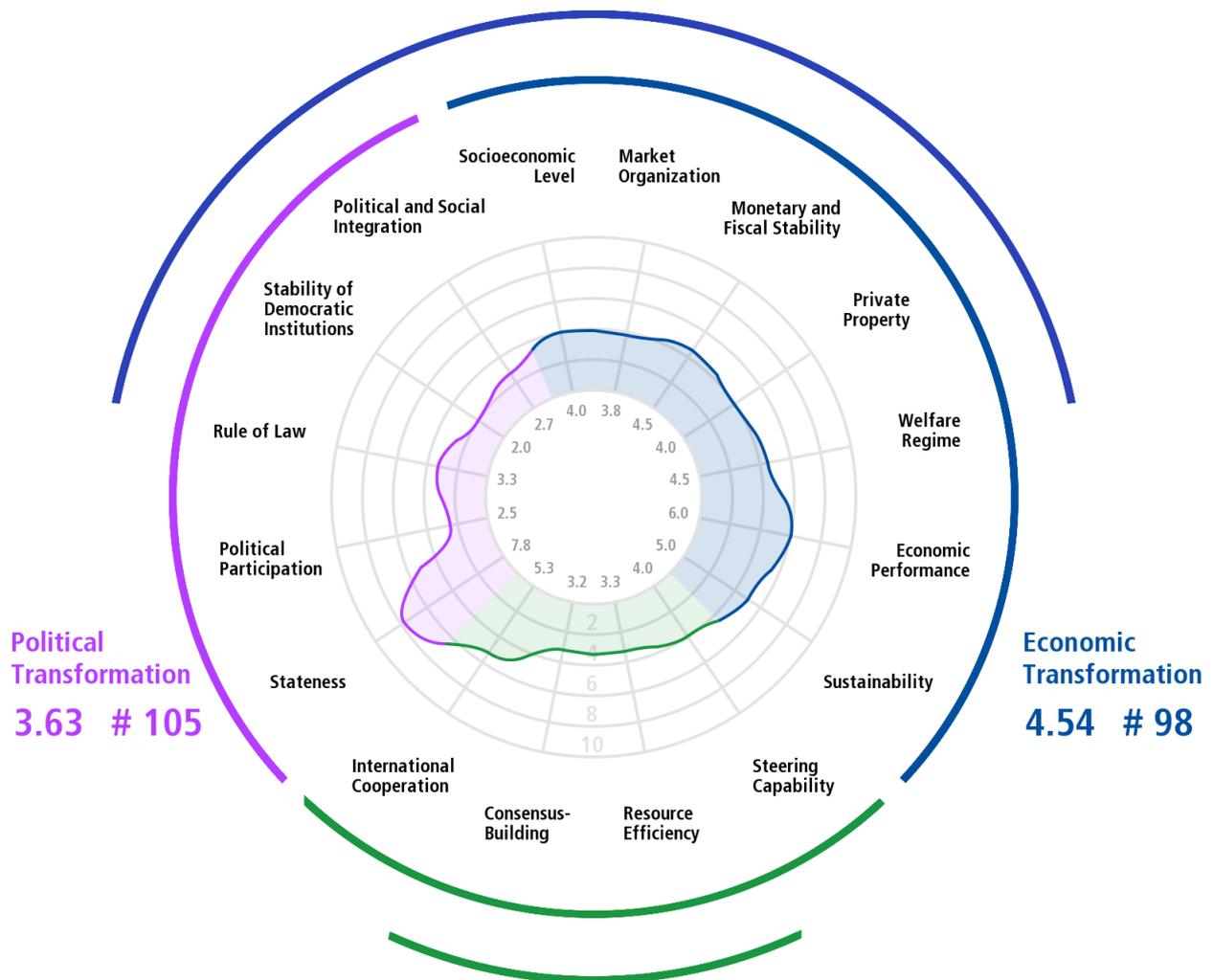


Uzbekistan

Status Index

4.08 # 107

on 1-10 scale out of 137



Political Transformation
3.63 # 105

Economic Transformation
4.54 # 98

Governance Index

3.58 # 108

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	33.0	HDI	0.710	GDP p.c., PPP \$	7020
Pop. growth ¹	% p.a.	1.7	HDI rank of 189	108	Gini Index	35.3
Life expectancy	years	71.4	UN Education Index	0.718	Poverty ³	% 86.4
Urban population	%	50.5	Gender inequality ²	0.303	Aid per capita \$	19.7

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The 2017 to 2018 period in Uzbekistan gave rise to a feeling of relief among the population. With the death of the first president of Uzbekistan, Islam Karimov, in September 2016 and the election of Shavkat Mirziyoyev as new president in December 2016, the so-called post-Soviet transition period had come to an end. The new president managed to create a new image as the leader of the country and as a reformer. His reformist activities are comprehensive and embrace almost all spheres of the country's life – the economy, culture, education, justice, security, human rights, civil society, religion, salaries, taxes, infrastructure and foreign policy. The only sphere that remains mostly apart is the political system, although some initial modest steps have been taken.

The country's current experience – a new second stage of its post-Soviet development – can be described as “Uzbekistan 2.0.” There has been a transition from the old power regime to a new one and from one type of state-society relations to another one (the shape of which, however, is not yet clearly defined). Mirziyoyev initiated a policy of “reaching out to the people” and “reaching out to the neighbors.”

From January 2017 to January 2019, a large number of laws and presidential decrees were adopted, which have the potential to create a breakthrough in domestic and foreign policy. One of the main documents that sheds light on the strategic direction of the near future is undoubtedly the “Action strategy on five priority areas of development of the Republic of Uzbekistan in 2017 to 2021,” which was adopted in February 2017. It addresses the following five priority areas: improving the system of state and public construction; ensuring the rule of law and further reforms of the legal system; economic development and liberalization; social development; ensuring security, interethnic cohesion and religious tolerance; and implementing a balanced, mutually beneficial and constructive foreign policy.

From the very beginning of his presidency, Mirziyoyev defined the Central Asia region as a priority of Uzbekistan's foreign policy. From 2017 onwards, he visited all neighboring countries

and initiated an unprecedented revitalization of regionwide cooperation – from mitigating tensions with some neighboring states to relaunching regional summits of leaders of Central Asian states, which were frozen more than a decade ago. Uzbekistan therefore became a center of gravity in Central Asia to some extent during the period under review.

History and Characteristics of Transformation

More than a quarter of a century has passed since Uzbekistan gained its independence in 1991. This period of independent development can be divided into two stages: the transition period and the post-transition stage. The first stage is connected with President Islam Karimov; the second stage is associated with the reforms of President Shavkat Mirziyoyev. The first period was really a transition, and that was the time when the Soviet-made state institutions were dismantled and the foundation of the new statehood and its institutions were created. Karimov's rule had been driven by his five key principles: 1) the total de-ideologization of the economy; 2) preserving the state's role as the main reformer during the transition; 3) the primacy of the law in all aspects of life; 4) a sound social policy; and 5) an evolutionary transition to a market economy without “revolutionary changes,” “shock therapy” or any deterioration in the living standards of the people. However, all these ideas and the slogans concerning reforms and the transformation of Uzbekistan from a Soviet-type authoritarian country to an allegedly modern democracy were just paperwork with no traces in reality.

The second stage began with Mirziyoyev's ascent to power. The incumbent still gives new hope for innovations, more freedoms, more justice, more opportunities and many more “mores.” The people are awarded with more benefits. How far the president is ready to go with these “more good things” remains to be seen. But the more positive results his reforms yield, the more transformation they will require of the political system.

In all likelihood, Mirziyoyev is genuinely concerned about changing the autocratic character of the political system in Uzbekistan. He looks likely to rewrite the “social contract” and reorganize and re-consolidate “organized officialdom” in a very conservative and absenteeist environment. His May 4, 2018 decree for the first time created legal and political conditions for a meaningful emergence of civil society.

The first law that the new president signed after being elected was the law “On Fighting Corruption.” In the wake of such a vigorous first political gesture, a number of corruption cases have been revealed, and corrupt officials have been punished. At the same time, these criminal cases revealed the vast scope of corruption that has pervaded the state and society.

Karimov's regime in Uzbekistan had two main features: it was highly autocratic and it was the embodiment of Soviet political culture. Paradoxically, whereas Karimov constantly reiterated the irreversibility of independence, portraying the Soviet past as a murky totalitarian period and asserting that there should be no nostalgia for the Soviet Union, he at the same time did little to eradicate the customary Soviet style and tradition of governing the country.

The nation that Karimov ruled for a quarter of a century has also remained predominantly Soviet, with its deeply rooted paternalist mentality and wallowing in an ideological shadow. The personality cult around the head of the nation, backed by an omnipotent state machine, nurtured and assured the obedience and loyalty of Uzbekistan's citizens.

Mirziyoyev gives the impression of having found a formula to smoothly reboot Karimov's regime: he neither preserves the pillars of the previous system in full nor does he build a fundamentally new system. He is not intent on speeding up democratization, nor can he freeze the Karimov-made status quo. On the one hand, he seems to perpetuate Karimov's memory by naming streets and Tashkent airport after the former president, and erecting a monument for him; but, on the other hand, Mirziyoyev seems to only pay tribute to his predecessor while going his own way.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In principle, the state's monopoly on the use of force is established nationwide. In practice, until recently it has not been the Weberian state that possesses this monopoly. During President Karimov's ruling period, law enforcement agencies and so-called power ministries degenerated, becoming economic enterprises holding the monopoly on the use of force. One of the specific features of Uzbekistan's monopoly on the use of force is that the state has always demonstrated its readiness to quell any riot or tendency toward social instability. Law enforcement agencies have always been ready to prevent possible disturbances and suspicious activities. This monopoly on the use of force, albeit normal in principle, has often led to the abuse of force by those who are authorized to use it.

President Mirziyoyev launched an administrative reform which, among other things, targets law enforcement agencies. In January 2018, he severely criticized the National Security Service (NSS) – a formidable and repressive force that used to interfere in all spheres of life – and blamed the agency for abuse of power. Within two months, the NSS was renamed the State Security Service (SSS) and moved to new headquarters. In April 2018, a special law “On SSS” was adopted. Meanwhile, a new institution was also created – the National Guard, which will be responsible for maintaining order and public security.

