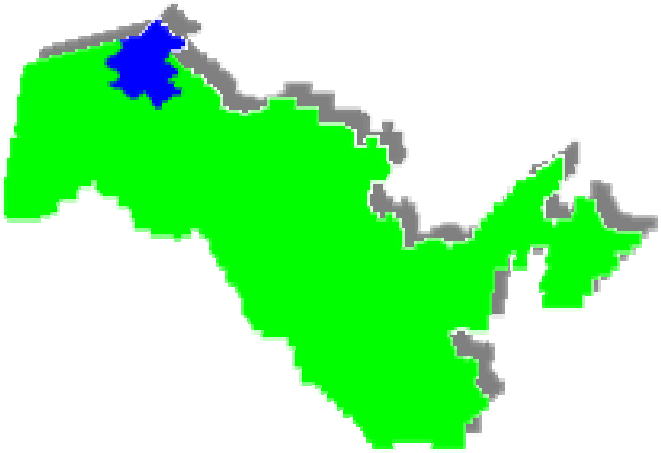
CEEP
Center for Effective Economic Policy

UZBEKISTAN ECONOMY

Statistical and Analytical Review
January-September 2004



№ 7

December 2004

USAID

EUROPEAID
Cooperation Office

Published in December 2004

1, Yakhyo Gulom street, 700000 Tashkent, Uzbekistan.
Telephone: 136-17-26

This report was prepared by the CEEP with the assistance of USAID and EuropeAID.

Electronic copy of "Uzbekistan Economy" in
Uzbek, Russian and English can be found at
www.ceep.uz, www.bearingpoint.uz and www.pca.uz

USAID / Economic Reform Project administered by Bearing Point 12, Afrosiyob street, Block II-4, Tashkent 700031, Uzbekistan	*For further information please contact:* Center for Effective Economic Policy, 1, Y.Gulyamov street, Tashkent 700000, Uzbekistan, Tel: (+998-71) 1331747, 1361726 Fax: (+998-71) 1362797.	SIPCA Project / EuropeAid 4, Taras Shevchenko street, Tashkent 700029, Uzbekistan

Content

Tables

Graphs

Annexes

List of Abbreviations

AFER	Agency for Foreign Economic Relations
bill.	Billion
CabMin	Cabinet of Ministers
CBU	Central Bank of Uzbekistan
CER	Commercial Exchange Rate
CIS	Commonwealth of Independent States
CLM	Combustive-Lubricating Materials
CPI	Consumer Price Index
EBRD	European Bank for Reconstruction and Development
EFI	Enterprises with Foreign Investment
ERP	Effective Rate of Protection
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
JSC	Joint Stock Company
JV	Joint Venture
IFC	International Financial Corporation
IMF	International Monetary Fund
MER	Multiple Exchange Rate
mill.	Million
OER	Official Exchange Rate
p.a.	Period Average
p.e.	Period End
PER	Parallel Exchange Rate
REER	Real Effective Exchange Rate
RER	Real Exchange Rate
RMC	Republican Monetary Commission
RF	Russian Federation
RREE	Republican Real Estate Exchange
RSE	Republican Stock Exchange
RU	Republic of Uzbekistan
RUR	Russian Ruble
SOE	State Owned Enterprise
SME	Small and Medium Enterprise
T-bills	Treasury Bills
TTF	Truck and Tractor Fleet
thous.	Thousand
OTC	Over-the-counter
VAT	Value Additional Tax
URCE	Uzbek Republican Currency Exchange
USD	US Dollar
UZS	Uzbek Soum
UZSE	Uzbekistan Stock Exchange
yoy	Year-on-year

Introduction

The series of the Uzbekistan Economy Review has been developed by the Center for Effective Economic Policy (CEEP) with USAID and EuropeAid support.

The fifth, most recent review comprises an analytical survey of dynamics and trends in the social and economic development of Uzbekistan in January-September of 2004, including analyses of major economic events of the period.

The overview of the Uzbekistan economy covers major constituents of the government's economic policy and surveys trends of the macroeconomic situation, institutional, structural and Investment transformations, foreign economic activity, living standards and complex development of the republican regions.

The Macroeconomic Policy Section reviews factors and prerequisites for macroeconomic stability and economic growth, and the trends and outcomes of implemented fiscal, monetary, foreign exchange and pricing policies.

The Institutional and Market Reforms Section focuses on the market transformation processes in the economy, including denationalization and privatization, the establishment of market infrastructure institutions and private sector development.

The Structural and Investment Policies Section presents trends and issues in the development of real sector of the economy and the level of investment activity.

The Foreign Trade Section includes an analytical review of the trade balance status, import and export structure, and the activity of joint ventures with foreign investment.

The Living Standards and Labour Market Section analyzes trends in wages, domestic trade and services development, and reviews specific issues of employment and the labor market.

The Social and Economic Development in the Regions Section discusses production facilities, territorial allocation rates and ratios, as well as reasons for interregional differentiation in social and economic development.
The publication includes analytical articles on the most vital issues of social and economic development and reform progress in Uzbekistan.

The following national experts contributed to the review drafting: Furqat Baratov, Shukhrat Shukurov, Tursun Akhmedov, Jakhongir Muinov, Rinat Yaushev, Valentina Baturina, Elvira Bikeeva, Dildora Karimova and Farkhod Jurakhanov.

The findings and conclusions cited in the review are those of the authors only and should in no way be taken as reflecting the policies or opinions of the government of Uzbekistan, USAID or Europe Aid.

The data published in the review were provided by the State Committee on Statistics, the Ministry of Economy, the Central Bank of Uzbekistan, the Ministry of Finance, the State Committee for Property Management and Privatization, as well as being derived by the authors.

Main Economic Events

January
In the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan (25 December 2003) "On Parameters of the State Budget of the Republic of Uzbekistan for the year 2004" the main changes in the tax policy of Uzbekistan for 2004 were indicated. This envisaged further reduction of the tax burden on the economy, improvement of the tax administration system and encouragement of taxpayers to fulfill their tax obligations promptly and completely. The measures taken provided the following:
- the reduction of the profit tax rate for legal entities from 20% to 18% and the maximal rate of individual income tax from 32% to 30%;
- the introduction of a uniform rate of social tax in the amount of 33% from salaries instead of the system of mandatory payments for social insurance (with an aggregate rate of 37.2%);
- the abolishment of advanced payments of VAT.

Starting from January 1, 2004, in line with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 7, 2004 "On Measures for Further Improvement of Customs and Tariffs Regulation", 5%-10% custom duties were introduced for some types of foodstuffs (fish, soybeans, vegetable oil, animal oil and butter, meat, meat products), instead of the zero-rates which had applied before. Also, zero-rate import custom duties were established for machinery and technological equipment, including those for building materials and constructions output, which are imported by legal entities and via foreign trade companies for their own needs.

On January 14, 2004 the Cabinet of Ministers of RU adopted the Resolution "On additional measures for the implementation of the Program for localization of finished goods and production of components based on local raw materials for the period 2004-2005", aimed at implementation of the priority areas of the government's structural policy, creating a modern technological foundation and upgrading production. The Resolution provides a number of privileges for Program participants, stimulating their investment activity.

A meeting of representatives of 17 leading Indian companies and business circles of Uzbekistan under the aegis of the Federation of Indian Export Organizations (FIEO), the Agency for Foreign Economic Relations (AFER) and the Chamber of Commodity Producers and Entrepreneurs of RU took place on January 22, 2004. The Indian side was represented by textile, pharmaceutical and medical companies, as well as companies producing components for automobiles and others. The meeting gave new impetus to bilateral relations and sustainable contacts between Indian and Uzbek businessmen.

The President of the Republic of Uzbekistan Mr. I. Karimov visited Kuwait with the purpose of determining the priority areas of mutually beneficial cooperation in the spheres of transportation and communications, agriculture, energy power and water-supply. An agreement was reached on joint participation in investment projects in the area of water-supply and power engineering, irrigation and construction in accordance with the Memorandum of the Kuwait Foundation for Arabian Economic Development.

The President of RU Mr. I. Karimov addressed the extraordinary session of Kengash (Council) of Tashkent province people's deputies with the report "Rationally Using Potential and Resourses as a Factor of Progress". It was noted that the current social and economic situation in the region calls for the intensification of economic reforms and implementation of new relations and approaches in production management. The new governor of the province, was elected at the session.

In an effort to strengthen accord in society, to support the socially-vulnerable population and to coordinate the activity of state and public organizations, the Resolution of the Cabinet of Ministers dated January 27, 2004 "On the Program 'The Year of Kindness and Mercy'", targeted the following: a) attracting resources for the material and spiritual support of the insufficiently provided, invalid, lonely old and other socially vulnerable members of society; b) implementation of measures to increase the strength of families; c) bringing up youths in the spirit of national traditions and in line with modern requirements; d) ensuring stable social accord.

February
The Resolution of the Cabinet of Ministers dated February 26, 2004 "On introducing amendments and declaring invalid some of the resolutions of the Government of the Republic of Uzbekistan" stipulated an increase in the maximum share of single shareholders or group of joint shareholders in the statutory capital of banks from 7% up to 25%. As expected this measure will lead to the intensification of privatization of commercial banks.

On February 5, 2004 the Resolution of the Cabinet of Ministers of RU “On further introduction of market mechanisms of sale of highly liquid types of products, raw materials and finished goods”, was adopted.
The implementing market mechanism provides the enterprises equal right of access to resources which had been delivered before only by administrative distribution.

On February 7, 2004 the President of RU Mr. I. Karimov reported at the session of the Cabinet of Ministers on the overall results of social and economic development of the country in 2003 and primary areas for the intensification of economic reforms for 2004. The report contained deep analysis of the country’s development in 2003 and primary areas for further advancement in 2004.

The issues of collaboration between Uzbekistan and Russia in the sphere of mining industry development was discussed at a meeting of the President of the Republic of Uzbekistan with J. Shafranic, the chairman of the Supreme Mining Council of RF and the “Council of oil-and gas manufacturers of Russia”. During the visit, sessions of working groups of representatives from "Gazprom", "LUKOIL Overseas Holding Ltd.", "Uzbekneftegaz NHK" and Navoi mining and smelting plant, were also held.

A presentation of the German company Sennebogen Maschinenfabrik GmbH organized by the bureau of the German machine-building enterprises in Central Asia (VDMA) jointly with NAK “Uzavtoyol” was held. The representatives of the German company demonstrated the potential and results of the company‘s operation in the field of load-lifting equipment production.

The municipal round of the competition between entrepreneurs “Tashabbus-2004” was held in Tashkent. An exhibition of the entrepreneurs was featured in the central show-room of the Academy of Arts of the Uzbekistan “Khamar”. 22 winners of the district rounds of the competition “Tashabbus-2004” struggled for the title of the best entrepreneur.

On February 2004 the Resolution “On measures for the regulation of imports and exports of national currency of the Republic of Uzbekistan” was adopted by the Cabinet of Ministers. It sets out that starting from March 1, 2004 resident and non-resident individuals will be permitted to import into Republic and export from the Republic an amount of cash national currency not exceeding 50 minimum wages, established in the Republic of Uzbekistan. The export of national currency in cash amounts in excess of the stated sum are allowed with permissions obtained from the Central Bank of Uzbekistan.

The Cabinet of Ministers of RU jointly with the State Committee for Property Management of the Republic of Uzbekistan conducted a press conference for the mass media which broadly covered the essential issues of the new stage of administrative reform conducted in Uzbekistan, as well as the strategy of privatization processes, the intensification of stock market activity and efforts to attract foreign investors to purchase privatized objects.

An Uzbek delegation headed by the deputy Prime Minister of the Republic E. Ganiev visited Great Britain. The great interest of financial and industrial circles in trade and economic cooperation with Uzbekistan was emphasized at the meeting of the Uzbek-British Trade and Industry Council. It was decided to conduct regular conferences on the subject “Doing Business in Uzbekistan” and to study the issues of establishing an Uzbek-British chamber of commerce and industry. The protocol of intention between SJSK “Uzbeklegprom” and the British company “Global Infrastructure Holding Ltd.” on the establishment of a cotton fiber deep-processing JV was signed.

March
The fifth international exhibition “Uzbek Construction Week” opened in “Uzexpocenter”, in the framework of which the first international exhibition “Furniture and Production Technologies” was held. The exhibition was organized jointly by the company Itesa-Osiyo and its British partner ITE JV, Ltd.

The meeting of the head of the State Committee for Property Management with the representatives of the European Bank for Reconstruction and Development (EBRD) and International Financial Corporation (IFC) initiated a project for the technical assistance by the EBRD, targeted at the regulatory basis of Uzbek telecommunications development.

In an effort to protect businesses’ interests, to increase the strength of economic interrelations and agrarian reforms, as well as to provide priority development of the farming movement, the Presidential Decree “On additional measures to ensure abiding by legislation, adopted for conducting agricultural reform” was passed

on March 11, 2004. This document provides that ensuring lawfulness and protection of businesses' rights in the agrarian sector as the main task of law-enforcement agencies.

A meeting with the representatives of a Korean commercial delegation took place in Tashkent. The organizers were the Agency for the Development of Trade and Investments of Korea (KOTRA) with the assistance of the Chamber of Commodity Producers and Entrepreneurs of Tashkent city. The commerce mission arrived in Uzbekistan with the purpose of establishing lasting business contacts with the businessmen of our country. Representatives from state and private companies took part in the meeting.

An international seminar took place in Tashkent on the subject of the importance of an intellectual property protection system for attracting investments and technology transfer, particularly, in the sphere of information and telecommunications. Seminar was arranged by the World Organization for Intellectual Property Security (WOIS) and the UN Economic and Social Committee of the Asian and Pacific Region (UNESCAP) in cooperation with the State Patent Department of the Republic of Uzbekistan.

The seventh session of the joint committee for collaboration between Uzbekistan and Azerbaijan took place in Tashkent. Participants of the session noted that the indicators of bilateral trade and economic cooperation remain insufficient, particularly, in the use of technical and scientific potential for the development of trade and the implementation of new joint projects in the field of agriculture and transportation, as well as establishment of joint ventures. The subject of fulfilling the program for economic cooperation between the governments of Uzbekistan and Azerbaijan for 2001-2010 was also discussed by members of the Committee.

With a view to improving the training of skilled personnel in Uzbekistan and increasing the strength of personnel potential in the fields of management, marketing, tourism and services, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 26 March 2004 "On the Foundation of the Samarkand Economy and Services Institute" was adopted.

A seminar on the subject "An overview of the WTO's agreements and the process of Uzbekistan accession into the WTO" was conducted on March 15-19 at the Agency for Foreign Economic Relations of RU. Such issues as the rules of the WTO on regional trade agreements, the experience of new members and countries in the process of accession and others, were reviewed. The seminar will help to increase the efficiency of the efforts to solve the issues on accession into this organization.

UzbekTurkish JV "Emtex" and JV "Balikchitex" started operations in the Balikchi district of Andijan province, where high quality knitwear and yarn will be produced from local raw materials.

JV "Iskovuttex" cotton yarn and stockinet production enterprise, based on local raw materials, started operation in the Pap district of Namangan province. Putting all productive capacities into effect will provide about 400 persons with permanent jobs.

April

On April 15-16, President Islam Karimov was in the Russian Federation on a working trip. An agreement was reached on the legalization of the strategic partnership between Uzbekistan and Russia, the continuation of dialog, summit consultations and meetings.

At the Republican Trade and Exhibition Center "Uzexpotcentre" the Ninth International Healthcare Exhibition was held – "Medicine Uzbekistan – 2004," represented by two sections – pharmaceutics and medical equipment.

On April 15-16, in Tashkent the seminar on "Standard ISO 9000: the Tool for Effective Competition in the Modern-Day International Markets" was conducted for managers of enterprises operating in the area of foodstuffs production. The seminar's organizers were the Ministry of Industry and the Institute for Italy's Foreign Trade with the assistance of the AFER of Uzbekistan.

In April, at the state-owned joint-stock company "Uzbekengilsanoat" a presentation was held on the potential for the further development of light industry. It was conducted within the framework of the implementation of the Resolution dated April 25, 2004 of the Cabinet of Ministers of Uzbekistan "On Measures for the Improvement of the Management Structure of the State-Owned Joint-Stock Company 'Uzbekengilsanoat', and Promotion of Further Development of Uzbekistan's Light Industry."

On April 30, 2004 the Cabinet of Ministers of the Republic of Uzbekistan adopted Resolution No. 205 "On Improvement of Operation of the Uzbek Association of Enterprises of the Radio-Electronic, Electrical, and

Instrument-Making Industries (Association 'Uzeltekhsanoat')." It is primarily aimed at improving the efficiency of management of one of the leading sectors of the country's machine-building complex.

The Asian Development Bank (ADB) awarded a grant in the amount of 1.4 mill. USD for three projects designed at supporting the acceleration of economic reforms in Uzbekistan. The first project, in the amount of USD 400,000 is designed at supporting reforms in the grain-growing sector. The second project, in the amount of USD 500,000 designed at developing an integrated cadastral system for land resources management. The third project – in the same amount – designed at supporting implementation of legal and institutional reforms in the water resources sector.

A training seminar was conducted in Tashkent, organized by the Ministry of Agriculture and Water Industry of Uzbekistan jointly with the US Agency for International Development (USAID), the Academy for Education and Development (AED), and the Winrock International University. Issues relating to factors of development of the farmers' movement, and to the study of experience of economically advanced countries were discussed at the seminar.

The international business forum "The Role of Insurance in the Creation of a Uniform System for Stimulating Foreign-Economic Activity" was held in Tashkent. Its goal was to exchange experience and to identify main areas for the improvement and motivation of the system of foreign-economic activities under conditions of globalization processes. Issues related to the application of financial and non-financial instruments for the inducement of investment processes were discussed.

A meeting took place between a group headed by the Federal Minister for Economic Cooperation and Development of the Federal Republic of Germany Ms. Haidemarie Vichorek-Zoil and the Deputy Prime-Minister of the Republic of Uzbekistan Mr. E. Ganiyev. The parties exchanged their opinions on the present-day state of trade and economic ties, and prospects for the further development of relations between both countries in this area.

At the AFER of the Republic of Uzbekistan, a meeting was held with the heads of diplomatic missions of EU countries accredited in Uzbekistan. The primary areas for the development of partnership and cooperation were discussed, in particular such issues as increasing and diversifying trade with the EU countries, introducing ISO standards, overcoming technical obstacles while getting access to the European market, attracting foreign investments, harmonizing the legal system and legislations of the Republic and the EU in priority areas of cooperation, and others.

Within the framework of the "Europe-Air" Project, medical equipment worth EURO 105,000 was delivered to the Kashkadarya Region. The given project is aimed at improving clinical and diagnostic operation of the medical-epidemiological laboratories of the region and at equipping medical emergency units with state-of-the-art equipment.

In an effort to ensure the implementation of the target program of measures for the realization of priority guidelines for improving medical awareness in families, building up women's health, and improving childbirth and upbringing of a healthy generation, on April 23, 2004 the Cabinet of Ministers of the Republic of Uzbekistan issued the Regulation "On Measures for Further Development of the State System 'Mother and Child Screening'", which provides for further development of the system for early detection of congenital and hereditary pathologies in newborns and pregnant women.

May

In Riyadh, the second session of the joint governmental commission of the Republic of Uzbekistan and the Kingdom of Saudi Arabia took place. At the session the issues of the development of trade and economic cooperation, attraction of investments, and interaction in the areas of education, culture, sports, information exchange, tourism, and the organization of pilgrimages for religious believers were discussed. A Memorandum of Cooperation between the Chamber of Manufacturers and Entrepreneurs of Uzbekistan and the Kingdom's Council of Chambers of Commerce and Industry was signed.

In Samarkand, a working meeting of local manufacturers and representatives of governmental structures was held. The main goal of the meeting was addressing problems regarding the certification of products. Similar meetings also took place in Karshi and Urgench. All of them were organized by the Project of the Association of Business Women of Uzbekistan, with the assistance of USAID's program for the support of civil initiatives (CASP).

The 8th International Exhibition “Oil and Gas - 2004” was conducted in Tashkent, at the Republican Trade-and-Exhibition Center “Uzekspotsentr”.

In Astana a meeting of the Council of Heads of States/Members of the organization “Central Asian Cooperation” took place. The President of the Republic of Uzbekistan Islam Karimov participated. He put forward a proposal to create a future market in the region on a step-by-step basis.

A meeting of the ministers of economy and trade of the states/members of the Shanghai Organization for Cooperation (SOC) took place in Tashkent. Groups from Uzbekistan, the People's Republic of China, the Russian Federation, Kazakhstan, Kyrgyzstan, and Tajikistan participated. The importance of expanding and deepening regional cooperation of the countries/SOC members was emphasized at the meeting. Participants discussed the issues of creation of a fund for the development of regional cooperation, a web-site, and a forum of business circles of the states/SOC members.

At the Banking and Finance Academy the international scientific and practical conference on “Issues of Increasing the Efficiency of Finance and Credit Mechanisms in Securing Economic Growth of the Republic of Uzbekistan” was held. Representatives of banks and a number of international organizations, scientists and faculty members from a number of institutions of higher learning, as well as the academy’s undergraduates, participated. At the plenary session, and during the conference’s section meetings, lively discussions were conducted on the intensification of money and credit mechanisms, the development of the securities market, the strengthening of the impact of taxes on the country’s economy, and on other topical issues.

The Cabinet of Ministers adopted the Resolution No.209 “On Measures for the Acceleration of Sale of a Number of State-Owned Objects at Zero Redemption Value,” which approved a list of 302 state-owned objects offered for sale on a competitive basis at a zero redemption value with investment obligations.

At the Oliy Majlis of the Republic of Uzbekistan, a round-table session was conducted on the subject of “Improving the Legislation on the Securities Market”. It was organized by the Committee of Oliy Majlis of the Republic of Uzbekistan for Issues of the Reformation of the Economy and Entrepreneurship. Deputies of Oliy Majlis, managers and specialists of the State Property Committee, of the Ministry of Economy, the Ministry of Finance, and other interested organizations participated in the session.

At the “Uzjilsberbank” an official ceremony was held, during which a loan agreement for the amount of USD 5 mill. was signed under which the EBRD will open a credit line for funding small business projects.

The leasing company “Business Leasing” was opened. Its primary operation is aimed at supporting small businesses and private enterprises through the constant introduction of modern-day technologies and new banking services. The new leasing company’s founders are: the Private Open Joint-Stock Commercial Business-Bank and the CASEF (Central Asian Small Enterprise Foundation).

On May 12-13, in Tashkent an informational seminar was conducted on the subject of “Introduction of ISO Standards at Enterprises in Light of the Further Integration of Uzbekistan into the International Economic Community.” Its organizers were the AFER of Uzbekistan jointly with the Uzbek-German JV “Global Consulting Network.” About 150 managers of holdings, associations, and companies, as well as specialists of these organizations, engaged in the development and introduction of a system of quality management, expressed their interest in the seminar.

A Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May 4 2004 approved the Provision “On the Procedure for Financing by Commercial Banks of the Contracts of Construction Companies Building Objects on Turnkey Basis out the proceeds of Centralized Sources of Funding”.

The Decree of the President of the Republic of Uzbekistan dated May 21, 2004 “On the State Nation-Wide Program for the Development of School Education for the years 2004 - 2009” created an off-budget fund for school education, the primary tasks of which are as follows: the accumulation of funds earmarked from the central budget or by sponsors for financing the construction of new schools included in the Program of Development of Basic School Education, capital reconstruction, capital and current repairs of schools, and for equipping them with training-and-laboratory equipment, computer hardware, school desks and furniture, and sports gear.

The Government of the Republic of Uzbekistan and the Organization on Security and Cooperation in Europe (OSCE) organized and conducted a regional conference “Education – Investment in the Future”, where it was pointed out that the introduction of an educational system meeting world standards would facilitate economic and social progress and is an important factor in strengthening global and local security and stability.

June

On June 25, the Cabinet of Ministers of the Republic of Uzbekistan adopted the Resolution "On Organizing Activities for Monitoring the Effective Management of the State-Owned Shares of Joint-Stock Associations and Companies," which approved the composition of the Commission for Monitoring the Effectiveness of Management of State-owned Shares, and determined its primary objectives, functions, rights and authority.

The sixth meeting of the Uzbek-Ukrainian Commission for Comprehensive Cooperation took place in Tashkent. Based on the meeting's results, along with a number of important documents, an agreement was also signed between the State Property Committee of the Republic of Uzbekistan and the State Property Fund of Ukraine in the area of informational exchange.

The law of the Republic of Uzbekistan of June 30, 2004 "On Making Changes and Additions to Certain Legislative Acts of the Republic of Uzbekistan" set out a number of amendments to the Law of the Republic of Uzbekistan dated May 25, 2000 «On the Guarantees of Freedom of Entrepreneurial Activity."

Within the framework of the FAO Project "Integrated Management for the Continual Use of Saline and Contaminated Soils in Uzbekistan", the first seminar on the subject of organizing field schools for farmers (FSF) was conducted in Tashkent. The given project's objective is to provide assistance to the Government of Uzbekistan in implementing the national program for ensuring the country's foodstuffs security.

On June 17, at the Intercontinental Hotel in Tashkent, the summit of the Shanghai Organization for Cooperation (SOC) was conducted, with participation of the heads of the following states: Uzbekistan, Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan. The heads of Afghanistan and Belarus were present as observers. At the summit, the heads of states exchanged their opinions with regards to development of the SOC and expansion of multilateral cooperation, as well as a number of international and regional issues.

In an effort to deepen healthcare reforms aimed at increasing the income of the Republic's specialized medical centers (Centers) and developing their material and technical base, as well as providing incentives and increasing the salaries of medical personnel, the Cabinet of Ministers adopted a Resolution dated August 6, 2004 "Measures on finishing an experiment and deepening reforms in healthcare system".

July

For the purpose of the further improving material incentives for school teachers, above all elementary school teachers, on July 2, 2004 the Cabinet of Ministers of the Republic of Uzbekistan adopted the Resolution "On Additional Measures for Stimulating School Teachers", in accordance with which, effective from September 1, 2004 the following remunerations were raised: a) the allowance for elementary school teachers: from 5 up to 20 per cent above the tariff rate based on the Standard tariff scale for remuneration of labor; b) additional payments to secondary school teachers for class instruction: from 50 up to 100 per cent of the minimum wage; c) additional payments to secondary school teachers for correcting their pupils' written work: on average from 30 up to 50 per cent above the minimum wage.

On July 6, at the Oksaroy Residence, President Islam Karimov received Vladimir Rushaylo, the Chairperson of the CIS Executive Committee, who was on a business trip of the CIS countries. The guest pointed out the importance of the implementation of Uzbekistan's initiatives regarding the development of the CIS. The issues of the creation of a free trade zone, and of the effectiveness of operation of the CIS' structures are vital. The participants exchanged their opinions with regards to the preparation for the September CIS summit in Astana.

Decree # UP-3453 of the President of the Republic of Uzbekistan dated July 7, 2004 created the Chamber of Commerce and Industry of Uzbekistan – in an effort to ensure favorable conditions for the further development of private entrepreneurship, improvement of business environment, promotion of the establishment of business connections between the Republic's entrepreneurs and their foreign partners, the active promotion of domestic goods and services on foreign markets, and extensive attraction of foreign investments into Uzbekistan.

For the purpose of the further formation of favorable conditions for entrepreneurial activities, and of the simplification and removal of bureaucratic barriers hindering the process of certification of imported products, the Cabinet of Ministers approved the Resolution on the procedure of certification of products.

An extraordinary session of the Samarkand Province Council of People's Deputies took place. President Islam Karimov gave a report at the session, pointing out that the Province possesses a high natural and economic potential, which at present is used inefficiently. At the session organizational issues were reviewed, and a new khokim of the Province was elected.

At the Tashkent Institute for Agricultural Irrigation and Melioration an international conference was conducted, which was dedicated to the significance of the application of scientific achievements and new technologies in agriculture. Reports were given by the Director of the World Bank's Advisory Panel for the International Agricultural Research, Dr. Fransisco Reifschneider, and other leading scientists.

On July 16, a session of the Cabinet of Ministers of the Republic of Uzbekistan was conducted, dedicated to the overall results of socio-economic development in the Republic in the first half of 2004, and to the fulfillment of priority tasks, set forth by President Islam Karimov in his report given at the meeting of the Cabinet of Ministers on February 7 of the current year.

The Tashkent State Law Institute and the Project for Facilitation of the Implementation of the Agreement on Partnership and Cooperation between Uzbekistan and the European Union conducted a presentation of the first issue of the scientific-and-analytical journal "Legislative Review of Uzbekistan", that will analyze legislative and legal acts which regulate the economy; protect the rights and interests of entrepreneurs; and tell its readers about foreign legislation.

The Resolution dated July 20, 2004 of the Cabinet of Ministers of Uzbekistan was passed: "On Making Changes to the Resolution of November 26, 2002 of the Cabinet of Ministers of the Republic of Uzbekistan "On Measures for the Adjustment of Registration and Engaging in Trading Activities of Legal Entities and Individuals"".

The center for the automatic identification of products "EAN Uzbekistan" became a member of the system of the world registry "GEPIR". Thanks to that, manufacturers in Uzbekistan will gain access to information on over 600,000 enterprises of the members of the EAN-ISS – an international organization that coordinates bar-coding efforts – and will be able to provide them with data on their own products. For example, with the help of "GEPIR" one can quickly detect counterfeit products and protect consumer rights.

A grant agreement in the amount of USD 503,000 concluded between the Uzbek Agency for communications and information (UzASI) and the US Agency for Trade and Development (USTDA), is aimed at facilitatating the implementation of electronic technologies in public administration. Its objective is to draw up a plan of introduction of electronic government (E-Government), in particular, a pilot project for electronic taxation in Uzbekistan. The agreement is supposed to be implemented within a year and a half.

At the international business center, a seminar was conducted on the subject of the participation of Uzbekistan's enterprises in the economic reconstruction of Afghanistan. The seminar's participants – over 30 firms and companies – acquainted themselves with programs and projects of the World Bank and the Asian Development Bank dealing with the reconstruction of Afghanistan's economy; as well as with the terms of tender biddings, a procedure for participation in tenders, and business opportunities in this country.

At the State Center for certification and testing of agricultural machinery and technologies (in the town of Gul'bakhor of the Tashkent Province) a demonstrational exhibition of machines of the Russian public corporation "AgromashHolding" was held. Volgograd tractors of a new generation, "VT" series with horse-power of 130 and 150; the grain combine "Yenisey-1200 NM", as well as state-of-the-art diesel engines, made at the Altay motor factory, were exhibited. This was organized by "AgromashHolding" jointly with the Ministry of Agriculture and Water Industry of Uzbekistan.

The first line of the railway "Toshkurgan - Boysun - Kumkurgan" was put into operation. The railway will have a positive effect on the efficient utilization of the region's natural and economic potential. The first two stations of the road – Toshguzar and Dekhkanabad – have been completed.

An Agreement was signed on the strategic collaboration between the RSE "Toshkent" and the London Stock Exchange.

August

In accordance with the Decree of the President of the Republic of Uzbekistan "On Raising Wages, Pensions, Stipends and Social Benefits, Effective from August 1, 2004", in an effort to continue the improvement of the population's living standards and to strengthen the social protection of the Republic's citizens, the salaries of

employees of state budget institutions and organizations, all kinds of pensions and social benefits, the stipends of students of institutions of higher learning, and those of specialized secondary and vocational schools were increased by 1.3 times.

Effective from August 1, 2004, as the basis of the Standard tariff scale the zero grade tariff rate was accepted – in the amount of the established minimum wage of UZS 6,530 per month; and new tariff coefficients were approved (up to 9,019 for grade 22).

In an effort to develop trading activities, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Measures for the Adjustment of Registration and Engaging in Trading Activities of Legal Entities and Individuals", introduced effective from August 1, 2004 a procedure whereby legal entities engaged in wholesale trading activities must have a statutory fund in the amount of at least 4,600 times the minimum wage, of which an amount of at least 1,530 times the minimum wage should consist of cash assets.

In order to organize the operation of the markets, to introduce modern-day methods of trade, and to create optimal conditions for entrepreneurs and consumers, on August 12, 2004 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan was adopted "On Measures for the Adjustment of Registration of Individuals Importing Goods Intended for Commercial Activity." The Resolution provides for an individual entrepreneur, without forming a legal entity, with the right to carry out import operations on the country's territory, to be registered not only in territorial khokimiyats, but also in the state tax committee as an individual entrepreneur, and at the AFER and customs committee – as a participant of foreign economic relations.

Resolution # 104, 40, 7 of August 23, 2004 of the Ministry of Finance, the Ministry of Economy, and of the State Committee of the Republic of Uzbekistan for Demonopolization and Development of Competition was adopted "On the Adoption of the Regulation on the Procedure for the Formation and Application of Maximum Agreed Prices or of a Maximum Level of Profitability and Tariffs for Goods (Labor, Services) Produced by Economic Entities Included in the State Registry of Associations (Enterprises)/Monopolists of the Republic of Uzbekistan" (registered by the Ministry of Justice of the Republic of Uzbekistan on September 29, 2004, Registration Number 1415).

On August 24 at the Tashkent Trade and Exhibition Center "Uzexpotsentr" the trade-fair exhibition "Made in Uzbekistan" was held. At the exhibition, over 200 industrial enterprises displayed their products. The exhibition's special feature was the demonstration of new products developed within the framework of the implementation of the localization program. The exposition included a wide range of products of the chemical, electrical, car-making, agricultural machine-building, and light industry.

In the Yakkabag District of the Kashkadarya Province, the Uzbek-German joint venture "Yakkabog-Teks", founded by "Yakkabog Tukimachilik" and the German company "Teksproekt", was put into operation. The export potential of "Yakkabog-Teks" amounts to almost USD 5 mill. More than 350 young people are employed by the enterprise.

The Center for Coordination and Control of Operation of the Securities Market performed the state registration of corporate bonds of the Uzbek-American joint venture "COSCOM." in the amount of UZS 600 mill.

September

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Conducting the Experiment for Additional Incentives for Teachers, and for the Transition to a Sectoral Scale for the Remuneration of the Labor of Public Education Employees," starting on September 1, 2004 an experiment is conducted in connection with establishing special monthly bonuses to the tariff rate: a) for secondary schools teachers for their professionalism and concrete contribution to the educational process – at the rate of up to 25 per cent; b) for secondary schools teachers for their educational and extracurricular activities – at the rate of up to 15 per cent; c) for methodologists of methodological offices for their personal contribution to the developing of instructional and methodological materials used in the educational process, and for the introduction of new pedagogical technologies – at the rate of up to 25 percent.

For the purpose of the organization of activities of individuals, on September 2, 2004 the Resolution of the Cabinet of Ministers was adopted "On the Approval of the Regulation on the Procedure for State Registration of Individual Entrepreneurs Without Creating a Legal Entity, Цho Import Goods Intended for Commercial Activity, and for Issuing Record Cards of Import Operations Entities".

