets	60.0	60.4	61.2	62.3	64.0
11. ENHANCING THE POPULATION ACCESS TO MEDICAL SERVICES							
11.1. The Increased Accessibility of Free Medical Services and Key Medicine to Low-Income People. Children. the Elderly and the Disabled							
11.1.1. The Strengthening of Primary Healthcare							
• The establishment of rural medical units.	Ministry of Health. Ministry of Finance. CMRK. the khokimiyats of regions and Tashkent City. the mass media, and IFIs	The number of newly established rural medical units (RMUs)	4	28	75	102	0
• The equipping of urban family polyclinics with modern medical equipment.		The share of urban family polyclinics equipped with modern medical equipment in line with established standards. as a percentage	10	10	30	45	76
11.1.2. The Strengthening of the System of Emergency Medical Services							
• The re-equipping of the systems of emergency medical services with modern medical equipment and tools.	Ministry of Health. and Ministry of Finance	The spending of budget capital for re-equipping Uzbekistan's system of emergency medical services with modern medical equipment and tools. in billions of Soms	0.17	0.18	0.19	0.2	0.21

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
<ul style="list-style-type: none"> The improved provision of medicine for emergency medical services. 		The allocation of funds for improving the provision of medicine for emergency medical services. in billions of Soums	4.8	5.7	6.9	8.2	9.9
11.2. The Increasing of the Quality of Medical Services. and the Introduction of Renewed Standards of Diagnosis and Treatment into the Practices of Medical Institutions							
11.2.1. The modernization of district medical complexes through the compact allocation of its departments in one territory.	Ministry of Health, Ministry of Finance	The quantity of district medical complexes equipped with modern medical equipment. in line with current standards	15	25	50	80	100
11.2.2. The introduction of international standards of quality. and of diagnosis and treatment.		The share of district hospitals that use the standards of diagnosis and treatment. as a percentage	20	35	65	90	100
11.3. The Increased Medical Awareness in Families. and the Strengthening of Women's Health, Birth Procedures and the Upbringing of a Healthy Generation							
11.3.1. The Increased Efficiency of Activities Conducted to Strengthen the Reproductive Health of the Population, the Birth of Healthy Children, and the Formation of a Physically and Spiritually Well-Developed Generation							
<ul style="list-style-type: none"> The improvement of the system of strengthening the reproductive health of Uzbekistan's population, while establishing necessary conditions for the birth of healthy children. 	Ministry of Health. Institute of Health and Medical Statistics. Mahalla Fund. the 'Soglom Avlod Uchun' Fund. mass media. and IFIs	The infant mortality rate per 1000 live births	10.4	10.5	10.4	10.2	10.0
		The child mortality rate of children under five. (the number of children who have died before the age of five per thousand alive children of that age)	14.1	14.0	13.8	13.4	12.8
		The maternal mortality rate	23.1	20.2	Within the range of 21.0-19.0		

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
<ul style="list-style-type: none"> The strengthening of the infrastructure of maternity houses and the institutions of mother and child healthcare and primary healthcare based on the provision of medical services to mothers and children. 	Ministry of Health, Ministry of Finance	The share of child healthcare facilities and maternity houses equipped with modern medical equipment inline with established standards. as a percentage	In line with the State Investment Program				
<ul style="list-style-type: none"> The increased qualifications of healthcare personnel in the area of maternal and child healthcare, the improvement of medical services offered to mothers and children. 	Ministry of Health	The share of personnel in the area of material and child healthcare, educated/trained through development programs. as a percentage	10.0	15	32	50	65
<ul style="list-style-type: none"> The improvement of training curricula regarding maternal and child healthcare. 	Ministry of Health	The proportion of the revised and renewed curricula for training and retraining. in line with international standards	5	No less than 5 per cent	No less than 10 per cent	No less than 15 per cent	No less than 20 per cent
<ul style="list-style-type: none"> The development blood transfusion and hematology services. 	Ministry of Health	The share of donor blood tested for haemato-transmissible infections. as a percentage	100	100	100	100	100
		The share of blood donations, in thousands	140	160	175	190	200
11.4. The Prevention and Reduction of Socially-Significant Diseases							
11.4.1. The Prevention and Reduction of Tuberculosis							
<ul style="list-style-type: none"> The expansion of preventive activities for high-risk population groups by raising awareness and providing medical consultations. 	Ministry of Health, the mass media, Mahalla Fund, civil society, Department on the Management of Prisons (Ministry of Internal Affairs)	The coverage of the population by preventive measures:					
		- Photofluorographic examination, as a percentage of the target	70	75	80	85	90
		- Laboratory diagnosis (revealing bacillus tuberculosis)	40	45	50	60	70