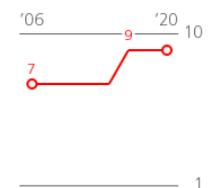
Formal citizenship and state identity are one thing, but how citizens identify with the state in their lives is another. On one hand, there is no discrimination on the basis of nationality, gender, race, religion, language and so on regarding the provision of citizenship. On the other hand, identity as a matter of allegiance to the state by people at the bottom of society is a more complicated issue.

The self-identification of some groups of citizens is a subtle issue, which differs to a certain degree from state identity. However, even under the more liberal conditions of today's Uzbekistan, it is not easy to distinguish between the two. There is no open

Question
Score

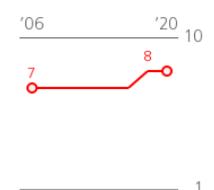
Monopoly on the
use of force

9



State identity

8



debate on issues such as citizenship and state identity. Political and social groups do not make critical statements on these issues. With regard to the relationship of non-Uzbek ethnicities to the state of Uzbekistan and vice versa, the continuing emigration of ethnic Russians suggests a weak identification with the nation-state. Even among Uzbek labor migrants, there are multiple cases when they applied for Russian citizenship. On the other hand, the new policy of promoting a “good neighborhood” in Central Asia, which has led to positive changes in the living conditions of Tajiks and Kyrgyz in Uzbekistan, may also have improved their relationship with the state of Uzbekistan.

The country has been independent and has built a new national and state identity for more than a quarter of a century. However, local ties, clan and regional allegiances, and nepotism, particularly among ethnic Uzbeks, still manifest themselves as archaic and conservative subnational and sub-state identities that are deemed a serious challenge to the national cohesiveness of the population in Uzbekistan and to the state. At the same time, providing Uzbekistan’s citizenship is another way to improve the state’s authority and stateness. Uzbekistan’s citizenship was provided to more than 1,100 people who applied for it in 2018 alone. Cases of depriving people from citizenship have not come to light.

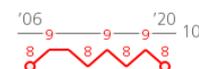
Formally, the state is secular. Religious dogmas have no noteworthy influence on the legal order or political institutions. All religious institutions and congregations in the country are strictly controlled by the state, which forbids the influence of religious dogmas and norms on not only state institutions, but even on society, unless these dogmas and norms are sanctioned by the state. The state has employed the dogmas of the main denomination (Hanafi Islam) for its own reasons, primarily to legitimize the authoritarian policies of the first president in fighting against Islamism and secondarily for its nation-building project.

At the same time, the state and the old as well as the new president show due respect for Islam and Muslim culture, which can be considered as a very specific form of “interference” of religion in state affairs – interference organized and controlled by the state itself as a means of adjusting its secular policy in accordance with the Islamic identity of the majority of the population. On the other hand, signs of Islamic life not sanctioned by the state are strictly persecuted.

Under President Mirziyoyev, there has been no fundamental change in the relationship with Islam, but there are the first signs that the government will use more relaxed means to combat the spread of Islamism (keyword: religious education). In April 2018, an International Islamic Academy was created in accordance with a presidential decree, on the grounds of the Islamic University. The Scientific School of Hadis was also opened with the goal of improving religious-enlightenment activities in Uzbekistan. In December 2017, the United Nations General Assembly

No interference of religious dogmas

8



adopted special resolution 2396 “Enlightenment and Religious Tolerance,” which was initiated by Uzbekistan.

Christian (Russian Orthodox, Protestant and Catholic) and Jewish communities exist legally and can practice their faith. All other religious groups and missionaries are banned and suppressed.

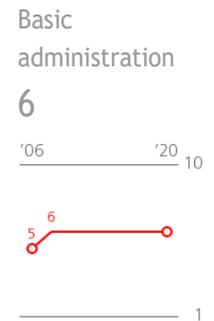
The administrative structures of the state provide most basic public services throughout the country, but their operation is to some extent deficient. State administration (as a set of bodies and institutions organized in a hierarchical way throughout the country) has the capacity to deliver services, but rampant corruption, mismanagement, lack of qualified personnel and limited financial resources cause public frustration often and in many parts of the country.

The new president has pointed out the problem, and launched a number of reforms and initiatives, but their implementation has so far often been met with incomprehension and/or has failed due to local inertia. For instance, every time he visits provinces for inspection, he expresses strong criticism toward local organs of the executive for their neglect; at the same time, he refers to the lack of public control of these organs. As a result, local leaders and management personnel are replaced, but in most cases, nothing really changes.

For that reason, a new personnel policy has been elaborated. In his address to parliament in December 2018, Mirziyoyev emphasized the need to improve the functioning of executive power and continue administrative reform as well as apply modern methods of state management, especially with regard to “smart government.” He also pointed out the lack of qualified and professional personnel as well as the need to develop new mechanisms of recruitment and attract young people who studied abroad. There are therefore plans to create the new Agency of Operational State Services. A concept for administrative reforms has also been adopted.

More than 9 million people in Uzbekistan (28% of the population) do not have access to a water supply. In order to improve public utility services, the government is modernizing water supply and sewage systems throughout the country using funds from the national budget and foreign investments. For instance, in April 2018, the Asian Development Bank launched the \$175 million “Water Supply and Sanitation Services Investment Program” in Uzbekistan.

Access to medical services has also been improved to some extent. Currently, there are 73 medical personnel, 35 hospital beds and 17 doctors for every 10,000 people. There are 558 hospitals in the country. Throughout 2017 and 2018, a number of government decisions were adopted to improve the country’s medical system, including neurosurgery facilities and laboratory diagnosis procedures, and by creating private medical facilities and pharmacies.



2 | Political Participation

The electoral system in Uzbekistan is quite sophisticated. At first glance, multiparty general elections are held, conducted properly and accepted as the way to fill political posts. The constitution and corresponding election legislation provide for universal and equal suffrage in free, fair and periodic elections conducted by secret ballot.

However, election legislation and procedures need thorough reforms. The election legislation does not allow independent candidates to be nominated to the parliament and to the presidency – only parties can nominate candidates (from their memberships). In reality, there have never been free and fair elections since 1991. As candidates are effectively pre-selected, candidacies are not subject to equal opportunities. Even the election of the new president in December 2016 did not meet the standards of free and fair elections. The parties entitled to participate in elections are more like puppets who do not (or should not) really differ in their programs.

The president has announced improvements for the future. In his December 2018 address to the parliament, President Mirziyoyev mentioned the upcoming parliamentary and local council elections, which should take place in 2019, and he stated that the overall preparations for these elections should begin in order to organize them in accordance with national legislation and international standards. It remains to be seen whether this materializes.

The reforms launched by the new president embrace all power branches. However, despite the reform dynamism, the political system is still president-centric. So far, elected political representatives have had limited power to govern for two reasons: their own political impotence, and the pervasive “invisible hand” of the omnipotent presidential apparatus and of course the president himself.

The president is certainly not a democrat in the Western sense, but he clearly wants to push ahead with substantial changes. However, in doing so, he encounters a lot of resistance or at least passivity from large sections of the elected and previously appointed elite. The population has also remained passive. In these circumstances and although veto powers do not really exist, his extensive powers may be considered a decisive prerequisite for the reform process.

Two years ago, President Mirziyoyev proclaimed a new principle of governance: “The people do not serve the state organs but state organs should serve the people.” He called on state officials and bureaucrats to leave their offices and reach out to citizens in order to listen to their needs, complaints and demands, and solve their problems.

On the one hand, so-called “virtual receiving rooms” for almost all state structures have been created to deal with multiple appeals – complaints and suggestions – from

Free and fair elections

2

'06 '20 10



Effective power to govern

2

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citizens online. On the other hand, “live” people were given access to offices for the same purpose in cities and districts. Both mechanisms are currently gaining popularity and have been relatively effective mechanisms for addressing different individual, social and economic problems.

In his speech in parliament in December 2018, Mirziyoyev demanded that MPs must periodically listen to the reports of not only the prime minister but also of ministers and decide on the appointments of new ministers.

Association and assembly rights are formally guaranteed by the constitution. Formally, there are five political parties and, according to official data, more than 8,500 NGOs are legally registered in Uzbekistan. However, there are no registered opposition parties, and most of the strong and active NGOs are in fact government-organized non-governmental organizations (GONGOs) informally affiliated with the existing political regime. Other NGOs are either very small or weak, or they work in sectors that do not cause the government any concern.

However, there was noticeable progress in 2017 and 2018. For instance, an old rule that restricted the authorization of NGO projects receiving grants was canceled in 2018. Any NGO can now directly receive grants from foreign or international sources without special permission.

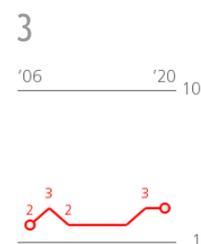
In May 2018, another notable presidential decree was issued “On Measures on Profound Increase of the Role of Civil Society Institutions in the Process of Democratic Renovation of the Country.” The decree recognizes the essential problems of civil society institutions and prescribes new rules concerning registration, financial support, taxation, office rental, and coordination of activities beneficial for NGOs and other public associations. Supposedly, NGOs and other civil society institutions should not face discrimination by the state anymore, but it remains to be seen how this is put into practice.

Developments in 2017 and 2018 included slight changes in the policy toward the freedom of expression. One of the significant indicators of such a change was the accreditation of Voice of America in Uzbekistan. The BBC is expected to return to Uzbekistan as well.

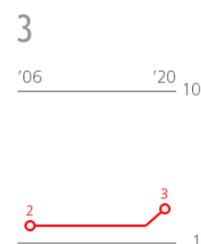
A new International Press Club has regular television broadcasts. It organizes discussions on current social, economic, political, cultural, educational and many other issues with the participation of governmental officials and MPs, which is a novelty. Although in many respects the International Press Club is well-controlled, it represents a first (though timid) move toward liberalization in this sphere.