In an effort to improve training of highly qualified specialists and to strengthen the human resources potential in the area of agricultural and water economy, the Cabinet of Ministers of the Republic of Uzbekistan

adopted the Resolution dated September 3, 2004 “On the Improvement of the System of Training Highly Qualified Staff for the Republic’s Agricultural and Water Economy”. It provides for making changes in the classifier of baccalaureate education and master’s degree specialties in the branches of the agricultural and water economy and providing recommendations on the management and faculty of agricultural institutions of higher learning; the creation of specialized scientific research centers at (university) departments; as well as an increase in the number of village youth at agricultural institutions of higher learning, mainly with graduates of rural schools.

On September 12, President of the Czech Republic Vaclav Klaus arrived in Uzbekistan at the invitation of President Islam Karimov. In the course of the visit, the present condition and prospects of cooperation of both countries were discussed. Bilateral agreements aimed at the intensification of cooperation of Uzbekistan and the Czech Republic in various areas were signed.

The second session of the Joint Business Council between representatives of the Federation of Indian Chambers of Commerce and industry and the Chamber of Commerce and Industry of Uzbekistan was held on September 15, in Tashkent. Managers of large-scale Indian companies in the area of production of electrical engineering, car-making, the chemical and textile industries, and aluminum products took part in the session. On the Uzbek part, participants were specialists of various industrial associations and departments, and representatives of small business entities.

A group headed by the General Secretary of the Organization on Security and Cooperation in Europe Jan Kubis had a meeting with the Minister for Foreign Affairs of Uzbekistan Sadyk Safayev. They exchanged opinions on the issues of cooperation and implementation of joint projects. Jan Kubis made a high appraisal of the initiative of President Islam Karimov on the creation of the Central Asian Common Market. This would allow not only the formation of a large-scale regional market, but would also create vast opportunities for attracting foreign investments.

The Resolution dated September 24 of the Cabinet of Ministers of the Republic of Uzbekistan was passed: “On Introducing Amendments to the Program of Localization of Production of Finished Products, and Component Parts and Materials on the Basis of Local Raw Materials, for the Period of 2004 – 2005”.

In Teheran (Iran) the 29th annual meeting of the board of governors of the Islamic Development Bank (IDB) was held. The IDB’s main objective is to ensure the expansion of economic and technical cooperation between the member states, development of human resources, and facilitation of the development of science and technologies, and environmental protection.

An international seminar on the issue of development of the asbestos cement industry of the CIS and Central Asian countries was conducted In Tashkent.

The production facilities at five joint ventures of light industry were put into operation. They are the JV “Surkhanteks”, the JV “Yadem Textile”, the JV “Emteks”, the JV “Balykchi”, and the JV “Iskovutteks”, as well as the entities manufacturing automobile glass at the JSC “Avtooyna”, glass ampules at the JV “Pharm Glass”, and woolen jacquard carpets and floor coverings at the JV “Khiva Carpet”. Construction of a combined bridge over the Amudarya River was completed.

There was a meeting in Tashkent between a group of the Ural Region of Russia and representatives of enterprises and small and private business entities of Uzbekistan. It was organized with the assistance of the Chamber of Manufacturers of Uzbekistan and the Ural Chamber of Commerce and Industry. Representatives of 19 leading enterprises of the Ural Region also met with representatives of the Ministries and Departments of Uzbekistan, as well as with representatives from “Uzbekneftegaz”, the “Uzbekenergo”, “Uzkhimprom”, the association “Uzstroymateriali”, and the State-Owned Joint-Stock Company “the Tashkent Tractor Plant.”

The Conference “Standard ISO-9001 – a Path to Effective Business on the International Market” was conducted in Tashkent. More than one hundred managers and specialists in standardization and quality assurance from enterprises of nine associations/members of the Complex of consumer goods production and trade at the Cabinet of Ministers, as well as of the agency “Uzstandart”, discussed the issues and prospects of development of the state system of standardization. They also analyzed the speeches of representatives of major consulting companies who have experience in the introduction and certification of quality management systems Uzbekistan and abroad.

, Under the initiative of the International Organization for the sustainable development of agriculture in Central Asia and Transcaucasia (Ikarda) and the Ministry of Agriculture and Water Industry of Uzbekistan, the

second symposium of the Inter-Regional Seminar on Cotton Growing in Asia and Northern Africa (INCANA) was conducted In Tashkent. Ten cotton-growing countries of Asia and the Northern Africa, as well as Azerbaijan and Greece, participated in the symposium.

A scheduled 5th congress of the Chamber of Manufacturers and Entrepreneurs of Uzbekistan, and a constituent conference of the Chamber of Commerce and Industry of Uzbekistan were conducted In Tashkent. These two events were linked by the Presidential Decree "On the Creation of the Chamber of Commerce and Industry of Uzbekistan". At the constituent conference that took place the next day after the congress a decision was taken on the creation of the Chamber of Commerce and Industry of Uzbekistan on the basis of the national, territorial, district and municipal chambers of manufacturers and entrepreneurs. In order to solve the tasks the Chamber is entrusted with, it is creating territorial departments in the Republic of Karakalpakstan, in the Provinces and in Tashkent City. The Chamber's charter was adopted; its governing bodies were elected; and the heads of the Provinces' subdivisions were appointed.

With the purpose of a comprehensive solution of issues of culture and sports development; creation of conditions for educating physically healthy and harmonious people; and ensuring the fullest satisfaction of the population's cultural and aesthetic needs; as well as improving management and coordination for the implementation of the public policy in the area of culture and sports, the Decree of the President of the Republic of Uzbekistan dated September 28, 2004 provided for the creation of the Ministry of Culture and Sports on the basis of the abolished Ministry of Culture and the State Committee for Physical Culture and Sports of the Republic of Uzbekistan.

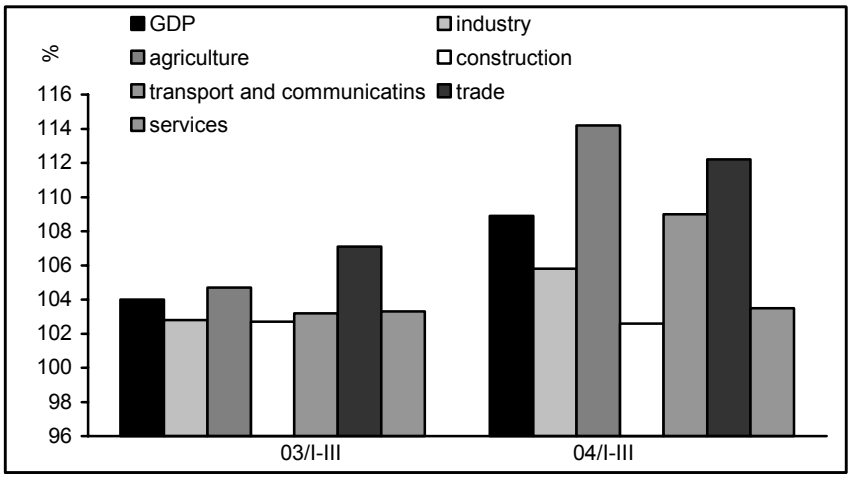
ANALYSIS OF STATISTICS

1. Macroeconomic Policy

1.1. Economic growth

Nominal GDP during the first nine months of 2004 equaled UZS 8316.0 bn. The acceleration in the growth of real GDP (from 4.0 to 8.9%, which is 2.2 points more than the level reached during the same period in 2003) was mainly the result of measures undertaken in 2004 towards strengthening economic reforms and further liberalizing the economy (Graph 1.1.1, Table 1.1.1.).

Graph 1.1.1. Growth of Real GDP



Source: State Committee of Uzbekistan on Statistics

This growth was facilitated by deepening reforms in the real sector, measures taken in the banking and finance sector aimed at maintaining a stable low level of inflation (0.3%), the implementation of a budget with a surplus (1.5% to GDP), and a moderate devaluation of the exchange rate.

Table 1.1.1. Growth and Production Structure of GDP

Period	GDP		Production Structure of GDP %				
	In actual prices of corresponding year, UZS bn.	To corresponding period of previous year, % (in comparable prices)	Industry	Agriculture	Construction	Services	Net taxes
2000	3255.6	103.8	14.2	30.1	6.0	37.2	12.5
2001	4925.3	104.2	14.2	30.2	5.9	37.3	12.4
2002	7469.3	104.2	14.5	30.1	4.9	38.4	12.1
2003	9664.1	104.4	15.0	28.8	4.5	38.3	13.4
03/I	1620.0	102.2	20.4	11.1	4.5	46.3	17.7
03/I-II	3718.6	103.8	18.1	16.0	5.2	44.3	16.4
03/I-III	6449.2	104.0	15.0	25.7	4.7	39.8	14.8
04/I	2080.7	104.8	21.4	9.4	4.2	45.2	19.8
04/I-II	4695.0	106.2	19.5	14.5	5.0	44.1	16.9
04/I-III	8316.0	108.9	16.3	24.9	4.6	39.4	14.8

Source: State Committee of Uzbekistan on Statistics

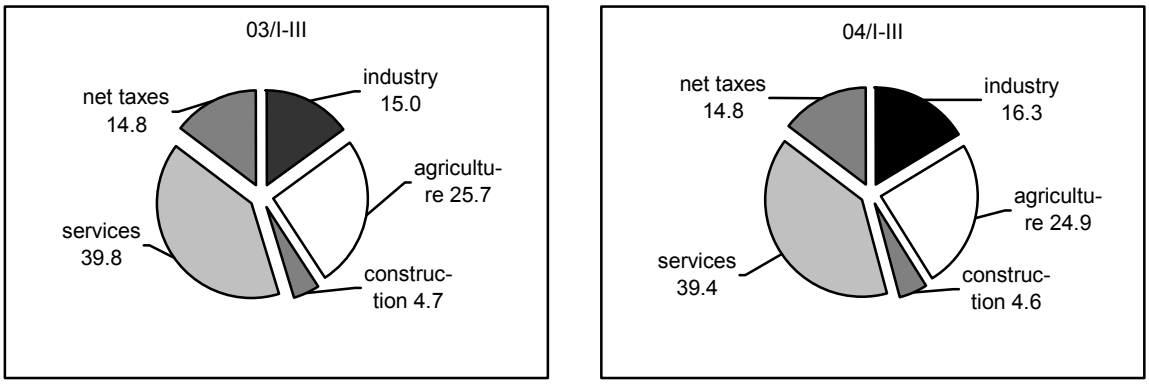
Due to measures undertaken in order to stimulate the production of goods and services as well as due to the early harvest and quick collection of cotton in the third quarter of 2004, real growth of value added in industry equaled 5.8%, in agriculture – 14.2%, in construction – 2.6%, in transport and communications – 9.0%, in trade and public catering – 12.2%, and in other sectors, including services – 3.5%.

Of the 8.9% growth of GDP, 1.0% belonged to industry, while 3.45% – to agriculture, and 2.85% – to services (including 0.9% – to transport and communications, 1.15% - trade and 0.8% – to other branches of services). The remaining portion of growth was provided by construction and net taxes (1.6%).

In the production structure of GDP, the share of industry grew from 15.0% to 16.3% (Graph 1.1.2.). This was to a certain degree facilitated by the growth of industrial production – 10.2%, which was mainly due to significant production growth in machinery building – 32.2%, industrial construction materials – 11.3%, light

industry – 8.2%, and the fuel industry – 6.4%. The other segments of production structure of GDP changed insignificantly as a result of ongoing structural reforms and the influence of seasonal factors.

Graph 1.1.2. Production Structure of GDP (%)



Source: State Committee of Uzbekistan on Statistics

In the structure of using GDP there was a decrease in the share of expenditures for final consumption from 72.5% down to 67.3% (Table 1.1.2.). This was mainly due to the decrease in the share of expenditures for final consumption of households (from 54.7% to 49.6%).

The main result of ongoing administrative reforms was the stabilization of government expenditures at the level of 17.7%.

As a result of growth in capital assets from 24.1% to 24.2% and changes in the holdings of circulating material assets (from -2.3% to 0.1%) gross accumulations grew from 21.8% to 24.3%.

Thanks to measures for stimulating the development of export-oriented branches of the real sector and measures undertaken to liberalize foreign trade, exports grew by 34.6% (mainly because of an increase in exports of chemical products by 2.1 times, energy carriers – 1.8 times, products of machinery building – 1.5 times, and consumer goods – 1.9 times). This in turn facilitated the growth in the share of net exports in GDP (from 5.7% to 8.4%).

Table 1.1.2. Structure of Using GDP (%)

Period	Expenses for final consumption total, %		Gross accumulations, %		Net exports, %
	Private	State	Gross domestic investments into capital assets*	Changes in holdings and others	
2000	63.7	19.7	25.0	-94	0.7
2001	60.6	19.4	27.9	-6.8	-1.1
2002	57.6	18.9	21.9	1.0	0.6
2003	54.8	18.5	22.1	-1.3	5.9
03/I	55.7	13.2	23.1	-6.2	14.2
03/I-II	56.5	16.4	22.9	-7.4	11.6
03/I-III	54.7	17.8	24.1	-2.3	5.7
04/I	50.0	13.6	21.7	0.0	14.7
04/I-II	50.8	16.1	22.2	-2.0	12.9
04/I- III	49.6	17.7	24.2	0.1	8.4

Source: State Committee of Uzbekistan on Statistics
* including net gained values.

1.2. Fiscal Policy

The continuing tendency of growth in the production of goods and services in the real sector, as well as measures undertaken to provide a balanced budget and to improve the level of tax collection, allowed projections regarding inflows to the state budget to be fulfilled by 103.1% for taxes and by 102.9% for customs payments.

Growth in the real GDP did not have a significant influence on growth in the revenues part of the state budget. This is explained by the fact that the main share in the growth of GDP belonged to agriculture, mainly due to the successful cotton harvest, and the existing scheme of paying a single tax on land the amount of which does not depend on the volume of the harvest. Besides that, as a result of a reduction in tax rates, the tendency of decreasing tax inflows as % of GDP has continued.

Revenues of the state budget in relation to GDP were 24.9%, which was 1.5 percentage points less than in the corresponding period of 2003 (Table 1.2.1.). As a result of the decrease in taxes on income of legal entities (from 20% in 2003 down to 18% in 2004) and individuals (from 32% in 2003 down to 30% in 2004), the share of direct taxes to GDP has decreased (from 7.0% down to 6.3%). As a result of the shift of enterprises into a simplified system of taxation, the share of indirect taxes to GDP has decreased (from 15.1% to 14.5%).

Inflows on resource payments and taxes on property have increased (from 2.5% to 2.7%) as a result of increases in tax rates on property from 3.0% in 2003 to 3.5% in 2004.

The main result of the measures implemented to transfer the Republican road foundation to the management of the Ministry of Finance and to strengthen financial discipline was the growth of revenue inflows into the road foundation, amounting to UZS 522.5 bn., or 108.8% of the projected amount, and into the pension fund, amounting to UZS 522.5 bn., or 100.4% of the projected amount.

Table 1.2.1. Structure of Revenues of the State Budget (% of GDP)

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Revenues	28.5	26.0	25.2	24.2	28.3	31.0	26.4	30.2	28.2	24.9
Direct taxes	7.5	7.4	6.8	6.4	8.2	7.9	7.0	7.4	7.0	6.3
Indirect taxes	16.0	13.5	13.8	14.0	15.9	18.2	15.1	18.3	16.6	14.5
Resource payments and property tax	2.8	2.4	1.9	2.3	2.3	2.6	2.5	2.9	3.0	2.7
Social infrastructure development tax	0.3	0.3	0.5	0.4	0.6	0.5	0.5	0.5	0.5	0.4
Other revenues	1.9	2.4	2.2	1.1	1.3	1.8	1.3	1.1	1.1	1.0

Source: Ministry of Finance of the Republic of Uzbekistan.

The same trends remained in the structure of revenues of the state budget, where the share of indirect taxes increased from 57.4% to 58.2%, while the share of direct taxes in the same period decreased by 1.3 percentage points (Table 1.2.2.). In addition, the share of inflows from resource payments and taxes on property increased by 1.5 percentage points.

Table 1.2.2. Structure of Revenue Part of State Budget (% of total)

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Revenues	100.0	100.0	100.0	100.0	100.0	100.0	100	100.0	100.0	100
Direct taxes	26.4	28.5	27.2	26.3	29.0	25.7	26.5	24.4	24.7	25.2
Indirect taxes	56.0	51.8	54.6	57.8	56.3	58.3	57.4	60.6	59.0	58.2
Resource payments and property tax	9.9	9.3	7.5	9.5	8.2	8.5	9.3	9.5	10.5	10.8
Social infrastructure development tax	1.1	1.3	2.1	1.7	2.0	1.6	1.8	1.7	1.6	1.6
Other revenues	6.6	9.1	8.6	4.7	4.5	5.9	5.0	3.8	4.2	4.2

Source: Ministry of Finance of the Republic of Uzbekistan.

In the structure of direct taxes the largest share consisted of individual income tax. In the first nine months of 2004, the share of this tax increased by 0.7 percentage points and reached 46.3%. At the same time, there was a decrease in the share of income tax of legal entities (from 33.4% to 29.5%), which was caused by the lower tax rate (Table 1.2.3.).

Analysis of the structure of indirect taxes shows that during the period under review the share of value added tax increased from 37.4% to 39.6% as a result of the decrease in the share of excise taxes from 53.7% to 51.6% (Table 1.2.4.).

Table 1.2.3. Structure of Direct Taxes (% of total)

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Direct taxes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Enterprise income taxes	49.4	39.7	34.4	34.1	32.9	32.0	33.4	28.0	28.4	29.5
Tax on gross income of trading and public catering companies	-	-	-	-	-	-	-	8.6	8.7	8.7
Single tax from micro-firms and small enterprises that use simplified system of taxation (SST)	-	7.8	13.1	14.1	17.1	17.1	15.8	10.6	10.2	10.3
Individual income tax	44.5	44.9	45.6	46.7	45.2	45.8	45.6	47.8	47.5	46.3
Fixed tax on income of entrepreneurs engaged in entrepreneurship	6.1	7.6	6.9	5.1	4.8	5.1	5.2	5.0	5.2	5.2

Source: Ministry of Finance of the Republic of Uzbekistan.

Table 1.2.4. Structure of Indirect Taxes (% of total)

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I- III
Indirect taxes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100
Value added tax	47.3	48.8	43.9	39.6	45.1	37.6	37.4	37.4	39.4	39.6
Excise tax	48.4	46.3	48.3	51.3	43.8	53.1	53.7	53.7	51.5	51.6
Customs tariffs	2.0	2.7	2.9	3.0	3.5	3.1	3.5	3.5	3.4	3.4
Single customs fee from individuals	2.3	2.2	2.4	3.3	4.3	3.4	2.8	2.8	3.0	2.5
Individual tax on consumption of gasoline, diesel, and natural gas for transportation	-	-	2.5	2.8	3.3	2.8	2.6	2.6	2.7	2.9

Source: Ministry of Finance of the Republic of Uzbekistan.

Expenditures of the state budget in relation to GDP decreased from 25.5% to 23.3%, i.e. by 2.2 percentage points (Table 1.2.5.). This took place mainly because of decreasing expenditures in centralized investment financing (from 3.7% to 2.8%) and other expenses (from 6.9 to 5.6%). The increase in the share of expenditures for the economy (from 2.9% to 3.2%) occurred mainly due to rising prices for electrical power.

Table 1.2.5. Structure of Expenditures of State Budget (% of GDP)

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I- III
Expenditures	29.5	27.0	25.8	24.6	27.4	28.6	25.5	26.2	26.6	23.3
Social sphere	10.4	10.2	9.8	9.3	10.3	10.3	9.4	9.2	10.5	9.3
Social protection	2.3	2.1	2.0	2.1	2.5	2.5	2.1	2.2	2.1	1.8
Expenditures for economy	3.0	2.3	2.3	3.0	2.7	3.0	2.9	3.4	3.4	3.2
Expenditures for financing centralized investments	6.0	5.0	4.7	3.3	3.2	4.0	3.7	4.0	3.6	2.8
Maintenance of state power bodies, management and court bodies	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.5	0.6	0.6
Other expenditures	7.2	6.8	6.5	6.4	8.0	8.1	6.9	6.9	6.4	5.6

Source: Ministry of Finance of the Republic of Uzbekistan.

Table 1.2.6. The Level of State Budget Fulfillment (% of GDP)

Indicators	2000	2001	2002	2003			2004		
				03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Deficit (-).	-1.0	-1.0	-0.8	0.9	2.4	0.9	4.0	0.2	0.6
Surplus (+).									

Source: Ministry of Finance of the Republic of Uzbekistan.

In the first nine months of 2004 the state budget was implemented with a surplus (UZS 46.8 bn.), which was equal to 0.6% of GDP (Table 1.2.6.).

1.3. Monetary Policy

Banking system development. On October 1, 2004, the banking system of Uzbekistan was represented by CBU and 33 commercial banks with 805 branches throughout the Republic. The structure of commercial banks consists of 12 private banks, 5 with involvement of foreign capital, 3 state banks, and 13 with combined forms of ownership. In order to improve convenience for clients and to strengthen inter-bank competition, the number of mini-banks increased to 1003, which is 324 more than in the corresponding period of 2003.

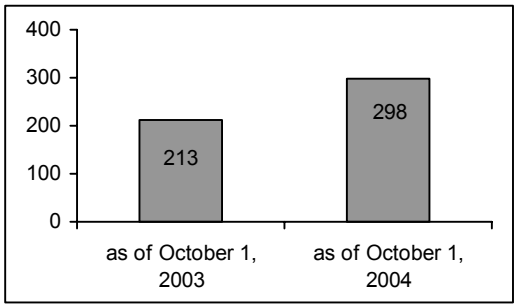
As of October 1, 2004, the total amount of assets of commercial banks had increased by 15.7% in comparison with that of October 1, 2003 and amounted to UZS 4.9 trillion.

Loan resources were mainly directed to financing priority projects and supporting small businesses and individual entrepreneurship, the volume of which equaled to UZS 269.5 bn., including UZS 27.2 bn. in micro credits. The total volume of investment yloans extended credit increased by 11.2% against the level at the beginning of the year 2004 (and by 6.8% in comparison with the same period of 2003), including by 24.8% (17.7%) in national currency. The growth of credit resources in the first nine months of 2004, in comparison with the first half of 2004, increased by 2.1 times.

In order to improve mechanisms of financing agriculture, the Government and the CBU undertook measures for a gradual transition to providing commercial loans in the agricultural sector. According to Decree # 476 of the Cabinet of Ministers of October 30, 2003, the CBU developed guidelines on the gradual transition to target crediting of farmers' expenditures in the production of cotton and grains, purchased for government needs. Starting from the harvest of 2003, commercial crediting has been introduced in eight regions of the Republic (in 2003 those regions were Bukhara, Namangan, Fergana, and Khorezm; and in 2004 the following regions joined the list: Andijan, Jizzakh, Navoi, and Samarkand). And starting from the harvest of 2005 the same system will be implemented in the remaining regions of the country. In addition to this, a mechanism for providing commercial bank loans to farmers was developed, with future harvests and rights for renting land used as collaterals.

In order to form a system for registering information about the credit histories of borrowers, the CBU issued guidelines on forming a data base of the National Institute of Credit Information (NICI) and providing credit information to the Inter-Bank Credit Bureau (IBC) and to commercial banks. A single register of credit information is being formed on the basis of data provided by commercial banks on credit, leasing, and factoring agreements, information on collateral properties and guarantees (bails and insurance policies) as well as on the basis of information collected from state statistical bodies, non-governmental organizations and entities. Effective functioning of the system of registering information on the credit histories of borrowers should contribute to improving the quality of bank supervision and reducing credit risks.

Graph 1.3.1. Monetary Income of Population in Banks (bn. UZS)



The main result of the measures implemented towards increasing the level of bank capitalization and for creating favorable conditions for attracting the capital of new shareholders, including that of individual shareholders, into the charter funds of banks, was the increase in the total capital of commercial banks by 10.5%, which amounted to UZS 865 bn. in absolute terms.

Because of the measures undertaken to attract households indisposed income into banks, the population's deposits in banks increased by UZS 85.9 bn., or by 40.5%, and amounted to UZS. 298 bn.

In order to stimulate further development of the system of non-cash payments on the basis of plastic cards, and their usage in retail trade, in paying utilities bills and other types of services as well as reducing non-bank turnover of money, the Cabinet of Ministers approved the projected schedule of widening the network of payments with the use of plastic cards by commercial banks by the end of 2006.[1] The establishment of a unified all-republican processing center under the Association of Banks of Uzbekistan is envisaged which will be able to conduct bank operations in all trade points in a single system, regardless of which bank is used by a certain trade firm, service provider, or owner of a plastic card. There will be measures undertaken to equip retail traders and service providers, gas stations, and other points for receiving cash from the population with terminals for accepting payments through plastic cards. Receipts of those terminals, which are presented to entities selling goods or services with usage of plastic cards, will be equal to receipts, talons, tickets and other equal documents that prove payments for those goods and services. Enterprises of retail trade are allowed to sell goods by accepting payments through corporate plastic cards of legal entities without limits on the share of such sales in the monthly volume of trade turnover. Commercial banks/issuers of plastic cards have to establish terminals for receiving payments through plastic cards in all their branches, mini banks and saving banks no later than January 1, 2005; and upon request of their clients they have to provide subsidized loans (50% of the discount rate of the CBU) for the purchase of terminals for receiving payments made by plastic cards by organizations in the sphere of retail trade of goods and services, which have a deficit in working capital. They must also undertake measures aimed at the non-stop functioning of the terminal network and widening of types of services provided for their clients with the usage of plastic cards.

The monetary policy of the CBU was aimed at strengthening macroeconomic stability, maintaining inflation processes, increasing the attractiveness of the exchange rate of the national currency, and stimulating the development of the real sector of economy. The implementation of the complex of measures on regulating money turnover and in the fiscal sphere allowed the consumer price index to be stabilized during the first nine months of 2004, at a level that facilitates the decrease in interest rates of commercial banks, and consequently, significant growth of the volume of loans extended to the real sector of economy.

1 Decree of the Cabinet of Minister of Uzbekistan from September 24, 2004, "On measures towards further development of the system of payments on the basis of plastic cards".

In the third quarter of 2004 the CBU's refinancing rates equaled 18% per annum against 20% in the second quarter of 2004. The average weighted interest rate on loans of commercial banks lending for a period less than 1 year in national currency decreased by 11.3 percentage points compared to similar indicators from 2003 and equaled 19.6%. The weighted average interest rate on fixed-term deposits of legal entities in national currency decreased by almost 1.1 percentage points and amounted to 10.5%, while on fixed-term deposits of individuals – it increased by 3.0 percentage points, amounting to 33.9% (Table 1.3.1.).

Table 1.3.1. Change in Interest Rates (%)

Period	Refinancing rate per annum	Average weighted rate on short term loans in UZS	Average weighted rate on fixed-term deposits of legal entities in UZS	Average weighted rate on fixed-term deposits of individuals in UZS
2000	32.3	25.7	12.9	32.2
2001	26.8	28.0	16.0	38.1
2002	34.5	32.2	19.2	40.2
2003	27.1	28.1	17.1	36.2
03/I	34.5	30.9	19.2	38.5
03/II	34.5	31.4	19.5	38.3
03/III	20.0	30.9	11.6	30.9
04/I	20.0	19.8	13.0	33.9
04/II	20.0	20.6	11.9	32.2
04/III	18.0	19.6	10.5	33.9

Source: Central Bank of Uzbekistan

The continuance of the monetary policy of the CBU, aimed at accelerating the implementation of measures on reforming the banking system, requires an increase in the charter funds of commercial banks and their loan facilities, a decrease in out-of-bank turnovers, and a resolution of the problems of the unification of cash and non-cash monetary circulation, which should facilitate the maintenance of high rates of economic growth.

1.4. Foreign Exchange Policy

In the third quarter of 2004, foreign currency policy was similar to that of the second quarter of 2004 (ensuring the stability of the exchange rate, maintaining international reserves at a level sufficient for implementing monetary policy, and conducting timely calculations on foreign debts and international operations).

This promoted the maintenance of relative stability of the exchange rate of the national currency. In the third quarter of 2004, the monthly average nominal exchange rate of UZS in relation to USD decreased by 2.96% and in comparison to the similar indicator of 2003 – by 6.1[2]%. During the first nine months of the current year, the monthly average exchange rate of cash foreign currency decreased by 6.27% and in comparison with the similar indicator of the previous year – by 2.93% (Table 1.4.1.). The continuing trend of decrease in the dynamics of the exchange rate of the national currency can be explained, partially, by the continuing significant impact of such factors as inflationary expectations and changes in monetary aggregates.

According to the statistics for the first nine months of 2004, the real national currency exchange rate has decreased. Thus, the national currency has fallen by 8.0% against the USD, and by 12.4% against the Russian Ruble (Graph 1.4.1).

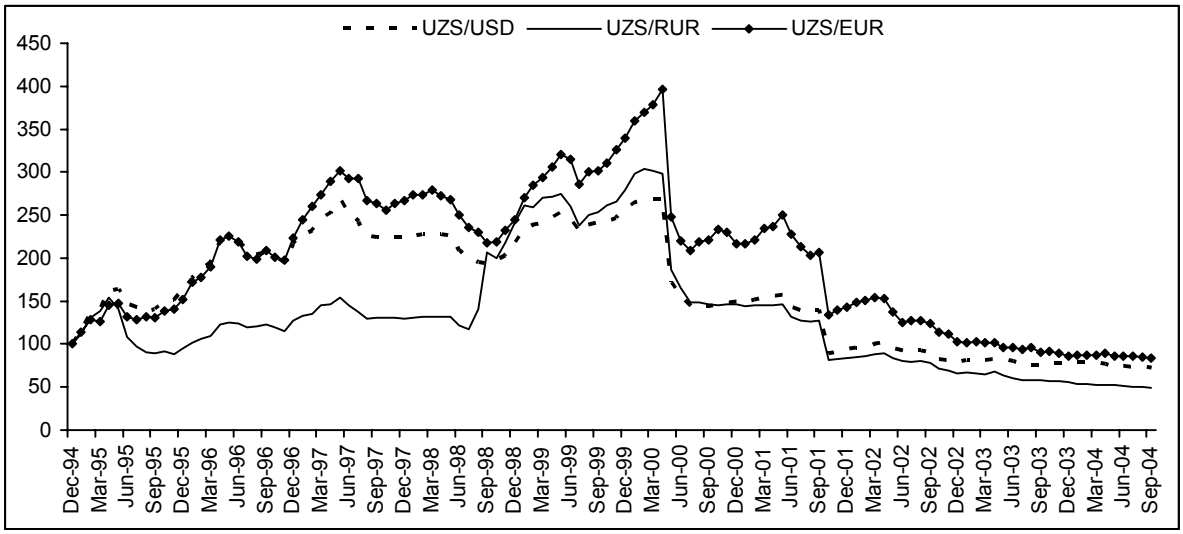
Table 1.4.1. Exchange Rate of UZS against USD (average indicators for the period of 2000-2004)

Period	Exchange rate of CBU (UZS/$)	Change compared with previous period (in %)	Exchange rate in exchange offices (UZS/$)	Change compared with the previous period (in %)
2000	236.6	89.9	450.1	183.5
2001	422.9	78.8	829.0	84.2
2002	770.8	82.3	1093.8	31.9
2003	971.6	26.0	995.1	-9.0
03/I	965.3	7.7	1014.7	-3.1
03/II	970.0	0.5	1005.0	-1.0
03/III	975.0	0.4	979.7	-2.5
04/I	989.1	1.0	993.8	1.0
04/II	1010.1	2.1	1012.8	2.0
04/III	1040.0	2.96	1042.5	2.93

Source: Central Bank of Uzbekistan

[2] According to computations by the Ministry of Economy of Uzbekistan.

Graph 1.4.1. Real Exchange Rate of UZS against USD (UZS/USD), EURO (UZS/EUR) and Russian Ruble (UZS/RUR) (December 1994=100)



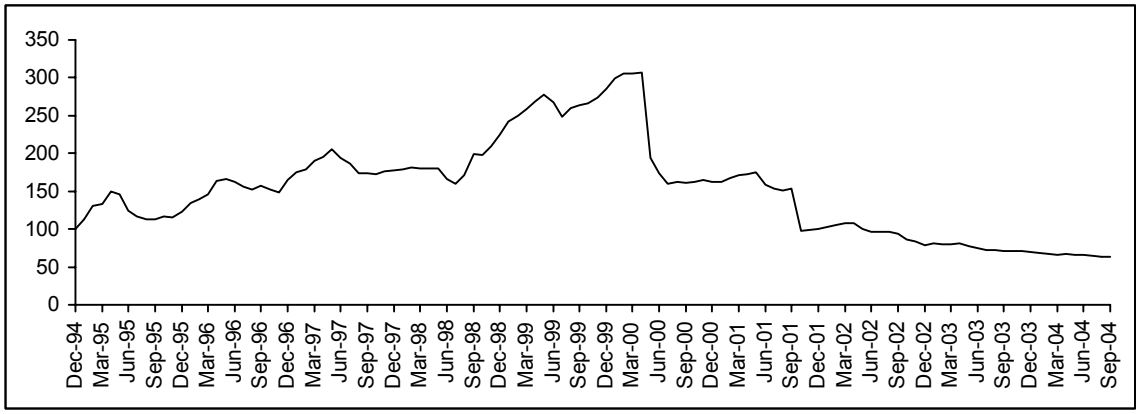
Source: International Financial Statistics (IFS), IMF; Central Bank of Uzbekistan, author's calculations.

Thus, the positive tendency of comparatively high devaluation of the nominal exchange rate is maintained under condition of a more rapid decrease of the consumer price index, which promotes the maintenance of price-based competitiveness of domestic products in foreign markets.

In calculations of the effective exchange rate, the real exchange rate of UZS with regard to individual currencies is totaled, taking into account the share of each country in the foreign trade turnover of Uzbekistan. According to the statistics of the third quarter of 2004 the following countries have become the main foreign trade partners of Uzbekistan: Russia, whose share accounts for 22.3% of the foreign trade turnover of the Republic, USA – 5.0%, Great Britain – 3.9%, Turkey – 3.9%, China – 4.2%, Korea – 5.8%, Kazakhstan – 5.1%, Iran – 3.1%, Germany – 5.2%, and Ukraine – 3.2%.

The dynamics of the real effective exchange rate of UZS has tended to decrease (Graph1.4.2.). If during 2000-2002 sharp decreases were observed in the dynamics of the real effective exchange rate of UZS, starting in 2003 this rate became significantly more stable. Thus, during 2003, the decrease of the real effective exchange rate equaled 12.1%, and during the first nine months of 2004 – 9.5%. Strong monetary policy of the CBU contributed to the stabilization of the real exchange rate of the national currency.