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
<ul style="list-style-type: none"> The effective treatment of tuberculosis in line with the international recommendations established by WHO. 	Ministry of Health,	The effective treatment of the relevant contingent. as a percentage	70	81	82	84	85
<ul style="list-style-type: none"> The immunizing of no less than 95 per cent of Uzbekistan's population. in line with the National Calendar of Immunization. 	Ministry of Health Uzfarmsanoat, IFIs	The share of the people covered by immunization. as a percentage	95	95	95	95	95
<ul style="list-style-type: none"> The increased the social support provided to tuberculosis patients from poor families. 	Ministry of Health, MLSPP	The treatment of persons infected with tuberculosis with chemical prophylactic measures. as a percentage	90	No less than 90	No less than 90	No less than 90	No less than 90
<ul style="list-style-type: none"> The treatment of tuberculosis patients within the penitentiary system with standards chemotherapy methods 	Department on the Management of Prisons. Ministry of internal affairs, Ministry of Health	The treatment of tuberculosis patients within the penitentiary system. as a percentage	80	70	60	50	45
11.4.2. The Increased Operational Efficiency of Oncology Services							
<ul style="list-style-type: none"> The provision of modern medical equipment for oncology institutions. 	Ministry of Health	The share of oncology institutions equipped with modern medical equipment. in line with relevant standards. as a percentage	In line with the State Investment Program				
11.4.3. Stopping the Spread and Starting the Reduction in the Level of HIV/AIDS by 2015							
<ul style="list-style-type: none"> The reinforcing and increasing of the quality of prophylactic measures for preventing and treating AIDS. 	AIDS Center. and Center for State Sanitary and Epidemiologic Inspection	The coverage of population risk groups by prophylactic measures. as a percentage	45	No less than 50	No less than 65	No less than 75	No less than 80

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
<ul style="list-style-type: none"> implementation of preventive interventions among population groups with the highest HIV exposure risks. 	Ministry of Public Education, the MHSSE, Ministry of Health	The coverage of population risk groups by prophylactic measures, as a percentage	45	No less than 50	No less than 65	No less than 75	No less than 80
<ul style="list-style-type: none"> The education of youth regarding the basics of healthy lifestyles. 	Ministry of Health, IFIs, Global Fund	The youth attending <i>Healthy Lifestyle</i> classes held at educational institutions, as a percentage	60	No less than 70	No less than 80	No less than 85	No less than 95
<ul style="list-style-type: none"> The implementation of preventive measures for the prevention of HIV/AIDS transfer from mother to child. 	AIDS Center, Center for State Sanitary and Epidemiologic Inspection	The pregnant women tested for HIV/AIDS during the pregnancy period with further preventive measures taken, as a percentage	75	No less than 80	No less than 85	No less than 90	No less than 95
11.4.5. Endocrinology							
<ul style="list-style-type: none"> The provision of endocrinological institutions with modern medical equipment. 	Ministry of Health, Ministry of Finance	The provision of endocrinological institutions with modern medical equipment in line with relevant standards as a percentage	In line with the State Investment Program				
11.4.6. The Improvement of Sanitary and Epidemiological Welfare							
<ul style="list-style-type: none"> The reinforcement of the measures for preventing the importing and spreading of quarantined and dangerous diseases within the territory of Uzbekistan. 	State Customs Committee, Committee for State Border Defense of the NSS, Ministry of Health, and Ministry of agriculture and Water Resources	The provision of state border check-points with sanitary units, as a percentage	100	100	100	100	100