However, the country’s internet speed is still very slow and, for the first time in the post-Soviet history of Uzbekistan, Facebook and YouTube have been blocked.

Association /
assembly rights



Freedom of
expression



People who use the internet have learned how to bypass the blocks by using proxy programs, such as VPNs and others.

Although there is not a special censorship agency in Uzbekistan, the functions of such a body are performed by the presidential apparatus, which strictly controls all mass media, especially television. Nevertheless, there are relatively independent media sources in the virtual space, which publish measured critical materials.

3 | Rule of Law

Uzbekistan's constitution provides for a separation of powers between the legislature, executive and judiciary, as well as between a strong presidency and a bicameral parliament called the Oliy Majlis (Supreme Assembly) with the power to approve the budget. However, in reality the structure of Uzbekistan's political system looks like a pyramid with the president and his administration at the very top. The presidential administration has the informal status of the "fourth branch of power." In parallel, until recently there has been a, so to speak, shadow power – the omnipotent National Security Service (NSS), which over time had turned into a formidable force controlling all spheres of society.

In January 2018, the incumbent president visited the NSS headquarters, and he directly criticized its multiple and crude abuses of power. The overpowering NSS chief (and main pillar and beneficiary of the Karimov system) was deposed, followed by reshuffles in the institution's rank and file. In addition, the agency was not only renamed the State Security Service, but a new law on the competences of the secret service was adopted in April 2018, defining its authority and curtailing its tasks and functions.

Some changes in terms of separation of powers on the local level, where hokims (mayors) had previously also performed the duties of chairman of the elected local council, emerged in 2018.

Throughout the 2017 to 2018 period, President Mirziyoyev reiterated the need to strengthen the power of the Oliy Majlis, in particular its parliamentary control function. After the 2019 parliamentary elections, the role and overall authority of the Oliy Majlis is predicted to increase.

The judiciary in Uzbekistan is constitutionally differentiated and independent from the executive. In reality, it has been very corrupt and vulnerable to executive pressure. This is the case for the Court of Criminal Affairs, which is guided by the criminal code. The Court of Civil Affairs (guided by the civil code) is more independent from the executive, but it still faces problems of professionalism. More often than not, lawyers have been reluctant to take on politically sensitive cases and defend citizens when they complain about abuses of power or injustice by the state or officials.

Separation of powers

3

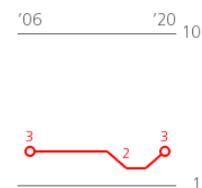
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Independent judiciary

3

In his December 2018 address, President Mirziyoyev stated that the existing criminal code was adopted 25 years ago and does not correspond to the demands of the current era; it should be improved in the context of further liberalization of criminal legislation. The president also stated that the system to select and appoint judges must guarantee their independence. Moreover, the new system is said to include accountability of judges to the people, whatever that means in practice. The president may have given a hint on December 8, 2018, when he suggested a legal provision that would take into account public opinion when selecting and nominating judges.

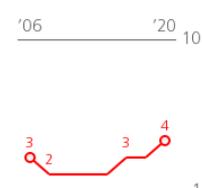


On April 13, 2018, the president issued a decree that led to a new professional training center for legal personnel based on international standards being opened at the Tashkent State Legal University. It offers six-month retraining courses for people who have completed higher education in areas not related to law. After taking such courses, they are given a right to work in legal services in public organizations.

The Uzbek government's anti-corruption policy and law enforcement agencies seem to be gaining new momentum. The number of cases of officeholders being arrested and prosecuted for alleged corruption is growing. Hence, a number of fairly high-profile cases have uncovered the fact that abuse of office is deeply rooted in the organs of the state.

Prosecution of
office abuse

4



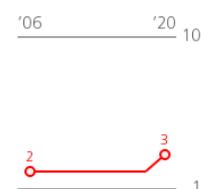
In 2018, for instance, several widely publicized showcase corruption scandals surfaced. One of them was related to the recently appointed young hokim (mayor) of the Yunusabad district in Tashkent, who was detained for taking a \$400,000 bribe. Another case was related to the deputy prime minister, whose feudal attitude toward his subordinates in two provinces caused outrage among the people and was for some time the focus of social network discussions. Rashidjon Kadyrov, the former attorney general of Uzbekistan, was detained early in 2018, and a trial began in January 2019.

Another person – a state adviser to the president and the chairman of the Youth Union of Uzbekistan – in his zeal to demonstrate his loyalty to the president, stopped a wedding cortege in the countryside for being “too luxurious.” The president criticized him for such an abuse of power.

Discrimination on the basis of ideology, religion, gender, sexual orientation or ethnicity is not really being addressed in Uzbekistan, at least not in public. However, political rights are really restricted.

Civil rights

3



There are some formal institutions whose mandate is to protect human rights, for example, the Office of Ombudsmen on Human Rights and the Committee on Democratic Institutions, NGOs and citizens' self-governing bodies at the parliament's legislative chamber, as well as the National Center on Human Rights. The ombudsman reported that in 2017 he considered 2,126 appeals from citizens. In the first half of 2018, 1,093 appeals were received.

Created in 2017, the president’s “virtual receiving room” has already collected more than 1 million appeals and messages. According to Human Rights Watch (whose office was re-opened in Uzbekistan in 2018), 35 people imprisoned on political charges have now been released.

In November 2018, the Asian Forum for Human Rights and Development took place in the Uzbek city of Samarkand for the first time. It was dedicated to the 70th anniversary of the Universal Declaration of Human Rights and took place on the eve of that date. Attendees included 400 people from many countries and international organizations, including the special representative of the United Nations high commissioner on human rights. The forum was unprecedented and among other things it launched the idea to set up a regional hub (center) in Tashkent on the realization of UN declarations on education in the sphere of human rights.

4 | Stability of Democratic Institutions

Officially, all relevant democratic institutions exist in Uzbekistan, and there are regular elections. However, in reality they have only been operating within the framework established by the rigorous political regime, and they fulfill the agenda imposed upon them by the top leadership, primarily the president and his apparatus. This means that these institutions are democratic in name but not essence. They can perform their basic tasks as long as they display loyalty and obedience to the state.

Even so, all branches of power have the potential for democratic reforms. There are indications that changes will happen, such as the president’s stated preference for introducing elections for local hokims (mayors), who are currently appointed.

On one hand, all quasi- or pseudo-democratic institutions in Uzbekistan are accepted as legitimate by all relevant actors, but, on the other hand, the omnipotent authoritarian regime holds veto rights and can incapacitate those institutions if they dare to overstep the political boundaries outlined to them. The legitimacy of democratic institutions is never questioned as long as these institutions are widely believed to be the building blocks of the so-called “Uzbek national model” of democracy. The official propaganda machine has managed to persuade the public, especially the youth, that this is just how Uzbekistan is proceeding toward democracy.

The rhetoric of the notorious “Uzbek model” is now being reduced, and Uzbekistan is becoming more open to the world and its government is becoming more open to its people. Nonetheless, democratic institutions still require substantial reforms to meet the requirements of democracy.

Performance of democratic institutions

2

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Commitment to democratic institutions

2

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5 | Political and Social Integration

Uzbekistan's party system is stable, but this stability rests upon its artificial character. The party system is not socially rooted but rather politically affiliated with the state.

Parties try to articulate the interests and needs of business, entrepreneurship and private ownership (the key idea of the Liberal Democratic Party, UzLiDeP); or the idea of national revitalization and strengthening the national culture, traditions and values (the main idea of the Party of National Rebirth, Milliy Tiklanish); or the idea of social protection, equality, socially oriented market reforms and supporting workers (the platform of the People's Democratic Party, PDPU); or the idea of social justice, supporting vulnerable groups of citizens (the Social Democratic Party, Adolat). In 2018, after many years of being a movement, the Ecological Movement of Uzbekistan was transformed into the Ecological Party.

Parties are therefore given a special niche in the political system as if they were specialized state agencies rather than political parties. In this capacity, parties play the specific role of recruiting cadres for the government, parliament and other state structures. Although party leaders and activists always state that they have a stable electorate, citizens are in fact not well aware of their activities, leaders and ideologies.

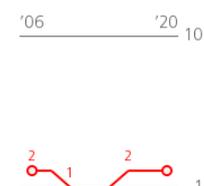
Many interest groups are either dysfunctional (such as the Association of International Law) or, as in the case of political parties, fulfill the function of GONGOs displaying some activism representing the interests of certain segments of society. For instance, NGOs/GONGOs such as the Mahalla (Local Self-Ruling Neighborhood) Foundation, Sog'lom avlod (Healthy Generation) Foundation, the Youth Movement, the Association of Disabled, the Federation of Trade Unions and the Association of Medical Doctors are supposed to mediate between specific social groups and the political system.

The Association of Non-Governmental and Non-Commercial Organizations of Uzbekistan comprises about 600 different NGOs. The Fund for Support of Non-Governmental and Non-Commercial Organizations of Uzbekistan provided about 17.7 billion Uzbekistani som in financial resources in 2018 (compared to 12.7 billion in 2017, 9 billion in 2016 and 8.2 billion in 2014) to support various NGO projects.

Meanwhile, a new practice is being introduced – aggregation of different social interests through online discussions of new draft laws, state programs and other official documents.

Party system

2



Interest groups

2



The negation of democratic norms, procedures and modern civic behavior are deeply rooted, not only within the political class but also within patriarchal Uzbekistani society. But this is based on anecdotal evidence since in an authoritarian country such as Uzbekistan the study of public opinion is not part of the country's political culture. There are only some sporadic, single and narrow public opinion polls. People often demonstrate neither understanding of the goals of polls and the meaning of questions nor the readiness to express their opinions openly. Local authorities also often try to block interviews from being conducted.

Nevertheless, no alternative to democracy is discussed in society. Terms such as “democracy,” “democratic reforms,” “democratic society” and “democratic state” are constantly repeated like a mantra in official speeches, newspaper articles and television news. The constitution declares that Uzbekistan is a democratic state. Although meaningful knowledge of true democracy remains quite low and superficial among ordinary people, some knowledge and expectations about imminent democratic development is apparently created by the existing democracy-related procedures and propaganda, even though these are formal and state-regulated.