Graph 1.4.2. Real Effective Exchange Rate of UZS (December, 1994 =100)



Source: International Financial Statistics (IFS), IMF; Central Bank of Uzbekistan, authors' calculations.

1.5. Prices and Inflation

As a result of the tight monetary policy conducted by the CBU, the total increase of prices in the consumption sector equaled 0.3% in the first nine months of 2004. The slowing down of growth in tariffs for paid services (from 20.1% to 15.5%) and prices for non-foodstuffs (from 6.3% to 3.6%) had a certain impact on the total level of inflation. The trend towards a decrease in prices for foodstuffs has remained (-4.4%) (Tables 1.5.1. and 1.5.2).

Table 1.5.1. Major Indicators of Inflation in the Republic of Uzbekistan for 2000-2004 (increase in prices in % to corresponding period of previous year)

Years	Consumer price index (CPI) consolidated	Foodstuffs	Non-foodstuffs	Services
2000	24.9	18.9	36.6	47.1
2001	27.4	27.9	21.1	36.9
2002	27.6	28.0	19.3	41.3
2003	10.3	5.4	13.9	30.9
03/I	19.7	17.3	17.5	38.2
03/II	12.4	8.5	15.6	30.1
03/III	6.1	-0.9	14.1	30.2
04/I	0.7	-6.4	7.2	26.6
04/II	-1.3	-9.1	6.6	25.6
04/III	2.6	-2.6	5.8	20.4

Source: Uzbekistan State Committee on Statistics

Table 1.5.2. Level of Inflation for the first nine months of 2003 and 2004 (increase in prices in %)

	Average monthly level		To December of previous year	
	03/I-III	04/I-III	03/I-III	04/I-III
CPI	-0.03	0.03	-0.3	0.3
Foodstuffs	-0.74	-0.50	-6.5	-4.4
Non-foodstuffs	0.68	0.40	6.3	3.6
Services	2.09	1.61	20.5	15.5

Source: Uzbekistan State Committee on Statistics

In a regional context, the consolidated CPI increased slightly in Khorezm (1.99%), Samarkand (1.28%), Kashkadarya (1.17%), Fergana (0.78%), Surkhandarya (0.51%), Andijan (0.50%) and Bukhara (0.38%) provinces and in the city of Tashkent (0.46%), while its decrease was observed in all other provinces (Table 1.5.3.).

Factor analysis of the inflation process in the Republic of Uzbekistan in the first nine months of 2004 indicated that the greatest effect on the level of inflation was provided by growth of tariffs on housing and utilities services (4.5%) and growth of expenses of producers (2.1%) (Table 1.5.4).

During the first nine months of 2004, the inflation of supply was observed to be higher than the inflation of demand: wholesale prices of manufacturers of industrial products increased in average monthly terms by 1.8% and consumer prices by 0.03%.

Factor analysis of sources of increase in wholesale prices of manufacturers of industrial products indicated that in the first nine months of 2004, the biggest impact on the level of inflation in the real sector of the economy was caused by the increase in prices for energy carriers (43.3%), the increase in wages (20.3%) and the increase in transportation costs (14.0%) (Table 1.5.5).

Table 1.5.3. Level of Inflation in the Republic of Uzbekistan for the first nine months of 2004 in Regional Context (%)

Province	Increase in prices	Monthly average
Republic of Uzbekistan	0.26	0.03
Khorezm	1.99	0.22
Samarkand	1.28	0.14
Kashkadarya	1.17	0.13
Fergana	0.78	0.09
Surkhandarya	0.51	0.06
Andijan	0.50	0.06
City of Tashkent	0.46	0.05
Bukhara	0.38	0.04
Tashkent	-0.58	-0.06
Republic of Karakalpakstan	-0.73	-0.08
Navoi	-0.80	-0.09
Namangan	-0.81	-0.09
Jizzakh	-1.18	-0.13
Sirdarya	-1.35	-0.15

Source: Uzbekistan State Committee on Statistics

Table 1.5.4. Factor Analysis of the Level of Inflation in Consumption Sector for the first nine months of 2004.

	Growth (%)	Impact on CPI (%)
All factors	0.26	0.26
Inflation of expenses	17.7	2.13
OTC foreign exchange rate	6.1	-3.25
Wages	11.8	0.71
Utilities services	29.8	4.47
Seasonality	-33.7	-5.71
Other factor		-0.08

Source: Ministry of Economy of Uzbekistan

In accordance with the program of economic reforms, subsidies in housing and utilities services have been decreasing gradually, resulting in an increase in tariffs for heating – by 47.5%, electrical power supply – 37.5%, gas through the network – 31.1%, and water supply – 24.5%.

In the first nine months of 2004, the devaluation of the OTC exchange rate equaled 6.1%, which had a 1.1% impact on the growth of prices of manufacturers of industrial products.

Table 1.5.5. Factor Analysis of the Level of Inflation in the Real Sector for the first nine months of 2004.

	Impact on the CPI (%)	in % to Total
All factors	17.7	100.0
Centralized increase in tariffs for energy carriers	7.66	43.3
OTC foreign exchange rate	1.13	6.4
Wages	3.59	20.3
Transportation expenses	2.47	14.0
Other factors	2.85	16.1

Source: Ministry of Economy

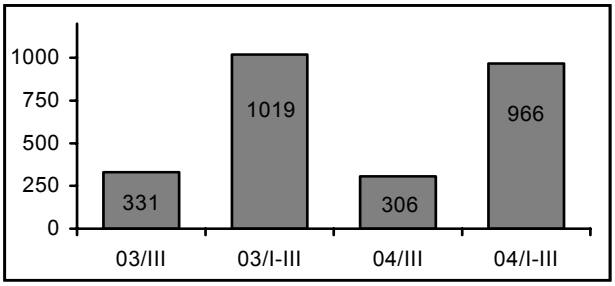
In general, the low inflation level was achieved as a consequence of the implementation of tight monetary policy and the surplus in the State budget.

2. Institutional and Market Transformations

2.1. Denationalization and Privatization, Property Types

During the first 9 months of 2004, in accordance with approved schedules of denationalization and privatization, 966 production enterprises and social sphere objects, including 306 objects in the 3rd quarter, (Graph 2.1.1 and Annex 2.1.1) were reorganized into non-state forms of ownership, amounting to 94.8% and 92.5%, respectively, compared to the corresponding periods of the previous year. Among the privatized objects there are such large-scale enterprises as the Production Association "Uzbektekstilmash", the Kokand Textile group of enterprises, the Navoi heat and power plant, etc.

Graph 2.1.1.Number of Privatized Objects (Units)



Source : State Property Committee of Uzbekistan

In the context of sectors, within the first 9 months of 2004, the following sectors had the largest number of privatized objects: the Ministry of Public Education (88), agriculture and water industry (68), oil-and-gas industry (60), and the Ministry of Public Healthcare (54); and in the territorial context – the majority of privatized objects were located in Tashkent City (169), and the Fergana (101), Surkhandarya (89), and Tashkent (81) Provinces.

On the basis of privatized state-owned objects, during the first 9 months of the year 2004, 810 private enterprises (Table 2.1.1) with a sole proprietor were founded, which is 13% more than for the corresponding period of the previous year. At the same time, the number of joint-stock companies and limited liability companies founded on the basis of state-owned property objects decreased by 2.1 and 1.6 times, respectively. At present, as opposed to the previous years, only large-scale privatized enterprises whose statutory funds are equal to an amount equivalent to at least USD 50000 are reorganized into joint-stock companies; while a significant number of medium-scale enterprises are completely sold into private ownership.

Table 2.1.1. Number of Non-State-Owned Enterprises Created in the Course of Privatization (Units)

Periods	Total founded	Including		
		Joint-stock companies	Limited liability companies	Private enterprises
03/III	332	19	153	160
03/I-III	975	43	216	716
04/III	306	7	34	265
04/I-III	966	20	136	810

Source : State Property Committee of Uzbekistan

The sale into private ownership continued of both state-owned and unplaced blocks of shares of joint-stock companies and of stakes in statutory funds of limited liability companies which are of no strategic importance for the national economy. During the first 9 months of 2004, shares of 465 joint-stock companies and stakes in the statutory funds of 294 limited liability companies were sold. As a result of this, as well as of the transformation of a majority of relatively small-scale joint-stock companies into limited liability companies, the number of joint-stock companies with state-owned stakes decreased within the first 9 months of the current year from 1,919 units down to 715 units, and the number of limited liability companies increased from 463 units to 1,023 units.

In pursuance of relevant governmental decisions, the practice of applying new flexible mechanisms for the realization of state-owned assets increased. For instance, by applying a mechanism for the step-by-step reduction of the starting price, during the first 9 months of 2004, the blocks of shares of 251 joint-stock companies were sold in the amount of UZS 4.9 bn., which exceeds the nominal value of these shares by UZS 1.7 bn.; 362 real estate objects in the amount of UZS 2.5 bn. have also been sold.

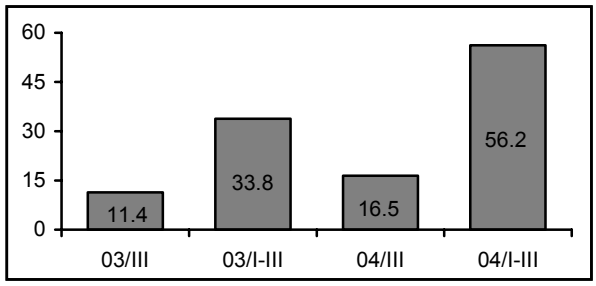
78 low-profit, unprofitable and economically unsound enterprises were transferred on a competitive basis, into private ownership at a zero redemption value, on condition that the new proprietors assume investment obligations aimed at the financial improvement of these enterprises. They have assumed investment commitments in the amount of UZS 4.2 bn., USD 50.2 mill., and EUROs 6.2 mill.

Despite the positive results of denationalization and privatization throughout the country as a whole, one can observe the lagging in privatization rates behind the intended forecast parameters in Bukhara, Surkhandarya, and Tashkent Provinces, as well as at the associations "Uzfarmsanoat" and "Uzpakhtasanoat", the state-owned-and-joint-stock companies "Uzkimiosanoat", and "Uzbekiston Temir Yullari". The state property objects that fail to be sold by the end of the current year will be put up for sale again next year after meas-

ures have been taken to increase their investment attractiveness (solving issues of restructuring property complexes of enterprises, cutting back accounts receivable and accounts payable, etc.).

During the first 9 months of 2004 UZS 56.2 bn. were transferred to the special bank accounts of the State Property Fund from the sale of state-owned assets, including UZS 16.5 bn. in the third quarter (Graph 2.1.2 and Annex 2.1.1.). Growth rates, compared to the corresponding periods of the previous year, amounted to 166.3% and 144.7%, respectively.

Graph 2.1.2 Privatization Proceeds (Bn. UZS)



Source : State Property Committee of Uzbekistan

During the first 9 months of 2004, the proceeds from the sale of privatized property to foreign investors for hard currency amounted to USD 22.1 mill. This is twice as much as in the corresponding period of the previous year, and makes up 94% of the earnings volume planned for the whole current year.

The funds obtained through privatization, in accordance with the effective procedure of their usage, are channeled to the national and local budgets every month, for the financing of social and economic development projects, for the formation of market infrastructure institutes, and to the privatized enterprises themselves based on their applications for the purpose of technical re-equipment and production modernization. These proceeds are also distributed on the basis of certain governmental resolutions.

Enterprises of major sectors (electric power industry, railway transport, etc.), whose restructuring is of strategic importance for the development of the country's economy as a whole, receive the entire funds obtained through the primary sale of their shares, less operational charges.

Table 2.1.2. Structure of Distribution of Privatization Proceeds (%)

Directions of Proceeds Distribution	03/III	03/I-III	04/III	04/I-III
State budget	28.3	33.5	50.5	50.0
Local budgets	8.0	8.5	25.0	23.3
Business fund	8.0	8.5	-	-
Enterprises under Privatization	10.6	9.4	3.1	3.7
Economic Associations, Enterprises and Organizations, in accordance with specific governmental decisions	45.1	40.1	21.4	23.0
Total	100	100	100	100

Source: State Property Committee of Uzbekistan.
The Business Fund was liquidated on January 1, 2004, and 15% of privatization proceeds, which had been previously transferred to the Fund, are now given as supplements to local budgets.

As compared to the corresponding period of the previous year, during the first 9 months of 2004 there were some changes in the structure of privatization proceeds distribution. The portions of the funds directed to the national budget increased by 16.5 points, and the funds directed to local budgets – by 14.8 points. At the same time, the portions of the funds transferred to the privatized enterprises decreased by 5.7 points, and of the funds distributed on the basis of special governmental decisions – by 17.1 points.

2.2. Market Infrastructure

The following entries were added to the State Registry of Securities as of October 1, 2004:
– 13481 share issues with a total volume of UZS 2735.9 bn., including 480 issuances in the amount of UZS 353.9 bn. during the first 9 months of 2004;
– 80 issues of corporate bonds in the amount of UZS 46.3 bn., including 32 issuances in the amount of UZS 22.9 bn. during the first 9 months of 2004.

During the first 9 months of 2004, the total volume of sale of shares and corporate bonds on the securities market amounted to 108.6 bn. UZS, or 1.7 times greater than for the corresponding period of the previous year.

Over 80% of the total turnover of the securities market consisted of proceeds from the sale of shares. Altogether, shares worth UZS 87.6 bn. were sold during the first 9 months of 2004, including shares worth UZS 35.2 bn. in the 3rd quarter. Growth rates, compared to the corresponding periods of the previous year, were 175.6% and 144.7%, respectively. At the same time, growth in the sales volume of shares occurred both on the primary and the secondary securities markets (Table 2.2.1 and Annex 2.2.2).

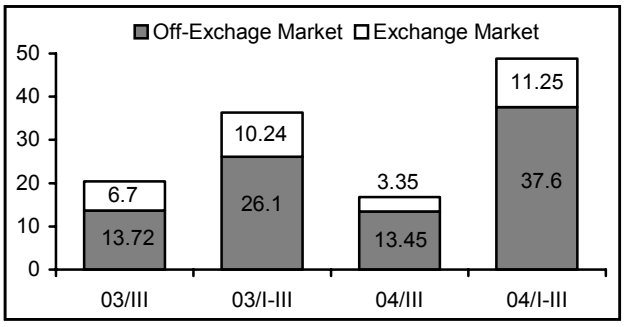
Table 2.2.1. Volume of Sale of Shares on Securities Market (Bn. UZS)

Period of Time	Primary Market		Secondary Market		Total	
	Sum	In % to the total	Sum	In % to the total	Sum	In % to the total
03/III	20.42	83.9	3.91	16.1	24.33	100
03/I-III	36.34	72.9	13.53	27.1	49.87	100
04/III	16.8	47.7	18.41	52.3	35.21	100
04/I-III	48.85	55.8	38.74	44.2	87.59	100

Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

The securities primary market's turnover has grown, compared to the corresponding period of the previous year, by 34.4% and amounted to UZS 48.9 bn., including shares worth UZS 16.8 bn. in the 3rd quarter. At the same time, the tendency towards the preferential sale of shares of privatized enterprises on the off-exchange market by means of conducting direct negotiations with investors and tender biddings (Graph 2.2.1) has been retained. With these forms of sale, preference is given to investors ready to assume obligations regarding investing additional funds into the development of production, in addition to the payment of the cost of the shares sold to them.

Graph 2.2.1. Sale of Shares on the Primary Stock Market (Bn. UZS)



Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

During the first 9 months, the volume of shares sold on the primary exchange market amounted to UZS 11.3 bn. (23.0%), and on the off-exchange market – UZS 37.6 bn. (77.0%), including UZS 3.4 bn. (19.9%) and UZS 13.4 bn. (80.1%), respectively, in the 3rd quarter.

In the total volume of purchase-and-sale transactions concluded on the primary market, the greatest proportion belongs to the shares of investment-attractive enterprises of the associations "Uzeltekhsanoat" (42.1%) and "Uzkurilishmateriallari" (17.2%), and the joint-stock companies "Uzbekengilsanoat" (4.8%), and "Uzdonmakhsulot" (4.7%).

The tendency of an increase in the activity of foreign investors on the securities market of Uzbekistan has been maintained. During the first 9 months of 2004, they purchased large blocks of shares of the joint-stock companies "Okhangaroncement", "Uzkabel", and a number of other enterprises in the total amount of UZS 24.4. bn., i.e. nearly the same amount as for the corresponding period of the previous year. However, the proportion of foreign investors in the total volume of purchase and sale transactions concluded on the primary securities market has decreased in the current year by 29.7 points, reaching 50.0%.

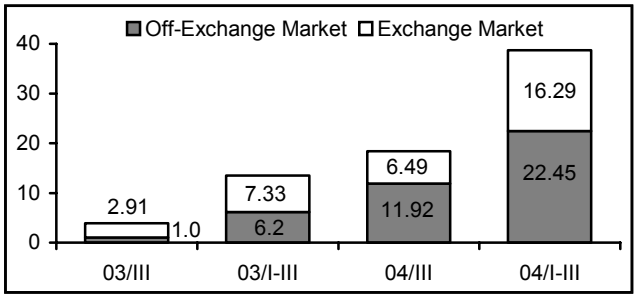
The decrease in the proportion of foreign investors has resulted due to an increase in the interest of local investors in purchasing shares of privatized enterprises. This was facilitated by the putting up for auction of state-owned blocks of shares of many enterprises attractive in terms of investment; the application of new flexible mechanisms for their sale; and the governmental decision on the exemption from taxes for a period of five years on individuals' income received in the form of dividends from shares (stakes) of economic societies founded on the basis of privatized enterprises. During the first 9 months of the previous and the current year, the shares of certain categories of local investors in the total volume of primary sale amounted to 6.0% and 36.7% for small business enterprises, 5.8% and 6.2% for investment mediators, 1.6% and 3.5% for individuals, and 6.9% and 3.6% for other categories of investors, respectively.

Within the last two years, the sale into private ownership of state-owned and previously unplaced blocks of shares of many joint-stock companies has facilitated the expansion of the volume of transactions on the secondary securities market. In the first 9 months of 2004, shares worth UZS 38.7 bn. were sold on the secondary market, including UZS 18.4 bn. in the 3rd quarter (Table 2.2.1). The growth rates of the volume of sales, in comparison with the corresponding periods of the previous year, amounted to 2.9 and 4.7 times, respectively.

An increase in the absolute volume of sales can be observed both on the exchange and off-exchange secondary securities markets (Graph 2.2.2.). However, growth rates vary. During the first 9 months of 2004, the sale of shares in the exchange market increased, compared to the corresponding period of the previous year, by 2.2 times, and on the off-exchange market – by 3.6 times. Particularly high growth of sales on the off-exchange market took place in the 3rd quarter of the current year – 11.9 times, mainly, due to the realization of a large number of shares of enterprises of the National holding company "Uzbekneftegaz", the association "Uzpakhtasanoat", and the joint-stock company "Uzdonmakhsulot".

As a result of the more rapid growth of sales proceeds on the off-exchange market, its share in the total turnover of the secondary securities market increased from 45.8% to 58.0% within the period under review. This was caused by the increasing sale by members of labor collectives and by other small-scale share-holders of the shares they possess. It is unprofitable and bothersome to offer small blocks of shares for stock exchange auction.

Graph 2.2.2. Sale of Shares on the Secondary Stock Market (Bn. UZS)



Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

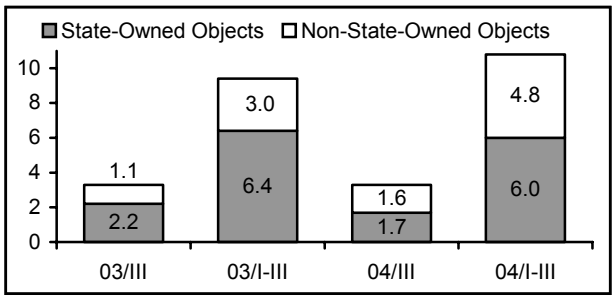
Shares of enterprises of the state-owned joint-stock company "Uzbekengilsanoat" (19.5%), the joint-stock company "Uzdonmahsulot" (17.7%), and commercial banks (11.8%) enjoyed the highest demand on the secondary securities market. In a territorial context, the largest volume of transactions was carried out in connection with secondary sale of shares of joint-stock companies of Tashkent City (54.7%) and of Andijan (16.5%) and Tashkent (6.7%) Provinces.

The turnover of the securities market of corporate bonds, issued by a number of investment-attractive joint-stock companies ("Almalyk Ore Mining and Processing Enterprise", "Amantaytau Goldfields, etc."), is increasing. The issue of these bonds, unlike additional issuance of shares, allows investment to be attracted without reducing the participation share of proprietors in the enterprise's stock capital.

During the first 9 months of 2004, transactions were conducted for the purchase and sale of corporate bonds in the amount of UZS 21.1 bn., including those on the exchange market – in the amount of UZS 153.5 mill., and on the off-exchange market – UZS 20.9 bn.. During the corresponding period of the previous year, bonds were sold for a total of UZS 14.6 bn.

During the first 9 months of 2004, at the Republican Real Estate Exchange (hereafter – RREE) and its branches, 439 auctions and 11 competition biddings were conducted, in addition to regular electronic stock-exchange biddings (three times per week). The shares of exchange and off-exchange trade in the total quantity of sold objects amounted to 54.4% and 45.6%, respectively.

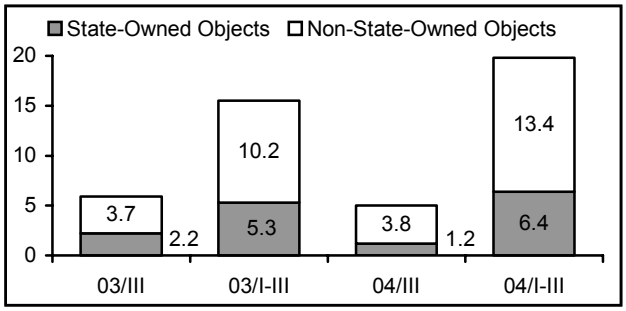
Graph 2.2.3. Number of Objects Sold through the RREE (Thous. Units)



Source: Republican Real Estate Exchange

A total of 10.8 thous. real estate objects worth UZS 19.8 bn. were sold, including 3.3 thous. objects worth UZS 5.0 bn. in the 3rd quarter (Graphs 2.2.3 and 2.2.4). For the first 9 months of 2004, growth rates, compared to the corresponding period of the previous year, amounted to, respectively: 14.8% – by the number of sold objects, and 28.2% – by the volume of sales proceeds. The more rapid growth of sales proceeds, compared to the number of sold objects, resulted from an increase in the proportion of large-scale high-priced objects sold.

Graph 2.2.4. Proceeds from Sale of Real Estate Objects (Bn. UZS)



Source: Republican Real Estate Exchange

The tendency has been retained towards the predominance of the share of state-owned property (55.5%) in the total number of sold real estate objects, and the predominance of privately-owned property (67.7%) in the cost volume.

During the first 9 months of 2004, the volume of sales of state-owned objects in quantitative terms decreased, in comparison with the corresponding period of the previous year, by 6.3%. However, the proceeds from the sale of these objects increased by 20.8%. This is connected with the putting up for auction in the 1st quarter of the current year of a significant number of large-scale high-priced objects. Within the subsequent two quarters, a reduction took place both in quantitative indicators, and in the averages price of sale of state-owned objects.

During the analyzed period, as far as private property objects are concerned, dynamic growth can be observed both of quantitative and price indicators of sale, which testifies to the increasing role of the RREE in the development of the private sector of the country's economy.

Over a long period of time the tendency has been retained of predominance in the total quantity of real estate sold through the RREE of land lots intended, mainly, for individual housing construction or, to be more precise, the right to heritable life tenure of these lots (Annex 2.2.2). In total, during the first 9 months of 2004, the rights to heritable life tenure of 5048 land lot units were sold, of which 4920 units were intended for individual housing construction, and 128 units – for the founding of dekhkan farms. The share of these land lots in the total quantity of real estate sold through the RREE amounted to 46.6%, which is 15.7 points less than for the corresponding period of the previous year.

Despite the large number of land lots, the right to heritable life tenure of which was sold through the RREE, proceeds from the given operation made up an insignificant portion in the total cost turnover of the exchange: for the first 9 months – 2.6%, including 3.0% in the 3rd quarter (Table 2.2.2.). This is a consequence of the low sale price of the given right.

Table 2.2.2. Structural Composition of Property Sold through the RREE (in % to the total)

Types of Property	03/III	03/I-III	04/III	04/I-III
Construction in Progress:				
Quantity	5.8	4.3	7.7	6.2
Amount	8.3	5.3	5.3	4.4
Commercial and Consumer Services Objects:				
Quantity	5.5	7.0	4.5	8.9
Amount	11.5	12.5	5.8	27.6
Property of Bankrupt Enterprises:				
Quantity	5.4	2.2	-	0.2
Amount	7.1	5.0	-	2.6
Property Sold to Cover Tax Debts to State Budgets:				
Quantity	0.1	1.1	-	0.1
Amount	0.1	2.0	-	0.1
Property Sold by Orders of Economic Courts:				
Quantity	1.3	0.7	-	0.2
Amount	2.0	1.7	-	0.8
Objects of Agriculture and Water Industry:				
Quantity	4.5	4.2	14.0	15.3
Amount	2.1	1.9	21.1	16.6
Land Lots:				
Quantity	61.6	62.3	42.5	46.6
Amount	2.6	2.7	3.0	2.6
Residential Buildings and Non-Residential Premises, Other Property:				
Quantity	15.8	18.2	31.3	22.5
Amount	66.3	68.9	64.8	45.3
Total:				
Quantity	100	100	100	100
Amount	100	100	100	100

Source: Republican Real Estate Exchange

The highest share in the RREE's 9-month cost turnover consisted of proceeds from the sales of commercial and consumer services objects (27.6%), and residential and non-residential premises (45.3%). As compared to the corresponding period of the previous year, the share proceeds from the sales of the objects of the first group increased by 15.1 points, while proceeds form the sales of the objects of the second group decreased by 23.6 points, which is connected with the changes in quantitative and price indicators of the sales.

During the first 9 months of 2004, 959 units of commercial and consumer services objects were sold in the amount of UZS 5.5 bn., including 846 units of objects worth UZS 2.4 bn. put up for auction by private persons. Growth rates, as compared to the previous year, were, respectively, 1.4 and 2.8 times, including the objects put up for auction by private persons – 1.4 and 1.6 times.

The sale of agricultural and water industry objects (livestock farming premises, poultry farms, etc.) grew considerably. 1655 objects were sold in the amount of UZS 3.3 bn., including 1643 non-state-owned objects

worth UZS 3.2 bn.. Growth rates for the first 9 months of the current year, as compared to the corresponding period of the previous year, were 4.2 and 11.6 times, respectively. As a result, the share of agricultural and water industry objects increased in the total quantity of property sold through the RREE by 11.1 points, and for the cost volume of sales – by 14.7 points.

Also, the tendency towards an increase in the sales of construction-in-progress objects through the RREE can be observed. In total, 674 objects were sold in the amount of UZS 881 mill., which exceeds indicators of sales of the given objects for the corresponding period of the previous year by quantity – 1.6 times, and by cost – 1.1 times. An overwhelming majority of the construction-in-progress objects (660 units) was put up for sale by non-state-owned enterprises in the course of carrying out the restructuring of their property complex.

Since the second half of 2003, the RREE, in addition to the types of property indicated in Table 2.2.2., has started selling shares in the statutory fund of limited liability companies put up for sale by the state and by private persons. In the first 9 months of 2004, shares in the statutory fund of 356 limited liability companies were sold in the amount of UZS 2.7 bn.. The growth of sales volume, as compared to the corresponding period of the previous year, was 13.2 times – in quantitative terms, and 10.3 – in cost terms.

2.3. Small Entrepreneurship

Positive progress was observed in the development of the country's small entrepreneurship during the analyzed period: a rise in the level of development of small enterprises and micro-firms, and an increase in the share of small business in the gross regional product of the provinces and the GDP as a whole.

During the first 9 months of 2004, small enterprise entities produced 32.4% of the GDP, which is 0.7 point higher than the level of the corresponding period of the previous year. This resulted from the increase in the proportion of small enterprises and micro-firms to 15.4%, and in the number of operating entities, which grew by 112.9% (Tables 2.3.1, 2.3.5 and Annex 2.3.1).

Table 2.3.1. Main Indicators of Development of Small Entrepreneurship

Indicators	Unit	03/I-III	04/I-III
Share of Small Enterprises in the GDP	%	31.7	32.4
Small Businesses and Micro-Firms	%	13.5	15.4
Number Employed by SE	Thous. Persons	5434.2	6102.0

Source: State Committee on Statistics of Uzbekistan.

The increase of the share of small enterprises in the GDP was accompanied by a rapid growth of their share in the gross regional product of the Jizzakh, Sirdarya, Samarkand, and Khorezm Provinces, and in Tashkent City.

Table 2.3.2. Number of SE Employees by Regions (Thous. Persons) *)

Regions	03/I-III	04/I-III
Republic of Uzbekistan	5434.2	6102.0
Republic of Karakalpakstan	286.8	325.7
Andijan	533.8	581.6
Bukhara	361.7	407.4
Jizzakh	216.9	242.2
Kashkadarya	425.4	504.2
Navoi	151.6	167.3
Namangan	358.4	403.8
Samarkand	607.1	676.5
Surkhandarya	337.0	388.6
Sirdarya	169.8	194.1
Tashkent	533.7	599.7
Fergana	643.7	702.4
Khorezm	269.2	306.9
Tashkent City	539.1	601.6

Source: State Committee on Statistics of Uzbekistan. *)

During the analyzed period, growth rates of the number of SE employees reached 112.3%. The ratio of persons engaged in small entrepreneurship to the total number of those employed by the economy amounted to 61.5%, exceeding the indicator for the corresponding period of the previous year by 4.7 points. The proportion of small enterprises and micro-firms in the total number of employees of the economy was 12.4%, and of individual entrepreneurs – about 49.1%. The total number of SE employees amounted to 6102.0 thous. persons. (Table 2.3.2.)

The number of those employed by privately owned small enterprises amounted to 5658.7 thous. persons or 57.1% of the total number of the employed in the economy, having increased by 0.3 point with respect to the corresponding period of the previous year.

The highest ratios of persons engaged in SE to the total number of those employed at economic entities of the regions were: in Jizzakh Province – 75.0%, Sirdarya Province – 71.7%, Samarkand Province – 66.9%, Fergana Province – 62.2%, Bukhara Province – 62.6%, and in the Republic of Karakalpakstan – 62.1%. The share of SE employees has also started growing in other provinces.

During the analyzed period, 324.7 thous. workplaces were created by small enterprises, based on the data from the Ministry of Labor of Uzbekistan.

During the first 9 months of 2004, indicators of the level of development of SE were characterized by an increase in the number of operating SE entities per 1000 persons, which, compared to the corresponding period of the previous year, increased by 1.0 unit in the Republic on the whole, amounting to 9.3 units. However, it is still insufficient.

This indicator was higher in Kashkadarya (17.4 units), Jizzakh (15.6 units), Sirdarya (15.7 units), and Bukhara Provinces (12.5 units), as a result of the active support on the part of regional administration bodies. The indicator was lower than the Republic's average level in Namangan, Surkhandarya, Tashkent, Fergana and Samarkand Provinces, and in the Republic of Karakalpakstan.

In the total industrial production volume, the share of SE decreased by 0.3 point, reaching 10.8% (Table 2.3.3 and Annex 2.3.2). The share of output volume of privately owned small enterprises in the total production volume amounted to nearly one half.

Table 2.3.3. The Share of SE Entities in Production Output by Sectors of Economy (%)

Sectors of Economy	03/I-III	04/I-III
Industry	11.1	10.8
Agriculture	81.7	82.3
Retail Turnover	42.7	42.3
Pair Services	45.2	46.9

Source: State Committee on Statistics of Uzbekistan.

An increase in the share of small enterprise entities in industrial production was observed in Jizzakh, Samarkand, and Sirdarya Provinces, as well as in the Republic of Karakalpakstan, and Tashkent City. At the same time, it was below the average national level in Navoi, Andijan, Kashkadarya, and Fergana Provinces.

SE entities functioned most productively in the area of consumer goods production. Owing to the stimulation of activities of small enterprises and micro-firms, the proportion of small enterprises in the total volume of foodstuffs production increased to 37.5%, and of non-foodstuffs – to 14.6%.

For example, in the total volume of consumer goods production, the share of SE in Jizzakh Province made up 80.7%, Sirdarya Province – 44.9%, Kashkadarya Province – 38.6%, and Tashkent Province – 33.9%. The indicator was somewhat lower in Andijan, Bukhara, Fergana and Surkhandarya Provinces.

The share of SE entities in the total volume of agricultural output increased by 0.6 point, as opposed to the level of the corresponding period of the previous year, and amounted to 82.3% (Table 2.3.3). Such an increase took place mainly owing to a growth in the number of farms.

During the first 9 months of 2004, the share of small enterprise in the retail trade, in comparison with the corresponding period of the previous year, decreased by 0.4 point and amounted to 42.3% of the total turnover volume, as opposed to 42.7% for the corresponding period of 2003 (Table 2.3.3). The decrease was caused, mainly, by a reduction in the trade carried out by individuals, as a result of new measures for regulating the registration of individuals engaged in the imports of goods intended for commercial activity (Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of August 13, 2004).

By the Republic's regions, the volume of retail turnover of SE commercial businesses was characterized by high growth in Samarkand Province (the proportion in the total volume being 55.9%), Sirdarya (54.3%), and Fergana (43.0%) Provinces, and in Tashkent City (55.3%). Indicators remained lower in Surkhandarya, Bukhara, and Kashkadarya Provinces.

The share of small enterprise in the total volume of services rendered amounted to 46.9%, having increased by 1.7 points in comparison with the corresponding period of the previous year, owing to a steady growth of work completed (115.1%). At the same time, the largest share of services was rendered by individual entrepreneurs (41.3%).

Significant progress in paid services was observed in Andijan Province (a 75.0% share of the total volume), in Bukhara (67.4%), Surkhandarya (66.8%) and Kashkadarya (65.8%) Provinces, and in a number of other provinces. The indicator of paid services rendered was below the national level in Sirdarya Province and in the Republic of Karakalpakstan.

By October 1, 2004, the number of registered SE enterprises reached 275.0 thous. units, of which 239.1 thous. units were operating. The share of operating SE enterprises in the total number of those registered was 86.9%. By area of the economy, the ratio between operating enterprises and registered enterprises reached: in industry – 95.0%, which is 0.5 point higher than the indicator of the corresponding period of the previous year; in agriculture – 97.9% (a 0.5 point increase); and in trade and public catering – 97.3% (a 0.6 point increase).

An increase in the number of operating SE entities (by 27.4 thous. units) was explained by a greater number of newly-founded enterprises with respect to liquidated enterprises, as well as by the rapid growth of dekhkan farms in the agricultural area – by 26.6 thous. units (Table 2.3.4).