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
<ul style="list-style-type: none"> The improvement of the material and technical capacities of existing laboratories within the national system of sanitary and epidemiological services, and the building of new laboratories. 	Ministry of Finance. CMRK, the khokimiyats of regions and Tashkent City, Ministry of Health, international projects and programs	The construction of new laboratories, reconstruction and repair of existing ones, as a percentage	10	10	20	30	40
		The provision of modern equipment and tools in line with the approved list, as a percentage	10	10	20	30	40
The centralized supply of bacterial, viral agents and reagents for all types of analysis.	Ministry of Finance. Ministry of Health, and international projects and programs	Meeting the demand for bacterial and viral agents and reagents for all types of analysis, as a percentage	50	50	60	70	75
The improvement of monitoring systems for sanitary and epidemiological welfare.	State Nature Protection Committee, Ministry of Health, Ministry of Agriculture and Water Resources, and khokimiyats	The percentage of sanitary conditions monitored	20	30	50	75	100
	Ministry of Health	The monitoring of infectious morbidity	100	100	100	100	100

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
12. SOCIAL PROTECTION OF POPULATION							
12.1. Improvement of the Pension System of the Republic of Uzbekistan							
12.1.1. The development of an accumulative system of pension provision.	MLSPP. Ministry of Finance, People's Bank	The number of participants of the accumulative system of pension provision.,in thousands	6468.6	7082.9	7700	8650	9300
12.2. Improvement of the Welfare of People Living with Disabilities							
12.2.1 The provision of means for the technical rehabilitation of people living with disabilities.	MLSPP	The level of covering the demand for technical means of rehabilitation, in percentage of the total demand					
		Wheelchairs	85	100	100	100	100
		Prosthetics and orthopedic devices	95	100	100	100	100
		Others	80-90	90-95	100	100	100
12.2.2. The increased level of rehabilitation for people living with disabilities, and their increased abilities to work.	MLSPP	The reduction of the dynamics of disability growth	By 5 percentage points annually.				
12.2.3. The creation of jobs, adjusted for the needs of people living with disabilities.	MLSPP	The job placement of people living with disabilities based on the provided quotas, in thousands	16.0	17.0	18.0	19.0	23.0
12.2.4. The inclusion of children with disabilities into educational programs.	Ministry of Public Education	The coverage of children living with disabilities by age-appropriate educational programs, as a percentage	95	100	100	100	100
12.2.5. The strengthening of insurance principles for the compensation of damage caused by work injuries and profession-related illnesses.	MLSPP, Ministry of Finance	The share of employers involved in the corresponding insurance fund, as a percentage	100	100	100	100	100

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
12.3. The Enhanced Social Protection of the Unemployed							
12.3.1. The increased number of job-placements for unemployed individuals registered at job-placement agencies.	MLSPP	The share of the job-placements in the total number applicants, as a percentage	85	85	85	85	90
		- Including women	41.5	41.6	41.7	41.8	44.1
12.3.2. The expansion of paid public works.	MLSPP, CMRK, the khokimiyats of regions and Tashkent City	The share of the unemployed population involved in paid public works, as a percentage	15	18	21	25	25
12.3.3. The increased efficiency of the professional training and retraining of the unemployed.	MLSPP, and CSSPE	The share of the employed among the total number of training-course graduates	93	95	98	100	100
13. POPULATION ACCESS TO HOUSING AND UTILITY SERVICES							
13.1. Population Access to Housing							
13.1.1. The enhanced access of families, especially young families, to personal housing, while improving the quality of housing.	CMRK, regional khokimiyats, Ministry of Finance, Ministry of Economy	Availability of housing, per capita, in square meters	15.2	15.1	15.4	15.7	16.0
		- In rural areas	14.5	14.8	15.0	15.2	15.4
13.2. The Increased Population Access to Communal Utilities, and Improvement of their Quality							
13.2.1. The improved provision of Uzbekistan's population with a quality drinking water	CMRK, regional khokimiyats, Ministry of Finance, Ministry of	The launch of the water-supply pipelines, in km	2 643.2	2 577.7	2 600.0	2650.5	2 700.5