There is still a fairly low level of trust among Uzbekistan's population. This is the result of 25 years of authoritarian rule aiming to prevent the emergence of an independent civil society. Given the overwhelming role of the state in public life, the social capital of many potential and actual associations created for self-help remains latent and largely unrealized. Mutual trust and solidarity among the population is limited to social spaces and domains that are few in number but influential, for example, mahallas (neighborhood communities) and kinship networks. Family and community rites and ceremonies, as well as clans and clan-like patron-client networks, unite people to promote their private or group interests vis-à-vis state-controlled resources.

The capacity to self-organize is distributed unevenly in society and depends on an individual's ethnic background, lifestyle (rural or urban), level of education and professional qualifications. Ethnic minorities, for instance, are provided with the right and opportunity to organize national-cultural centers, which can be considered operational in terms of promotion of cultural interests.

Meanwhile, the institutionalization of self-help and self-organization in the Uzbek context is mostly based on informal and narrow-radius relations like “gap” – groups of friends (men and women separately) that perform the function of a network for socializing among former classmates, colleagues, neighbors or relatives.

In terms of broader social activism and voluntary cultural, environmental or social associations that transcend traditional and narrow interests, 8,500 NGOs are currently registered in Uzbekistan. Their activities are directed toward various social spheres,

Approval of
democracy

n/a

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n/a 1

Social capital

4

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including social partnership, wellbeing and the environment. Their efficiency is limited.

II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality are pronounced and partly structurally ingrained (because of, for example, the Aral Sea ecological disaster in Karakalpakstan, soil erosion, desertification, a low level of urbanization and the fact Uzbekistan is a double-landlocked country). Uzbekistan faces a high rate of unemployment (officially 9.3% in 2018) and an outflow of labor migrants. This has not changed from the previous reporting period.

Moreover, corruption, rent relationships and economic mismanagement have caused stagnation in socioeconomic development. At the same time, the government has adopted a number of programs, the parliament has passed new laws and the new president has issued a number of decrees that are directed at promoting economic liberalization, reducing the licensing system, supporting entrepreneurship and the like.

According to the UNDP Human Development Report for 2017 to 2018, Uzbekistan is ranked by international socioeconomic indexes as follows: HDI 0.710 (105 out of 188 countries); GDP per capita \$1,961; poverty rate 14.9%.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	81847.4	81779.0	59159.9	50499.9
GDP growth	%	7.4	6.1	4.5	5.1
Inflation (CPI)	%	-	-	-	-
Unemployment	%	5.2	5.2	5.0	5.2
Foreign direct investment	% of GDP	0.1	2.0	3.0	1.2
Export growth	%	-10.3	-19.2	17.7	13.9
Import growth	%	-16.4	1.4	13.7	42.3
Current account balance	\$ M	-	295.2	1479.9	-3576.7

Question
Score

Socioeconomic
barriers

4

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Economic indicators		2015	2016	2017	2018
Public debt	% of GDP	7.1	8.6	20.2	20.7
External debt	\$ M	14059.1	15801.3	16865.6	17629.8
Total debt service	\$ M	1255.1	1376.1	1910.7	1003.2
Net lending/borrowing	% of GDP	2.8	3.7	1.4	-
Tax revenue	% of GDP	14.3	14.1	12.2	-
Government consumption	% of GDP	14.3	14.9	13.2	15.0
Public education spending	% of GDP	7.1	6.9	6.3	-
Public health spending	% of GDP	3	2.9	-	-
R&D expenditure	% of GDP	0.2	0.2	0.2	-
Military expenditure	% of GDP	-	-	-	3.6

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

With Mirziyoyev's reforms, market competition is gaining new impetus. Antitrust and anti-monopoly policies look prudent, yet the state maintains control over the distribution of key resources thereby undermining competition and other market mechanisms. The informal sector is large, but its scope is narrowing.

Meanwhile, the long-awaited convertibility of the national currency was finally introduced. There are many exchange points and people now can easily convert Uzbek som into hard currency and vice versa.

The year 2018 was proclaimed the "Year of Support of Active Entrepreneurship, Innovative Ideas and Technologies." 2019 was named the "Year of Active Investments and Social Development."

In his December 2018 address to parliament, the president spoke about the urgency of significantly reducing state interference in the management of the economy. At present, the state has the biggest shares in energy, oil, gas, chemicals, transport, banking and construction. This situation is a serious barrier to the development of market mechanisms and the attraction of investments.

Market
organization
3

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In 2017, Uzbekistan's ranking in the World Bank's Doing Business report was 87th. For 2018, it was expected to rise to 80th. In the "Starting a Business" subindex, it was ranked 12th. Starting a business takes four days and three procedures with a cost of 3.1% of GNI per capita. A special interagency commission has been created to coordinate work on improving Uzbekistan's Doing Business rating.

In January 2019, the State Committee of the Republic of Uzbekistan on Demonopolization, Support of Competition and Entrepreneurship (SCC) was closed, and instead three other structures were created by presidential decree. One is the special and independent Anti-Monopoly Committee, which will deal with anti-monopoly regulations, development of a competition environment, control of natural monopolies and licensing commodity stock exchanges. This committee will also detect and prevent abuses of a dominant position, cartel agreements and collusion, and irresponsible competition of companies. The committee is authorized to prevent decisions and actions of state organs that might restrict competition.

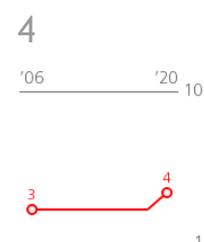
The SCC track record in 2017 included: the number of natural monopolies in the state registry was reduced by three to 148 on 10 types of production (further reduced to 140 at the end of 2018, which still reflects a high level of monopolization in the Uzbek economy, which has not been affected in sensitive areas such as gold and oil production). The SCC considered 131 cases of unfair competition. For 75 of them, legal actions were opened. During the period under review, 542 state assets were transferred to the private sector and 255 licenses were revoked.

Among the major shifts in market reforms during the period under review was the overhaul of the Abu Sahyi Market (which had monopolized consumer goods imports and is allegedly owned by one of Karimov's daughters), and the reorganization and division of the Uzbekistan Airways monopolist company by separating the management of airports and air navigation services. As a follow up, private air companies, primarily low-cost carriers, will be allowed to fly to the country in the near future.

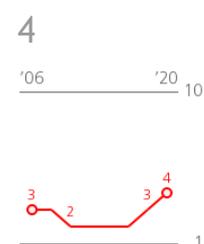
Expanding and, inevitably, liberalizing foreign trade is one of the new president's most important priorities. Accordingly, many measures are being taken in this area, although their success cannot yet be conclusively judged. Nevertheless, it was officially announced that exports will grow by 30% and reach \$18 billion in the near future.

Tariff and non-tariff barriers for foreign trade, excise fees and non-convertibility of the national currency have been gradually removed. In November 2017, the president adopted a decree on "Measures on Ordering Licensing Export and Import of Specific Goods and Registration of Exports and Examination of Import Contracts." He also adopted a resolution on "Measures on Further Liberalization of Foreign Trade Activity and Support of Subjects of Entrepreneurship." With these documents, new rules have been established to simplify payments and contracting concerning the

Competition policy



Liberalization of foreign trade



export of some goods and services (except fresh fruits and vegetables, and some raw materials). In certain cases, even contracts will not be required and exporters themselves will decide on the forms and dates of their export supplies.

Official data shows that the number of exporters is steadily growing. By 2017, this number had doubled compared to 2013. According to new rules, there are now also tax privileges for exporters.

Uzbekistan provides “most favored nation” treatment to 45 countries.

In Uzbekistan, there are currently 28 commercial banks (three state-owned, 12 joint-stock, five with foreign capital and eight private), alongside the central bank and the Fund for Reconstruction and Development. According to Standard & Poor’s, Moody’s and Fitch Ratings, all of Uzbekistan’s commercial banks have a positive rating, and the development of the banking system is stable. There is reason to believe that this trend will continue into 2019. The government is working with JP Morgan Chase to get a “sovereign credit rating” – the special indicator that will allow banks and companies to attract credit resources in foreign financial markets.

Uzbekistan’s current leadership is looking at the state’s share in the banking system, which amounts to 83% of the banks’ capital. Since this is perceived as hampering competition, the president reiterated that the number of state-run banks ought to be reduced by mobilizing private and foreign capital. Yet, as the chairman of the central bank noted, the country does not have sufficient experience in coping with potential threats from the opening of the national economy.

According to the World Bank, the bank capital to assets ratio for Uzbekistan was 10.7% in 2016 and 10.1% in 2017. The ratio of non-performing loans to total gross loans hovered around 0.4% between 2013 and 2017, which is among the lowest globally.

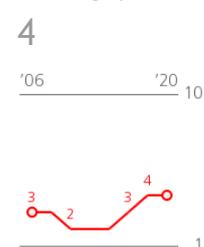
8 | Monetary and fiscal stability

Officially, in 2018 the inflation rate was between 11% and 13% (in 2017 it was 14.4%). However, according to international financial institutions such as the IMF, it is about 16-17%. According to analysts, the main reason for the high inflation was the devaluation of the national currency, the Uzbek som, and the introduction of its convertibility.

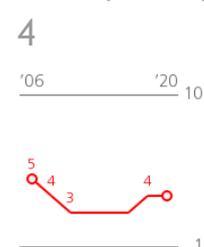
This started on September 2, 2017, when the president signed a resolution (UP-5177) introducing changes to the foreign exchange regulations in Uzbekistan. The key changes, starting from September 5, 2017, are as follows:

(1) Legal entities registered in Uzbekistan may purchase foreign currency from commercial banks without limitation for the purpose of international payments (such

Banking system



Monetary stability



as importing goods, work and services), repatriation of profits, repayment of loans, business trip expenses and other non-trade payments.

(2) As before, the exchange rate will be determined based on the offer and demand in the interbank forex trade sessions conducted by Uzbekistan's Currency Exchange. Exchange rates will be published on the Currency Exchange's website.