The increase in the number of operating SE entities in the Republic as a whole amounted to 12.9%. A substantial increase in the number of operating SE entities was registered in Kashkadarya, Surkhandarya, Sirdarya, and Bukhara Provinces (Table 2.3.5).

Table 2.3.4. Number of Operating SE Entities by Sector of Economy (thous. Units) *)

Indicators	03/I-III	04/I-III
Republic of Uzbekistan – Total	211.7	239.1
Industry	21.2	21.0
Agriculture	118.0	144.6
Transport and Communications	2.0	2.3
Construction	11.0	11.4
Trade and Public Catering	44.1	43.2
Other Areas	15.4	16.6

Source: State Committee on Statistics of Uzbekistan.
*) For legal entities, as of the first day of the following quarter.

Table 2.3.5. Number of Operating SE Entities by Region (Thous. Units) *)

Regions	03/I-III	04/I-III
Republic of Uzbekistan	211.7	239.1
Republic of Karakalpakstan	11.1	12.3
Andijan	18.4	19.3
Bukhara	16.2	18.6
Jizzakh	15.6	16.1
Kashkadarya	26.4	40.6
Navoi	8.6	9.5
Namangan	13.3	12.0
Samarkand	19.5	20.5
Surkhandarya	9.9	12.0
Sirdarya	9.0	10.5
Tashkent	15.3	17.1
Fergana	19.0	19.4
Khorezm	11.8	13.0
Tashkent City	17.4	18.0

Source: State Committee on Statistics of Uzbekistan.
*) For legal entities, as of the first day of the following quarter.

The proportion of small enterprises in the total volume of exports increased by 1.4 points and amounted to 7.1% (Table 2.3.6). In the commodity structure of SE exports, the share of machinery and equipment grew to 8.2%, and the share of ferrous and non–ferrous metals increased by 3.0 points and 0.3 point, respectively, as compared to the corresponding period of the previous year. The share of foodstuffs exports dropped to 19.4% (Table 2.3.7).

Table 2.3.6. Ratio of SE Entities in Foreign Economic Activities (%)

Indicators	03/I-III	04/I-III
Exports	5.7	7.1
Imports	32.2	31.6
Number of SE Entities Participating in Foreign Economic Activities, thous. units	2.4	3.2

Source: State Committee on Statistics of Uzbekistan.

At the same time, the share of small enterprise entities in the total volume of imports fell to 31.6%, or by 0.6 point. In the commodity structure of imports, the share of machinery and equipment, ferrous and non-ferrous metals, and chemical products increased. Imports of foodstuffs fell sharply (by 9.2 points), as a result of the activization of SE enterprises in the area of production of consumer goods, particularly foodstuffs.

Table 2.3.7. Commodity Structure of Export-and-Import Activities of Small Enterprise Entities (%)

Product	03/I-III	04/I-III
Exports	100.0	100.0
Cotton Fiber	-	32.5
Foodstuffs	30.4	19.4
Chemical Products	4.1	3.1
Energy Carriers	20.4	7.7
Ferrous and Non-Ferrous Metals	0.3	0.6
Machinery and Equipment	5.2	8.2
Services	12.4	10.6
Other	27.2	17.9
Imports	100.0	100.0
Foodstuffs	18.4	9.2
Chemical Products	13.8	17.6
Energy Carriers	0.3	0.2
Ferrous and Non-Ferrous Metals	7.9	8.6
Machinery and Equipment	42.6	43.1
Services	1.7	3.5
Other	15.3	17.8

Source: State Committee on Statistics of Uzbekistan.

At the same time, the share of small enterprise entities in the total volume of imports fell to 31.6%, or by 0.6 point. In the commodity structure of imports, the share of machinery and equipment, ferrous and non-ferrous metals, and chemical products increased. Imports of foodstuffs fell sharply (by 9.2 points), as a result of the activization of SE enterprises in the area of production of consumer goods, particularly foodstuffs.

Annex 2.1.1. Main Indicators of Privatization of State-Owned Enterprises (Units)

Indicator	2000	2001	2002	2003	03/I	03/II	03/III	04/I	04/II	04/III
Number of Privatized Enterprises	374	1449	1912	1519	436	260	331	365	295	306
Number of Enterprises with Non-State Form of Ownership, Founded on the Basis of Privatized Property	372	1238	1800	1452	301	342	332	352	308	306
Joint-Stock Companies	152	227	223	75	19	5	19	13	-	7
Private Enterprises	103	827	1252	981	255	301	160	285	260	265
Enterprises of Other Organizational-and-Legal Types	117	184	325	396	27	36	153	54	48	34
Total Proceeds from Privatization (bn. UZS)	14.3	23.2	43.6	56.1	11.1	11.3	11.4	13.8	25.9	16.5

Source: State Property Committee of Uzbekistan
Note: A number of joint-stock companies have been founded by means of pooling the property of several state-owned enterprises or splitting the property of one enterprise. In 2003 in such a way, for example, 75 joint-stock companies were founded on the basis of 142 state-owned enterprises.

Annex 2.2.1. Dynamics of the Volume of Sale of Shares on the Securities Market (Bn. UZS)

Indicator	2000	2001	2002	2003	03/I	03/II	03/III	04/I	04/II	04/III
Total Shares Sold on Securities Market	17.11	26.13	41.74	74.7	15.79	9.75	24.33	30.39	21.99	35.21
On Primary Market	6.23	12.26	16.33	53.9	10.86	5.06	20.42	20.36	11.69	16.8
On Exchange Market	4.60	6.84	10.53	19.7	1.58	1.96	6.7	3.66	4.24	3.35
On Off-Exchange Market	1.63	5.42	5.80	34.2	9.28	3.10	13.72	16.70	7.45	13.45
On Secondary Market	10.88	13.87	25.41	20.8	4.93	4.69	3.91	10.03	10.3	18.41
On Exchange Market	0.63	1.10	4.60	12.4	2.23	2.19	2.91	3.51	6.29	6.49
On Off-Exchange Market	10.25	12.77	20.81	8.4	2.7	2.5	1.0	6.52	4.01	11.92

Source: Center for Coordination and Control of Operation of the Securities Market.

Annex 2.2.2. Quantity and Value of Property, Sold through the Republican Real Estate Exchange (Units/ mill. UZS)

Types of Property	2000		2001		2002		2003		03/I	
	Units sold	Value	Units sold	Value	Units sold	Value	Units sold	Value	Units sold	Value
Construction in Progress	296	630	265	559	180	832	586	1176	95	133
Commercial and Consumer Services Objects	419	450	548	1221	436	1039	954	3203	203	522
Property of Bankrupt Enterprises	435	1028	565	1264	289	719	372	1559	6	210
Property Sold to Cover Tax Debts to State Budgets	-	-	2211	1345	2230	1409	209	388	22	205
Property Sold by Orders of Economic Courts	-	-	496	415	343	312	147	391	6	9
Agricultural and Water Industry Objects	602	450	510	367	413	396	904	653	-	-
Land Lots	5700	254	8662	504	8335	551	7391	490	1623	103
Residential and Non-Residential Premises, Other Property	1491	3368	1959	6675	2058	10913	3350	15600	730	2914
Total	8943	6180	15216	12350	14284	16171	13913	23460	2685	4096

Annex 2.2.2 continued

Types of Property	03/II		03/III		04/I		04/II		04/III	
	Units sold	Value	Units sold	Value	Units sold	Value	Units sold	Value	Units sold	Value
Construction in Progress	114	200	193	492	184	343	234	271	256	267
Commercial and Consumer Services Objects	279	744	181	675	414	3159	397	2034	148	294
Property of Bankrupt Enterprises	26	150	179	419	23	524	-	-	-	-
Property Sold to Cover Tax Debts to State Budgets	77	102	2	3	3	1	-	-	-	-
Property Sold by Orders of Economic Courts	21	131	43	118	26	149	-	-	-	-
Agricultural and Water Industry Objects	242	158	151	127	636	976	552	1250	467	1068
Land Lots	2199	152	2043	156	2169	158	1464	203	1415	150
Residential and Non-Residential Premises, Other Property	465	3839	522	3917	469	3252	923	2480	1040	3269
Total	3423	5476	3314	5907	3924	8562	3570	6238	3326	5048

Annex 2.3.1. Main Indicators of Level of Development of SE

Indicators	Unit	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Ratio of Small Business in the GDP	%	31.0	33.8	34.6	35.5	28.9	28.9	31.7	27.8	29.1	32.4
of Small Enterprises and Micro-Firms	%	13.1	14.8	15.7	16.4	13.8	13.3	13.5	13.4	13.9	15.4
Number of Operating Legal Entities	Thous. Units	149.3	177.7	236.4	229.6	209.1	208.8	211.7	222.4	235.4	239.10
Number of Employees at Economic Entities	Thous. persons	745.3	801.8	900.3	1045.1	903.2	936.0	1202.0	1007.0	1203.6	1236.2

Source: State Committee on Statistics of Uzbekistan.

Annex 2.3.2. Share of SEs in Production Output by Sector of Economy (%)

Areas of Activity	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Industry	11.3	14.1	14.1	16.6	9.6	10.6	11.1	9.8	10.6	10.8
Agriculture	72.4	75.6	76.4	76.8	92.8	86.1	81.7	93.2	86.8	82.3
Retail Turnover	45.9	45.8	43.8	45.5	39.9	41.2	42.7	41.1	41.8	42.3
Paid Services	37.9	39.9	41.3	45.7	41.0	44.1	45.2	42.9	45.3	46.9

Source: State Committee on Statistics of Uzbekistan.

Annex 2.3.3. Share of SE Entities in Foreign-Trade Operations of the Republic

Indicators	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Exports, %	10.2	9.0	7.5	7.3	5.3	5.0	5.7	8.7	5.1	7.1
Imports, %	27.4	26.9	24.9	33.7	33.5	32.0	32.2	29.4	30.9	31.6
Number of Entities Participating in Foreign Economic Activity, thous. units	2.8	2.5	2.7	3.3	1.2	2.1	2.4	1.8	2.6	3.2

Source: State Committee on Statistics of Uzbekistan.

3. Structural-Investment Policy

3.1. Industry

The dynamics of industrial development were formed under the impact of the improved financial performance of many enterprises. The volume of industrial production in the first 9 months of 2004 increased by 10.2% with respect to the corresponding period of the previous year. Enterprises manufactured products in the amount of UZS 5697.2 bn.

The index of the growth rate of added value in industry exceeded the level of the corresponding period of the previous year by 3.0 points, amounting to 5.8% and having a positive impact on the dynamics of economic growth. The share of industry in GDP grew from 15.0% to 16.3%.

The positive dynamics of development in the industrial sector resulted mainly from the considerable improvement of the external economic conjuncture. Based on the overall results of the first 9 months of 2004, the volume of export of the chemical industry's products grew 2.1 times, of machine-building – 1.5 times, the fuel industry – 1.8 times, and ferrous and non-ferrous metallurgy – 1.7 times.

The formation of positive dynamics in industrial development resulted also from the effective restructuring process of enterprises and from reforms of sectors' management systems in the framework of measures aimed at the intensification of the market reforms in the real sector of economy.

During the analyzed period, there was a continued forward pace of development in the sectors of the machine-building complex. The index of growth of machine-building output reached the highest level, making up 32.2% (Table 3.1.1).

Increasing volumes of production of motor-cars – 1.7 times, isolated cable – 2.2 times and TV-sets – 2.6 times, as well as other types of consumer goods was characteristic of the activity of joint-ventures in the machine-building industry.

One of the positive factors of the growth in the machine building sector was the tendency towards growth in the development of agricultural machinery, resulting from the realization of the measures aimed at increasing the effectiveness of production capacities and improving financial performance. Based on the overall results of the first 9 months of 2004, the following physical volumes of production increased: cotton harvester production by 25%, tractors by 0.3%, cultivators by 16.7% and trailers by 80.2%.

During the period under review, high growth rates were reported virtually in all basic sectors of raw materials and extractive industries.

Table 3.1.1. Indices of Industrial Production

	Index of industrial production output (in % to corresponding period)	
	03/I-III	04/I-III
Industry	105.7	110.2
Electric-Power Industry	100.2	101.4
Fuel Industry	99.7	106.4
Ferrous Metallurgy	110.2	123.6
Non-Ferrous Metallurgy	99.2	106.0
Chemical Industry	104.3	102.9
Machine-Building	128.1	132.2
Timber, Wood-Working Industry	96.3	118.5
Construction Materials Industry	102.2	111.3
Light Industry	107.4	108.2
Foodstuff Industry	106.1	100.6
Other	105.3	132.3

Source: State Committee on Statistics of Uzbekistan

The index of growth of production output in ferrous metallurgy amounted to 23.6%, which was connected mainly with the increased external demand for manufactured production. A tendency towards increase in the level of provision of enterprises with resources facilitated the growth in physical volume of production of steel by 16.4% and rolled ferrous metals – by 16.9% (Table 3.1.2).

The index of growth in production of non-ferrous metallurgy amounted to 6.0%, while in the corresponding period of the previous year it was negative (-0.8 %). The acceleration of the pace of production essentially resulted from the improvement of the conjuncture of external markets for the sale of its products, and the maintenance of their position in the category of high liquid goods on the home market.

Table 3.1.2. Indices of Growth of Production of Main Types of Industrial Products

	Unit	Production of major products in kind		Indices of production of major products (in % to previous year)	
		03/I-III	04/I-III	03/I-III	04/I-III
Electric Power	mill. K.W.H	35919	37027	98.3	103.1
Fuel Industry					
Oil	Thous. tons	3260.9	3103.5	107.6	95.2
Gas	Mill. m^3	42270.9	44385.1	98.2	105.0
Coal	Thous. tons	1387	2054	69.0	148.1
Metallurgy					
Steel	Thous. tons	376.9	438.7	107.2	116.4
Rolled Ferrous Metals	Thous. tons	344.4	402.4	108.9	116.9
Machine-Building					
Tractors	Units	2203	2210	82.3	100.3
Cotton Harvester	Units	12	15	48.0	125.0
Excavators	Units	35	25	61.4	71.4
Cars	Units	28964	48262	109.1	166.6
Color TVs	Units	10986	28580	13.3 times	2.6 times
Isolated Cable	Km.	814	1794	115.5	2.2 times
Chemical Industry					
Mineral Fertilizers	Thous. tons	611.9	668.9	98.0	109.3
Nitrogen Fertilizers	Thous. tons	525.1	570.4	102.6	108.6
Phosphate Fertilizers	Thous. tons	86.8	98.5	76.8	113.5
Synthetic Ammonia	Thous. tons	739.5	789.3	103.5	106.7
Sulphuric Acid	Thous. tons	646.8	606.1	96.0	93.7
Synthetic Resins and Plastics	Tons	51503	80787	4.3 times	156.9
Chemical Fibers and Threads	Tons	11223	5947	97.4	53.0
Synthetic Detergents	Tons	1263	1180	59.9	93.4
Chemical Protectants of Plants	Tons	3351	4476	122.5	133.6
Construction Materials Industry					
Walling	mill. pieces cond. bricks	101.5	88.3	67.4	87.0
Light Industry					
Cotton Fiber	Thous. tons	573.8	594.2	93.6	103.6
Cotton Yarn	Thous. tons	126.0	127.6	100.5	101.2
Raw Silk Threads	Tons	409.8	456.4	54.3	111.4

Source: State Committee on Statistics of Uzbekistan.

The realization of measures aimed at the enhancement of geological exploration activities, the attraction of investments and the improvement of the structure of the sector's management contributed to the stable activity of the energy and fuel complex. The index of growth of production in the fuel industry amounted to 6.4% and in the electric-power industry – to 1.4%.

Volumes of production of gas increased by 5.0% and of diesel fuel by 6.8%. During the analyzed period, a high rate of extraction of 48.1% was achieved in coal exploration, positively influencing the structural parameters of the energy balance. At the same time, declining tendencies were reported in some types of oil production due to the lack of provision of raw materials. Oil production volumes decreased by 4.8%.

The increase in the domestic demand for electric power impacted on the dynamics of the development of the electric power industry. The index of growth of electric energy production within the first 9 months of 2004 amounted to 3.1%, as opposed to the negative value of the similar indicator in the previous year. Continued tendencies towards strengthening the sector's financial performance were facilitated by measures aimed at the step—by-step reform of the energy system, the improvement of the tariff policy, and increasing the efficiency of the management structure.

The index of growth of production output in the construction materials industry amounted to 11.3%. The main impact on the existing dynamics of the development of the construction materials industry (CMI) was the investment policy of enterprises, and the attraction of subsidized loans channeled to producing new competitive types of products.

Within the analyzed period a positive shift in the development of the sector of the chemical complex continued.

Enterprises of this sector succeeded in overcoming the downturn reported in the beginning of the year. The index of growth in cost volumes of chemical industry production output amounted to 2.9%.

The production of mineral fertilizers contributed considerably to this growth. As a result of the increasing level of supply of technological raw materials, physical volumes of phosphate fertilizers increased by 13.5% and nitrogen fertilizers by 8.6%. Growth tendencies were observed in the production of chemical protectants of plants by 33.6%, synthetic resins and plastics by 56.9% and synthetic ammonia by 6.7%.

At the same time, a decrease in the demand on the home and foreign markets for chemical fibers and threads, as a result of the low level of price competitiveness, furthered their decline in production by 47.0%. The production volume of sulphuric acid fell by 6.3% and synthetic detergents by 6.6%.

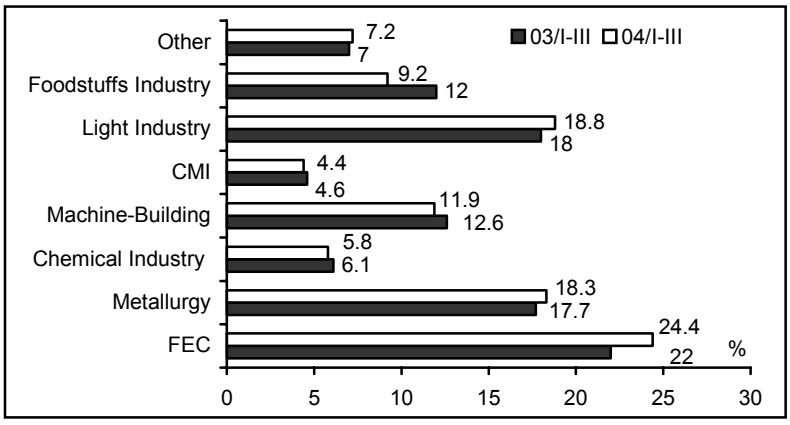
As a consequence of the positive results in cotton harvesting, the index of growth of production output in light industry exceeded the level of the previous year by 0.8 points, reaching 8.2%. Positive indices in the sector's development were accompanied by an increase in the physical volumes of cotton-fabric production output by 3.6%, cotton yarn by 1.2 % and raw silk threads by 11.4%.

The growth of the production output of large-scale enterprises in the foodstuffs industry amounted to 0.6%. Growth was reported in the volume of production of flour – by1.8 times, pasta – by 9.2% and tinned fruits and vegetables – by 25.2%, facilitating the increase of the level of food production output on the home market.

The "other sectors" category continued to play an important part in ensuring the positive dynamics of industrial development. The index of growth of these sectors, containing pharmaceutical, printing, medical, microbiological, flour and cereal industries, was one of the highest in the total dynamics of industrial development, amounting to 32.3%.

The dynamics of the sectoral structure of industry were formed under the impact of the different paces of development of enterprises. Within the period under analysis, structural shifts in industrial output extended to the increasing share of the fuel/energy sector, from 22.0% to 24.4%, and the metallurgy sector from 17.7% to 18.3% (Graph 3.1.1).

Graph 3.1.1. Changes in the Structure of Industrial Production (%)



Source: State Committee on Statistics of Uzbekistan.

The total share of the sectors of the fuel/energy and metallurgical complexes increased by 3.0 points, achieving more than 42.7% of the total volume of industrial output. The share of light industry increased from 18.0% to 18.8%, becoming a positive factor in industrial development.

Table 3.1.3. Structure of Industrial Output

	Structure of Industrial Production, % (in current prices)	
	03/I-III	04/I-III
Industry	100.0	100.0
Electric Power Industry	9.3	10.9
Fuel Industry	12.7	13.5
Ferrous Metallurgy	2.0	2.6
Non-ferrous Metallurgy	15.7	15.7
Chemical Industry	6.1	5.8
Machine-building	12.6	11.9
Timber, Wood-Working Industry	1.0	0.9
Construction Materials Industry	4.6	4.4
Light Industry	18.0	18.8
Food Industry	12.0	9.2
Other	6.0	6.3

Source: State Committee on Statistics of Uzbekistan

The share of the food industry decreased from 12.0% to 9.2%, the machine-building complex from 12.6 % to 11.9%, the chemical industry from 6.1% to 5.8% and the construction materials industry from 4.6% to 4.4%.

The forward development paces of other sectors of industry, including woodworking, facilitated the increase of their share in the structure of production from 7.0 % to 7.2 % (Table 3.1.3).

An analysis of structural shifts testifies to the continuing significance of the role of raw materials and extractive sectors in the formation of the dynamics of industrial development. Further acceleration of market reforms in sectors whose manufactured production has high added value and is oriented at final consumption, should contribute to increasing the efficiency of structural transformations in industry.

Processes of reform, restructuring and implementation of market principles in enterprise management will be accompanied by further improvement of monetary and credit policies, taxation and budgetary policies, and pricing policy. The increasing pace of reform of the banking system, which provides an increase in the volume of long-term loans channeled to further restructuring of enterprises, and application of new competitive types of production will play a particular role in industrial development.

3.2. Consumer Goods Market

In the first 9 months of 2004, the growth in consumer goods production amounted to 13.3% as opposed to 6.8% in the corresponding period of 2003. The production of foodstuffs grew by 11.2% as opposed to 6.1% and non-foods by 17.1% as opposed to 9.7% (Table 3.2.1). The tendency towards growth in the production of foodstuffs was caused by the rising level of processing of agricultural raw materials by farms and dekhkan farms, and the intensification of activity of processing plants and small businesses.

Growth in the nonfoods group had an upward trend as a result of an increase in the production output of household equipment (refrigerators, washers, electric irons, TV-sets) and cars as well as carpet, hosiery and clothing.

Table 3.2.1. Tracking Changes in Consumer Goods Production (in % to Corresponding Period)

	03/I-III	04/I-III
Consumer Goods	106.8	113.3
Foodstuffs	106.1	111.2
Wine and Liquor, Beer	95.5	100.2
Non-Foods	109.7	117.1
Light Industry Goods	113.1	103.5

Source: State Committee on Statistics of Uzbekistan.

The structure of the consumer goods complex remained practically unchanged and kept the tendency of correlation characteristic for the corresponding period of the previous year. However, as a result of more significant growth in the production of non-foods, their share in consumer goods grew by 1.7 points, while foodstuffs decreased by 0.8 points (Table 3.2.2).

Table 3.2.2. Structure of Consumer Goods Production (%)

	03/I-III	04/I-III
Consumer Goods	100	100
Foodstuffs	41.7	41.7
Wine and Liquor, Beer	7.8	7.8
Non-Foods	50.5	50.5
Light Industry Goods	15.2	15.2

Source: Calculated by the author based on the data from the State Committee on Statistics of Uzbekistan.

Processing of newly harvested raw cotton by large-scale industrial enterprises, according to the overall results of the first 9 months of 2004, allowed the backlog of production output of finished cotton fabric, hosiery and knitwear goods, and cottonseed oil to be reduced somewhat; however the previous level has not yet been achieved (Table 3.2.3).

Growth in the production of carpets and carpet goods amounted to 55.4%, and hosiery to 1.0%. The increase in the volume of production of flour by 82.% influenced growth in the production of bread, baked goods, and pasta (Table 3.2.3).

Table 3.2.3. Industrial Production of Major Types of Consumer Goods* (in % to Corresponding Period)

	03/I-III	04/I-III
Finished Cotton Fabrics	100.7	85.6
Silk Fabrics	97.5	91.9
Carpets and Carpet goods	202.0	155.4
Hosiery	176.5	101.0
Knitwear Goods	98.7	84.5
Footwear	100.8	73.8
Milk and Dairy Products	107.7	188.4
Cheese, including brynza	81.7	83.3
Canned Goods	116.0	80.3
Sugar	101.7	72.4
Flour	53.6	182.0
Bread and Baked Goods	52.4	85.3
Pasta	60.2	109.2
Vegetable Oil	99.9	88.6
Grape Wine	75.5	62.8
Vodka and Liquors	94.7	108.0
Non-Alcoholic Beverages	27.6	13.5
Filterless and Regular Cigarettes	91.4	95.9

Source: State Committee on Statistics of Uzbekistan.
* data for 2003-2004 given for large-scale enterprises.

There has been a sizable increase in the volume of foodstuffs and non-foods (finished cotton and silk fabrics, knitwear, hosiery goods, and ready-made garments, footwear, milk and dairy products, sausages and cheese, vegetable oils, including those made of non-traditional materials, bread and baked goods, non-alcoholic beverages, mineral water etc.) produced by small enterprises.

The total bookkeeping of their production and consolidated results from throughout the country will be reported in the overall results of the year. Thus, this section presents data regarding the production of main types of goods manufactured by large-scale and middle-scale enterprises.

Table 3.2.4. Consumer Goods Production in the Regions of the Republic of Uzbekistan (in % to Corresponding Period)

Region	03/I-III	04/I-III
Republic of Uzbekistan	106.8	113.3
Republic of Karakalpakstan	106.7	119.4
Andijan	115.0	136.0
Bukhara	109.4	108.9
Jizzakh	119.3	120.5
Kashkadarya	116.1	115.2
Navoi	109.0	101.4
Namangan	114.6	116.2
Samarkand	106.3	112.4
Surkhandarya	105.9	132.6
Sirdarya	111.3	114.9
Tashkent	109.2	112.9
Fergana	101.3	119.5
Khorezm	120.5	101.5
Tashkent City	101.5	103.1

Source: State Committee on Statistics of Uzbekistan

There was a growth of consumer goods production in all regions of Uzbekistan. Particularly high growth was observed in Andijan (36.0 %), Surkhandarya (32.6%) and Jizzakh (20.5%) provinces (Table 3.2.4). The acceleration of the of consumer goods production in the regions resulted from the considerable intensification of the activity of medium businesses.

The territorial structure of production of consumer goods remained unchanged. A trend remains towards a high share of production in such regions as Andijan, Tashkent and Fergana provinces and Tashkent City. (Table 3.2.5).

Table 3.2.5. Territorial Structure of Consumer Goods Production (%)

Region	03/I-III	04/I-III
Republic of Uzbekistan	100	100
Republic of Karakalpakstan	2.0	1.2
Andijan	16.7	19.8
Bukhara	8.6	9.1
Jizzakh	2.7	2.4
Kashkadarya	5.2	4.0
Navoi	2.1	2.1
Namangan	4.4	4.9
Samarkand	10.0	9.2
Surkhandarya	2.3	2.9
Sirdarya	1.7	1.7
Tashkent	11.9	11.8
Fergana	9.3	10.3
Khorezm	3.0	2.7
Tashkent City	19.5	17.3

Source: State Committee on Statistics of Uzbekistan

The production of foodstuffs grew in all regions except Tashkent City (88.2%); this resulted from a reduction in the volume of production output of such large-scale enterprises located in the capital as JV “Coca Cola Ichimligi“, JV “Shakar investment” – which did not produce sugar during the last two months of the third quarter due to a lack of raw materials – and fat-and-oil-producing enterprises, which have not overcome a backlog of production (Table 3.2.3, Annex 3.2.1).

The main share of goods of light industry belong to the regions traditionally oriented towards the output of finished cotton and silk fabrics, knitwear, ready-made garments, carpets and carpet goods and footwear, such as Bukhara, Fergana, Andijan and Tashkent provinces and Tashkent City. The decrease in the value of the output of light industry production of the enterprises of the chemical complex in Navoi City led to a total decrease in the pace of production of non-foods in Navoi province (Annex 3.2.1).

The main exported consumer goods in the first 9 months of 2004 were cars, finished cotton and silk fabrics, knitwear, hosiery, ready-made garments, canned fruits and juices and grape wine. Such products as sugar, canned meat and milk, tea, fat and vegetable oil and medicine were imported into the Republic.

3.3. Agrarian Sector

Based on the overall results of the first 9 months of 2004, the volume of gross agricultural output amounted to UZS 3519.4 bn. The growth rate was 14.2% higher than the corresponding period of 2003 (Table 3.3.1, Graph 3.3.1). Such high growth rates were achieved mainly due to the adoption of new funding mechanisms in enterprises, the accelerated restructuring of unprofitable shirkats into farms and favorable weather conditions.

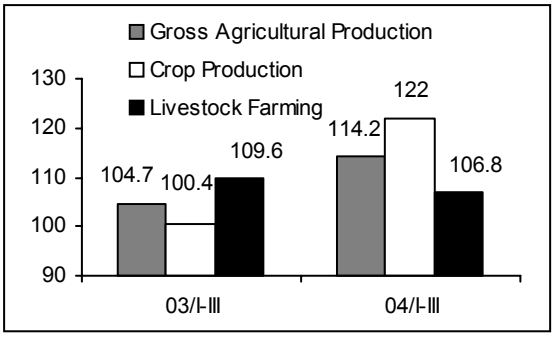
Table 3.3.1. Main Indicators of Development of Agriculture (%)

Indicators	03/I-III	04/I-III
Share of Gross Production of Agriculture in the GDP	25.7	24.8
Growth Rates of Production Output of Agriculture	104.7	114.2
- Crop Production	100.4	122.0
- Livestock Farming	109.6	106.8
Structure of Production by Form of Ownership - State-Owned	0.8	0.7
- Non-State-Owned	99.2	99.3
Share of Investments in Agriculture in Total Volume of Investments	3.8	3.0

Source: State Committee on Statistics of Uzbekistan

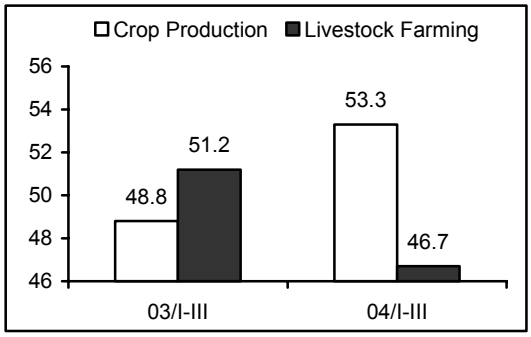
The main component part of agricultural production in ensuring this growth was crop production. The growth of crop production within the analyzed period amounted to 22% while the growth rate of production output in livestock farming decreased from 9.6% to 6.8% and resulted in the increase in the share of crop production in gross production output of agriculture from 48.8% to 53.3%.(Graphs 3.3.1. and 3.3.2).

Graph 3.3.1. Growth Rates of Gross Agricultural Production (%)



Source: State Committee on Statistics of Uzbekistan

Graph 3.3.2. Structure of Growth Rates of Agricultural Production (%)



Source: State Committee on Statistics of Uzbekistan

The total value of harvested cotton amounted to 2050.0 thous. tons, which was 1733 thous. tons greater than in the corresponding period of the previous year. This resulted primarily from the favorable weather conditions, timely conducted land treatment, satisfactory supply of mineral fertilizers and improving contractual relationships of agricultural commodity producers.

Some decrease took place in the gathering of cereal crops: from 5.79 mill. tons to 5.66 mill. tons as a result of the decrease in areas under cultivation by 71.8 thous. hectares.

Table 3.3.2. Structural Changes of Areas under Cultivation

	Unit	03/I-III	04/I-III
Total sown	Thous. hectares	3790.1	3679.8
Cereals	Thous. hectares	1790.9	1661.3
Grain-bearing	Thous. hectares	1619.1	1547.3
Wheat	Thous. hectares	1507.6	1469.5
Rice	Thous. hectares	121.0	62.1
Corn for Grain	Thous. hectares	34.7	34.8
Legumes	Thous. hectares	11.3	12.6
Industrial Crop	Thous. hectares	1445.0	1514.0
Cotton Plants	Thous. hectares	1393.0	1455.7
Potatoes, Melons and Gourds	Thous. hectares	237.7	224.5
Potatoes	Thous. hectares	49.2	51.8
Vegetables	Thous. hectares	145.6	137.0
Melons and Gourds	Thous. hectares	41.3	34.2
Fodder Crops	Thous. hectares	316.5	280.0

Source: State Committee on Statistics of Uzbekistan

Steady growth (97.8%) was achieved in the main types of agricultural production excepting grain (Table 3.3.3.).

Table 3.3.3. Main Indicators of Development of Agricultural Production

Product	Unit.	03/I-III	04/I-III	04/I-III in % to 03/I-III
Cotton	Thous. tons	317.0	2050	6.5 times
Grain	Thous. tons	5788.5	5658.5	97.8
Potatoes	Thous. tons	637.9	725.9	113.8
Vegetables	Thous. tons	2296.1	2441.2	106.3
Fruits and Berries	Thous. tons	487.9	573.1	117.5
Grapes	Thous. tons	212.8	349.8	164.4
Food-grade Melons and Gourds	Thous. tons	369.9	391.0	105.7
Meat (Live Weight)	Thous. tons	675.8	721.0	106.7
Milk	Thous. tons	2927.1	3104.4	106.1
Eggs	Mill. Pieces	1189.4	1439.0	121.0

Source: State Committee on Statistics of Uzbekistan

The production of livestock increased in all forms of economic management, excepting pig-breeding. There was a significant growth in the livestock count for sheep and goats (109.1%) and poultry (107.2%) (Table 3.3.4).

Table 3.3.4. Livestock and Poultry Population in all Categories of Farms (Thous. Heads)

	03/I-III	04/I-III	04/I-III in % to 03/I-III
Cattle	5851.7	6212.2	106.2
Cows	2558.1	2694.1	105.3
Pigs	81.6	81.0	99.3
Sheep and Goats	10285.4	11221.7	109.1
Poultry	18136.6	19444.0	107.2
Horses	146.9	149.7	101.9

Source: State Committee on Statistics of Uzbekistan

The growth in the last period was ensured primarily due to dekhkan farms and livestock farms. At the same time a decrease in livestock and poultry population in shirkats was observed. This was related primarily with the reformation and restructuring of unprofitable shirkat farms and the formation of livestock farms on their basis (Table 3.3.5).