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value					
			2011 (Actual)	2012*	2013	2014	2015	
	Economy							
13.2.2. The improved provision of Uzbekistan's population with a water supply	CMRK, regional khokimiyats, Ministry of Finance, Ministry of Economy	Population access to water-supply network, as a percentage	82.6	82.9	83.1	83.4	83.7	
		- In rural areas	75.8	76.1	76.2	76.3	76.6	
13.2.3. The improved system of metering water, gas, and heating, and the encouragement of appropriate consumption.	CMRK, khokimiyats of regions and Tashkent City, 'Uzkommunhizmat', Ministry of Finance, Ministry of Economy, MFERIT	The provision of housing fund with meters of (as a percentage):						
		- Gas	100	100	100	100	100	
		- Cold water	70.0	75.0	80.0	83.0	92.0	
		- Hot water	60.0	64.0	73.0	82.0	89.0	
14. ECOLOGY								
14.1. The Improvement of Measures on the Mitigation of and Adaptation to Climate Change								
14.1.1. The stabilization of the concentration of greenhouse gases in the atmosphere at the level that does not lead to a dangerous anthropogenic impact on the earth's climate system, in a time period that is long enough for the natural adaptation of the ecosystem to the climate change								
• The full reduction in the usage of ozone destructing substances by 2030.	Ministry of Economy, Ministry of Finance, and economic entities	Consumption of ozone-destructing substances, in tons	1.8	1.7	1.6	1.5	1.4	
		Carbon emissions per capita, in tons	4.0	4.0	3.9	3.9	3.9	
		The total emission of the acidifying pollutants SO ₂ +NO _x , from stationary and mobile sources, in thousands of tons	409	380	360	340	331	

Priority development areas and key activities	Responsible implementer	Indicators	Indicator value				
			2011 (Actual)	2012*	2013	2014	2015
14.2. The Improvement of Measures for Combating Desertification							
14.2.1. The increased efficiency of measures undertaken to restore, maintain, sustain and effectively use land and water resources							
<ul style="list-style-type: none"> The share of lands returned to agricultural use. 	Ministry of Agriculture and Water Management, 'Goskomgeodezkadastr', State Nature Protection Committee, Ministry of Economy, Ministry of Finance	The salinity rate of the irrigated land	62	62	62	61	61
		The quality of the irrigated agricultural land, soil capacity score (bonitet score)	55	55	58	59	59
14.3. The Improvement of Measures to Maintain Biodiversity							
14.3.1. The increase of the share of the total area of Uzbekistan's special conservation territories for maintaining biodiversity of the environment by 10 per cent, by 2015.	State Nature Protection Committee, CMRK, khokimiyats of regions and Tashkent City, Ministry of Economy, Ministry of Finance, Ministry of Agriculture and Water Management	Protected natural reservations, in thousands of hectares	32000	36000	39000	41500	44890

ANNEX 3. The Need for Investments for the Implementation of Projects in the Social Sector, with the Participation of Foreign Investments and Loans, in millions USD

#	Initiator and/or Project name	Donor	Total investments	Including			Status of allocated investments as of the 1 st of January, 2012	
				Through the budget	Through non-budgetary funds	The need for foreign financing	Disbursed	To be disbursed
	TOTAL:		4,258.91	359.27	7.88	3,891.76	523.43	3,368.33
	I. The housing and utility services sector	2,750.8	1,271	21.05	-	1,249.54	79.21	1,170.33
	Ongoing projects and projects being developed:		499.39	21.05	-	478.34	79.21	399.13
1	The reconstruction of cleaning facilities and sewage systems in the cities of Bukhara and Samarkand	The International Development Association (IDA)	56.00	1.00		55.00	12.41	42.59
2	The cardinal improvement of water supplies in the Ferghana and Margilan Cities, and the areas adjacent to water passages	The Government of the of the People's Republic of China (PRC)	48.25	3.28		44.97	7.01	37.96
3	Water supply and sanitation in the rural areas of the Kaskhadarya and Navoi regions	ADB	29.59	4.59		25.00	25.00	0.00