(3) The mandatory sale of foreign currency proceeds has now been abolished.

(4) Individuals – residents of Uzbekistan – may now freely buy and sell foreign currency and use the funds abroad without limitations.

According to World Bank data, the nominal exchange rate had appreciated 3.7% compared to the previous year by September 2018, when the central bank opted to pursue a managed floating of the currency in the wake of the large devaluation. As an anti-inflation measure in 2017, the refinancing rate was established at 14% (in 2016, it was 9%). In 2018, it was further increased to 16%.

The central bank is independent in its operations and subordinate only to the Senate. The bank operates on the basis of a presidential decree from January 9, 2018, which defines its responsibilities as a regulatory and supervisory body. To secure its independence, it is exempted from the list of state organs controlled by the cabinet of ministers. Banks are not allowed to have a share in the charter capital of managing and investment companies and funds or in other economic entities not related to core bank activities. Under the central bank, a special Committee on Bank Surveillance and a Credit Committee were created.

Uzbekistan's GDP growth rate was 4.9% in 2018 and is expected to be 5% in 2019. According to the central bank, Uzbekistan's total external debt was \$15.78 billion as of July 1, 2018. Most of this (86%, \$13.51 billion) is on loans with a maturity of more than 10 years, and 7% is on loans of five to 10 years (\$1.1 billion). According to Index Mundi, public debt was 15.1% of GDP in 2017 and 15.4% of GDP in 2016. The budget deficit is expected to be 1.1% of GDP in 2019. The government's debt-to-GDP ratio is 24.30%.

The government has tried not to let debt reach levels that could pose a risk to the national economy, especially external debt. External debt is low and debt sustainability is not of concern. GDP growth and current account surpluses over the past decade have translated into rapidly falling indebtedness, with the external debt also declining rapidly from 64% of GDP in 2001 to 21.65% in 2015; in 2017, it was 34.99%. The external debt has been serviced comfortably. The debt service ratio was 4.5% in 2015.

According to Asian Development Bank data, Uzbekistan's current account balance was kept at the level of 2.8% of GDP in 2017 and 0.5% of GDP in 2018. Total

Fiscal stability

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external public debt reached 10% in 2015. Government consumption is about 22%-23% of GDP.

In general, the government's fiscal and debt policies promote macroeconomic stability but lack institutional safeguards.

9 | Private Property

Rights and regulations on the acquisition, benefits, use and sale of property are enshrined in law, but they are not implemented or enforced consistently. Property rights are sometimes not adequately safeguarded against arbitrary intervention by the state authorities.

Structural reforms, modernization and diversification have been announced by the current government for the next period to create better opportunities for the development of private property and private entrepreneurship. From July 1, 2019 onward, land privatization will start due to a presidential decree. However, the privatization of land is permitted only in populated localities that have cadastral documents on real estate. It is expected that this measure will stimulate more foreign and domestic investments in the economy as well as improve land legislation.

According to official data for 2017 to 2018, the share of small business and private entrepreneurship as a percentage of GDP has grown since the year 2000 from 31% to 56% and in industry from 12.9% to 31.1%. The majority of the employed population works in the private sector – 76.5%, compared to 49.7% in 2000.

Although private companies can in principle operate freely, they often encounter economic, political and social barriers. This is especially true of the agricultural sector. There are cases of private property expropriation by government entities. At the same time, the government has declared its commitment to supporting the private sector and small- and medium-sized enterprises. But regulations in this sphere lack transparency, and they are often inconsistent and unevenly applied.

On January 12, 2017, President Mirziyoyev signed a decree according to which four free economic zones (FEZs, called “Urgut,” “Gijduvan,” “Kokand,” and “Khazarasp”) will be created in four provinces of Uzbekistan: Samarkand, Bukhara, Fergana and Khorezm provinces. They were set up for 30 years with the possibility of prolongation. During this period, special tax, customs and currency privileges will be established within the FEZs. For instance, if an investor invests up to \$3 million, tax privileges will be provided for three years; investing between \$3 million and \$5 million will guarantee tax privileges for five years; if between \$5 million and \$10 million are invested, the investor will get seven years of privileges.



In 2017, more than 30,000 new small business entities were registered, which means a 132.4% increase compared to 2016. The share of small business and private enterprises as a percentage of GDP is 54.6%; in the industrial sector, it is 41.2%; in agriculture, it is 98.5%; in construction, it is 67%; in the services industry, it is 56.2%; in exports, it is 25.8%; and as an overall percentage of employment, it is 77.8%.

10 | Welfare Regime

A considerable proportion of the population is still at risk of poverty. State salaries and pensions are relatively low. Nonetheless, social security policies yield positive results. Life expectancy has risen to 71.4. Public expenditure for 2018 was 55.2% of total expenditure, of which 58.7% is spent on education and 26.9% on health care.

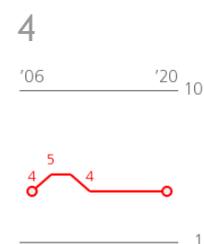
In 2017, Uzbekistan received \$2.83 billion in remittances from Russia, which is about 5% of GDP. In 2018, Uzbekistan ranked second in terms of labor migrant remittances from Russia, receiving more than \$3 billion.

On October 12, 2016, a new law was adopted “On Social Services for the Elderly, Disabled and Other Socially Vulnerable Categories of the Population,” which addresses a number of legal, economic, psychological, educational, medical, rehabilitation and other measures. 2019 was named “Year of Active Investments and Social Development,” which envisages significant measures to provide social support to the population. And for the first time in the last 10 years, teachers’ salaries increased by 50%. In addition, pensions for all working pensioners will be paid in full, without being reduced, from January 1, 2019.

Two special state programs have been implemented since 2018 – “Each Family is an Entrepreneur” and “The Youth are our Future” – under which 2,605 business projects have been established. Two other special state programs – “Prosperous village” and “Prosperous Mahalla (neighborhood community)” – were also introduced, which envisage the financing of houses and landscaping in rural areas and neighborhood communities.

Multifaceted support is arranged for unemployed people, including professional education, legal consultations and other forms of social support. Minimum wages are also now being reconsidered, and a special social allowance has been introduced for mothers who devote their lives to caring for a disabled child.

Social safety nets



Equality of opportunity has largely been achieved. Women and members of minority ethnic or religious groups have near-equal access to education, public office and employment. There are a number of legal provisions to combat discrimination.

The literacy rate is almost 100% because primary and secondary education is obligatory in Uzbekistan, and the system of schools, albeit often corrupt and malfunctioning, covers the whole population. The rural population has fewer opportunities to acquire a decent education and jobs than those living in big cities. Girls and young women have de jure and de facto equal rights to education and often exercise these rights.

Although the unemployment rate in Uzbekistan is very high, this is a problem for all categories of citizens regardless of their identity or social origin. In employment, there is almost no explicit discrimination of certain categories of citizens.

Gender equality is officially established and propagated. The Gender Inequality Index is 0.274, the ratio of female-to-male enrollment is 0.9, and the female labor force is at 48.1%. The Committee of Women of Uzbekistan – a fairly active GONGO – represents women’s rights in all social spheres. However, equal representation of women in the higher echelons of the civil service has not been achieved yet and is not subject to appropriate measures. There is a 30% seats quota for women in the parliament of Uzbekistan.

Recently, some representatives of the Russian-speaking population became concerned about the reducing scope of the Russian language and the alleged rise of Uzbek nationalism. However, these concerns faded after Russian was promoted through television programs, media coverage, academic life, social communication and the like.

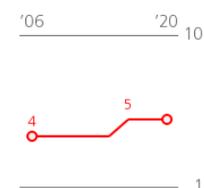
11 | Economic Performance

According to the Asian Development Bank (ADB), the GDP growth rate in Uzbekistan in 2018 was 4.9% and is expected to be 5% in 2019. GDP per capita (PPP) was \$6,253 in 2017, and its growth was 3.9%. Inflation is 16% and unemployment is 9%. Public debt is 15.1% of GDP. FDI is about 2% of GDP, and the country’s current account balance is 0.5% of GDP.

Uzbekistan’s total exports in 2018 amounted to \$14.258 billion (an increase of 13.6% compared to 2017). The country’s major exports are gas, gold, cotton and uranium. Uzbekistan is the world’s ninth-largest gold producer, with an annual production of 100 tons. It sold \$2.9 billion worth of gold in 2018. It is the world’s seventh-largest producer of uranium, which is entirely exported (2,385 tons annually, constituting 3.9% of world production). In 2018, the share of cotton fiber as a percentage of total

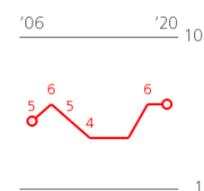
Equal opportunity

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Output strength

6



exports (1.6%) decreased considerably compared to 2017 (3.8%). Uzbekistani companies now export textile products to more than 50 countries around the world.

Official macroeconomic data reflects steady economic development. However, the relatively high unemployment rate (officially 9%) and high inflation undermine progress and diminish confidence.

2019 was officially named “The Year of Active Investments and Social Development.” In 2018, \$4.3 billion of investment projects were realized. For instance, the German company Graess Energy has begun the construction of a solar power plant in Muinak, Karakalpakstan. A \$12 million solar power plant with 10 MW capacity will be built in phase I; in phase II, the capacity will be increased to 20 MW, with the German company expected to invest another \$12 million.

Initially, four “Free Economic Zones” (FEZs) were established in January 2017. This was followed by new FEZs; for instance, in April 2018 it was announced that the new FEZ “Syrdario” would be created. The FEZ “Andijon-Farm” followed on January 14, 2019 – it will attract investments specifically from India. Overall, there are already 21 FEZs in Uzbekistan. Nine are industrial, seven pharmaceutical and two are agricultural, while the others focus on tourism, transport and logistics, and the production of sport equipment.

12 | Sustainability

In the 2018 Environmental Performance Index, Uzbekistan had a score of 45.88 and ranked 136 out of 180 countries. The country was ranked 118th on health impacts, 154th on air quality, 51st on water and sanitation, 143rd on water resources, 46th on agriculture, 12th on forests, 161st on biodiversity and habitat, and 93rd on climate and energy. Moreover, Uzbekistan suffers from one of the worst environmental disasters in the world – the drying up of the Aral Sea. In 2014, it was announced that the eastern part of the Aral Sea had completely dried up so the ecological situation in the sea basin is further exacerbating.