Table 3.3.5. Livestock and Poultry Population in all Categories of Farms (Thous. Heads)

	In shirkats			In dekhkan farms			In livestock farms		
	03/I-III	04/I-III	04/I-III in % to 03/I-III	03/I-III	04/I-III	04/I-III in % to 03/I-III	03/I-III	04/I-III	04/I-III in % to 03/I-III
Cattle	305.8	246.6	80.6	5257.0	5662.4	107.7	288.9	303.2	104.9
Cows	101.1	81.6	80.7	2365.6	2517.9	106.4	91.4	94.6	103.5
Pigs	29.2	21.2	72.6	42.2	45.1	106.9	10.2	14.7	144.1
Sheep and Goats	2754	2809.7	102	7231.8	7999.7	110.6	299.6	412.3	137.6
Poultry	5581.8	5555.9	99.5	11871.2	13161.4	110.9	683.6	727.7	106.5
Horses	27.1	24.7	91.1	109.9	114.5	104.2	9.9	10.5	106.1

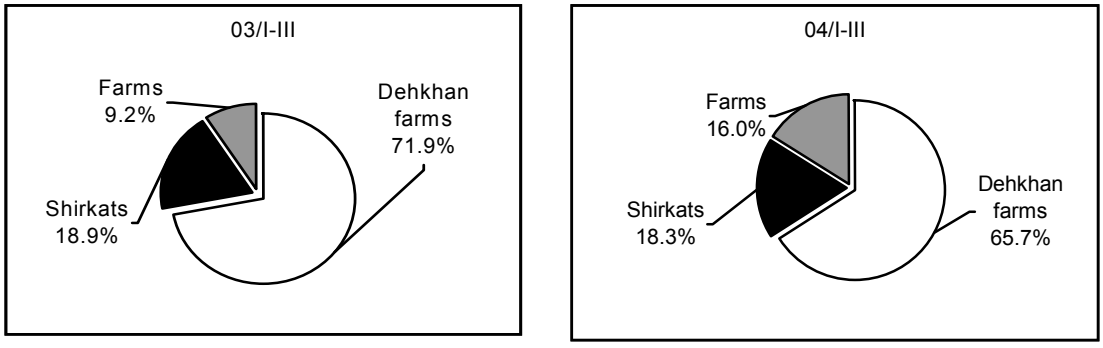
Source: State Committee on Statistics of Uzbekistan

Significant growth was observed in the export of agricultural production to CIS countries. All categories of management exported 317.2 thous. tons of fresh fruits&vegetables and grapes, which was 83 thous. greater than the corresponding period of 2003, including: vegetables – 209.8 thous. tons (a 127.3% increase), melons and gourds – 41.3 thous. tons (147.5%), fruits and berries – 35.2 (114.5%) and grapes – 30.9 thous. ons (3 times).

In an effort to support farming, 191 mini-banks, 275 alternative TTFs, 208 stations selling mineral fertilizers, 248 stations selling combustive lubricating materials, 235 associations of water consumers, 85 veterinary stations, 38 information & consulting services stations, and 74 networks for stocking and selling agricultural goods were newly founded.

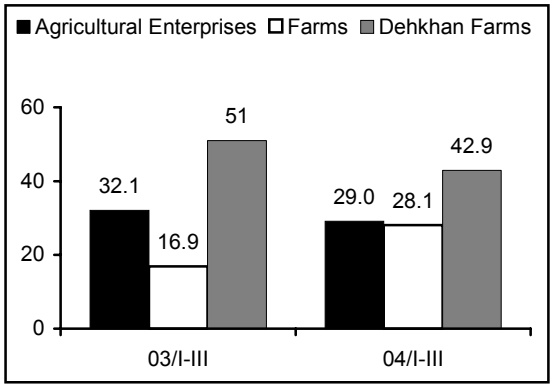
As a result of implemented institutional and structural reforms, the tendency continued towards increasing the contribution of such an effective form of management as livestock farms towards agricultural production (Graph 3.3.3, 3.3.4, 3.3.5).

Graph 3.3.3. Distribution of Gross Agricultural Production by Form of Economic Management(%)



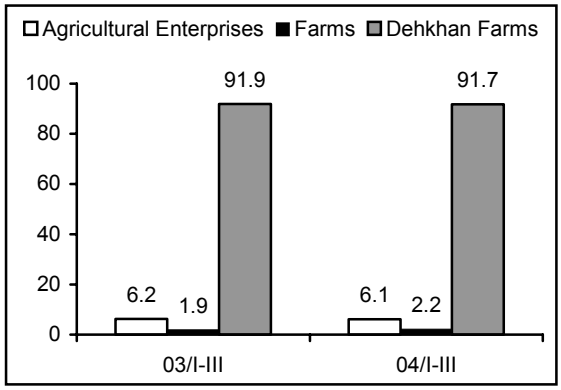
Source: State Committee on Statistics of Uzbekistan

Graph 3.3.4. Structure of Plant Growing by Form of Management (%)



Source: State Committee on Statistics of Uzbekistan

Graph 3.3.5. Structure of Livestock-Breeding by Form of Management (%)



Source: State Committee on Statistics of Uzbekistan.

As analyses by forms of management demonstrated positive shifts by major indicators of agricultural production output in all enterprises (Table 3.3.6., 3.3.7., 3.3.8.).

Table 3.3.6. Main Indicators of Activity of Agricultural Enterprises (Shirkats)

Indicator	Unit.	03/I-III	04/I-III
Agricultural Production	Bn.soum	551.2	643.0
- Crop Production	Bn.soum	457.8	543.6
- Livestock Farming	Bn.soum	93.4	99.4
Share of shirkats in gross production of	%	18.9	18.3
- Crop Production	%	32.1	29.0
- Livestock Farming	%	6.2	6.1
Growth rates of production output of shirkats	%	81.9	105.1
- Crop Production	%	78.6	105.5
- Livestock Farming	%	101.3	103.4
Areas under Cultivation	тыс.га	1967.0	1498.1

Source: State Committee on Statistics of Uzbekistan

Table 3.3.7. Main Indicators of Activity of Dekhkan Farms

Indicator	Unit	03/I-III	04/I-III
Agricultural Production Output	Bn.Soum	2103.8	2313.4
Crop Production	Bn.Soum	727.2	805.8
Livestock Production	Bn.Soum	1376.6	1507.6
Number of Dehkan Farms	Thous. pieces	4330.1	4478.8
Area of land assigned to them	Thous. hectars	649.5	676.2
Areas under cultivation	Thous. hectars	421.2	432.8
Number of employees on dehkan farms	Thous.Persons	1240.1	1293.9 *)
Share of dehkan farms in gross production of agriculture	%	71.9	65.7
- Crop Production	%	51.0	42.9
- Livestock Farming	%	91.9	91.7
Growth rates of production output of dehkan farms	%	109.8	107.6
- Crop Production	%	108.8	109.3
- Livestock Farming	%	110.4	106.8
Average size of dehkan farms	hectars	0.15	0.15

Source: State Committee on Statistics of Uzbekistan *) Estimation

Within the first 9 months of 2004, 323 shirkats were transformed, on the territory of which 15335 farms were established.

Table 3.3.8. Main Indicators of Activity of Farms

Indicator	Unit	03/I-III	04/I-III
Agricultural Production Output	Bn.soums	269.1	563.0
-Crop Production	Bn.soums	240.6	527.7
-Livestock Farming	Bn.soums	28.5	35.3
Number of farms	Unit	85136	101952
Area of land assigned to them	Thous. hectares	2090.1	2808.2
Area under cultivation	Thous. hectares	1401.9	1748.9
Average size of farms	Hectares	24.5	27.5
Number of employees on dehkan farms	Thous. Persons	603.6	800.9
Employees per farm	Persons.	7	8
Share of farms in gross production of agriculture	%	9.2	16.0
-Crop Production	%	16.9	28.1
-Livestock Farming	%	1.9	2.2
Growth rates of production output of farms	%	122.1	184.5
-Crop Production	%	123.6	192.0
-Livestock Farming	%	106.9	121.0

Source: State Committee on Statistics of Uzbekistan

The number of farms increased by 19.8% and made up 102 thous. units with 2.8 mill. hectares of assigned lands. In Andijan, Bukhara, Namangan, Navoi, Jizzakh, Fergana, Khorezm and Samarkand provinces, a new system of funding was introduced with the proceeds coming from the Fund for payments for agricultural production sold for state needs, under the Ministry of Finance.

By the first of October of 2004 “Uzselmashholding” delivered to commodity producers the following types of agricultural technology: 2251 TTZ tractors, 53 MX tractors, 813 trailers, 55 different types of plows, 2619 harrows, 1061 cotton cultivators, 840 cotton seeders, 163 mowing machines, 709 cotton syringes and 3100 knapsack syringes.

Continuing stable rates of agricultural production development and farm development depends in many respects on strengthening their material and technical basis and improving payments through the formation of an advanced market infrastructure in rural areas, from purchase until sale.

3.4. Investments

The situation in the area of investments demonstrated a growth trend in activity. Within the period from January to September of 2004 investments into capital assets from all sources of funding amounted to UZS 1529.6 bn., which was 3.0% higher than the corresponding period of the previous year (Annex 3.4.1).

While the total volume of investments has grown, the structure of the placement of investments by type of ownership has changed. The share of state sector investments increased by 5.0 points, reaching 43.0%.

Growth of investments in the state sector was connected with the intensification of the fulfillment of the State Investment Program (Table 3.4.1).

Table 3.4.1. Structure of Investments into Capital Assets by Form of Ownership (%)

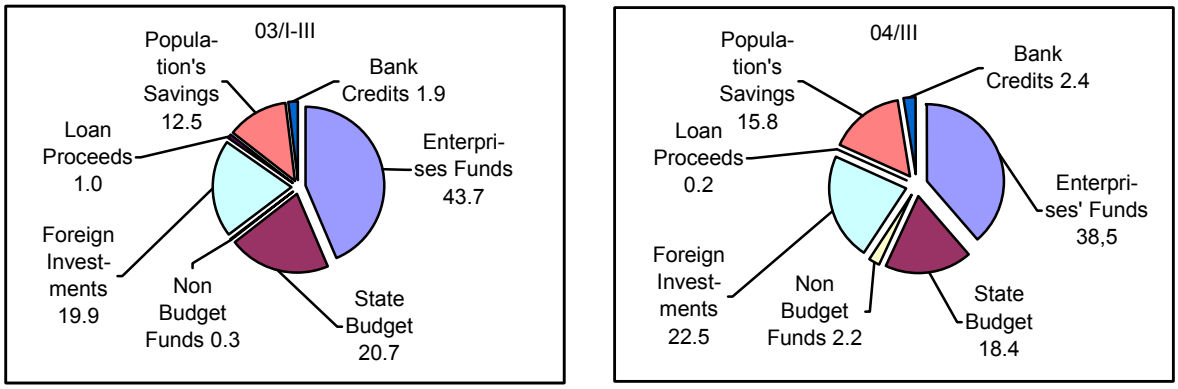
	03/I-III	04/I-III
Investments in Fixed Capital	100	100
State Property	38.0	43.0
Non-State Property	62.0	57.0

Source: State Committee on Statistics of Uzbekistan

Positive shifts took place in the structure of investments by funding source. Foreign investments into the Republic’s economy were 2.6 points higher than the level of the previous year. The share of direct foreign investments increased by 3 points and made up 9.6% of the total volume of investments. Decreasing investment risks and the growth of attractiveness of potential investments stimulated foreign investors’ interest in particular sectors of industry, transport and communications.

The share of enterprises’ own funds predominated in the structure of funding source of investments into capital assets, amounting to 38.5%, but was 5.2 points lower than the corresponding period of the previous year (Graph 3.4.1).

Graph 3.4.1. Structure of Capital Investments by Funding Source (%)



Source: State Committee on Statistics of Uzbekistan

There was a decrease in the ratio of investments financed by the State Budget. Their share decreased to the level of 18.4% of the total volume of investments due to toughened requirements for investment projects financed by the State Budget.

The ratio of the population's savings in the structure of funding source increased by 3.3. points and amounted to 15.8%. The bulk of these were directed towards the construction of individual housing. The share of attracted funds in the total volume of investments increased from 1.9% to 2.4% due to the growth of commercial banks' loans.

The activity of off-budget funds intensified during the first 9 months of the current year. The share of investments financed by off-budget funds increased by 1.9 points, making up 2.2% of the total volume of investments.

The bulk of investments within the analyzed period was directed at the development of basic sectors of the economy (industry, transport and communications); however, the portion of investments directed at the manufacturing sector decreased to 56.5%. Their share last year amounted to 58.9% (Table 3.4.2).

Table 3.4.2. Structure of Investments into Capital Assets by Sector of Economy (%)

	03/I-III	04/I-III
Total	100	100
For Production Purposes	58.9	56.5
Industry	29.3	26.7
Agriculture	4.1	3.0
Construction	0.5	0.6
Transport and Communications	12.9	17.2
Trade and Public Catering	4.4	1.4
Other Areas	7.7	7.6
For non-production Purposes	41.1	43.5

Source: State Committee on Statistics of Uzbekistan.

There was an increase in investments in the sectors of communication and transport. The share of investments into these complexes increased by 4.3 points and amounted to 17.2% of the total volume of investments. The increase of investments into this sphere was connected with the growth of enterprises investments and direct foreign investments channeled to the development of the enterprises of the transport complex and information and communication technologies.

The share of investments directed at the sector of industry amounted to 26.7%, which was 2.6 points lower than the level of the previous year. The volume of investments directed at the sector of industry decreased due to a reduction of capital investments into the fuel sector by 7.2 points, to the metallurgical complex by 6.1 points and machine-building complex by 1.0 point.

The share of investments directed at the development of the agricultural sector decreased by 1.1 points and amounted to 3.0% of the total structure of capital investments (Table 3.4.2, 3.4.4.).

There was a significant change in the structure of foreign investment into the capital assets of the sectors of the economy. Their share in the sphere of industry decreased by 2.0 points and amounted to 73.6%, due to a reduction in foreign capital by 12.6 points in the sectors of industry and by 3.8 points in agriculture.

The share of foreign investment in the total volume of foreign capital directed at the development of the sectors of transport and communications increased to 28.7% i.e. by 12.2 points. Investments into these sectors facilitated the development of transport infrastructure and the application of automated information systems (Table 3.4.3).

Table 3.4.3. Structure of Foreign Investment into Capital Assets by Sector of Economy (%)

	03/I-III	04/I-III
Total:	100	100
For Production Purposes	75.6	73.6
Industry	51.9	39.3
Agriculture	4.1	0.3
Construction	0.0	0.0
Transport and Communications	16.5	28.7
Trade and Public Catering	0.4	0.0
Other Areas	2.7	5.3
For non-production purposes	24.4	26.4

Source: State Committee on Statistics of Uzbekistan

The bulk of foreign investments was directed at light industry (61.5%), as well as at the chemical and petrochemical industries (15.5%); their shares in the total volume of foreign investments directed at industrial development grew by 16.7 and 4.7 points respectively. The share of foreign investments into the construction materials industry grew by 1.2 points. The share of foreign investments in the electric power industry decreased by 4.4 points as did that of the fuel industry (11.4 points), the machine-building complex (1.1) and by the food industry (1.4) (Table 3.4.5).

The structure of investments aimed at the development of industrial sectors changed during the first 9 months of 2004. Light industry was the main sphere of investments. The share of investments directed at this sector grew by 5.6 points and amounted to 23.8%. The share of investments directed at the food industry, chemical, petrochemical and electric power industries increased by 1.7, 1.2 and 0.2 points respectively, making up 5.5%, 11.0% and 11.1% of the total volume of capital directed at industrial development (Table 3.4.4).

Table 3.4.4. Structure of Investments into Capital Assets by Sector of Industry (%)

	03/I-III	04/I-III
Industry	100	100
Electric Power Industry	10.9	11.1
Fuel Industry	24.9	17.7
Metallurgy	19.9	13.8
Machine-Building	3.4	2.4
Light	18.2	23.8
Food	3.8	5.5
Chemical and Petrochemical	9.8	11.0
Construction Materials	1.6	2.4
Other Sectors	7.5	12.3

Source: State Committee on Statistics of Uzbekistan

Table 3.4.5. Structure of foreign Investments into Capital Assets by Sector of Industry (%)

	03/I-III	04/I-III
Industry	100	100
Electric Power Industry	12.2	7.8
Fuel Industry	12.7	1.3
Metallurgy	6.4	0.0
Machine-Building	2.4	1.3
Light	44.8	61.5
Food	4.0	2.6
Chemical and Petrochemical	10.8	15.5
Construction Materials	0.2	1.4
Other Sectors	6.5	8.6

Source: State Committee on Statistics of Uzbekistan

Table 3.4.6. Technological Structure of Investments into Capital Assets (%)

	03/I-III	04/I-III
Total	100	100
Construction and Assembly Works	51.3	50.9
Machines, Equipment, Sundries	35.1	37.6
Other Expenses	13.6	11.5

Source: State Committee on Statistics of Uzbekistan

As a result of progressive structural changes in the technological structure of investments, the share of those directed at purchasing machines and equipment grew by 2.5 points, while the share of investments into construction and assembly works declined by 0.4 points (Table 3.4.6).

Annex 3.1.1. Structure of Industrial Production Output (In % of Total Volume)

Period	Industry	including:									
		Electric Power Industry	Fuel Industry	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical Industry	Machine -Building	Construction Materials Industry	Light Industry	Food Industry	Other Sectors*
2000	100.0	8.5	15.3	1.3	10.2	6.0	9.9	5.4	19.1	13.3	11.0
2001	100.0	8.1	13.2	1.4	10.9	6.0	11.2	5.2	20.0	12.6	11.4
2002	100.0	7.7	13.4	1.5	13.4	5.9	10.3	4.6	19.5	14.3	9.4
2003	100.0	9.1	12.2	1.8	15.0	5.8	12.3	4.5	19.7	12.4	7.2
03/I	100.0	8.7	11.2	1.6	14.8	5.9	12.4	3.5	23.3	12.4	6.2
03/I-II	100.0	8.5	11.8	1.9	15.2	6.0	13.4	4.0	20.1	12.9	6.2
03/I-III	100.0	9.3	12.7	2.0	15.7	6.1	12.6	4.6	18.0	12.0	7.0
04/I	100.0	10.4	12.5	2.0	14.3	5.1	11.1	3.5	24.8	9.8	6.5
04/I-II	100.0	10.2	12.9	2.3	15.6	5.6	12.4	4.0	20.7	9.7	6.6
04/I-III	100.0	10.9	13.5	2.6	15.7	5.8	11.9	4.4	18.8	9.2	7.2

* including the timber and woodworking industry
Source: State Committee on Statistics of Uzbekistan.

Annex 3.1.2. Index of Industrial Production Output (% to Previous Year)

Period	Industry	including								
		Electric Power Industry	Fuel Industry	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical Industry	Machine-Building Industry	Construction Materials Industry	Light Industry	Food Industry
2000	105.9	101.1	99.7	118.7	102.5	115.8	89.7	104.3	117.0	108.5
2001	107.6	95.8	96.4	110.6	101.8	106.8	124.8	105.9	112.4	109.4
2002	108.3	101.5	102.4	104.3	105.9	113.8	108.8	102.2	109.0	119.2
2003	106.0	98.5	100.5	109.1	98.6	108.1	130.7	99.5	106.4	106.8
03/I	104.0	100.6	97.5	104.4	101.1	102.6	108.8	101.8	109.3	103.5
03/I-II	105.5	100.9	97.9	111.5	100.2	104.9	119.2	99.7	110.5	104.8
03/I-III	105.7	100.2	99.7	110.2	99.2	104.3	128.1	102.2	107.4	106.1
04/I	108.8	103.0	109.1	119.1	100.7	96.1	135.3	115.0	105.4	102.1
04/I-II	109.6	102.2	108.5	115.2	105.7	100.1	132	113.5	104.7	101.2
04/I-III	110.2	101.4	106.4	123.6	106.0	102.9	132.2	111.3	108.2	100.6

Source: State Committee on Statistics of Uzbekistan.

Annex 3.2.1. Consumer Goods Production in the Regions of the Republic of Uzbekistan, the first 9 months of 2004

Region	Production (in % to previous period)					Territorial Structure of Production* (%)					Commodity Composition of Production* (%)				
	Con-sumer Goods, Total	Food-stuffs	Wine, Vodka and Beer	Non-Foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wine, Vodka and Beer	Non-Foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wine, Vodka and Beer	Non-Foods	Light Industry Goods
Republic of Uzbekistan	113.3	111.2	100.2	117.1	103.5	100	100	100	100	100	100	40.9	6.9	52.2	13.9
Republic of Karakal-pakstan	119.4	117.6	122.2	123.2	124.4	1.8	2.8	4.0	0.7	2.0	100	64.1	15.3	20.6	15.7
Andijan	136.0	104.3	97.4	141.0	101.9	19.8	4.5	2.8	34.0	11.8	100	9.2	1.0	89.8	8.2
Bukhara	108.9	107.7	117.8	108.9	103.7	9.1	7.3	5.5	11.0	21.2	100	32.8	4.2	63.0	32.1
Jizzakh	120.5	119.3	21.3	146.6	182.4	2.4	5.2	0.1	0.5	0.7	100	88.9	0.2	10.9	4.2
Kashkadarya	115.2	115.4	104.4	116.8	112.3	4.0	8.0	1.8	1.2	3.3	100	81.4	3.1	15.5	11.4
Navoi	101.4	152.5	94.1	82.1	45.8	2.1	2.1	0.7	2.3	2.4	100	40.6	2.3	57.1	16.0
Namangan	116.2	125.1	69.4	109.2	111.8	4.9	7.7	2.6	3.0	8.5	100	64.1	3.7	32.2	24.3
Samarkand	112.4	120.3	84.4	110.1	125.3	9.2	10.5	8.3	8.3	4.9	100	46.7	6.2	47.1	7.3
Surkhandarya	132.6	151.6	80.9	92.7	76.6	2.9	5.7	4.2	0.5	0.6	100	81.1	10.0	8.9	2.8
Sirdarya	114.9	117.3	89.4	127.9	159.8	1.7	3.1	2.8	0.5	1.3	100	73.5	10.9	15.6	10.2
Tashkent	112.9	123.4	113.6	103.9	110.8	11.8	11.1	38.2	8.9	11.4	100	38.5	22.2	39.3	13.3
Fergana	119.5	119.8	54.8	123.7	163.9	10.3	7.3	3.1	13.6	14.0	100	29.0	2.1	69.0	18.8
Khorezm	101.5	106.6	116.7	92.8	91.4	2.7	3.1	4.7	2.1	5.8	100	47.1	12.2	40.7	30.2
Tashkent City	103.1	88.2	101.5	99.6	75.0	17.3	21.6	21.2	13.4	12.1	100	51.1	8.4	40.5	9.7

Source: State Committee on Statistics of Uzbekistan

* Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Annex 3.2.2. Dynamics of Consumer Goods Production in the Regions (in % to previous period)

Region	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Uzbekistan	106.2	107.6	111.8	108.4	102.3	104.0	106.8	114.9	114.1	113.3
Republic of Karakalpakstan	105.9	113.5	104.3	104.7	103.6	105.9	106.7	119.0	122.8	119.4
Andijan	92.6	123.7	97.8	120.3	96.0	104.3	115.0	133.3	136.4	136.0
Bukhara	105.9	107.4	103.3	106.0	103.3	106.8	109.4	107.8	107.6	108.9
Jizzakh	123.6	119.3	159.3	129.0	101.2	115.7	119.3	113.0	117.8	120.5
Kashkadarya	113.1	112.7	108.5	108.8	113.2	105.8	116.1	127.0	124.7	115.2
Navoi Province	115.5	99.98	114.5	105.3	125.0	114.6	109.0	107.3	106.4	101.4
Namangan	124.3	111.8	118.1	114.0	107.7	112.3	114.6	124.7	116.1	116.2
Samarkand	92.4	102.6	102.5	106.8	104.8	104.0	106.3	100.3	102.0	112.4
Surkhandarya	111.9	100.9	114.8	106.2	88.7	105.0	105.9	129.5	124.1	132.6
Sirdarya	110.1	120.2	103.0	104.2	100.6	107.7	111.3	108.0	115.3	114.9
Tashkent	112.5	114.1	106.6	107.1	104.7	108.6	109.2	106.6	111.1	112.9
Fergana	111.3	98.1	106.4	101.6	96.7	95.5	101.3	113.2	122.4	119.5
Khorezm	107.8	94.0	95.0	114.5	115.9	115.4	120.5	96.6	102.5	101.5
Tashkent City	111.3	101.3	120.2	102.7	100.8	102.9	101.5	115.7	101.5	103.1

Source: State Committee on Statistics of Uzbekistan

Annex 3.2.3. Dynamics of Production of Major Types of Consumer Goods by Industrial Enterprises (in % to Previous Period)

	2000	2001	2002	2003*	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Finished Cotton Fabrics	107.8	111.9	106.9	97.8	100.8	102.6	100.7	86.2	85.2	85.6
Silk Fabrics	102.0	98.3	97.4	100.3	62.4	78.1	97.5	104.6	93.9	91.9
Carpets and Carpet Goods	71.4	104.8	108.3	2.8 p	173.4	182.7	202.0	103.6	148.9	155.4
Hosiery	119.9	63.4	77.0	188.4	140.3	183.7	176.5	104.3	101.4	101.0
Knitwear Goods	97.6	85.7	82.4	100.6	115.2	105.3	98.7	91.3	84.8	84.5
Footwear	111.3	149.1	109.5	99.9	101.4	102.6	100.8	68.0	76.1	73.8
Milk and Dairy Products	91.2	102.5	115.9	107.6	111.3	100.0	107.7	220.0	167.8	188.4
Cheese including Brynza	89.7	87.2	74.3	78.4	78.0	88.8	81.7	100.0	87.9	83.3
Canned Goods	103.8	97.1	101.3	121.9	89.0	101.8	116.0	114.2	125.2	80.3
Granulated Sugar	48.6	282.7	755.7	114.2	106.2	108.2	101.7	149.8	93.8	72.4
Flour. total	94.0	103.4	87.1	73.7	39.6	44.3	53.6	230.0	211.3	182.0
Bread and Baked Goods	106.3	100.4	99.5	55.2	50.3	49.4	52.4	75.4	84.7	85.3
Pasta	107.7	110.7	81.0	60.4	63.2	60.2	60.2	123.3	105.0	109.2
Vegetable Oil	108.0	96.3	93.8	97.8	100.9	102.9	99.9	86.4	86.7	88.6
Grape Wine	89.3	118.8	116.6	73.4	99.2	83.7	75.5	74.6	64.0	62.8
Vodka and Liquors	99.1	92.5	92.5	96.6	91.4	93.6	94.7	99.2	109.1	108.0
Non-alcoholic Beverages	107.5	77.8	93.1	25.3	58.1	33.4	27.6	5.5	10.8	13.5
Cigarettes: Filterless and Regular	72.8	89.8	101.0	92.5	91.0	91.6	91.4	85.0	91.2	95.9

Source: State Committee on Statistics of Uzbekistan.
* Indicators for 2003-2004 given for large-scale enterprises.

Annex 3.3.1. Main Indicators of Development of Agricultural Production

	Unit	2000	2001	2002	2003	03/ I	03/I-II	03/I-III	04/ I	04/I-II	04/I- III
Raw Cotton	Thous. tons	3002	3265	3122.4	2822.5	-	-	317.0	-		2050
Grains	Thous. tons	3929	4072	5792.6	6262.3	-	2565.8	5788.5	-	3894.0	5658.5
Potatoes	Thous. tons	731.1	744	777.2	827.8	-	404.3	637.9	-	461.9	725.9
Vegetables	Thous. tons	2644	2778	2935.6	3299.2	-	640.4	2296.1	-	715.1	2441.2
Fruits and Berries	Thous. tons	791	801	842.9	758.7	-	186	487.9	-	208.2	573.1
Grapes	Thous. tons	624.2	573	516.4	401.4	-	4.2	212.8	-	6.9	349.8
Melons and Gourds	Thous. tons	451.4	466	479.1	583.3	-	19.2	369.8	-	25	391.0
Meat (Live Weight)	Thous. tons	842	854	865	935.5	191.8	436.4	675.8	204.7	464	721.0
Milk	Thous. tons	3633	3665	3721.3	4030.3	707.3	1834.4	2927.1	752.7	1942.2	3104.4
Eggs	mill. pieces	1254	1288	1368.9	1611.4	305.2	750.8	1189.4	346.5	810.3	1439.0

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.1. Dynamics of Investments into Capital Assets in Current Prices

	Investments into capital assets, bn. UZS	Growth to corresponding period of previous year, %
2000	744.5	1
2001	1320.9	4.0
2002	1526.6	3.8
2003	1927.1	4.8
03/I	284.1	0.3
03/I-II	741.7	2.6
03/I-III	1129.8	2.8
04/I	346.8	-0.4
04/I-II	912.0	2.2
04/I-III	1529.6	3.0

Source: State Committee on Statistics of Uzbekistan.

Annex 3.4.2. Structure of Distribution of Investment into Capital Assets by Form of Ownership (%)

	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Investments into Capital Assets	100	100	100	100	100	100	100	100	100	100
State Property	63.9	47.0	40.8	38.4	32.3	35.9	37.9	44.5	45.6	43.0
Non-State Property	36.1	53.0	59.2	61.6	67.7	64.1	62.1	55.5	54.4	57.0

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.3. Structure of Investment into Capital Assets by Source of Funding (%)

	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Total	100	100	100	100	100	100	100	100	100	100
State Budget	29.2	21.5	23.6	16.2	13.2	17.9	20.7	21.2	21.1	18.4
Funds of Enterprises	27.1	31.1	40.7	43.9	50.3	45.8	43.7	36.7	38.6	38.5
Population's Savings	12.0	10.3	11.9	16.1	9.1	11.8	12.5	10.4	13.4	15.8
Foreign Investment Guaranteed by State	19.8	23.2	15.7	19.2	15.4	14.2	13.3	18.7	14.2	12.9
Direct Foreign Investment	3.4	4.8	4.7	7.1	10.0	5.9	6.6	11.8	9.5	9.6
Centralized Banking Credits	5.2	5.9	–	–	–	–	–	–	–	–
Credits from Commercial Banks	1.7	2.2	2.4	2.2	1.2	3.6	1.9	0.6	0.8	2.4
Investments from Non-Budgetary Funds	1.3	0.1	0.2	0.3	0.1	0.1	0.3	0.6	2.2	2.2
Other Loan Proceeds	0.3	0.9	0.8	0.8	0.7	0.7	1.0	0.0	0.2	0.2

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.4. Structure of Investments into Capital Assets by Sector of Economy (%)

	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Total	100	100	100	100	100	100	100	100	100	100
For Production Purposes	57.5	63.1	51.5	66.3	69.4	59.5	54.4	65.0	58.1	56.5
Industry	29.7	38.9	32.9	29.8	37.3	29.9	27.1	28.1	24.3	26.7
Agriculture	5.7	5.5	6.7	5.1	4.7	4.1	3.8	4.2	3.0	3.0
Construction	0.5	0.6	0.7	0.5	0.4	0.5	0.5	0.2	0.3	0.6
Transport and Communications	16.8	14.1	10.4	21.1	11.8	12.6	12.9	23.6	19.9	17.2
Trade and Public Catering	2.9	1.5	1.6	2.1	5.5	5.1	4.4	1.6	1.3	1.4
Other Areas	1.9	2.5	7.2	7.7	9.7	7.3	7.7	7.3	9.3	7.6
For non-production purposes	42.5	36.9	40.5	33.7	30.6	40.5	41.1	35.0	41.9	43.5

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.5. Structure of Investments into Capital Assets by Sector of Industry (%)

	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Industry-Total	100	100	100	100	100	100	100	100	100	100
Electric Power Industry	5.3	3.8	6.0	9.4	7.6	10.5	10.9	11.4	11.9	11.1
Fuel Industry	20.2	32.2	28.6	18.9	30.2	26.8	24.9	13.7	18.2	17.7
Metallurgy	9.0	11.5	12.4	21.7	21.3	21.8	19.9	10.6	13.0	13.8
Machine-Building	13.8	14.6	10.2	5.5	2.3	3.1	3.4	2.1	2.4	2.4
Light Industry	7.9	15.9	14.3	19.4	16.2	17.7	18.2	28.1	21.8	23.8
Food Industry	8.4	5.8	7.9	5.5	3.7	3.5	3.8	2.9	4.8	5.5
Chemical & Petrochemical	26.7	9.9	11.9	10.5	12.2	9.7	9.8	24.8	16.9	11.0
Construction Materials	0.9	1.2	1.6	1.7	1.1	1.5	1.6	2.1	2.6	2.4
Other Sectors	7.8	5.1	7.1	7.4	5.4	5.4	7.5	4.3	8.4	12.3

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.6. Technological Structure of Investments into Capital Assets (%)

	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Total	100	100	100	100	100	100	100	100	100	100
Construction and Assembly Works	58.1	48.2	49.4	43.8	50.4	48.6	51.3	50.4	53.8	50.9
Machines, Equipment, Sundries	30.6	39.5	38.6	44.3	36.0	36.0	35.1	37.9	32.4	37.6
Other Expenses	11.3	12.3	12.0	11.9	13.6	15.4	13.6	11.7	13.8	11.5

Source: State Committee on Statistics of Uzbekistan

4. Foreign Trade

4.1. Trade Balance, Export and Import

In the first nine months of 2004, foreign trade turnover increased by 32.1% in comparison with the corresponding period of 2003, amounting to USD 6.2 bn. (Table 4.1.1.). Significant increase of 50.2% was observed in the third quarter. At the same time, during the first nine months of 2004, 56.5% of the total volume of foreign trade turnover consisted of export operations, while 43.5% belonged to import operations. Exports grew in higher rates than imports did. As opposed to the first nine months of 2003, exports grew by 34.6% while imports grew by 28.8%. In the third quarter, more rapid growth of exports against imports was observed, at 61.0% and 39.5% respectively.

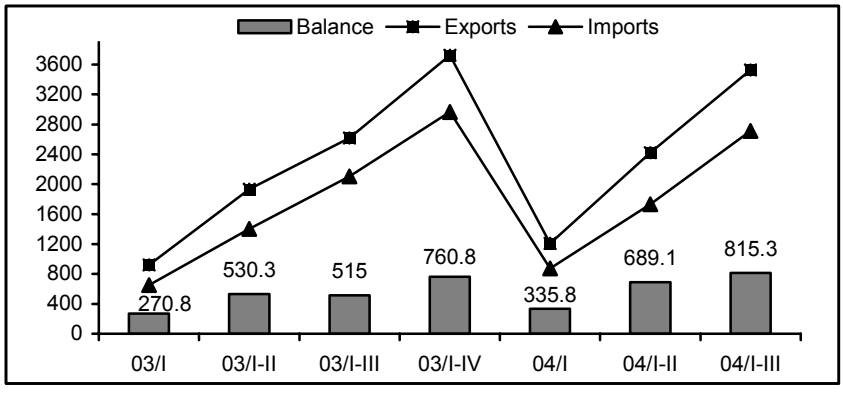
Table 4.1.1. Main Indicators of Foreign Economic Activity of Uzbekistan (mill. USD).