4	Water supply and sanitation in the rural areas of the Surkhandarya region	ADB	32.73	2.73		30.00	15.10	14.90
5	The modernization of the inter-regional Damkhodji water supply system with the provision of a water supply from it to the Navoi and Bukhara regions' district centers. The reconstruction of the Termez City sewage system	ADB	63.05	3.05		60.00	9.40	50.60
6	The reconstruction of the system of water supply and sewage in the Kokand and Andijan regions, and the reconstruction of the water supply systems of the Ferghana and Margilan regions, as well as the Rishtan district center (Tranche II).	ADB	146.40	6.4		140.00	10.26	129.74
7	The improvement of the sewage system of Tashkent City	The Islamic Development Bank (IsDB)	35.37			35.37	0.03	35.34
8	The improvement of water supplies to the district centers of Bayavut, Khavat, Mirzaabad, Sardaba, and to the Akaltin districts of Syrdarya region.	IDA	88.00*			88.00		88.00
	Projects with no identified sources of financing *		771.20	-	-	771.20	-	771.20
9	The improvement of drinking water supplies to the Zarkent, Khodikent, Iskovot, Bulokboshi, Buston, and Yoshlik townships of the Namangan region, Boysun City in the Surkhandarya region, and Kushrabad district in the Samarkand region	Under discussion with EDCF (South Korea)	82.00			82.00		82.00

10	The construction of the 'Tuyabuguz-Bekabad' inter-regional water supply system	Under discussion with the Government of the PRC	79.80			79.80		79.80
11	The reconstruction and expansion of the sewage cleaning facilities in Chirchik City, with consideration of the development of water supply and sewage systems within the Chimgan-Charvak recreation zone	Under discussion with IsDB	77.30			77.30		77.30
12	The reconstruction of water-intake facilities for the water supply of the rural populations in Chinaz, Zangiata, and parts of the Yangiyul districts of Tashkent region	Under discussion with ADB	36.90			36.90		36.90
13	The expansion of the sewage-cleaning facilities of Namangan City	Under discussion with ADB	25.00			25.00		25.00
14	The improvement of drinking water provision to the Namangan City center	Under discussion with ADB	13.50			13.50		13.50
15	The establishment of a water supply to the Jizzakh region from the Zarafshan river	Under discussion with IDA	142.00			142.00		142.00
16	The construction of the 'Kungrad-Muynak' water passage		14.60			14.60		14.60
17	The establishment of a second line of the water passage from the 'Kaparas' water pumping station to switching cameras		15.90			15.90		15.90

18	The reconstruction of sewage-cleaning facilities at Karshi City, including post-treatment and the processing of sediments (The tranche II program on water supply and sanitation, Phase II)	Under discussion with ADB	30.00			30.00		30.00
19	The reconstruction of the sewage system of Gulistan City of Syrdarya region, and Kibray and Zangiata districts of Tashkent region (The tranche II program on water supply and sanitation, Phase II)	Under discussion with ADB	40.00			40.00		40.00
20	The reconstruction of the sewage systems of the district centers and villages of Kibray and Zangiata districts of Tashkent region	Under discussion with ADB	25.00			25.00		25.00
21	The reconstruction of the sewage systems of Ferghana and Margialan cities	Under discussion with ADB	60.00			60.00		60.00
22	The reconstruction of the sewage systems and cleaning facilities of Jizzakh city	Under discussion with ADB	31.20			31.20		31.20
23	The reconstruction and development of the sewage systems of Nukus and Takhyatash cities	Under discussion with IDA	38.00			38.00		38.00
24	The reconstruction and enhancement of the sewage systems of Urgench, Khiva, and Pitnak cities	Under discussion with the Government of the PRC	60.00			60.00		60.00
II. Hydro-economic construction			2,223.02	174.76	7.88	2040.38	258.36	1,782.02