Uzbekistan has ratified relevant international documents such as the Rio Declaration on Environment and Development, the U.N. Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, the U.N. Convention on Biological Diversity (CBD) and the Convention to Combat Desertification (UNCCD).

At a number of universities, courses on ecology have been introduced. There are a few NGOs that are active in this field and implement various projects. International organizations such as the United Nations/UNDP, OSCE, UNESCO, the European Union, the World Bank and the Regional Environmental Center for Central Asia are also deeply engaged in this sphere. They provide technical and financial support as well as expertise to assist state agencies and NGOs in nature protection, mitigation

Environmental
policy

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of environmental problems (related to issues such as soil, water and agriculture), helping the local population exposed to consequences of the environmental catastrophes, awareness raising and other activities.

Uzbekistan has significant renewable energy potential, which has not yet been exploited in the slightest. Work on a draft law “On Renewable Energy Sources” is currently underway in parliament.

One of the important parts of the country’s environmental policy is carbon dioxide reduction. In line with the Kyoto Protocol, Uzbekistan has started 14 projects (amounting to \$120 million) in the framework of the Clean Development Mechanism.

On November 27, 2018, a U.N. Multi-Partner Trust Fund was launched on human security for the Aral Sea region. It was organized by the governments of Uzbekistan, Japan and Norway, and the U.N. Human Security Unit. This will address the overall needs and problems of the population affected by the drying up of the Aral Sea. It will also attract the attention of the international community and donor countries to the ecological disaster of the area.

In October 2018, the project to construct the nuclear power plant in the country’s Navoi province was launched. The project costs \$11 billion and will be realized in cooperation with the Russian company Rosatom. It is envisioned that the power plant will be functional by the end of 2028. Although the power plant will belong to the modern “3+” generation, the project has caused various debates among experts and the public concerning environmental risks that it could bring about.

The U.N. Education Index ranks Uzbekistan 50 out of 189 countries with a score of 0.718, which is a positive development. In 2017, Uzbekistan was ranked 82 out of 195 countries in the U.N. National Scientific Fund’s “Science and Engineering Indicators.”

Nevertheless, the education system is highly inefficient despite officially very impressive figures. Officially, about 10% to 12% of GDP is spent on education (which is double the UNESCO requirement) and 0.05% on R&D (which is very little).

Education in Uzbekistan is run by the state under the direct management of the Ministry of General Education and the Ministry of Higher and Specialized Education. There are 77 higher education institutions in Uzbekistan: 20 universities, 35 institutions, two academies, 10 university branches in the provinces and seven branches of international universities. The international universities provide international diplomas. They are better equipped and stronger in terms of quality of education. Education at them is conducted in English or, in the Russian universities, in the Russian language. Alongside established foreign universities in Tashkent, two

Education policy /
R&D

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other foreign universities opened their branches in Uzbekistan in 2018 – Webster University (USA) and Bucheon (Republic of Korea).

An insufficient share of funds goes to research, maintaining the library system, purchasing literature and improving the remuneration of faculties (who then extort bribes from their students). It is very common for students to get higher grades in exchange for bribes given to their tutors and university administrators. At the bachelor's level, 69% of students study on a fee basis (individual contract), and 75% of students do at the master's level. Meanwhile, the president ordered the Ministry of Higher Education to work on a legislative document that would cancel quotas of students in universities on the basis of contracts. The ministry was ordered to do this before April 1, 2019. Universities will be allowed to determine their own quotas, in accordance with their own potential.

Since 2018, there has also been progress in the private sector. Restrictive licensing rules for non-governmental educational institutions (NEIs) and strict government control of them were ended. From now on, NEIs can be easily registered by the state.

The country faces a serious lack of personnel with higher education qualifications, especially in the industrial sector. Only 9.5% of the population of student age have access to higher education, which is very low by regional and international standards.

The school system suffers from a lack of qualified teachers, insufficient technical provision and corruption. In July 2018, the Ministry of Education (responsible for primary and secondary education) published an action plan for reforming the whole education system. It envisages significantly increasing teacher salaries; improving teachers' social and legal protections; enhancing state financing of education; introducing ICT and internet connections in schools; and providing new textbooks. Compulsory school education of 11 years was restored. For the first time, opening private schools is permitted. There are 9,628 schools in Uzbekistan, with pupils aged seven to 16 studying at them.

Governance

I. Level of Difficulty

The structural constraints on governance are significant but manageable. Key structural problems include: Uzbekistan's double-landlocked geographical location; high agricultural dependence on water resources that originate elsewhere, with up to 90% of water coming from neighboring Tajikistan and Kyrgyzstan; and the desiccation of the Aral Sea in combination with an environmental disaster in Karakalpakstan (the northern province of Uzbekistan).

Another challenge is the persistently high birth rate (17.02 births per 1,000 inhabitants in 2016), which causes rapid population growth and an increasing proportion of young people in the population. Each year, around 300,000 young people enter the labor market, many of them without the prospect of acquiring a decent job. Economic policy increasingly supports small- and medium-sized enterprises with a view to absorbing this labor surplus.

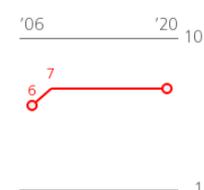
Because of growing poverty, severe unemployment and infrastructural deficiencies in provincial areas (in many towns and villages the local population suffers from a lack of infrastructure for gas, electricity and water supply), there has been a lot of internal and external migration. This has led to the overpopulation of the capital, Tashkent, which, among other things, has caused a serious disbalance in the distribution of the labor force and national wealth as well as adding to the existing structural problems.

The concept of civil society is weakly developed in Uzbekistan because it existed neither in pre-Soviet nor in Soviet times. In the recent past, the Karimov regime strictly controlled the activity of the few civil society institutions. Nevertheless, some NGOs and individuals demonstrate enthusiasm about advancing the public interest and voicing specific social needs. For instance, environmentalists and youth organizations are gradually occupying a visible niche in civil society.

Although a civic culture of participation in public life manifests itself mostly in the form of mobilized, top-down, orchestrated and ideologized actions, civil society traditions are gradually taking root and growing steadily on the virtual level – the internet and social networks. In real life, however, the most important feature of civil society – pluralism – has been so far limited by the state, and social capital has been restrained from emerging.

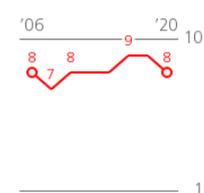
Structural
constraints

7



Civil society
traditions

8



Some form of civil society revival is expected if President Mirziyoyev's stated support of this sphere amounts to more than window-dressing. On May 4, 2018, he issued a decree "On Measures on Radical Increase of the Civil Society Institutions' Role in the Process of Democratic Renovation of the Country." For the first time, this decree created truly beneficial legal and political conditions. Ultimately, civil society's modus operandi will depend on whether and how truly independent institutions proliferate throughout the country and on their ability to represent, express and defend the interests of their members. The government's 2017 to 2021 action strategy and the state program for 2019 envisage further measures for the stimulation of civil society institutions.

Although there were no violent incidents during the reporting period based on social, ethnic or religious differences, latent divisions along local, regional and social lines exist within society and the political elite. Some tensions can also be felt between the center and the periphery as well as between the extremely rich and the desperately poor.

Inter- and intra-religious conflicts are unlikely due to the rooted religious and interethnic tolerance of the local population. There may be just a few remnants of Islamic extremist groups, which lost their strength and manpower-recruiting base after the crack down on them in the 1990s and until 2005.

In most cases, when traces of common or domestic social conflict arise, especially with the involvement of local or high-ranking officials, public outrage breaks out on social networks and the authorities resolutely respond in order to prevent it from escalating.

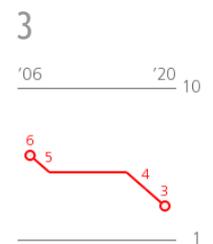
II. Governance Performance

14 | Steering Capability

The government concentrates on one particular programmatic goal or social priority each year. The year 2017 was named "Year of Dialogue with the People and Human Interests." 2018 was proclaimed the "Year of Support of Active Entrepreneurship, Innovative Ideas and Technologies." 2019 was named the "Year of Active Investments and Social Development." This sequence reflects key issues that have been chosen as reform priorities.

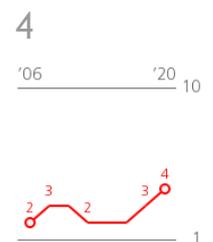
In January 2017, a five-year development strategy was adopted. This document envisages five basic directions for reforms: modernization of state management; the court-legal system; economic liberalization; reforming the social sector and principles of security; and foreign policy. In the framework of this strategy, a special state program for 2019 was adopted. Such special programs are designed every year, but this time its draft was opened online for wide public discussion: citizens could

Conflict intensity



Question
Score

Prioritization



send their comments, suggestions and evaluations directly. By January 26, 2019, 3,656 messages from citizens were collected. This is very little for a population of more than 30 million, and it is not clear that these “internet discussions” have an effect on policy measures. They are more for show and less for the participation of the electorate. In total, the program consists of 253 chapters indicating policy directions and tasks to be implemented in 2019, which is considered the third stage of the broader action strategy.

If in the previous BTI review period the prioritization of goals and tasks as well as political decision-making were highly opaque, now they imply at least communication with citizens and the opportunity for them to contribute.

In addition to these programs, measures that appear not to be planned for the long term and which are not publicly discussed are repeatedly taken. From an outsider’s perspective, it is difficult to know whether this is due to the amount and complexity of the tasks at hand or because of poor planning.

The main institution that is supposed to provide strategic direction is the Institute for Strategic and Regional Studies (ISRS) under the president of the Republic of Uzbekistan. However, the ISRS has weakened significantly during the last decade and its expertise has declined, although it still has the potential and status to meet the requirements of strategic analysis and planning.