Indicator	03/I-III	04/I-III	Including		Change in volume, %	
			03/III*	04/III*	04/I-III to 03/I-III	04/III to 03/III
Foreign trade turnover	4724.0	6238.1	1390.1	2087.4	132.1	150.2
CIS countries	1499.2	2145.4	518.2	814.1	143.1	157.1
Non-CIS countries	3224.8	4092.7	871.9	1273.3	126.9	146.0
Exports	2619.5	3526.7	687.4	1106.8	134.6	161.0
CIS countries	694.8	1102.5	246.9	408.2	158.7	165.3
Non-CIS countries	1924.7	2424.2	440.5	698.6	126.0	158.6
Imports	2104.5	2711.4	702.7	980.6	128.8	139.5
CIS countries	804.4	1042.9	271.3	405.9	129.6	149.6
Non-CIS countries	1300.1	1668.5	431.4	574.7	128.3	133.2
Trade balance	515.0	815.3	-15.3	126.2	X	X
CIS countries	-109.6	59.6	-24.4	2.3	X	X
Non-CIS countries	624.6	755.7	9.1	123.9	X	X
Structure of foreign trade turnover, %	100.0	100.0	100.0	100.0	X	X
CIS countries	31.7	34.4	37.3	39.0	X	X
Non-CIS countries	68.3	65.6	62.7	61.0	X	X

Source: State Committee on Statistics of Uzbekistan
* the author's calculations based on the data from the State Committee on Statistics of Uzbekistan

During the period under review, the active trade balance increased by USD 300.3 mill. in comparison with the first nine months of 2003, and amounted to USD 815.31 mill. (Table 4.1.1, Annex 4.1.1, Graph 4.1.1). In the third quarter, according to calculations, the positive balance equaled USD 126.2 mill. As in the first and second quarters, the active balance of foreign trade turnover was formed by trade with foreign countries as well as with the CIS. The positive balance of trade turnover with CIS countries in the first nine months of 2004 amounted to USD 59.6 mill. The active trade balance with non-CIS countries equaled USD 755.7 mill. or 93% of its total volume (Table 4.1.1.).

Graph 4.1.1.Comparison of Exports and Imports of Goods (Services), mill. USD



Source: State Committee on Statistics of Uzbekistan

Qualitative changes in the structure of exports continued. An increase in the volume of exports was observed in practically all commodity groups. A significant increase was observed in the group of non-raw commodities, which remained stable during all three quarters of 2004. As a result, during the first nine months of 2004, the export of chemical products increased by 2.1 times, and foodstuffs by 1.9 times, and export machinery and equipment by 1.5 times in comparison with the corresponding period of 2003. At the same time, the share of export of chemical products was 4.6% (an increase of 1.7 percentage points over the first nine months of 2003), foodstuffs – 3.8% (an increase of 1.2 percentage points), and machinery and equipment – 6.9% (0.8 percentage points increase) (Table 4.1.2., Annex 4.1.2.). The volume of exports of products of non-organic chemistry, perfumery-cosmetic products, plastics, grains, vegetables and fruits, and automobiles grew during the period under study.

The volume of exports of services increased by 8.0% as opposed to the first nine months of 2003, including by 12.3% in the third quarter.

Table 4.1.2. Dynamics of Changes in Volume and Structure of Exports (%)

Commodity groups	Share in total volume of exports				Change in volume	
	03/I-III	04/I-III	including		04/I-III to 03/I-III	04/III to 03/III
			03/III*	04/III*		
Cotton fiber	17.2	17.6	7.6	7.4	137.9	156.6
Foodstuff	2.6	3.8	3.9	3.7	195.1	154.9
Chemical products, plastics, and plastic goods	2.9	4.6	4.1	5.2	212.5	207.5
Energy carriers	9.7	12.7	14.5	17.1	176.2	189.6
Non-ferrous and ferrous metals	6.8	8.5	10.0	9.9	169.3	158.6
Machinery and equipment	6.1	6.9	6.2	7.2	150.9	186.4
Services	14.9	11.9	19.8	13.8	108.0	112.3
Other	39.8	34.0	33.9	35.7	115.0	169.5
Total	100.0	100.0	100.0	100.0	134.6	161.0

Source: State Committee on Statistics of Uzbekistan
* the author's calculations based on the data from the State Committee on Statistics of Uzbekistan

The share of one of the raw-commodity constituents of export, cotton fiber, increased in comparison to the corresponding period of 2003 by 0.4 percentage points and amounted to 17.6%, while its export volume increased by 37.9%, including 56.6% in the third quarter.

The export of energy carriers increased by 76.2% compared to the first nine months of 2003; and non-ferrous and ferrous metals – by 69.3%. As a result, the share of energy carriers in exports increased by 3.0 percentage points and reached 12.7%, and the share of non-ferrous metals – by 1.7 percentage points, accounting for 8.5%. A significant increase in the export of energy carriers was observed in the third quarter (by 89.6 %).

Certain changes were observed in the commodity structure of imports as well. The results of the first nine months show that imports grew in all commodity groups, except for foodstuffs (Table 4.1.3, Annex 4.1.3).

Table 4.1.2. Dynamics of Changes in Volume and Structure of Imports (%)

Commodity groups	Share in total volume of imports				Change in volume	
	03/I-III	04/I-III	including		04/I-III to 03/I-III	04/II to 03/III
			03/III*	04/III*		
Foodstuff	10.1	6.7	7.4	4.3	85.1	80.5
Chemical products, plastics and plastic goods	13.1	13.0	15.1	12.8	128.4	118.8
Energy carriers	2.3	2.0	3.8	1.3	111.3	48.9
Non-ferrous and ferrous metals	8.2	10.5	8.8	14.1	164.4	223.5
Machinery and equipment	44.1	44.7	43.2	43.3	130.5	139.6
Services	9.9	12.0	9.8	13.0	156.7	184.3
Others	12.3	11.1	11.9	11.2	116.1	131.6
Total	100.0	100.0	100.0	100.0	128.8	139.5

Source: State Committee on Statistics of Uzbekistan
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

In comparison to the first nine months of 2003, the volume of imports of the leading group of commodities – machinery and equipment– increased by 30.5%. As a result, this group's share in imports increased by 0.6 percentage points, accounting for 44.7% of total imports.

The import of chemical products increased by 28.4%; energy carriers – by 11.3%; non-ferrous and ferrous metals – by 64.4%. Their shares in total imports were 13.0%; 2.0%; and 10.5% respectively. The increase in imports of such goods as pharmaceutical products, fertilizers, perfumery and cosmetic products, cleaning products, and plastics has continued. In the third quarter there was a decrease in imports of energy carriers by more than 50%.

The volume of imports of services increased by 56.7% as opposed to the first nine months of 2003, including an increase by 84.3% in the third quarter. This occurred mainly because of the increase in transportation services. As a result, their share in imports accounted for 12.0%, including 13% in the third quarter.

In comparison to the first nine months of 2003, imports of foodstuffs decreased by 14.9%, and this led to a decrease of their share in the total volume of imports by 3.4 percentage points, equaling 6.7%. In general, decreases continued to occur in imports of grains, flour and flour products, oil seeds and fruits.

From quarter to quarter, trade with CIS countries has continued to improve. Thus, in the first nine months of 2004, trade turnover with CIS countries was equivalent to USD 2.1 bn. and increased in comparison with the corresponding period of the previous year by 1.4 times. During the period under review, trade turnover with foreign countries amounted to USD 4.1 bn., increasing 1.3 times. Accordingly, the share of trade turnover with partners from the CIS increased from 31.7% in the first nine months of 2003 to 34.4% in the period under review. At the same time, the share of trade turnover with foreign countries decreased from 68.3% to 65.6% (Table 4.1.1.).

In comparison with the first nine months of 2003, exports to the CIS increased by 1.58 times, as opposed to an increase in exports to foreign countries by 1.26 times (Table 4.1.1.). At the same time, the share of exports to the CIS increased from 26.5% to 31.3%, while the share of exports to foreign countries decreased from 73.5% to 68.7% (Table 4.1.4.). This trend continued over the whole period under review. The export of such goods as foodstuffs, chemical products, machinery and equipment, ferrous and non-ferrous metals to the CIS increased by more than two times, while exports of cotton fiber to the CIS decreased by more than two times during the period under review. Relatively large increases in exports to foreign countries were detected in chemical products, foodstuffs, and ferrous and non-ferrous metals, while a significant decrease occurred in exports of machinery and equipment.

In the first nine months of 2004, in comparison to the corresponding period of the previous year, increase of imports from the CIS was slightly higher than that from foreign countries – by 1.30 times as opposed to by 1.28. Accordingly, the share of imports from the CIS increased from 38.2% to 38.5%, while the share of imports from foreign countries decreased from 61.8% to 61.5 % (Tables 4.1.1. and 4.1.4.). In the structure of imports from the CIS, the import of non-ferrous and ferrous metals and chemical products increased significantly, while imports of foodstuffs fell. In the structure of imports from foreign countries, imports of energy carriers, machinery and equipment, and services increased, while imports of foodstuffs and ferrous and non-ferrous metals decreased significantly.

Table 4.1.4. Geographic Structure of Exports and Imports (%)

Countries	Share in total volume, %							
	Exports				Imports			
	03/I-III	04/I-III	Including		03/I-III	04/I-III	Including	
			03/III*	04/III*			03/III*	04/III*
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
CIS countries	26.5	31.3	35.9	36.9	38.2	38.5	38.6	41.4
Kazakhstan	2.5	3.6	3.9	4.9	6.4	5.9	6.4	5.4
Russia	10.1	13.9	15.5	17.6	23.1	24.6	21.5	27.6
Tajikistan	3.6	3.0	3.8	2.8	0.9	1.1	1.4	0.9
Ukraine	7.0	1.4	10.3	1.7	4.5	4.3	4.8	4.8
Other countries	3.3	9.4	2.4	9.9	3.3	2.6	4.5	2.7
Foreign countries	73.5	68.7	64.1	63.1	61.8	61.5	61.4	58.6
Afghanistan	2.4	2.5	3.6	3.1		0.1		
Belgium	1.4	1.4	1.2	0.7	0.6	0.5	0.5	0.4
Great Britain	7.6	7.8	8.0	5.7	2.6	1.8	2.9	1.8
Germany	1.2	1.1	2.0	1.2	10.0	7.5	9.1	9.7
India	3.1	1.9	2.1	0.8	0.6	0.7	0.9	0.7
Iran	6.0	6.0	5.5	5.0	0.9	1.0	1.2	0.9
Italy	1.5	1.1	1.8	0.8	2.0	1.7	2.3	2.3
China	1.4	2.2	1.8	2.1	6.1	7.9	6.4	6.6
South Korea	1.5	1.2	1.2	0.7	7.6	9.9	9.1	11.4
Latvia	2.0	2.2	0.4	1.5	0.8	0.4	1.0	0.3
Netherlands	0.4	0.5	0.6	0.8	0.9	0.9	1.0	1.2
USA	3.0	3.4	3.9	4.3	7.9	8.7	6.2	5.7
Turkey	3.2	4.8	4.9	4.2	4.9	4.6	4.9	3.5
France	0.7	0.6	0.8	0.5	1.4	1.2	1.3	1.4
Switzerland	5.3	4.0	1.7	1.1	0.6	0.4	0.6	0.5
Japan	0.4	0.5	0.7	0.8	1.7	2.2	2.0	3.1
Other countries	32.4	27.5	23.9	29.8	13.2	12.0	12.0	9.1

Source: State Committee on Statistics of Uzbekistan

*The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

Eight countries became leading trade partners for Uzbekistan's exports. These countries are Russia – 13.9% of total exports (185.2% of the level of the first nine months of 2003.), Great Britain – 7.8% (137.0%), Iran – 6.0% (133.4%), Turkey – 4.8% (200.3%), Switzerland – 4.0% (100.6%), Kazakhstan – 3.6% (198.8%), the USA – 3.4% (150.5%), and Tajikistan – 3.0 % (114.4%) (Table 4.1.4., Annex 4.1.4.). There was a significant decrease in the volume of exports to the Ukraine (27.3% of the level of the first nine months of 2003), and in the third quarter, to Turkey (39.7% of the level of the third quarter of 2003).

As before, the main share of imports (61.9%) was made up by six countries: Russia, whose share in total imports was 24.6% (137.0% of the level of the first nine months of 2003), South Korea – 9.9% (167.0%), USA – 8.7% (142.2%), China – 7.9% (168.1%), Germany – 7.5% (96.8%), and Turkey – 4.6% (120.4%) (Ta-

ble 4.1.4., Annex 4.1.5.). In the third quarter an increase of imports from Japan by 2.1 times, in comparison with the corresponding period of the previous year, was observed.

The greatest positive balance of trade turnover was achieved with Great Britain, Iran, Azerbaijan, Switzerland, and Turkmenistan; while the greatest negative balance occurred with South Korea, Russia, Germany, China, and the USA.

Thus, during the first nine months of 2003, positive trends in the development of foreign trade strengthened. The positive changes occurred in the commodity structures of exports and imports. Trade relations with partners from the CIS improved. The positive balance of trade turnover increased.

4.2. Enterprises with Foreign Investments

In the first nine months of 2004, enterprises with foreign investments (EFI) produced industrial goods in the amount of USD 1185.5 bn., which is 21.5% more than the level reached in the corresponding period of 2003 (Table 4.2.1.). The share of EFI in the total volume of production of industrial products increased by 0.7 percentage points. In the structural composition, increases in production volumes were observed in machinery building, metal refining, light industry, foodstuffs production, non-ferrous metallurgy, chemical and petrochemical, and medical branches of industry, as well as in areas of rendering communication and information services.

Table 4.2.1. Main Foreign Trade Indicators of Enterprises with Foreign Investments

	unit	03/I–III	04/I–III	03/III*	04/III*	04/I–III in % to 03/I–III	04/III in % to 03/III
Volume of industrial output (in current prices)	Bn. UZS.	897.2	1185.5	x	X	121.5**	x
Foreign trade turnover	Mill. USD.	20.1	20.8	x	X	x	x
Exports	Mill. USD.	1013.6	1418.8	346.7	523.9	140.0	151.1
Imports	Mill. USD.	409.0	584.1	140.2	208.5	142.8	148.7
Share of EFIs' exports in the volume of production of goods, works and services	%	604.6	834.7	206.5	315.4	138.1	152.7
Share of EFIs in the total volume of foreign trade turnover of the Republic	%	21.5	22.7	24.9	25.1	x	x
Share of EFIs' exports in the total volume of exports of the Republic	%	15.6	16.6	20.4	18.8	x	x
Share of EFIs' imports in the total volume of imports of the Republic	%	28.7	30.8	29.4	32.2	x	x

Source: State Committee on Statistics of Uzbekistan
*The author's calculations based on the data from the State Committee on Statistics of Uzbekistan
** in comparable prices

The growth of foreign trade turnover in the first nine months of 2004, including the third quarter, in comparison with the corresponding period of 2003, amounted to 40% and 51.1% respectively. During the period under review, the share of EFIs in foreign trade turnover of Uzbekistan increased by 1.2 and 0.2 percentage points respectively.

In the first nine months of 2004, exports of EFIs throughout the Republic amounted to USD 584.1 mill., or 16.6% of the gross exports of Uzbekistan, and 142.8% of the level of the corresponding period of 2003.

The results of the third quarter of the current year show that despite a 48.7% growth in the volume of exports over the level reached in the third quarter of the previous year, the share of EFIs in the gross exports of Uzbekistan decreased by 1.6 percentage points.

Table 4.2.2. Commodity Composition of Exports of Enterprises with Foreign Investments (%)

	03/I–III	04/I–III	03/III*	04/III*
Total	100	100	100	100
Cotton-fiber	3.0	2.6	2.3	2.3
Foodstuff	4.4	3.9	4.9	2.8
Chemical products	2.1	2.5	2.4	2.3
Energy carriers	3.4	3.0	4.2	3.3
Ferrous and non-ferrous metals	0.5	0.7	0.8	0.1
Machinery and equipment	18.2	28.0	20.9	34.3
Services	4.1	4.7	5.0	6.6
Other	64.3	54.6	59.5	48.3

Source: State Committee on Statistics of Uzbekistan
* the author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

In the first nine months of 2004, in the commodity structure of exports of EFIs (without taking into account the "other" category), the greatest shares were made up by machinery and equipment (28.0%), services (4.7%), foodstuffs (3.9%), and energy carriers

(3.0%). In the same period, including the third quarter, the share of the machinery building complex in exports sharply increased (by 9.8 and 13.4 percentage points respectively). During the period under review the share of cotton fiber in the gross exports of EFIs declined (by 0.4 percentage points).

The list of export commodities of EFIs was led by cars, buses, electrical appliances, fruit and vegetable products, communication and trade services, textiles, and oil refining products, followed by others. The greatest ratio of exports to produced goods was achieved by enterprises within the following amalgamations: "Uzavtocanoat" stock company, state stock company "Uzbekengilsanoat", Association of Meat, Butter and Food Industry, Agency of Communication and Information, NHK "Uzbekneftegaz", and the Complex of Agrarian Industry.

In the territorial structure, the growth in the volume of exports accelerated in Andijan (by 2.2 times) and Jizzakh (1.7 times) provinces and in the city of Tashkent (1.7 times). At the same time the volume of exports declined in the Republic of Karakalpakstan as well as in Surkhandarya and Khorezm provinces (Table 4.2.3.).

EFIs in the following regions achieved relatively large shares in the gross volume of regional exports: Andijan (83.6%), Navoi (57.6%), Fergana (57.2%), Namangan (33.5%), Samarkand (22.3%) and Tashkent (15.9%) provinces.

Table 4.2.3. Territorial Structure of Exports of Enterprises with Foreign Investments for the First Nine Months of 2004, (%)

Regions	Change in volume %, 04/I–III to 03/I–III	Weighted share of EFIs in the total volume of exports of the region, %	Weighted share of the region in the total exports of EFIs of the Republic, %
Total	142.8	16.6	100
R. Karakalpakstan	63.1	1.3	0.0
Andijan	218.0	83.6	26.5
Bukhara	118.3	8.7	2.1
Jizzakh	170.5	1.8	0.1
Kashkadarya	111.5	8.5	2.0
Navoi	136.7	57.6	28.4
Namangan	103.4	33.5	2.1
Samarkand	130.9	22.3	2.3
Surkhandarya	104.0	1.3	0.3
Sirdarya	30.1	3.0	0.3
Tashkent	108.6	15.9	12.1
Fergana	110.3	57.2	10.1
Khorezm	90.4	6.9	0.4
City of Tashkent	174.4	7.1	13.3

Source: State Committee on Statistics of Uzbekistan

In the territorial structure of EFIs' exports, the list of leading exporting regions remained the same and included Navoi, Andijan, Fergana, and Tashkent provinces and the city of Tashkent. Their share accounted for 90.4% of the total exports of EFIs. Their main export commodities included products of machinery building, gold mining and light industry as well as energy carriers.

EFIs of such regions as the Republic of Karakalpakstan, Jizzakh, Surkhandarya, Sirdarya, and Khorezm provinces produced an insignificant share of exports. The share of each of the above-mentioned regions accounted for less than 1% of total exports from the country's EFIs.

In the first nine months of 2004, imports of products, work and services of EFIs throughout the Republic amounted to USD 834.7mill., or 30.8% of the total imports of the Republic, and USD 315.4 mill., and 32.2%, respectively, in the third quarter of 2004. Growth in the volume of imports during the period under review amounted to 38.1% and 52.7% respectively.

In the commodity composition of imports of enterprises with foreign investments, machinery and equipment, chemical products and foodstuff predominated (Table 4.2.4.). In the third quarter of 2004, the tendency towards a declining share for imports of foodstuffs and products of the "other" category was observed. The same tendency was observed in the results of the first nine months of 2004.

In the third quarter of the current year, the growth rates of imports were higher (152.7%) than the growth rates of exports (148.7%) in relation to the level of 2003 (Graph 4.2.1), which resulted in an increase in the negative trade balance of USD 40.6 mill.

Table 4.2.4. Commodity Structure of Imports of the Enterprises with Foreign Investments (%)

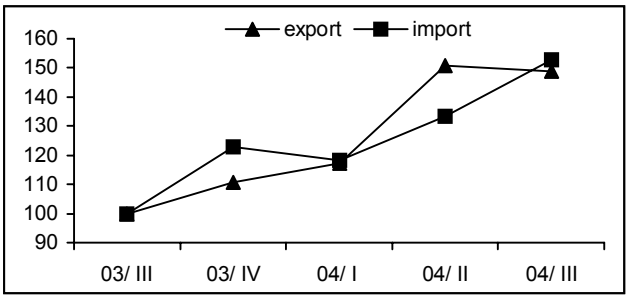
	03/I-III	04/I-III	03/III*	04/III*
Total	100	100	100	100
Foodstuff	14,9	10,7	12,9	6,0
Chemical products	12,5	14,6	13,7	15,5
Energy carriers	0,5	0,6	0,5	0,5
Ferrous and non-ferrous metals	5,6	6,0	5,6	6,0
Machinery and equipment	55,2	57,2	55,9	61,4
Services	2,4	4,5	2,3	4,6
Other	8,9	6,4	9,1	6,0

Source: State Committee on Statistics of Uzbekistan
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

The negative trade balance for the first nine months of 2004 was equal to - USD 250.6 mill. (Table 4.2.5). However, the trade turnover of enterprises with foreign investments with countries of the CIS resulted in a positive trade balance (USD 76.9 mill.).

Foreign trade of EFIs with countries of the CIS was characterized by faster growth than that with the rest of the world. Exports to the CIS increased 1.9 times, imports – 1.9 times; these figures were 1.3 and 1.3 times respectively in trade turnover with other countries of the world. At the same time, the share of non-CIS countries in the foreign trade of EFIs remained high (75.2%).

Graph 4.2.1. Dynamics of Exports/Imports of Enterprises with Foreign Investments (%)



Source: The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

More than 70% of EFIs' exports to CIS consisted of machinery and equipment. In the structure of imports from CIS, chemical products, and products of the metallurgy and machinery building complexes dominated. 80% of EFIs' exports to other foreign countries consisted of products of the "other" group. In imports from those countries, 64.8% were machinery building products, 11.8% – foodstuffs, and 11.7% – products of chemical industry.

Table 4.2.5. Foreign Trade Turnover of Enterprises with Foreign Investments with CIS and other Foreign Countries in the First Nine Months of 2004.

	Mill. USD	Share in total volume, %	04/I-III in % to 03/I-III
Foreign trade turnover	1418.8	100	140.0
Countries of CIS	352.3	24.8	x
Other foreign countries	1066.5	75.2	x
Exports	584.1	100	142.8
Countries of CIS	214.6	36.7	187.4
Other foreign countries	369.5	63.3	125.5
Imports	834.7	100	138.1
Countries of CIS	137.7	16.5	193.1
Other foreign countries	697.0	83.5	130.7
Trade balance	-250.6	x	x
Countries of CIS	76.9	x	x
Other foreign countries	-327.5	x	x

Source: State Committee on Statistics of Uzbekistan

A review has indicated that on the whole, EFIs throughout the Republic had negative balances in export-import operations. One of the reasons for the negative trade balance is the preference of EFIs to work in the domestic market rather than in the external market, which in turn has to do with the existence of conditions for foreign investors to repatriate their profits. There were cases of disproportions in the allocation and further development of joint ventures with foreign investments in the territorial aspect, mainly because of existing differences in economic and natural-resource potential and the development of market infrastructure.

During the period under review, a number of new joint ventures with foreign investments were established in the Republic. These included such enterprises as JV "Surkhantex", JV "Yadem textiles", JV "Emtex", JV "Balikchi", and JV "Iskovuttex". Another positive fact was that in the first nine months of 2004, the growth of exports prevailed over the growth of imports, as opposed to the corresponding period of the previous year.

Annex 4.1.1. Trade balance (mill. USD)

	Exports	Imports	Trade balance
2000	3264.7	2947.4	317.3
2001	3170.4	3136.9	33.5
2002	2988.4	2712.0	276.4
2003	3725.0	2964.2	760.8
03/I	920.3	649.5	270.8
03/II*	1011.8	752.3	259.5
03/III*	687.4	702.7	-15.3
04/I	1210.0	874.2	335.8
04/II*	1209.9	856.6	353.3
04/III*	1106.8	980.6	126.2

Source: Economic Trends, quarterly issue, Uzbekistan. Tacis. July-September, 2001; State Committee on Statistics of Uzbekistan.
*The author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.2. Commodity Composition of Exports (%)

Period	Cotton fiber	Foodstuff	Chemical products, plastics and plastic goods	Energy carriers	Ferrous and non-ferrous metals	Machinery and equipment	Services	Other goods	Total (%)	Total (mill. USD)
2000	27.5	5.4	2.9	10.3	6.6	3.4	13.7	30.2	100.0	3264.7
2001	22.0	3.9	2.7	10.2	7.0	3.9	14.6	35.7	100.0	3170.4
2002	22.4	3.5	3.0	8.1	6.4	3.9	15.9	36.8	100.0	2988.4
2003	19.8	2.7	3.1	9.8	6.4	5.9	14.4	37.9	100.0	3725.0
03/I	28.5	2.2	2.6	6.6	5.1	5.4	13.5	36.1	100.0	920.3
03/II*	13.5	2.1	2.4	9.3	6.0	6.7	12.8	47.2	100.0	1011.8
03/III*	7.6	3.9	4.1	14.5	10.0	6.2	19.8	33.9	100.0	687.4
04/I	25.5	4.3	4.1	8.0	7.0	8.4	11.3	31.4	100.0	1210.0
04/II*	19.1	3.3	4.4	13.4	8.8	5.1	10.9	35.0	100.0	1209.9
04/III*	7.4	3.7	5.2	17.1	9.9	7.2	13.8	35.7	100.0	1106.8

Source: Economic Trends, quarterly issue, Uzbekistan. Tacis. July-September, 2001; State Committee on Statistics of Uzbekistan.
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.3. Commodity Composition of Imports (%)

Period	Cotton fiber	Foodstuff	Chemical products, plastics and plastic goods	Energy carriers	Ferrous and non-ferrous metals	Machinery and equipment	Services	Other goods	Total (%)
2000	12.3	13.6	3.8	8.6	35.4	8.5	17.8	100.0	2947.4
2001	10.8	12.7	1.9	10.9	41.2	10.3	12.2	100.0	3136.9
2002	12.5	15.1	1.3	8.0	41.4	10.6	11.1	100.0	2712.0
2003	9.9	12.8	2.7	7.9	44.4	10.2	12.1	100.0	2964.2
03/I	12.3	11.8	0.6	7.5	46.0	10.2	11.6	100.0	649.5
03/II*	10.7	12.3	2.4	8.2	43.4	9.8	13.2	100.0	752.3
03/III*	7.4	15.1	3.8	8.8	43.2	9.8	11.9	100.0	702.7
04/I	9.1	11.5	2.1	7.5	50.2	9.6	10.0	100.0	874.2
04/II*	6.9	14.8	2.5	9.3	40.9	13.6	12.0	100.0	856.6
04/III*	4.3	12.8	1.3	14.1	43.3	13.0	11.2	100.0	980.6

Source: Economic Trends, quarterly issue, Uzbekistan. Tacis. July-September, 2001; State Committee on Statistics of Uzbekistan.
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.4. Geographical Structure of Exports (%)

Period	Total (mill. USD)	Total (%)	CIS countries	Kazakhstan	Russia	Ukraine	Other countries	Foreign countries	Belgium	Great Britain	Iran	South Korea	Netherlands	USA	Turkey	Switzerland	Other countries
2000	3264.7	100.0	35.9	3.1	16.7	4.7	11.4	64.1	1.1	7.2	2.2	3.3	2.6	1.6	3.0	8.3	34.8
2001	3170.4	100.0	34.4	3.7	15.8	4.7	10.2	65.6	1.5	6.3	2.6	4.2	2.4	2.6	2.6	5.6	37.8
2002	2988.4	100.0	27.6	2.7	10.6	5.4	8.9	72.4	2.4	7.7	5.8	2.2	1.5	2.6	3.4	6.3	40.5
2003	3725.0	100.0	26.0	2.7	12.3	3.9	7.1	74.0	1.9	7.5	7.4	1.5	0.4	2.9	3.5	5.4	43.5
03/I	920.3	100.0	21.5	2.1	6.7	4.5	8.2	78.5	1.9	13.2	6.9	1.5	0.4	2.4	2.9	6.4	42.9
03/II*	1011.8	100.0	24.7	1.9	9.4	7.0	6.4	75.3	1.0	2.4	5.6	1.8	0.3	3.0	2.3	6.7	52.2
03/III*	687.4	100.0	35.9	3.9	15.5	10.3	6.2	64.1	1.2	8.0	5.5	1.2	0.6	3.9	4.9	1.7	37.1
04/I	1210.0	100.0	26.8	2.6	11.1	1.2	11.9	73.2	2.2	6.7	6.7	1.6	0.2	2.4	5.5	7.4	40.5
04/II*	1209.9	100.0	30.5	3.6	13.2	1.4	12.3	69.5	1.4	10.7	6.1	1.1	0.7	3.4	4.6	3.2	38.3
04/III*	1106.8	100.0	36.9	4.9	17.6	1.7	12.7	63.1	0.7	5.7	5.0	0.7	0.8	4.3	4.2	1.1	40.6

Source: Economic Trends, quarterly issue Uzbekistan. Tacis. July-September, 2001; State Committee on Statistics of Uzbekistan.
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.5. Geographical Structure of Imports (%)

Period	Total (mill. USD)	Total (%)	CIS countries	Kazakhstan	Russia	Ukraine	Other countries	Foreign countries	Great Britain	Germany	China	South Korea	USA	Turkey	France	Japan	Other countries
2000	2947.4	100.0	38.2	7.3	15.8	6.1	9.0	61.8	2.0	8.7	2.5	9.8	8.7	3.3	2.9	1.9	22.0
2001	3136.9	100.0	37.2	6.2	19.2	7.1	4.7	62.8	2.5	7.8	2.9	11.1	6.4	3.4	4.0	4.2	20.5
2002	2712.0	100.0	36.9	6.7	22.0	4.5	3.7	63.1	2.7	7.8	4.2	9.5	12.1	3.2	2.1	0.7	20.8
2003	2964.2	100.0	38.3	6.6	23.3	4.6	3.8	61.7	2.6	9.8	5.5	7.9	7.7	4.8	1.6	2.0	19.8
03/I	649.5	100.0	38.7	5.8	24.7	4.9	3.3	61.3	2.3	13.8	6.4	6.2	7.2	4.2	1.8	0.7	18.7
03/II*	752.3	100.0	37.4	7.0	23.4	3.8	3.2	62.6	2.6	7.4	5.4	7.5	10.0	5.6	1.3	2.4	20.4
03/III*	702.7	100.0	38.6	6.4	21.5	4.8	5.9	61.4	2.9	9.1	6.4	9.1	6.2	4.9	1.3	2.0	19.5
04/I	874.2	100.0	32.6	5.3	20.9	2.8	3.6	67.4	1.6	6.4	8.8	8.4	14.3	6.0	1.1	1.6	19.2
04/II*	856.6	100.0	41.1	7.0	24.9	5.3	3.9	58.9	1.9	6.1	8.5	9.7	6.5	4.6	1.1	1.7	18.8
04/III*	980.6	100.0	41.4	5.4	27.6	4.8	3.6	58.6	1.8	9.7	6.6	11.4	5.7	3.5	1.4	3.1	15.4

Source: Economic Trends, quarterly issue Uzbekistan. Tacis. July-September, 2001; State Committee on Statistics of Uzbekistan.
* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.2.1. Commodity Composition of EFIs' Exports (%)[1]

	Total. mill. USD.	Total %	Cotton- fiber	Foodstuffs	Chemical products	Energy carri-ers	Ferrous and non-ferrous metals	Machinery and equip-ment	Services	other
2000	451.6	100	4.8	7.4	1.5	3.7	0.3	16.0	3.9	62.4
2001	416.9	100	2.4	4.4	2.6	4.7	0.2	21.1	4.4	60.2
2002	443.0	100	1.0	4.1	2.1	2.9	0.5	16.5	3.8	69.1
2003	564.4	100	3.3	4.2	2.3	3.3	0.7	19.4	4.4	62.3
03/I	123.5	100	4.0	4.8	1.6	2.1	0.2	11.0	3.3	73.0
03/II*	145.3	100	2.9	3.5	2.1	3.7	0.6	21.9	3.9	61.4
03/III*	140.2	100	2.3	4.9	2.4	4.2	0.8	20.9	5.0	59.5
04/I	164.3	100	1.4	5.7	3.0	2.5	1.5	22.7	3.8	59.4
04/II*	211.3	100	3.7	3.5	2.3	3.4	0.6	26.0	3.4	57.1
04/III*	208.5	100	2.3	2.8	2.3	3.3	0.1	34.3	6.6	48.3

Source: State Committee on Statistics of Uzbekistan

* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

Annex 4.2.2. Commodity Composition of EFIs' Imports (%)

Total. mill. USD.	Total %	Cotton-fiber	Foodstuff	Chemical products	Energy carriers	Ferrous and non-ferrous metals	Machinery and equip-ment	Services	Total. mill. USD.
2000	760.5	100	12.9	20.5	0.8	5.1	47.4	1.1	12.2
2001	937.2	100	8.8	13.3	0.6	5.9	62.5	1.0	7.9
2002	704.8	100	15.0	13.2	0.6	4.4	57.5	1.1	8.2
2003	858.4	100	15.1	12.4	0.4	5.4	55.4	2.8	8.5
03/I	185.0	100	14.2	10.3	0.4	5.0	61.3	1.4	7.4
03/II*	213.1	100	17.3	13.3	0.4	6.1	49.3	3.4	10.2
03/III*	206.5	100	12.9	13.7	0.5	5.6	55.9	2.3	9.1
04/I	243.9	100	16.2	12.0	0.4	5.0	56.2	4.2	6.0
04/II*	275.4	100	11.3	15.8	0.8	7.0	53.3	4.7	7.1
04/III*	315.4	100	6.0	15.5	0.5	6.0	61.4	4.6	6.0

Source: State Committee on Statistics of Uzbekistan

* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

1 Statistical data on commodity composition of export-import of EFIs started to be presented from 1998, and the data on territorial structure from 1997.