	Ongoing projects and projects being developed:		673.53	104.77	7.88	560.89	258.36	302.53
25	The drainage project of Uzbekistan. The project for the withdrawal of drainage from South Karakalpakstan	International Bank for Reconstruction and Development (IBRD). and IDA	74.55	14.55		60.00	53.89	6.11
26	The rehabilitation of the 'Kuyu-Mazar' pumping station in the Bukhara region	Organization of the Petroleum Exporting Countries (OPEC) Fund	18.48	6.48		12.00	12.00	0.00
27	The construction of the 'Alat osnovnaya' pumping station and the rehabilitation of 'Alat vspomogatelnaya' in the Bukhara region	The Saudi Fund for Development (SFD)	20.79	8.79		12.00	4.06	7.94
28	The restoration of the irrigation networks and drainage systems of the Jizzakh and Syrdarya regions	IsDB, the Kuwait Fund for Arab Economic Development (KFAED). and the OPEC Fund	94.33	5.46	7.88	81.00	29.09	51.91
29	The rehabilitation of the machine channel systems of Amu-Zang	ADB	110.10	36.90		73.20	56.01	17.19
30	The management of water resources in the Ferghana and Zarafshan valleys	ADB	100.33	0.33		100.00	18.40	81.60
31	The management of water resources in the Ferghana valley, Phase I	IDA	81.85	16.31		65.54	16.53	49.01
33	The support of agrarian enterprises, Phase II	IDA	76.90	9.00		67.90	39.52	28.38

34	The improvement of the ameliorative conditions of lands in Bukhara, Navoi, and Kashkadarya regions	ADB	63.80	3.60		60.20	21.45	38.75
35	The procurement of pumping equipment for the reconstruction of the 'Karakul' pumping station in the Bukhara region	The Government of the PRC	7.30			7.30	7.32	-0.02
36	The reconstruction of the 'Navoi' and 'Uchkuduk' pumping stations in the Navoi region	The Government of France	25.10	3.35		21.75	0.09	21.66
	Projects with no identified sources of financing*		1,549.49	69.99	-	1,479.49	-	1,479.49
37	The construction of the Ayakchi mud-flow reservoir of the Ayakchi river of the Kashkadarya region	not identified	32.20			32.20		32.20
38	The construction of the 'Dustlik 1-2-3' pumping station in the Kashkadarya region	Under discussion with the Government of the PRC	25.00			25.00		25.00
39	The construction of the 'Kizil-Ravat-2' pumping station to improve water supply to land under the pumping stations of the Namangan region	Under discussion with ADB	14.70			14.70		14.70
40	The rehabilitation of arterial collectors in the Khorezm region	Under discussion with ADB	150.00			150.00		150.00

41	The rehabilitation of the arterial (irrigational) channels of the Tashsakin system of Khorezm region	Under discussion with IsDB	118.08	28.14		89.94		89.94
42	The management of water resources in the Ferghana valley, Phase II	Under discussion with the World Bank	100.00			100.00		100.00
43	The rehabilitation of the 'Kiziltepa' pumping station in the Navoi region	Under discussion with ADB	82.10			82.10		82.10
44	The rehabilitation of 'Health-2' in the Bukhara region	Under discussion with ADB	78.40			78.40		78.40
45	The rehabilitation of 'Health-1' of the Amu-Bukhara irrigation system	Under discussion with ADB	70.00			70.00		70.00
46	The improvement of water resources' management in the Surkhandarya region (including the reconstruction of the Khazarbag-Akkapchitay system of channels)	Under discussion with IsDB	70.00			70.00		70.00
47	The rehabilitation of the 'Kuyu-mazar-osnovnaya' pumping station in the Amu-Bukhara irrigation system	Under discussion with ADB	65.00			65.00		65.00
48	The improvement of the ameliorative condition of lands in the Andijan, Namangan and Ferghana regions (with the procurement of excavators and bulldozers from China)	Under discussion	10.64	0.73		9.91		9.91