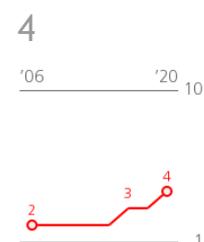
There are a number of other institutions, such as the Institute of Forecasting and Macroeconomic Research. Its main tasks include establishing a scientific-methodological basis for strategic planning; formulating conceptual plans, improving the country’s technological and innovation potential and developing complex, industry-specific and geographically oriented programs that foster the country’s socioeconomic development.

The capacity of the government and administration to implement their policies is strong in principle but is constrained by the authoritarian nature of the regime in Uzbekistan. The accomplishment of tasks is hierarchically monitored and controlled. An important indicator of steering capability and implementation is the president’s well-established habit of frequently inspecting the provinces, which produces personal visibility across the entire country.

Strategic plans are usually established and established well for tasks such as the construction of new railroads, highways and bridges, the creation of new plants and industrial objects, the cultivation of cotton and the mining of gold and uranium.

A new political feature was introduced in the reporting period: officials – MPs, ministers, deputy ministers, chairmen of committees – frequently appear on television, giving interviews on reforms in their spheres, and explaining particular tasks and projects. The media has also started to highlight and explain the meaning of official decisions, new laws, government resolutions and their implementation.

Implementation



There are just a few relatively capable independent think tanks and academic institutions that would critically, albeit to a limited degree, review existing policies or analyze problems the government faces and the mistakes it makes.

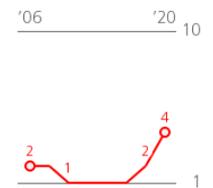
The political leadership interacts with international institutions such as UNDP, OSCE and the World Bank whose offices operate in Tashkent. The expertise provided by international experts is accepted, and the efficiency of such interactions is expected to increase in the context of the current reform process. The president and the government show great interest in international experts and in experiences from abroad. Foreign experts receive high positions in the government apparatus, are invited to advisory missions and attend large (too large) conferences on pressing problems in Uzbekistan.

In January 2019, a new body – the Expert Council – was created under the president of Uzbekistan, composed of successful businessmen, officials and academics, including foreign consultants and compatriots living abroad. The council is tasked with providing expert and consulting support to ongoing reforms of all spheres.

At the same time, an essential requirement of any policy learning – a pluralist and critical approach to political, economic, social, cultural and other issues – is still underdeveloped in Uzbekistan. The government’s decisions and actions are described and explained well by the media and affiliated experts, but they are seldom critically evaluated. Interestingly, the development of a relatively novel practice is currently being considered – parliamentary hearings on issues that are under consideration in parliament.

Policy learning

4



15 | Resource Efficiency

Quality of personnel is the most difficult problem in Uzbekistan. In December 2018, President Mirziyoyev complained about a lack of at least 500,000 skilled specialists. This shortage has an impact on the government and administration. Quality means qualifications, skills, experience, responsibilities, communication, openness and the like. The recruitment of personnel still replicates the old-fashioned Soviet tradition and lacks transparency in many instances.

Public debates and an official discourse are underway regarding competitive recruiting procedures that are protected from political influence. The meaning and form of administrative reform is publicly debated now, and the new law “On State Service” is being drafted.

Politically motivated dismissals and new appointments do take place in the state system. For example, former Deputy Prime Minister Rustam Azimov was alleged to be the main competitor of the incumbent some time ago – and he was dismissed. Most of the new appointees are obviously politically loyal to the highest authority.

A so-called single window of state services system has been introduced, which is the single office where citizens can come to appeal with their problems, meaning they do not have to visit multiple bureaucratic state organs. In a way, it reflects the principle of the president, which he stated early in his tenure, that “The people do not serve the state organs but state organs should serve the people.”

The country’s action strategy envisages strengthening the role of Oliy Majlis. In particular, it plans to increase parliamentary control mechanisms, as well as the authority of Oliy Majlis on forming and controlling the state budget.

The government system and policy coordination mechanisms are nontransparent. The regime combines various coordination styles: hierarchic-bureaucratic, informal-network, personalist, centralized and even ideological. These methods seem to work sometimes. At least the appearance of policy coherence can be created in such a way. Such a sophisticated policy coordination model is based on strict executive discipline focused on vigilant surveillance from the very top.

The president also frequently replaces the hokims (mayors) of provinces and cities in an effort to prevent a concentration of too much local power in the hands of the hokims (who more often than not abuse their power), limit the scope of corruption and ensure executive discipline.

In light of this, intra- and inter-agency frictions on policy objectives are not visible. An overall consensus on the macro-level of the state system and the strong subordination of agencies under the state hierarchy are peculiar features of Uzbekistan’s political system.

Efficient use of assets

3

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Policy coordination

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Nevertheless, the president promotes improving coordination mechanisms through administrative reform and institutional arrangements. For instance, regular reporting to parliament by the prime minister and key ministers has been introduced. The president himself regularly inspects the state of affairs in provinces of the country. The new state program for 2019 specifically allocates particular tasks to every individual ministry or state agency. The structure of the government is also modified in order to make it more efficient and accountable. New ministries were created during the period under review. Some were liquidated and others were re-organized. The same happened with some state committees.

During Karimov's tenure, the regime did not take any serious measures to curb the country's widespread and rampant corruption at the institutional level, apart from periodic cadre purges that only replaced one office abuser with another. Government-controlled media preferred not to discuss the topic of corruption within government agencies. There is no freedom of the press, which would create space for investigative journalism and protect investigative journalists from persecution.

On December 13, 2016, the Senate (the Oliy Majlis) adopted the law "On Combating Corruption," which the president signed on January 4, 2017. It is noticeable that this law was the first that the new president signed. This long-awaited legislative measure raised hopes that it would be an effective and strong tool in fighting corruption. Yet, progress is slow in coming.

It is difficult to make anti-corruption mechanisms work because corruption permeates the entire social, education, economic and political fabric. In 2018, a number of corruption cases were disclosed in which top-, high- and middle-level officials as well as university authorities were involved. Among these was, for instance, the former attorney general, district mayors in Tashkent and Andijan, and deans and teachers at the National University.

Mechanisms to audit state spending and the accountability of officeholders, including asset declarations, conflict of interest rules and codes of conduct are not yet well-developed. Nevertheless, access to information for citizens and the media is slowly being improved. For instance, every ministry and state agency has a special online communication mechanism that any citizen can use for inquiring about information or appealing with personal problems.

During the reporting period, a state anti-corruption program was adopted for 2017 to 2018. The UNDP and the Ministry of Justice of Uzbekistan signed an \$8 million agreement on an anti-corruption project for 2018 to 2020. An Inter-Agency Commission Against Corruption was also established, headed by the attorney general.

Anti-corruption
policy

3

'06 '20 10



16 | Consensus-Building

In contrast to President Karimov, who used to be ideological and isolationist, Mirziyoyev's approach is rather technocratic and results-oriented. During his two years in power, he has never used Karimov's favorite slogan – the so-called “Uzbek model.” Moreover, the incumbent seems to understand that the post-Soviet transition period is over and the time has come for thorough reforms in Uzbekistan. It remains to be seen whether this reform from above will in future also apply to the democratization of Uzbekistan's still authoritarian regime.

Mirziyoyev's way of ruling is reflected in his frequent and relentless travels to the provinces of the country for inspecting the state of affairs there, a practice that created his image as the “mobile president.” His style of governance may be described as soft autocratic – by spurring market reforms and opening space for civil society but keeping strong control over the political system.

Whereas Karimov used to build consensus by means of “teaching” the people, Mirziyoyev uses dialog and engagement with people. But, for the time being, there is still a gap between demonstrating consensus on democratic goals and the real implementation of democratic reforms. It is difficult to say what exactly the political actors (and the population) in Uzbekistan understand by democracy. And ultimately, in a transformation from above it is impossible to say who speaks out in favor of democracy for career reasons and who actually strives for democracy.

The market economy is more explicitly agreed upon than democracy, since its meaning and substance can easily be felt in the everyday life of the people. The leadership of the country, the media and the expert community see no alternative to a market economy. The official market rhetoric has even strengthened in the course of Mirziyoyev's reforms.

The question, “To what extent can reformers exclude or co-opt anti-democratic actors?” in the context of Uzbekistan could be reformulated as follows: “To what extent can an authoritarian regime include or co-opt pro-democratic actors and reformers?” The former president and the government were pro-democratic in words and anti-democratic in deeds.

During the Mirziyoyev period, anti-democratic actors are those who intentionally or unintentionally sabotage the ongoing reforms. They are corrupt officials, executives, chiefs and managers who abuse their power, and those who block changes for the sake of their career and prestigious posts in government structures.

However, the commitment to democracy is also by no means assured at the very top, although substantial reforms are conducted in all spheres except for the political sphere, which still remains almost untouched. This refers to the party system,

Consensus on goals

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Anti-democratic actors

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parliament, the election of local provincial hokims (mayors), the independent mass media and other institutions. How far the president is ready to move forward in this respect, and whether he unblocks political reforms and secures a democratic political process, is yet to be seen.

During the reporting period, the regime has not been forced to cope with pronounced cleavages in society along social, religious or ethnic lines. There are divisions in society between regional clans struggling for power and control of resources. However, such divisions have not yet affected the political and party systems, and they have remained latent and within manageable frames.

So far, the political leadership has proved it is able to moderate cleavage-based conflicts, supported by interethnic, religious and cultural tolerance in Uzbekistani society. Besides, civil society is politically still very fragile and is too passive to challenge the status quo and advance specific demands.

Until recently, civil society organizations were mostly excluded (or self-excluded) from the policy process and mostly dealt with non-political matters. The third sector is dominated now by GONGOs (government organized NGOs), which are periodically invited to various meetings at the local and top levels. But these proxy organizations should not be confused with independent civil society institutions.

On the one hand, relatively active civil society actors try to utilize sophisticated formal and informal channels for delivering their advice and demands to the political level. They sometimes collaborate with GONGOs (such as the Institute for Monitoring of the Formation of Civil Society), use internet channels (such as <https://my.gov.uz> or <https://pm.gov.uz>, which has a call center and a mechanism for delivering complaints) or even use personal communication channels.