Annex 4.2.3. Territorial Structure of EFI Exports (%)

Total. mill. USD	Total %	R. Karakalpakstan	Andijan	Bukhara	Jizzakh	Kashkadarya	Navoi	Namangan	Samarkand	Surkhandarya	Sirdarya	Tashkent	Fergana	Khorezm	City of Tashkent	Total. mill. USD
2000	451.6	100	0.0	13.3	0.3	0.1	0.0	31.9	4.2	2.8	0.0	5.1	14.0	7.2	0.2	21.0
2001	416.9	100	0.0	18.6	0.1	0.3	0.0	29.0	2.0	2.2	0.0	1.0	18.7	7.4	0.2	20.5
2002	443.0	100	0.2	14.0	0.4	0.1	1.6	35.9	2.2	1.8	0.1	0.8	17.4	11.0	0.4	14.1
2003	564.4	100	0.1	18.4	2.8	0.2	2.3	28.3	2.9	2.4	0.3	0.8	15.7	12.7	0.7	12.4
03/I	123.5	100	0.1	10.3	3.4	0.0	2.6	34.4	2.3	1.6	0.2	0.9	19.3	14.0	0.7	10.2
03/II*	145.3	100	0.1	20.9	2.0	0.0	2.5	29.4	2.9	2.6	0.4	0.9	13.5	13.2	0.6	11.0
03/III*	140.2	100	0.1	19.9	2.2	0.1	2.5	26.1	3.3	3.3	0.5	2.4	15.5	12.1	0.7	11.3
04/I	164.3	100	0.0	21.8	1.3	0.0	2.1	26.8	3.1	3.8	0.1	0.5	13.1	13.4	0.6	13.4
04/II*	211.3	100	0.0	24.5	2.7	0.0	1.8	33.3	1.7	2.0	0.2	0.2	12.3	9.0	0.2	12.1
04/III*	208.5	100	0.1	32.2	2.1	0.2	2.1	24.9	1.7	1.6	0.4	0.4	11.1	8.5	0.4	14.3

Source: State Committee on Statistics of Uzbekistan

* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

Annex 4.2.4. Territorial Structure of EFI Imports (%)

	Total. mill. USD	Total %	R. Karakalpak-stan	Andijan	Bukhara	Jizzakh	Kashkadarya	Navoi	Namangan	Samarkand	Surkhandarya	Sirdarya	Tashkent	Fergana	Khorezm	City of Tashkent
2000	760.5	100	0.3	28.3	1.0	1.1	0.3	4.6	1.6	4.3	0.3	0.2	8.4	1.4	0.1	48.0
2001	937.2	100	0.3	25.3	1.0	3.3	5.1	6.5	2.2	2.1	0.0	0.9	10.3	9.8	1.0	32.2
2002	704.8	100	0.4	27.1	2.1	3.8	0.7	4.1	2.2	3.9	0.2	0.3	5.9	5.7	3.8	39.8
2003	858.4	100	1.1	28.2	0.8	0.3	0.8	5.3	1.8	3.8	1.0	0.1	3.8	4.1	0.3	48.6
03/I	185.0	100	2.6	38.7	0.3	0.0	0.1	4.3	1.4	1.8	0.1	0.1	2.9	6.5	0.3	40.9
03/II*	213.1	100	0.9	21.9	1.7	0.0	0.1	4.9	1.4	4.7	0.2	0.2	2.5	3.9	0.2	57.3
03/III*	206.5	100	0.6	25.8	0.6	0.4	0.1	5.8	2.5	5.0	0.6	0.2	6.4	5.4	0.4	46.2
04/I	243.9	100	0.2	25.3	0.6	0.0	0.3	5.4	4.4	3.0	0.3	0.1	4.3	2.0	0.7	53.2
04/II*	275.4	100	0.5	26.9	0.8	0.4	0.6	8.9	1.7	3.3	0.8	1.6	4.7	1.5	0.8	47.5
04/III*	315.4	100	2.4	31.7	0.3	0.2	0.4	7.4	1.7	2.2	0.1	5.1	3.6	1.2	2.7	41.0

Source: State Committee on Statistics of Uzbekistan

* The author's calculations based on the data from the State Committee on Statistics of Uzbekistan

5. Living Standards and the Labor Market

5.1. Incomes and Expenditures of the Population

A positive tendency towards an increase in monetary income was observed in the structure of the gross income of the population. According to the results of a budgetary analysis of households, the share of monetary incomes increased from 82.1%, in the first nine months of 2003, to 83.5% in the same period of 2004. The portion of non-monetary income decreased from 17.9% to 16.5% over the same period (Table 5.1.1.). In the rural population the above-mentioned tendency was caused by the growth of monetary income from sales of agricultural products and income from property.

Table 5.1.1. Total Incomes of the Population (%)

Indicators	03/I-III			04/I-III		
	Nation	Urban	Rural	Nation	Urban	Rural
Total Income	100	100	100	100	100	100
Monetary income	82.1	93.7	74.1	83.5	93.7	76.2
Wages	28.4	38.4	21.5	28.8	38.7	21.8
Social transfers	16.7	17.5	16.1	15.7	16.6	15.0
Income from sales of agricultural products	16.2	6.9	22.7	17.4	6.5	25.2
Income from property	1.7	3.6	0.3	1.2	1.1	1.4
Income from entrepreneurial activities	13.5	17.3	10.9	15.8	22.4	11.0
Other monetary income	5.6	10.0	2.6	4.6	8.4	1.8
Non-monetary income	17.9	6.3	25.9	16.5	6.3	23.8

Source: from materials of the budgetary analysis of incomes of households. State Committee on Statistics of Uzbekistan

The average nominal monetary income of the population throughout Uzbekistan increased by 16.6%, mainly due to an increase in wages – by 21.2% and social transfers – by 23.7%. This was in accordance with the Decree of the President of the Republic of Uzbekistan dated from August 1, 2004, on increasing the wages of employees of budgetary organizations and departments, all types of pensions and social benefits, stipends of students of higher educational schools and students of medium-specialized and vocational schools by 1.3 times. As a result, the share of wages in the structure of monetary income of the population rose from 24.8% to 25.8%, and the share of social transfers – from 12.8% to 13.6% (Table 5.1.2.).

Table 5.1.2. Structure and Growth Rate of Monetary Income of Population (%)

Indicators	In % to monetary income		In % to the corresponding period of the previous year	
	03/I-III	04/I- III	03/I- III	04/I- III
Monetary income, total	100	100	125.7	116.6
wages	24.8	25.8	122.8	121.2
Pensions, benefits, stipends	12.8	13.6	122.4	123.7
Income from sales of agricultural products	31.0	30.1	130.1	113.3
Income from entrepreneurial activities and other income	31.4	30.5	125.1	113.3

Source: from materials on balance of monetary income and expenditures of the population. State Committee on Statistics of Uzbekistan

During the period under review, a tendency towards narrowing the inequality gap among the incomes of the population was observed, which occurred because of the increase in monetary income of groups with low income. Adopted state normative acts on improving the single tariff network for wages, strengthening the material incentives for the work of teachers at general educational schools, and shifting to a structural rates of wages for employees of the public education system served as the basis for gradual reduction of differentiation in wages between sectors and growth of the share of wages in the income of the population. At the same time, the ratio of inter-regional differentiation of monetary income of population strengthened (from 1:4.8 to 1:5.7). Provinces with an average per capita monetary income higher than the national average still included only such regions as Navoi, Tashkent, and the city of Tashkent. In the provinces of Jizzakh, Namangan, Samarkand, Sirdarya and Khorezm average per capita incomes were only 60-70% of the national average.

The increase in monetary income and the decrease in the level of inflation determined positive shifts in the structure of expenditures of population. The share of consumption expenditures dropped from 81.1% to 78.5%, while the share of savings in the form of bank deposits, purchases of securities, and foreign currency increased from 7.2% to 13.5% (Table 5.1.3.).

Table 5.1.3. Structure of Monetary Expenses of the Population (in% to Monetary Income)

Periods	Monetary income of population	Of which monetary expenses			Cash remainder
		Consumption expenses	Compulsory payments and mandatory contributions	Bank deposits, purchase of securities and hard currency	
03/I-III	100	81.1	7.4	7.2	4.3
04/I-III	100	78.5	8.0	13.5	0.0

Source: State Committee on Statistics of Uzbekistan

In the structure of consumption expenses of the population, the share of paid services increased from 12.3% to 13.3%, which is mainly due to an increase in expenses for housing and communal services, mainly in urban areas (Table 5.1.4.).

Table 5.1.4. Structure of Expenses of the Population (in %)

Periods		Expenses of Population	Of which consumption expenses				Non-consumption expenses
			Foodstuffs	Non-foodstuffs	services	Other expenses	
03/I-III	Republic	100	52.4	18.7	12.3	0.6	16.0
	Urban	100	50.8	18.3	14.0	0.7	16.2
	Rural	100	54.4	19.0	10.4	0.5	15.7
04/I-III	Republic	100	52.0	18.6	13.3	0.5	15.6
	Urban	100	50.2	18.1	15.6	0.5	15.6
	Rural	100	54.1	19.2	10.6	0.5	15.6

Sources: from materials of the study of budgets of households. State Committee on Statistics of Uzbekistan

Positive shifts took place in the structure of income and expenses of the population in the form of an increase in monetary income and consequently, in monetary savings. The tendency of a gradual decrease in inequality among various social groups of the population started to appear. These changes resulted from state measures towards strengthening the monetary policy and social security of the population. At the same time, the level of real disposable income of the population remains relatively low. Regional differentiation in income of the population increased.

5.2. Domestic Trade and Services

Established macroeconomic conditions in terms of limiting the inflation and indexation of incomes promoted an increase in the aggregate demand of the population and the improvement of the structure of consumption of the population. During the first 9 months of 2004, a positive tendency in the growth of paid services by 13.9% was observed (7.0% in the corresponding period of 2003) and retail turnover – by 3.1% (4.3% in the corresponding period of 2003) (Table 5.2.1.).

The share of services in the total volume of sales of goods and services to the population rose to 20.3% as opposed to 17.6% the previous year, and the share of goods fell from 82.4% to 79.7% accordingly (Table 5.2.2.).

Table 5.2.1. Retail Trade Turnover and Paid Services

Period	Retail Trade Turnover		Paid Services	
	Bn. UZS	Growth rate against corresponding period of the previous year, %	Bn. UZS	Growth rate against corresponding period of the previous year, %
03/I-III	3143.8	104.3	672.1	107.0
04/I-III	3414.8	103.1	868.4	113.9

Source: State Committee on Statistics of Uzbekistan

Table 5.2.2. Volume of Sales of Goods and Services to Population

Period	Volume of sales of goods and services		Including			
			Sales of goods		Sales of services	
	Bn. UZS	%	Bn. UZS	%	Bn. UZS	%
03/I-III	3815.9	100	3143.8	82.4	672.1	17.6
04/I-III	4283.2	100	3414.8	79.7	868.4	20.3

Source: State Committee on Statistics of Uzbekistan

Retail trade turnover. The increase in interregional differentiation in monetary income of population, coupled with narrowing differences in the index of consumer prices promoted a moderate differentiation of retail trade turnover. During the first 9 months of 2004, the gap between minimal and maximal levels of per capita retail trade turnover among regions equaled 1:5.7 (1:5.3 in the same period of 2003). The highest level of per capita retail trade turnover (UZS 366.2 thous.) was observed in the city of Tashkent, while the lowest level (UZS 64.6 thous.) belonged to the Republic of Karakalpakstan (Table 5.2.3.).

Table 5.2.3. Income, CPI, Retail Trade Turnover and Paid Services by Region

Regions	Monetary income per capita, in thousands of UZS		Consumer price index, in % to the corresponding period of the previous year		Retail trade turnover per capita, in thousands of UZS		Paid services per capita, in thousands of UZS	
	03/I-III	04/I-III	03/I-III	04/I-III	03/I-III	04/I-III	03/I-III	04/I-III
R. Uzbekistan	179.2	206.6	112.6	100.6	122.7	131.8	26.2	33.5
R. Karakalpakstan	100.3	113.8	112.5	101.9	60.4	64.6	9.8	13.0
Andijan	193.2	192.1	112.4	102.7	155.3	143.4	19.1	31.0
Bukhara	167.5	172.9	111.7	101.1	105.0	116.2	22.9	30.4
Jizzakh	118.1	124.9	110.2	101.2	73.2	79.0	12.5	16.5
Kashkadarya	138.1	158.7	113.0	103.2	91.9	100.2	11.5	13.6
Navoi	251.3	316.6	111.4	99.6	99.2	126.5	19.9	28.1
Namangan	127.8	131.1	111.5	99.9	93.5	98.1	13.7	17.4
Samarkand	122.3	137.1	110.6	100.8	85.4	91.6	16.5	21.1
Surkhandarya	128.4	151.0	111.3	99.6	88.0	96.1	12.2	15.7
Sirdarya	120.4	144.8	116.0	100.1	71.1	81.1	10.0	12.9
Tashkent	197.3	222.9	115.0	99.3	138.0	156.3	16.8	22.6
Fergana	179.0	191.1	112.6	100.8	142.1	142.8	15.0	20.0
Khorezm	112.4	132.6	113.1	102.1	74.4	78.1	14.9	21.3
Tashkent city	483.8	646.7	113.4	100.1	321.6	366.2	113.3	142.8

Source: State Committee on Statistics of Uzbekistan

In seven provinces of Uzbekistan the rates of retail trade turnover exceeded the national average level. The highest rates of growth in retail trade turnover were observed in provinces such as Navoi (120.4%), Tashkent (109.5%), and Sirdarya (106.1%) and in the city of Tashkent (109.9%). Decreases in the volume of retail trade turnover occurred in Andijan (88.1%) and Fergana (97.9%) provinces (Table 5.2.4.).

Table 5.2.4. Regional Composition of Retail Trade Turnover and Paid Services

Regions	Retail trade turnover, UZS bn.			Paid services, UZS bn.		
	03/I-III	04/I-III	Growth rate in relation to previous year, in comparable prices, %	03/I-III	04/I-III	Growth rate in relation to previous year, in comparable prices, %
R. Uzbekistan	3143.8	3414.8	103.1	672.1	868.4	113.9
R. Karakalpakstan	94.1	101.1	100.1	15.3	20.3	109.2
Andijan	356.7	333.9	88.1	43.9	72.3	133.5
Bukhara	155.9	174.4	103.5	34.0	45.7	118.0
Jizzakh	75.4	82.2	100.8	12.8	17.2	117.7
Kashkadarya	212.6	236.1	100.3	26.6	31.9	104.6
Navoi	79.8	102.5	120.4	16.0	22.8	119.3
Namangan	189.7	202.2	101.0	27.8	35.9	116.9
Samarkand	240.0	261.2	103.4	46.3	60.3	115.7
Surkhandarya	162.8	180.6	104.0	22.6	29.5	112.0
Sirdarya	47.6	54.6	106.1	6.7	8.7	107.5
Tashkent	335.6	383.4	109.5	41.0	55.5	114.9
Fergana	396.6	403.6	97.9	41.9	56.5	115.3
Khorezm	104.2	111.0	101.7	20.8	30.3	122.9
Tashkent city	692.8	788.0	109.9	244.1	307.2	104.9

Source: State Committee on Statistics of Uzbekistan

In the structure of trade turnover, the ratio of foodstuffs to non-foodstuffs has continued to shift in the direction of an increase in non-foodstuffs, from 61.3% and 38.7% to 57.6% and 42.4% (Table 5.2.6.). In five provinces (vs. eight provinces in the same period of 2003) more than 60% of the volume of sales of consumer goods was made up of foodstuffs, which was due to the gradual decrease of differences among development of consumer markets in the regions.

Table 5.2.5. Structure of Retail Trade Turnover Per Capita

Regions	Retail trade turnover per capita, UZS thous.		Including			
			Foodstuffs		Non-foodstuffs	
	03/I-III	04/I-III	03/I-III	04/I-III	03/I-III	04/I-III
R. Uzbekistan	122.7	131.8	75.2	75.9	47.5	55.9
R. Karakalpakstan	60.4	64.6	36.5	36.3	23.9	28.3
Andijan	155.3	143.4	81.5	82.5	73.8	60.9
Bukhara	105.0	116.2	64.2	71.0	40.8	45.2
Jizzakh	73.2	79.0	39.4	40.0	33.8	39.0
Kashkadarya	91.9	100.2	63.8	60.5	28.1	39.7
Navoi	99.2	126.5	61.3	63.6	37.9	62.9
Namangan	93.5	98.1	42.5	49.2	51.0	48.9
Samarkand	85.4	91.6	55.6	55.8	29.8	35.8
Surkhandarya	88.0	96.1	50.5	48.1	37.5	48.0
Sirdarya	71.1	81.1	39.7	47.0	31.4	34.1
Tashkent	138.0	156.3	90.5	79.4	47.5	76.9
Fergana	142.1	142.8	85.1	80.3	57.0	62.5
Khorezm	74.4	78.1	50.4	49.6	24.0	28.5
Tashkent city	321.6	366.2	213.7	232.9	107.9	133.3

Source: State Committee on Statistics of Uzbekistan

In the structure of retail trade turnover, in comparison to the same period of the previous year, sales of foodstuffs decreased, while sales of non-foodstuffs increased, in particular, those of fabrics, medicines, and construction materials (Table 5.2.6.). Such a shift in the structure of trade turnover can be explained by the increase in aggregate demand, including that of low-income groups of the population.

Table 5.2.6. Commodity Structure of Retail Trade Turnover (in % of total volume)

Indicators	03/I-III	04/I-III
Total goods sold	100	100
Foodstuffs	61.3	57.6
Bread	3.8	3.3
Meat and meat products	14.8	14.8
Milk and dairy	1.3	1.3
Alcoholic beverages	4.2	4.1
Non-foodstuff	38.7	42.4
Fabrics	1.5	1.6
Clothing and underwear	2.1	1.8
Footwear	2.5	2.2
Medicines	1.1	1.2
Cars	4.1	4.0
Construction materials	1.0	1.2

Source: State Committee on Statistics of Uzbekistan.

Positive shifts in the structure of retail trade turnover contributed to a growth in the level of the population's provision with goods of long-term usage, particularly, TV sets, radio, refrigerators, and cars (Table 5.2.7.).

Table 5.2.7. Goods of long-terms usage hold by population (in % of total number of households)

Periods	TV-sets		Radio	Tape players	Refrigerators	Laundry machines	Sewing machines	Cars
	Color	black-and-white						
03/I-III	32.7	60.3	24.0	30.1	51.1	21.1	39.2	13.5
04/I-III	37.5	59.9	24.9	27.8	53.0	20.2	34.7	14.6

Services. Changes in the volume and structure of paid services rendered to the population depended on the aggregate demand of the population, interregional differences, and rates of development of the system of social infrastructure. The increase in provision of services to the population by 13.9% was due mainly to utilities services, communication services, and consumer services. In the structure of services provided, increases were observed in the share of consumer services (from 14.4% to 15.3%), utilities services (from 17.3% to 18.8%), and communication services (from 9.8% to 10.9%). Utilities services increased mainly due to the increase in the provision of electricity (from 4.9% to 6.2%) and supply of natural gas (from 4.5% to 5.6%). At the same time, shares of such services as culture, tourism, physical education and sports, healthcare, and education remained low (Table 5.2.8.).

In the period under review, the interregional differentiation in average per capita consumption of services gradually declined from 1:11.3 to 1:11.1. In nine provinces the physical volume of paid services increased at rates higher than the national average. The highest rates in the development of paid services were achieved in such provinces as Andijan (133.5%), Khorezm (122.9%) and Navoi (119.3%). Low rates of growth of paid services were observed in such provinces as Kashkadarya (104.6%) and Surkhandarya (107.5%) as well as in the city of Tashkent (104.9%).

Table 5.2. 8. Structure of Paid Services Rendered to Population (in % to total volume)

Types of services	03/I-III	04/I-III
Total services rendered	100	100
Consumer services	14.4	15.3
Public transportation	39.2	36.1
Communication services	9.8	10.9
Housing and communal services	17.3	18.8
Supply of electricity	4.9	6.2
Water-supply	1.1	0.9
Gas-supply	4.5	5.6
Central heating	1.1	1.2
Hot-water-supply	1.3	1.4
Sewage	0.3	0.3
Sanitary cleaning	0.3	0.1
Cultural and tourism services	1.4	1.1
Physical education and sports	0.3	0.3
Health care	1.9	1.8
Sanitary and health resorts	0.8	0.7
Services of education system, training of population	6.6	5.8
Legal and banking services	1.6	1.6
Other	6.7	7.6

Source: State Committee on Statistics of Uzbekistan.

Social Infrastructure. During the first nine months of 2004, 5194.2 thous. sq. m. of houses were built (which was 272 thous. sq. m. less than in the corresponding period of 2003), 2.4 thous. km. of gas-supply and 1.6 thous. km. of water-supply pipelines were laid, 90% of which were in rural areas (Table 5.2.9.). The program of rural medical points (RMP) was continued but not completed; nor was the program of setting up colleges and schools.

Table 5.2.9. Introduction of Facilities for Social Welfare

	Measuring units	2003/I-III	2004/I-III
Houses	Thous. sq. m.	5466.4	5194.2
Including individual house constructions	Thous. sq. m.	5364.2	5175.5
In rural areas	Thous. sq. m.	4902.8	4703.3
Polyclinics (including RMP)	Thous. visits	8.3	7.0
Including in rural areas	Thous. visits	7.3	6.6
Educational schools	Thous. student places	14.2	11.5
Vocational colleges	Thous. student places	62.7	38.0
Gas pipelines	Thous. km.	2.1	2.4
Including in rural areas	Thous. km.	2.1	2.3
Water-supply pipelines	Thous. km.	1.4	1.6
Including in rural areas	Thous. km.	1.3	1.4

Source: State Committee on Statistics of Uzbekistan.

Thus, state measures towards limiting the level of inflation and increasing wages facilitated the growth of real income and the decrease of income-based differentiation of the population. In the structure of total income, in particular, in the rural population, a trend towards a gradual increase in the monetary part of income was observed. Proportional growth of capable demand facilitated positive shifts in the structure of consumption of the population. As a result of normative acts, adopted by the state and related to activities of individual entrepreneurs, the informal sector of trade decreased, but the share of the informal sector increased in the structure of rendering paid services. As before, in the structure of paid services, such services as culture, tourism, physical education and sports, healthcare, and education remained low and did not show a tendency towards growth. Further growth of monetary income of the population, along with the development of the regional network of providing services and reducing informal activities in this sector, will allow the structure and dynamics of development of the sphere of services to be improved.

5.3. Employment and Labor Market

Population. During the period under review, there has been relative acceleration in demographic growth. Over the first nine months of 2004, 398,500 children were born, 5,600 more than during the same period of 2003. The observed increase in births occurred mainly in urban areas – by 3,300, while in rural areas accounted for 2,200 births. During the period under review, 96,300 people died, versus 105,100 in the corresponding period of the previous year. The decrease in the death rate occurred in both urban (by 4,100 people) and rural areas (by 4,700 people). The birth and death rates together resulted in a net population growth of 302,200 people, which is more than that of the previous year by14,400 people.

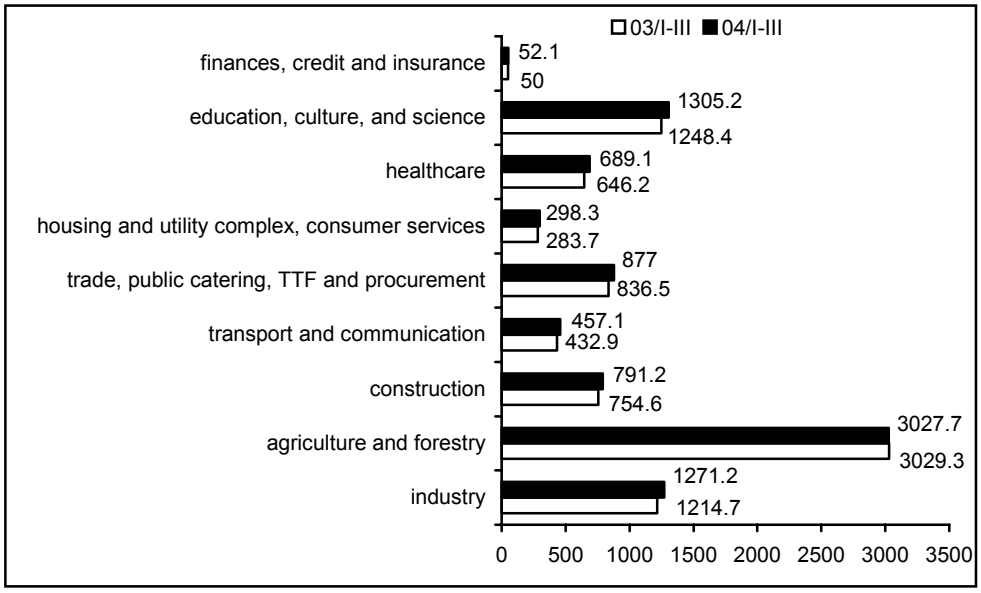
The negative balance in foreign migration was retained. However, the volume of migratory outflow decreased by 1,700 people in comparison to the same period of the previous year. This occurred mainly due to the decrease in migration from urban areas (3,900 people fewer). In rural areas, on the contrary, the negative balance of migration increased by 2,200 people.

The total population increased by 224,100 people, as opposed to 213,100 people in 2003. By October 1, 2004, the total population was equal to 25,931,500 – including 9,411,400 in urban and 16,520,100 in rural areas. As a result of natural movement and migration of the population, the relative increase has continued in the rural population, which accounted for 63.7% of the total inhabitants of Uzbekistan, as opposed to 63.6% in October of 2003. In general, the demographic situation in Uzbekistan follows a stable tendency of development.

Employment. The stable growth of the economy and deepening reforms have had a positive impact on the employment of the population. In comparison with the same period of the previous year, the number of employed persons in Uzbekistan increased by 344,500 people (by 3.6%). In 2003 an analogous rate of growth equaled 265,700 people, which 78,800 people less. The entire increase was provided by the development of the state sector of the economy, whose share in the employment of the population rose from 76.6% to 77.4% just in the first three quarters of 2004.

As a result of active government policy in the labor market during the period under review, 364,600 work places were created throughout Uzbekistan, a significant share of which (39.0%) were for employment of women. The entrepreneurial sector of the economy made a significant contribution to creating work places. As a result of its development, 106,100 work places were created, which is a 7.8% increase over the same period of the previous year.

Graph 5.3.1. Employment by Sector (thous. people)



Source: State Committee on Statistics of Uzbekistan.

More than half of the growth (52.2%) belongs to material production. Among the branches of the real sector, industry achieved the highest number in employment, with the number of employees increased by 56,500 people (by 4.7%). The accelerated growth of employment has continued in the construction sector (by 36,600 people, or by 4.9%) as well as in transportation and communication in service of production (by 24,200 people, or by 5.6%). Non-manufacturing branches of economy account for 47.8% of employment growth, the share of which during the period under review increased from 31.7% to 32.3%, i.e. by 0.6 percentage points. This growth is mainly provided by such socially significant branches as education and health care. These complexes account for more than a quarter (28.9%) of the total growth of employment in the economy of the republic.

Current labor market. The supply and demand for the work force in the current market underwent certain changes. Above all, the number of people contacting job placement centers decreased. The decrease equaled only 5,800 people (Table 5.3.1.) or 1.7%. In the territorial structure, the dynamics of this indicator varied significantly. Thus, in Jizzakh province the number of people contacting job placement centers in search of employment fell by 13.5%, in the Republic of Karakalpakstan – by 15.0%, while it significantly increased in the province of Navoi (by 12.2%) and Khorezm (by 10.7%) and in the city of Tashkent (by 12.6%).

Table 5.3.1. Labor Market Indicators

Year	Registered job seekers	Successful job placements	Ratio of placements to registered	Number of unemployed by the end of the period
2000	421377	280601	66.6	35408
2001	462753	318068	68.7	37491
2002	448175	322151	71.9	34835
2003	430484	317424	73.7	32208
03/I	108295	77132	71.2	39163
03/I-II	231606	167046	72.1	42491
03/II-III	336968	247996	73.6	38128
04/I	104775	76249	72.8	36600
04/I-II	228113	170511	74.8	41264
04/I-III	331119	252312	76.2	36597

Source: calculated on the basis of data collected from job placement centers.

Among registered job seekers, the share of young people has increased. Thus, the inflow of graduates from secondary schools, vocational colleges, and universities has increased by 1,500 people in comparison with the corresponding period of 2003. Accordingly, their share in the total number of registered job seekers increased from 28.5% to 29.4%. In the current labor market, as before, a significant share of job seekers consisted of unskilled laborers (38.1%), mostly in the rural workforce (78.5% of the total number).

The share of job placements through job placement centers was 76.2%, as opposed to the 73.6% registered during the first nine months of 2003, testifying to efficient activity on the part of the job placement centers. This is particularly true in the case of such provinces as Samarkand (84.2%), Surkhandarya (86.3%), and Andijan (79.6%). However, job placement indicators remain low in the areas around the Amudarya River and in Navoi province, which resulted in the growth of unemployment in those regions. By October 1, 2004, there were 36,600 people included in the list of the officially unemployed, of which 20.5% belong to Khorezm province and 15.3% to the Republic of Karakalpakstan. These are the two highest indicators in Uzbekistan. The indicators from other regions range from 2% to 7%. In a number of regions of Uzbekistan, the number of people receiving unemployment benefits has increased. Thus in the city of Tashkent this indicator was 13.1%, while in the province of Navoi, it was 48.6%, in Jizzakh Province, 43.2% and in Bukhara province, 34.4%. Unemployment in Uzbekistan is mainly a problem of young people. Young people up to the age of 30 account for 53.9% of all registered job seekers. The share of women in the total number people who contacted job placement centers remained stable (46.0%), while their share is significantly higher in the total number of unemployed (58.1%), implying a lack of competitiveness among women.

In the current labor market the situation in rural areas has somewhat worsened. Rural job placement centers account for about three quarters (74.1%) of all registered job seekers. And this share has increased (as opposed to 74.0% in the previous year). The level of job placements is higher in rural areas than in urban areas (Table 5.3.2). Over the last few years this tendency has taken on a stable character. This testifies not only to the more efficient operation of job placement centers, but also to the significance of the problem of employment in rural areas.

Table 5.3.2. Employment in Urban and Rural Areas

Year	Registered job seekers		Employed		Level of employment, in %	
	Urban	Rural	Urban	Rural	Urban	Rural
03/I	31577	76718	21269	55863	67.4	72.8
03/I-II	64917	166689	44015	123031	67.8	73.8
03/II-III	87634	249334	63657	184339	73.5	73.9
04/I	27444	77331	18899	57350	68.9	74.2
04/I-II	59057	169056	41774	128737	70.7	76.1
04/I-III	85864	245255	61624	190688	71.8	77.7

Source: calculated on the basis of data collected from job placement centers.

The operation of the current labor market in terms of vocational training has somewhat decreased. Thus, during the first 9 months of 2004 only 32,600 people, as opposed to 52,000 in the corresponding period of the previous year, received training. A similar situation was observed practically in all regions of Uzbekistan, except for the province of Khorezm, where this indicator rose (by 1.2 times). The number of people attracted to public work has significantly decreased (by 1.4 times), mainly due to negative dynamics in Samarkand, Surkhandarya, and Fergana provinces. By the end of the period under review, the number of available work places (announced vacancies) equaled 28,500, or 779 units per 1000 unemployed, testifying to a lack of effective interaction among the labor market participants as well as to the insufficient quality and territorial balance of the current labor market.

Annex 5.2.1. Volume of Goods and Services Provided to the Population

Years	Volume of goods and services sold		Including			
			Goods sold		Services provided	
	UZS bn.	%	UZS bn.	%	UZS bn.	%
2000	2094.8	100	1787.5	85.4	309.9	14.6
2001	3169.2	100	2699.9	85.1	472.3	14.9
2002	4481.6	100	3786.3	84.2	711.4	15.8
2003	5259.9	100	4289.7	82.2	948.4	17.8
03/I	1144.7	100	955.5	83.5	189.2	16.5
03/I-II	1313.3	100	2022.7	82.5	425.1	17.5
03/I-III	3815.9	100	3143.8	82.4	672.1	17.6
04/I	1313.1	100	1057.9	81.5	243.5	18.5
04/I-II	1434.0	100	2184.7	78.7	549.8	21.3
04/I-III	4283.1	100	3414.8	79.7	868.4	20.3

Source: State Committee on Statistics of Uzbekistan.

Annex 5.2.2. Retail Turnover and Paid Services

Years	Retail turnover		Paid services	
	In actual prices, UZS bn.	Growth rate in relation to previous year, in comparable prices, %	In actual prices, UZS bn.	Growth rate in relation to previous year, in comparable prices, %
2000	1787.5	107.6	309.9	115.7
2001	2699.9	109.6	472.3	114.7
2002	3786.3	102.1	711.4	108.6
2003	4289.7	104.2	948.4	109.5
03/I	955.5	98.1	189.2	102.0
03/I-II	2022.7	99.8	425.1	106.0
03/I-III	3143.8	104.3	672.1	107.0
04/I	1057.9	104.0	243.5	112.5
04/I-II	2184.7	103.5	549.8	113.7
04/I-III	3414.8	103.1	868.4	113.9

Source: State Committee on Statistics of Uzbekistan.

Annex 5.3.1. Dynamics of the Population of the Republic of Uzbekistan by the beginning of the year (thous. people)

Year	Total population		Urban		Rural	
	Number	Growth, %	Number	Number	Growth, %	Number
2000	24487.7	1.5	9165.5	0.9	15322.2	1.8
2001	24813.1	1.3	9225.3	0.7	15587.8	1.7
2002	25115.8	1.2	9286.9	0.7	15828.9	1.5
2003	25427.9	1.2	9340.7	0.6	16087.2	1.6
2004	25707.4	1.1	9381.3	0.4	16326.1	1.5
04/I (by 1.04.04)	25777.2	0.27	9397.2	0.1	16380.0	0.3
04/I-II (by 1.07.04)	25849.8	0.28	9404.4	0.07	16445.4	0.4
04/I-III (by 1.10. 04)	25931.5	0.3	9411.4	0.07	16520.1	0.45

Source: State Committee on Statistics of Uzbekistan

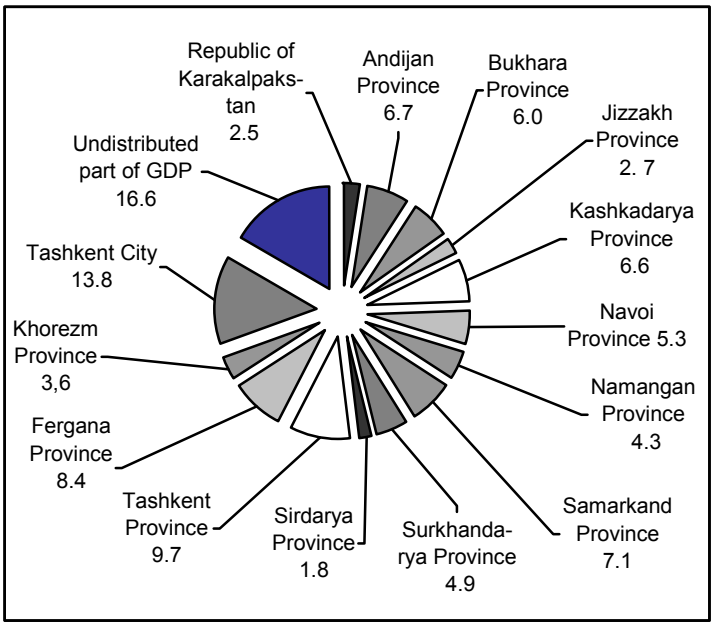
6. Socio-Economic Development in the Regions

In the first 9 months of 2004, in comparison with the corresponding period of the previous year, practically all the regions had considerable growth rates in main macroeconomic indicators, achieved through institutional reforms.