49	The reconstruction of the 'Raish-Khakent-2' pumping station in the Andijan region	Under discussion with the Government of the PRC	6.07	3.57		2.50		2.50
50	The reconstruction of the 'Kenimeh-1' pumping station in the Navoi region	Under discussion with the Government of the PRC	14.43	10.99		3.44		3.44
51	The reconstruction of the 'Kukumbay' pumping station in the Namangan region	Under discussion with the Government of the PRC	6.82	4.60		2.22		2.22
52	The reconstruction of the 'Dangara' pumping station in the Ferghana region	Under discussion with ADB	10.10			10.10		10.10
53	The reconstruction of the 'Abdusamat-1' pumping station in the Ferghana region	Under discussion with ADB	9.60			9.60		9.60
54	The reconstruction of the 'Kasaba' pumping station in the Navoi region	Under discussion with the Government of the PRC	8.84	6.44		2.40		2.40
55	The reconstruction of the 'Asaka-adir' pumping station in the Andijan region	Under discussion with the Government of the PRC	5.06	2.69		2.38		2.38

56	The reconstruction of the ‘Galaba-1’ pumping station in the Namangan region	Under discussion through the funds of ADB and IBRR. within the framework of the Ferghana valley water resources management project – Phase II	4.80			4.80		4.80
57	The reconstruction of the ‘Bulokboshi’ pumping station in the Namangan region	Under discussion with ADB	14.00			14.00		14.00
58	The reconstruction of the ‘Saydiev-II’ pumping station in the Samarkand region	Under discussion with the Government of the PRC	3.00			3.00		3.00
59	The reconstruction of the ‘Saydiev-I’ pumping station in the Samarkand region	Under discussion with the Government of People’s Republic of China	0.58	0.32		0.26		0.26
60	The procurement of suction dredges for cleaning the riverbed of the Amudarya river and canals for improving water supply to project fields	Under discussion with the Government of the PRC	28.47	12.52		15.94		15.94
61	The improvement of the irrigational-ameliorative condition of lands in the Samarkand region	Under discussion with IsDB	18.10			18.10		18.10

62	The provision of basin departments of irrigation systems with excavators and bulldozers for cleaning canals and collectors	Under discussion with the Government of the PRC	14.70			14.70		14.70
63	The management of water resources in South Karakalpakstan	Under discussion with IDA	100.00			100.00		100.00
64	The rehabilitation of the Karshi cascade of pumping stations, Phase III	Under discussion with IDA	126.00			126.00		126.00
65	The rehabilitation of 16 pumping stations in the Andijan region	Under discussion with the Arab Coordination Group (ACG)	38.70			38.70		38.70
66	The rehabilitation of 4 pumping stations in the Bukhara region	Under discussion with ACG	24.60			24.60		24.60
67	The rehabilitation of 7 pumping stations in the Jizzakh region	Under discussion with ACG	13.80			13.80		13.80
68	The rehabilitation of 10 pumping stations in the Kashkadarya region	Under discussion with ACG	36.40			36.40		36.40

69	The rehabilitation of 5 pumping stations in the Navoi region	Under discussion with ACG	25.20			25.20		25.20
70	The rehabilitation of 24 pumping stations in the Namangan region	Under discussion with ACG	51.60			51.60		51.60
71	The rehabilitation of 15 pumping stations in the Samarkand region	Under discussion with ACG	33.30			33.30		33.30
72	The rehabilitation of 2 pumping stations in the Syrdarya region	Under discussion with ACG	31.70			31.70		31.70
73	The rehabilitation of 19 pumping stations in the Surkhandarya region	Under discussion with ACG	51.00			51.00		51.00
74	The rehabilitation of 19 pumping stations in the Tashkent region	Under discussion with ACG	20.30			20.30		20.30
75	The rehabilitation of 12 pumping stations in the Ferghana region	Under discussion with ACG	18.10			18.10		18.10