On May 4, 2018, a presidential decree was adopted “On Measures on the Radical Increase of Civil Society Institutions’ Role in the Process of Democratic Renovation of the Country.” This decree for the first time created the legal and political conditions for a real rise of civil society institutions. Subsequently, a special consultative council on the development of civil society was set up under the president. This council, as was announced, will “arrange an effective dialog of the state and civil society institutions.” The council will be responsible for developing suggestions for the strategic direction of civil society development in the medium and long term. At the same time, institutions such as the Institute of Monitoring of the Civil Society Formation and the National Association of NGOs – which are GONGOs created as custodians of civil society – cannot fully perform their mission anymore.

Cleavage /
conflict
management

5

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Civil society
participation

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Throughout the last decade, the sociopolitical situation in the country has not been disturbed by any serious unrest, resentments or expression of public frustration.

The two most sensitive issues that could cause some form of polarization in society and perhaps require reconciliation are religious extremism and political opposition. Whereas extremism is countered under the pretext of fighting terrorism, the political opposition has been suppressed, for instance by arresting human rights activists. Yet both issues are very limited, and political antagonism does not seriously interrupt the political atmosphere in the country.

Moreover, 35 people imprisoned on political charges were released in 2018. The most famous and politically troublesome case of Usman Khaknazarov came to an end, and after the trial he was freed. But this can only be the first step with respect to injustices committed by the previous regime. Reconciliation in this regard is left wanting as long as there is no clear distancing from this legacy (of which Mirziyoyev was an integral part for much of his political career).

17 | International Cooperation

According to the World Bank, in 2017 Uzbekistan embarked on a strong program of market-oriented reforms unprecedented in its modern history after the change of leadership. International financial institutions jumped in early on to provide support in terms of direction and assistance. This has been utilized in a fairly coherent manner.

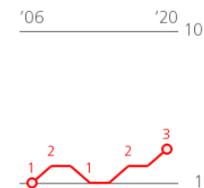
For example, the Asian Development Bank's country operations business plan for 2018 to 2020 (issued in October 2017) reports that the ABD's country partnership strategy for Uzbekistan for 2012 to 2016 supported infrastructure development and access to finance. The proposed country operations business plan for 2018 to 2020 expands the country partnership strategy beyond scattered projects and pledges \$2.9 billion in assistance. The ADB also loaned \$300 million in 2018 for improvement of economic management, and it provided \$1 million for strengthening the potential of the government to implement reforms in areas such as budget mechanisms, public-private partnerships, internal auditing, risk management and the gender sensitivity of programs of state expenditures.

On November 27, 2018, a U.N. Multi-Partner Human Security Trust Fund for the Aral Sea region in Uzbekistan was launched. This trust fund will address the overall needs and problems of the population that has been affected by the drying up of the Aral Sea. It is also indicative of the willingness of the Uzbek government to seriously address the plight of the people in the area, which was previously not the case.

The government adopted a 2019 to 2021 "reform roadmap," which was jointly developed with the World Bank. In 2018, Uzbekistan received \$1.44 billion in loans and credits from the World Bank for projects such as the development of small cities'

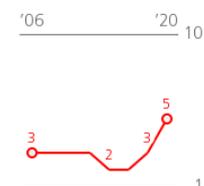
Reconciliation

3



Effective use of support

5



infrastructure. Currently, the bank is realizing 19 projects with a total sum \$3.4 billion directed to the economic and social development of the country, macroeconomic reforms, agriculture, water supply and sanitation, health care, education, energy, transport and regional development.

The international reputation of Uzbekistan has certainly improved due to the reforms of President Mirziyoyev. Many international agencies, state officials and experts point to the increased credibility of Uzbekistan. At the same time, experts and observers raise questions about how far the president is ready to go in his reforms and whether these reforms are really irreversible.

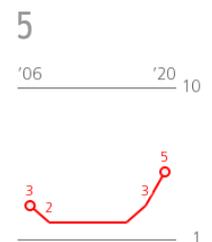
The country's human rights record is improving, and several political prisoners were released during the period under review. The investment climate has considerably improved. Taxes have been reduced, and foreign trade has been liberalized. The visa regime has been simplified. Convertibility of the national currency has been introduced. These and other improvements create a positive image and increase the credibility of the country in the world.

International agencies engaged in market reform and democratization projects include the UNDP, the European Union and the OSCE. These organizations do not directly articulate the country's issues of democracy and market economy but rather cautiously wrap them in notions such as human development, the Sustainable Development Goals, the environment, irrigation, renewable energy, prevention of corruption, and seminars for the local executive and legislative branches of power.

A few international NGOs, such as the German Friedrich Ebert Foundation and the Konrad Adenauer Foundation, Regional Dialogue and others, operate in Uzbekistan; however, their activity is restricted. They cannot implement any project without detailed and complete alignment with state structures such as the ministries of foreign affairs and justice. Human Rights Watch and Voice of America have returned to Uzbekistan and received an official accreditation. The BBC is also expecting accreditation in Uzbekistan.

Cooperation with foreign states is developing steadily on the bilateral level, and multiple agreements are regularly signed with them in many spheres. Uzbekistan's commitment and compliance with international legal obligations is broadly acknowledged by the international community. Leaders of the United States, China and the European Union have openly supported the reforms of President Mirziyoyev and positively evaluated the overall direction of reforms.

Credibility



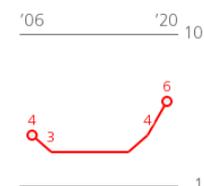
Post-Karimov Uzbekistan is changing in terms of regional affairs. From the very outset of his advent to supreme power in September 2016 as interim president, Mirziyoyev has strongly emphasized that intensified relations with neighboring countries in Central Asia will be his foreign policy priority. In practical terms, the first tokens of such a change in Uzbekistan's regional stance became clear in 2017 in some motions toward rapprochement with Tajikistan and Kyrgyzstan, clearly a break with Karimov's line. Air traffic between Tashkent, the capital of Uzbekistan, and Dushanbe, the capital of Tajikistan, was restored and the visa regime for their citizens was canceled.

During 2017 to 2018, Mirziyoyev met all presidents of Central Asian states, and Uzbekistan signed strategic partnership treaties with each neighboring state during these meetings. On November 10 and 11, 2017, the city of Samarkand hosted the International Conference on Ensuring Security and Sustainable Development in Central Asia under the auspices of the United Nations. The forum was organized by Uzbekistan in cooperation with the U.N. Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA) and the UNODC Regional Office for Central Asia. High-level officials from the United Nations, European Union, OSCE, SCO, CIS, Central Asian countries, Afghanistan, the United States, Russia, China, Turkey, Iran, India, Pakistan, Japan and South Korea, as well as scientists, public figures and officials took part in the conference.

At that conference, Mirziyoyev suggested organizing a consultative meeting of the five leaders of Central Asian states. The first meeting took place in Astana – the capital of Kazakhstan – in March 2018. The last summit of this kind took place more than 10 years ago; therefore, the revitalization of regional summits will obviously have a profound impact on regional affairs. The next consultative meeting will be held in Tashkent in March 2019.

Regional cooperation

6



Strategic Outlook

President Mirziyoyev's unprecedented reforms have created a new political, social and economic environment both in the country and in the region. He consistently follows his new path by complementing it with new dynamism and making steps forward.

However, this is not free from controversies, risks and difficulties. One of the main hurdles for his reforms is pervasive corruption, which is eroding the economic, political and moral health of the state and society. Another fundamental problem that undermines the overall success of reforms is the quality of officialdom. This problem is related to the issue of selecting and recruiting state personnel as well as the circulation of political elites. Many state cadres – officials and bureaucracy – appear to be the stumbling block for advancing the reform process.

Understanding the crisis of officialdom, the president called upon compatriots living abroad – modern and qualified specialists, experts and professionals – to return to Uzbekistan and contribute to the reforming of their country with their expertise, knowledge and skills. A group of such people who used to study and work in developed countries responded to this call and created an international NGO called Buyuk Kelajak (Great Future), which is currently engaged in developing and proposing new solutions to reform problems based on high international standards, including the “Uzbekistan 2030” Strategy.

Although only two years have passed since Mirziyoyev's coming to power, it is becoming obvious that his system is not just an extension of his predecessor Karimov's regime. The incumbent has tried to smoothly and slowly overcome Karimov's political legacy by acting like a technocratic leader. How far he will go in his zeal for reform depends on a number of circumstances, but mostly on whether and to what degree the real democratic political process will be spurred and take momentum.

People are attaching a lot of hope to the upcoming parliamentary elections in 2019. The new parliament is expected to symbolize the beginning of a new political process. Its activities will likely be a litmus test for the efficiency and irreversibility of the political reforms.

In the framework of the government's 2017 to 2021 action strategy, a relatively innovative document was adopted for the third year – 2019 – which is called “The Year of Support of Active Investments and Social Development.” In order to realize this concept, a special state program was drafted and opened for public consideration, collecting citizens' suggestions and comments. By mid-January 2019, around 4,000 such contributions had been collected, which reflects a rising awareness and activism of citizens, and a growing interest in the success of the reforms.

Whatever the real character and dynamics of Tashkent's new path, it already has an explicit and implicit regional dimension. Whereas at the dawn of independence President Karimov proclaimed the slogan “Turkistan is our common home,” for whatever reason he proved unable to realize this concept in Uzbekistan's regional policy. His successor, President Mirziyoyev, has not only

revitalized the same idea and given new priority to the Central Asian region but also initiated a strong regional policy that is reflected in multiple business contacts, economic forums, agreements on strategic partnerships and summits of the leaders of Central Asian states.

President Mirziyoyev has already visited a number of developed countries, including the United States, France, Germany, China, Russia, India and all Central Asian states, and due to his engagement and open foreign policy, multi-billion dollar investments have been attracted to Uzbekistan's economy. This path should avoid any geopolitical turbulence. Now, the main task – and, at the same time, the main challenge – ahead of the reform process is related to the determination and capacity of the leader to launch democratic political changes.