76	The improvement of the irrigational-ameliorative condition of lands in the Samarkand region, including thereconstruction of the ‘Pai’ and ‘Yangi-Dargom’ canals	Under discussion with IsDB	18.10			18.10		18.10
III. Education (General education and Secondary Special education)			231.69	43.66	-	188.03	102.08	85.95
Ongoing projects and projects being developed:			206.69	43.66	-	163.03	102.08	60.95
77	The promotion of the development of vocational education in the area of construction and housing-utility services	The Government of Germany. andthe ‘KfW’ German Development Bank	11.79	2.19		9.60	9.59	0.01
78	The construction and equipping of five vocational colleges	IsDB	12.57	2.07		10.50	7.13	3.37
79	The development of secondary special and vocational education	EDCF (South Korea)	28.25	1.25		27.00	12.50	14.50
81	School education development, Phase II	IDA	29.60	1.60		28.00	7.19	20.81
82	The construction and equipping of general education schools	The OPEC Fund and SFR	29.93	8.93		21.00	21.16	-0.16
83	The informatization of the general education schools of the Republic of Uzbekistan	Economic Development Cooperation Fund (EDCF) South Korea	42.90	12.90		30.00	22.49	7.51

84	The introduction of ICT in general education schools	ADB	38.19	13.0		25.19	21.84	3.35
85	The construction and equipping of general education schools of the Republic of Uzbekistan, Phase II	IsDB	13.47	1.73		11.74	0.18	11.56
	Projects with no identified sources of financing*		25.00	-	-	25.00	-	25.00
	The further development of ICT in school education	Under discussion with the Eximbank of South Korea	25.00			25.00		25.00
IV. Healthcare			533.61	119.80	-	413.81	83.78	330.03
	Ongoing projects and projects being developed:		393.21	119.80	-	273.41	83.78	189.63
86	Health-2	IDA	118.10	78.1		40.00	40.00	0.00
87	The reconstruction of and the equipping of the department of cardiac surgery at the 'V.Vakhidov' Republican Specialized Center of Surgery	KFAED	18.59	5.63		12.96	5.55	7.41
88	The equipping of the department of cardiac surgery of the 'V. Vakhidov' Republican Specialized Center of Surgery	EDCF	14.47	4.47		10.00	0.15	9.85

89	The improvement of the health of women and children	ADB	68.20	30.0		38.20	38.08	0.12
90	Health-3	IDA	93.00*			93.00		93.00
91	The equipping of regional multi-purpose children's medical centers	The 'KfW' German Development Bank	6.71	0.26		6.45		6.45
92	The equipping of the Syrdarya region multi-purpose medical center with modern medical equipment	The 'KfW' German Development Bank	5.12*	1.22		3.90		3.90
93	The equipping of the Republican Specialized Center of Cardiology	The 'KfW' German Development Bank	4.02	0.12		3.90		3.90
94	The equipping of the Oncology service of the Republic of Uzbekistan with radio therapeutic equipment	The 'KfW' German Development Bank	35.00			35.00		35.00
95	The equipping of regional multi-purpose medical centers with modern medical equipment	The 'KfW' German Development Bank	30.00			30.00		30.00
	Projects with no sources of financing identified *		140.40	-	-	140.40	-	140.40
96	The equipping of regional centers for medical diagnosis, and district medical complexes, with modern medical equipment	Under discussion with Eximbank (South Korea)	40.00			40.00		40.00

97	The equipping of regional multi-purpose medical centers with modern medical equipment, Stage II	Under discussion with the Government of Germany, and the 'KfW' German Development Bank	30.00			30.00		30.00
98	The equipping of republican specialized and specialized scientific-practical centers with modern medical equipment		17.40			17.40		17.40
99	The equipping of the centers of the State Epidemiology Inspection with laboratory equipment		30.00			30.00		30.00
100	The equipping of the clinics of medical universities and the Republican clinic hospitals		23.00			23.00		23.00

* final project amount, amount of investments and sources of financing to be justified, based on the results of the project technical and economic documentations and tenders.