As to the gross regional product (GRP), all regions experienced high growth rates, especially Sirdarya (112.4%), Surkhandarya(111.5%), Khorezm(110.7 %) and Jizzakh (110.4%) Provinces, and 9 provinces had growth rates higher than the average national level (108.9%). Growth rates lower than this level were observed in the Republic of Karakalpakstan (108.1%), Andijan (104.7 %), Fergana (105.2%) provinces and Tashkent City (103.3%) (Annex 6.1.). In the territorial structure of GRP, Tashkent City (13.8%) and Tashkent (9.7%), Fergana(8.4%), Samarkand (7.1%) and Andijan (6.7%) Provinces account for the largest share. The lowest share was observed in Sirdarya (1.8%) and Jizzakh (2.7%) Provinces and in the Republic of Karakalpakstan (2.5%).

As compared with the corresponding period of the previous year, the share of GRP rose in Kashkadarya (from 6.2% to 6.6%), Navoi (from 5.1% to 5.3%) and Tashkent (from 9.4% to 9.7%) Provinces and in the Republic of Karakalpakstan (from 2.4% to 2.5%) and decreased in Andijan (from 7.0% to 6.7%), Samarkand (from 7.3% to 7.1%), Surkhandarya (from 5.0% to 4.9%), Fergana (from 8.4% to 8.3%), Khorezm (from 3.7% to 3.6%) Provinces and in Tashkent City (from 14.6% to 13.8%). The share of GRP remained unchanged in Bukhara, Jizzakh, Namangan and Sirdarya Provinces in comparison with the first 9 months of 2003 (Graph 6.1).

Graph 6.1. The Share of Regions in the GDP of the Republic of Uzbekistan Based on the Overall Results from the first 9 months of 2004 (%)



Source: State Committee on Statistics of Uzbekistan

The GRP index of per capita production within the indicated period decreased in 8 regions (57.1%) and increased in Kashkadarya, Namangan, Surkhandarya and Khorezm Provinces. The highest GRP index of 1.697 was observed in Navoi Province, and the lowest – in the Republic of Karakalpakstan (0.407) (Annex 6.2).

The breakdown of the regions by GRP production (on a per capita basis) shows that the distribution of the regions by group remained unchanged but the regions changed places within the groups:

In the first group, with a high index, Navoi Province had the highest position according to the overall results of the first 9 months, with an index of 1.697; in the second (medium level) group, Kashkadarya and Khorezm Provinces advanced, while Sirdarya, Jizzakh and Samarkand provinces decreased their indices. The other provinces – Fergana, Andijan, Surkhandarya and Namangan – remained at the same positions as before. The Republic of Karakalpakstan maintained its position in the third group with the lowest index (Table 6.1).

In the area of industrial manufacturing, all regions achieved high growth rates over the period under review, especially Andijan Province (131.9%), the Republic of Karakalpakstan (128.8%), Surkhandarya (121.8%), Jizzakh (116.1%) and Sirdarya (115.5%) Provinces. Growth rates higher than the average national level (110.2%) were achieved in 7 provinces (50.0%) (Annex 6.1).

The index of the level of development of industrial production (per capita) decreased in 7 regions (50.0%) and rose in Andijan (from 0.958 to 0.999), Kashkadarya (from 0.923 to 1.036), Namangan (from 0.330 to 0.339), Surkhandarya (from 0.245 to 0.276), Sirdarya (from 0.357 to 0.365) and Tashkent (from 1.565 to 1.720) Provinces.

High growth rates in the area of production of consumer goods (CG) were achieved in all the regions, particularly in Andijan (136.0%), Surkhandarya (132.6%), Jizzakh (120.5%), Fergana (119.5%), Namangan (116.2%) and Kashkadarya (115.2%) Provinces and in the Republic of Karakalpakstan (119.4%) (Annex 6.1). The per capita index in the production of CG decreased in 7 regions, and increased in Andijan (from 1.857 to 2.199), Bukhara (from 1.500 to 1.576), Namangan (from 0.555 to 0.613), Surkhandarya (from 0.313 to 0.395), Sirdarya (from 0.644 to 0.675), Tashkent (from 1.249 to 1.252) and Fergana (from 0.860 to 0.948) Provinces (Annex 6.2).

Table 6.1. Breakdown of Regions by Production of Per Capita GRP

First 9 months of 2003r.	Index	First 9 months of 2004r.	Index
I.High level	Over 1.000	I. High level	Over 1.000
Tashkent City	1.817	Navoi Province	1.697
Navoi Province	1.755	Tashkent City	1.665
Bukhara Province	1.035	Bukhara Province	1.035
Tashkent Province	1.027	Tashkent Province	1.022
II. Medium Level	from 0.500 to 1.000	II. Medium Level	from 0.500 to 1.000
Fergana Province	0.822	Fergana Province	0.766
Andijan Province	0.791	Andijan Province	0.749
Sirdarya Province	0.777	Kashkadarya Province	0.722
Jizzakh Province	0.712	Sirdarya Province	0.711
Surkhandarya Province	0.669	Surkhandarya Province	0.679
Kashkadarya Province	0.666	Jizzakh Province	0.672
Samarkand Province	0.657	Khorezm Province	0.661
Khorezm Province	0.644	Samarkand Province	0.645
Namangan Province	0.536	Namangan Province	0.545
III. Low Level	to 0.500	III. Low Level	to 0.500
Republic of Karakalpakstan	0.405	Republic of Karakalpakstan	0.407

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

In agricultural production output all the regions had high growth rates: in 9 provinces the growth rates in this index were higher than the average national level (114.2%) and they were particularly high in Bukhara (120.6%), Kashkadarya (119.6%), Khorezm (117.8%), Sirdarya and Jizzakh (117.5 % in each) Provinces and in the Republic of Karakalpakstan (117.4%) (Annex 6.1).

In terms of per capita agricultural production, indices decreased in 6 regions and grew in Bukhara (from 1.310 to 1.352), Kashkadarya (from 0.845 to 0.992), Namangan (from 0.777 to 0.847), Samarkand (from 1.211 to 1.282), Surkhandarya (from 1.238 to 1.320) and Khorezm (from 1.072 to 1.243) provinces (Annex 6.2).

In the area of investments, high growth rates were achieved in Sirdarya (159.3%), Bukhara (131.6%), Khorezm (124,7%), Surkhandarya (121.0%) and Tashkent (119.9%) provinces and in the Republic of Karakalpakstan (122.6%).

The volume of investments into capital assets decreased in Andijan (by 35.7%), Kashkadarya (by 20,6 %) and Fergana (by 19.2%) Provinces, as a result of the completed construction of such large projects as JS “Oyim Textile” in Andigan Province, IA “Azot”, JS “Kvartz”, JV “Kabul-Fergana” in the Fergana Region and the construction of the “Shurtan” complex in Kashkadarya Province (Annex 6.1.)

In terms of per capita investments, indices decreased in comparison with the corresponding period of the previous year in 5 regions and grew in the other 9 (64.3%). (Annex 6.2).

As to retail turnover, Andijan (by -11.9%) and Fergana (by -2.1%) experienced negative growth, mainly due to the reduction in the volume of sales of cars in Andijan and poor administration in the trade sector in Fergana Province. The retail turnover index grew in 9 regions (64.3%) and decreased in Andijan (from 1.302 to 1.086), Namangan (from 0.760 to 0.743), Samarkand (from 0.720 to 0.694), Fergana (from 1.143 to 1.084) and in Khorezm (from 0.601 to 0.591) Provinces.

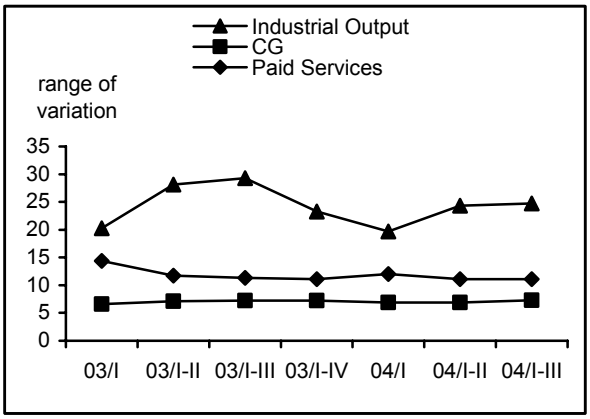
As to paid services, all the provinces achieved high growth rates, especially Andijan (133.5%), Khorezm (122.9%), Navoi (119.3%), Bukhara (118.0%) and Jizzakh (117.7%) Provinces. In 9 provinces (64.3%) the growth rates of paid services were higher than the average national level (113.9%) (Annex 6.1).

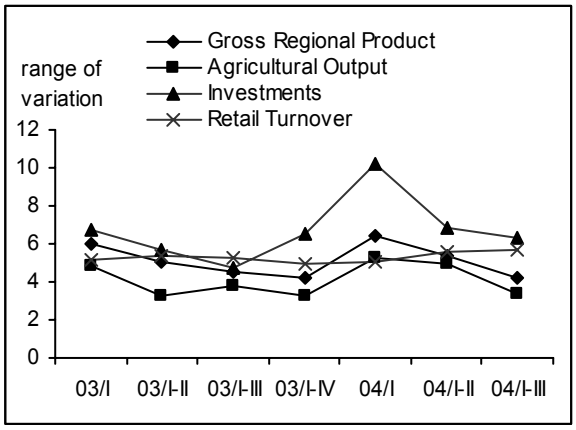
The per capita index of the volume of paid services within the analyzed period grew in 10 regions (71.4%) and decreased in Kashkadarya Province (from 0.437 to 0.402), Samarkand (from 0.679 to 0.630) and Surkhandarya (from 0.469 to 0.467) Provinces (Annex 6.2).

Within the analyzed period, interregional differentiation in GRP decreased from 4.5 times to 4.2 times, in industrial production (from 29.3 to 24.7 times), in agricultural production (from 3.8 to 3.4 times) and paid services (from 11.3 to 11.1).

At the same time an increase in interregional differentiation occurred in CGP (from 7.2 to 7.3 times), investments (from 4.7. to 6.3 times) and retail turnover (from 5.3 to 5.7 times) (Annex 6.2 and Graph 6.2).

Graph 6.2. Tracking Changes in the Level of Differentiation of Socio-Economic Development of the Regions (Ratio of the Most Developed to Least Developed Regions, in times)





Source: State Committee on Statistics of Uzbekistan

The overall results of the first 9 months of 2004 show that as a result of deep reform, in the regions and in the country as a whole, there was a stable trend of high growth rates of the main indicators of socio-economic development, particularly in such least developed regions as the Republic of Karakalpakstan, Jizzakh, Sirdarya, Surkhandarya and Khorezm Provinces.

However, the following remaining problems have a negative impact on the economy of the regions:
– the remaining high level of interregional differentiation in industrial production, CGP, investments, commodity turnover and paid services;
– the lack of attractiveness of the regions for foreign investors, especially such regions as the Republic of Karakalpakstan, Sirdarya, Surkhandarya, Jizzakh and Namangan Provinces, which restrains the growth of economic potential;
– the lack of development in the area of small business, particularly in the Republic of Karakalpakstan, Jizzakh, Navoi and Sirdarya Provinces, which minimizes the contribution of entrepreneurship to stable economic growth.

No less important a problem for the regions is the need to implement structural reforms in the economy and to increase the share of GRP in such regions as the republic of Karakalpakstan, Jizzakh, Surkhandarya and Khorezm Provinces.

Annex 6.1. Dynamics of Main Indicators of Socio-Economic Development of the Regions (growth rates in % to the previous period in comparable prices)

Gross Regional Product (GRP)

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	89.7	98.3	101.6	110.1	94.0	98.9	104.5	103.5	107.0	108.1
Andijan	102.8	108.9	103.4	102.8	100.5	102.3	102.6	106.1	102.8	104.7
Bukhara	104.2	103.5	102.7	101.4	102.4	104.4	102.6	100.0	104.2	109.2
Jizzakh	104.2	106.5	109.5	107.5	102.2	104.2	105.5	105.1	109.7	110.4
Kashkadarya	99.0	105.0	110.1	105.4	103.5	102.9	101.4	103.2	104.5	109.6
Navoi	103.2	101.4	104.8	103.9	101.0	101.2	102.4	102.5	105.1	108.9
Namangan	108.0	104.5	103.7	102.1	103.6	101.6	101.3	103.2	105.9	109.8
Samarkand	104.6	103.5	107.6	106.9	100.2	106.5	106.8	104.2	107.2	109.5
Surkhandarya	105.5	108.0	104.0	105.3	100.3	103.7	101.7	103.6	105.4	111.5
Sirdarya	102.6	102.9	98.3	102.5	95.1	94.6	102.4	102.8	112.3	112.4
Tashkent	110.9	104.2	103.1	102.5	100.1	100.9	101.9	104.1	107.8	109.0
Fergana	106.1	99.5	105.1	100.5	100.1	100.0	100.6	102.1	102.3	105.2
Khorezm	94.8	103.0	102.9	103.8	99.4	102.8	101.1	102.5	105.0	110.7
Tashkent City	104.5	104.3	102.6	104.4	99.2	102.8	104.2	105.5	104.4	103.3
Republic of Uzbekistan	103.8	104.2	104.2	104.4	102.2	103.8	104.0	104.8	106.2	108.9

Source: State Committee on Statistics of Uzbekistan

Industrial Production

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	111.2	95.9	94.9	100.3	89.0	85.4	93.9	117.7	125.2	128.8
Andijan	90.0	128.1	105.5	118.6	101.0	108.4	117.2	126.9	127.2	131.9
Bukhara	103.9	107.7	103.3	102.5	105.7	110.6	106.9	108.4	106.6	109.7
Jizzakh	122.7	119.9	130.3	114.1	106.8	115.6	125.4	114.3	120.9	116.1
Kashkadarya	101.9	104.4	112.1	114.4	120.1	122.5	118.3	111.4	110.8	109.9
Navoi	102.2	100.6	106.5	99.4	102.7	100.4	99.3	101.4	107.0	107.7
Namangan	126.1	118.2	112.5	113.0	107.7	112.8	109.2	109.0	106.0	114.1
Samarkand	97.3	105.7	106.7	111.1	107.8	115.9	114.7	115.0	111.2	115.7
Surkhandarya	107.9	104.1	113.1	104.6	101.5	117.0	109.1	106.4	110.1	121.8
Sirdarya	106.7	101.3	122.4	100.1	101.2	100.1	103.4	103.2	109.8	115.5
Tashkent	108.8	109.1	108.3	102.6	101.0	101.4	103.0	107.2	108.2	109.2
Fergana	108.5	101.4	108.7	102.4	102.4	100.3	100.2	103.6	103.7	105.8
Khorezm	103.5	100.3	103.9	98.9	100.2	94.4	94.7	100.1	100.2	108.1
Tashkent City	113.2	110.5	111.7	112.5	105.4	106.9	107.7	115.2	110.1	105.1
Republic of Uzbekistan	105.9	107.6	108.3	106.2	104.0	105.5	105.7	108.8	109.6	110.2

Source: State Committee on Statistics of Uzbekistan

Consumer Goods Production

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	105.9	113.5	104.3	104.7	103.1	105.9	106.7	119.0	122.8	119.4
Andijan	92.6	123.7	97.8	120.3	96.0	104.3	115.0	133.3	136.4	136.0
Bukhara	105.9	107.4	103.3	106.0	103.3	106.9	109.4	107.8	107.6	108.9
Jizzakh	123.6	119.3	159.3	129.0	101.2	115.7	119.3	113.0	117.8	120.5
Kashkadarya	113.1	112.7	108.5	108.8	113.2	105.8	116.1	127.0	124.7	115.2
Navoi	115.5	99.98	114.5	105.3	125.0	114.6	109.0	107.3	106.4	101.4
Namangan	124.3	111.8	118.1	114.0	107.7	112.3	114.6	124.7	116.1	116.2
Samarkand	92.4	102.6	102.5	106.8	104.8	104.0	106.3	100.3	102.0	112.4
Surkhandarya	111.9	100.9	114.8	106.2	88.7	105.0	105.9	129.5	124.1	132.6
Sirdarya	110.1	120.2	103.0	104.2	100.6	107.7	111.3	108.0	115.3	114.9
Tashkent	112.5	114.1	106.6	107.1	104.7	108.6	109.2	106.6	111.1	112.9
Fergana	111.3	98.1	106.4	101.6	96.7	95.5	101.3	113.2	122.4	119.5
Khorezm	107.8	94.0	95.0	114.5	115.9	115.4	120.5	96.6	102.5	101.5
Tashkent City	111.3	101.3	120.2	102.7	100.8	102.9	101.5	115.7	101.5	100.9
Republic of Uzbekistan	106.2	107.6	108.4	108.4	102.3	104.0	106.8	114.9	114.4	113.3

Source: State Committee on Statistics of Uzbekistan

Agricultural Production

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	65.6	90.5	101.2	129.8	97.6	110.5	130.3	109.1	124.0	117.4
Andijan	110.2	107.1	102.1	100.2	101.0	100.3	100.2	106.9	100.8	105.4
Bukhara	106.3	102.0	102.6	106.2	102.3	109.6	108.2	104.5	112.8	120.6
Jizzakh	100.1	106.9	113.8	112.0	103.4	104.3	115.2	108.9	121.1	117.5
Kashkadarya	89.4	106.9	119.9	106.2	103.4	100.6	100.2	107.7	106.1	119.6
Navoi	105.0	107.2	106.7	109.3	102.0	106.4	110.7	108.8	109.4	114.7
Namangan	111.5	101.4	101.5	102.9	101.8	97.1	100.8	104.0	113.6	115.8
Samarkand	104.8	103.9	112.4	110.0	104.2	108.4	110.3	107.6	111.8	112.8
Surkhandarya	106.7	110.5	102.8	106.4	106.6	102.5	100.4	106.0	106.2	116.2
Sirdarya	101.9	105.8	98.9	105.2	101.6	95.2	110.1	107.1	129.4	117.5
Tashkent	114.9	103.7	102.8	102.7	105.3	103.0	102.3	106.7	116.9	111.7
Fergana	113.5	100.4	105.7	100.6	103.4	114.1	100.2	106.4	104.1	110.6
Khorezm	82.8	103.6	106.8	110.5	101.3	100.7	100.7	106.3	113.2	117.8
Tashkent City										
Republic of Uzbekistan	103.1	104.2	106.1	105.9	103.3	103.8	104.7	106.7	110.4	114.2

Source: State Committee on Statistics of Uzbekistan

Investments

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	83.0	106.0	114.0	118.0	112.0	119.0	119.0	2.3 times	150.5	122.6
Andijan	101.0	118.0	105.0	106.9	100.2	104.0	105.0	100.1	65.6	64.3
Bukhara	108.0	119.0	103.0	100.6	69.0	86.0	93.1	2.1 times	186.8	131.6
Jizzakh	111.0	78.0	112.0	83.5	81.0	80.0	80.0	92.6	101.8	100.9
Kashkadarya	93.0	130.0	94.0	111.7	128.0	114.0	112.2	56.5	77.1	79.4
Navoi	116.0	107.0	98.0	109.6	122.0	110.0	109.0	66.1	101.3	106.2
Namangan	103.0	96.0	100.1	101.7	100.2	100.2	101.2	107.2	108.9	100.1
Samarkand	104.0	107.0	99.8	107.9	115.0	107.0	107.2	104.8	108.5	104.5
Surkhandarya	102.0	116.0	101.0	104.0	101.0	102.0	103.3	2.3 times	156.1	121.0
Sirdarya	100.2	101.0	84.0	105.5	114.0	106.0	103.0	45.5	103.7	159.3
Tashkent	106.0	112.0	102.0	108.3	98.0	108.0	105.3	147.2	123.1	119.9
Fergana	107.0	109.0	108.0	95.9	101.0	95.0	95.2	31.2	73.4	80.8
Khorezm	102.0	96.0	103.0	91.6	81.0	87.0	90.0	97.4	101.0	124.7
Tashkent City	92.0	106.0	81.0	106.8	87.0	108.0	103.6	130.3	95.7	100.4
Republic of Uzbekistan	101.0	104.0	103.6	104.5	100.3	102.6	102.8	99.6	101.8	103.0

Source: State Committee on Statistics of Uzbekistan

Retail Turnover

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	103.6	117.9	102.6	107.9	90.2	96.0	101.8	103.5	100.7	100.1
Andijan	106.4	109.3	107.3	100.0	110.8	103.8	103.5	102.0	93.7	88.1
Bukhara	110.3	114.7	107.1	101.1	107.7	103.1	102.4	100.2	101.4	103.5
Jizzakh	111.0	125.8	116.2	101.8	117.6	104.8	101.4	103.3	101.2	100.8
Kashkadarya	109.9	116.5	105.5	108.3	111.9	109.1	113.3	100.1	100.4	100.3
Navoi	105.4	113.3	105.0	104.3	97.2	102.2	107.3	109.1	111.2	120.4
Namangan	110.8	118.8	103.9	100.9	108.8	102.4	103.3	105.6	101.1	101.0
Samarkand	113.6	106.6	100.1	108.8	99.6	105.4	109.3	104.8	104.3	103.4
Surkhandarya	121.4	113.7	113.3	109.5	106.3	111.0	113.5	105.1	105.5	104.0
Sirdarya	105.8	102.1	95.4	100.3	85.1	85.3	92.7	101.1	101.8	106.1
Tashkent	123.3	115.9	101.1	108.6	99.2	111.0	110.7	110.9	111.9	109.5
Fergana	103.2	103.5	106.2	100.0	97.7	97.3	100.1	100.8	101.6	97.9
Khorezm	111.8	107.9	101.1	96.0	97.9	96.6	96.6	104.5	101.5	101.7
Tashkent City	100.2	104.7	90.1	110.2	88.7	93.4	103.7	109.2	110.1	109.9
Republic of Uzbekistan	107.6	109.6	101.1	105.1	99.8	100.3	104.9	105.1	104.2	103.1

Source: State Committee on Statistics of Uzbekistan

Paid Services

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	114.2	105.1	112.4	111.3	117.0	114.4	112.4	120.4	115.4	109.2
Andijan	138.9	113.3	109.3	120.1	107.6	109.1	108.7	113.6	125.9	133.5
Bukhara	112.6	108.4	117.0	109.3	118.1	119.9	114.5	120.3	122.2	118.0
Jizzakh	110.4	116.2	114.2	114.1	108.8	110.1	115.7	116.4	124.6	117.7
Kashkadarya	137.2	114.6	121.9	108.2	108.1	109.0	110.0	105.6	104.9	104.6
Navoi	116.8	118.7	108.9	118.8	112.4	116.9	116.1	123.6	116.7	119.3
Namangan	137.0	115.5	110.8	122.6	115.4	117.2	121.6	118.6	116.1	116.9
Samarkand	118.1	121.8	104.0	124.5	118.1	117.5	132.3	119.0	116.0	115.7
Surkhandarya	109.6	114.2	114.3	112.6	114.7	116.9	113.7	113.4	112.0	112.0
Sirdarya	104.8	125.8	109.6	103.1	103.5	100.5	101.2	116.3	106.5	107.5
Tashkent	111.5	100.2	109.2	105.5	105.7	106.8	103.9	107.8	112.8	114.9
Fergana	115.5	113.5	110.5	112.4	107.2	112.0	114.0	119.1	118.6	115.3
Khorezm	107.9	106.4	102.0	107.0	100.7	108.7	110.0	127.0	123.1	122.9
Tashkent City	113.5	117.4	112.8	105.3	103.2	104.1	104.8	105.5	103.3	104.9
Republic of Uzbekistan	115.7	114.7	108.6	107.9	102.0	104.4	106.4	112.5	113.5	113.9

Source: State Committee on Statistics of Uzbekistan

Annex 6.2. Level of Differentiation of Socio-Economic Development of the Regions (based on percapita index)

Gross Regional Product

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.456	0.413	0.392	0.400	0.360	0.397	0.405	0.352	0.364	0.407
Andijan	0.911	0.935	0.834	0.764	0.618	0.717	0.791	0.585	0.707	0.749
Bukhara	1.109	1.155	1.101	1.053	1.047	1.091	1.035	0.974	1.092	1.035
Jizzakh	0.742	0.669	0.666	0.702	0.561	0.632	0.712	0.563	0.568	0.672
Kashkadarya	0.722	0.724	0.780	0.782	0.635	0.688	0.666	0.666	0.656	0.722
Navoi	1.039	1.267	1.490	1.685	1.687	1.766	1.755	1.753	1.860	1.697
Namangan	0.667	0.637	0.599	0.543	0.486	0.505	0.536	0.434	0.471	0.545
Samarkand	0.709	0.679	0.693	0.669	0.525	0.564	0.657	0.457	0.494	0.645
Surkhandarya	0.716	0.727	0.760	0.734	0.520	0.616	0.669	0.473	0.606	0.679
Sirdarya	0.807	0.822	0.776	0.754	0.567	0.604	0.777	0.525	0.626	0.711
Tashkent	1.040	1.017	1.032	1.041	0.990	0.951	1.027	1.012	0.989	1.022
Fergana	0.941	0.866	0.843	0.785	0.773	0.793	0.822	0.738	0.744	0.766
Khorezm	0.832	0.717	0.720	0.681	0.682	0.653	0.644	0.595	0.586	0.661
Tashkent City	1.563	1.665	1.671	1.682	2.164	2.021	1.817	2.257	1.976	1.665
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	3.4	4.1	4.3	4.2	6.0	5.1	4.5	6.4	5.4	4.2
Without taking Tashkent c. into account	2.4	3.1	3.8	4.2	4.7	4.4	4.3	5.0	5.1	4.2

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Industrial Production

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.279	0.247	0.201	0.193	0.184	0.159	0.158	0.207	0.184	0.184
Andijan	0.909	1.071	0.979	0.960	0.912	0.953	0.958	0.939	0.988	0.999
Bukhara	1.100	1.096	1.133	0.996	1.173	1.086	0.991	1.083	0.985	0.931
Jizzakh	0.278	0.360	0.380	0.418	0.436	0.398	0.399	0.440	0.389	0.326
Kashkadarya	0.931	0.953	0.917	0.967	0.912	0.893	0.923	1.055	1.048	1.036
Navoi	3.144	3.318	4.046	4.490	3.737	4.463	4.629	4.086	4.461	4.560
Namangan	0.466	0.450	0.396	0.377	0.382	0.353	0.330	0.375	0.331	0.339
Samarkand	0.515	0.459	0.398	0.351	0.352	0.341	0.341	0.315	0.305	0.312
Surkhandarya	0.323	0.302	0.283	0.286	0.304	0.295	0.245	0.294	0.297	0.276
Sirdarya	0.460	0.541	0.427	0.429	0.560	0.418	0.357	0.533	0.396	0.365
Tashkent	1.368	1.487	1.569	1.537	1.502	1.530	1.565	1.604	1.690	1.720
Fergana	1.169	1.024	1.072	0.944	1.038	0.970	0.957	0.928	0.898	0.923
Khorezm	0.507	0.467	0.414	0.363	0.454	0.351	0.318	0.369	0.297	0.282
Tashkent City	1.700	1.744	1.729	1.823	1.874	1.918	1.903	1.568	1.604	1.519
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	11.3	13.4	20.1	23.3	20.3	28.1	29.3	19.7	24.3	24.7

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Production of Consumer Goods (CGP)

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.425	0.400	0.341	0.332	0.340	0.329	0.320	0.344	0.321	0.299
Andijan	1.354	1.616	1.677	1.847	1.754	1.918	1.857	1.998	2.215	2.199
Bukhara	1.501	1.589	1.550	1.458	1.614	1.587	1.500	1.639	1.604	1.576
Jizzakh	0.266	0.385	0.573	0.655	0.547	0.624	0.675	0.618	0.628	0.599
Kashkadarya	0.616	0.656	0.560	0.615	0.575	0.548	0.571	0.507	0.458	0.440
Navoi	0.616	0.619	0.640	0.712	0.653	0.666	0.668	0.721	0.677	0.665
Namangan	0.665	0.579	0.571	0.561	0.553	0.558	0.555	0.609	0.611	0.613
Samarkand	1.226	1.072	1.016	0.884	0.927	0.881	0.915	0.789	0.793	0.837
Surkhandarya	0.433	0.377	0.364	0.356	0.296	0.324	0.313	0.365	0.382	0.395
Sirdarya	0.700	0.700	0.659	0.669	0.832	0.684	0.644	0.723	0.697	0.675
Tashkent	1.071	1.164	1.184	1.252	1.195	1.239	1.249	1.206	1.212	1.252
Fergana	1.076	1.009	0.934	0.844	0.871	0.845	0.860	0.824	0.916	0.948
Khorezm	0.787	0.543	0.551	0.544	0.737	0.613	0.555	0.568	0.515	0.487
Tashkent City	2.093	2.004	2.360	2.396	2.262	2.310	2.317	2.367	2.128	2.100
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	8.2	5.3	6.9	7.2	6.6	7.1	7.2	6.9	6.9	7.3
Without taking Tashkent c. into account	5.6	4.3	4.9	5.6	5.9	5.9	5.9	5.8	6.9	7.3

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Agricultural Production

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.425	0.354	0.360	0.435	0.345	0.470	0.439	0.361	0.329	0.439
Andijan	1.170	1.119	1.150	1.051	0.818	1.114	1.192	0.845	1.342	1.087
Bukhara	1.340	1.375	1.321	1.376	1.345	1.534	1.310	1.242	1.632	1.352
Jizzakh	1.331	1.211	1.329	1.425	1.254	1.366	1.315	1.504	1.165	1.252
Kashkadarya	0.831	0.851	0.980	1.006	0.703	1.029	0.845	0.560	0.796	0.992
Navoi	1.238	1.144	1.149	1.218	1.400	1.295	1.479	1.222	1.491	1.110
Namangan	1.019	0.996	1.042	0.970	0.794	0.756	0.777	0.565	0.767	0.847
Samarkand	1.037	1.081	1.110	1.154	1.315	1.125	1.211	1.225	1.075	1.282
Surkhandarya	1.187	1.353	1.311	1.279	1.157	1.375	1.238	1.204	1.388	1.320
Sirdarya	1.397	1.501	1.373	1.393	1.303	1.340	1.672	1.286	1.519	1.503
Tashkent	1.511	1.539	1.268	1.255	1.666	1.133	1.329	1.916	1.168	1.205
Fergana	0.977	1.024	0.995	0.931	0.939	0.948	0.943	1.058	0.968	0.885
Khorezm	1.144	1.025	1.072	1.098	1.636	1.217	1.072	1.529	1.150	1.243
Tashkent City										
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	3.6	4.2	3.8	3.3	4.8	3.3	3.8	5.3	5.0	3.4

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Investment

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.819	0.648	0.832	1.119	0.803	0.879	1.027	1.878	1.451	1.314
Andijan	0.552	0.505	0.439	0.641	0.384	0.456	0.630	0.382	0.352	0.386
Bukhara	0.705	0.627	1.063	0.701	0.473	0.588	0.795	1.144	1.185	1.092
Jizzakh	0.577	1.112	1.155	0.583	0.428	0.491	0.515	0.410	0.527	0.569
Kashkadarya	1.897	1.931	1.608	1.760	2.482	1.962	1.808	1.374	1.497	1.503
Navoi	2.014	2.535	2.125	2.213	2.598	1.780	1.925	1.707	1.779	1.929
Namangan	0.701	0.501	0.476	0.471	0.437	0.436	0.524	0.457	0.504	0.518
Samarkand	0.523	0.453	0.404	0.531	0.518	0.612	0.652	0.537	0.640	0.589
Surkhandarya	0.470	0.509	0.451	0.600	0.375	0.447	0.504	0.854	0.736	0.699
Sirdarya	0.772	0.754	0.713	0.592	1.152	0.821	0.694	0.511	0.849	1.054
Tashkent	0.747	0.762	0.899	0.872	0.803	0.862	0.855	1.235	1.118	1.055
Fergana	0.587	0.796	0.931	0.480	0.893	0.807	0.628	0.275	0.499	0.439
Khorezm	0.630	0.695	0.855	0.437	0.562	0.560	0.562	0.525	0.511	0.589
Tashkent City	2.730	2.272	2.131	2.864	2.089	2.498	2.370	2.800	2.382	2.426
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	5.8	5.6	5.3	6.5	6.9	5.7	4.7	10.2	6.8	6.3
Without taking Tashkent c. into account	4.3	5.6	5.3	5.1	6.9	4.5	3.8	6.8	5.1	5.0

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Retail Turnover

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.470	0.485	0.491	0.505	0.471	0.475	0.483	0.489	0.485	0.491
Andijan	1.272	1.314	1.356	1.284	1.389	1.435	1.302	1.349	1.171	1.086
Bukhara	0.756	0.841	0.902	0.855	0.934	1.008	0.873	0.886	0.882	0.881
Jizzakh	0.420	0.530	0.630	0.602	0.600	0.584	0.589	0.623	0.601	0.600
Kashkadarya	0.662	0.697	0.715	0.755	0.728	0.743	0.750	0.735	0.748	0.757
Navoi	0.728	0.770	0.808	0.800	0.810	0.835	0.810	0.841	0.901	0.961
Namangan	0.691	0.747	0.805	0.773	0.808	0.777	0.760	0.801	0.746	0.743
Samarkand	0.791	0.709	0.707	0.744	0.734	0.722	0.720	0.717	0.705	0.694
Surkhandarya	0.588	0.594	0.665	0.700	0.729	0.736	0.717	0.711	0.742	0.727
Sirdarya	0.691	0.665	0.639	0.609	0.581	0.575	0.593	0.576	0.591	0.618
Tashkent	1.033	1.041	1.038	1.112	1.042	1.089	1.098	1.107	1.172	1.190
Fergana	1.219	1.145	1.232	1.153	1.172	1.141	1.143	1.141	1.100	1.084
Khorezm	0.662	0.685	0.668	0.610	0.626	0.616	0.601	0.606	0.594	0.591
Tashkent City	2.854	2.789	2.452	2.550	2.431	2.557	2.567	2.516	2.718	2.808
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	6.8	5.7	5.0	5.0	5.2	5.4	5.3	5.1	5.6	5.7
Without taking Tashkent c. into account	3.0	2.7	2.8	2.5	2.9	3.0	2.7	2.8	2.4	2.4

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

Paid Services

Regions	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I	04/I-II	04/I-III
Republic of Karakalpakstan	0.410	0.340	0.358	0.380	0.310	0.372	0.374	0.379	0.406	0.387
Andijan	0.870	0.856	0.771	0.813	0.554	0.677	0.730	0.590	0.800	0.925
Bukhara	0.927	0.856	0.878	0.883	0.865	0.866	0.874	0.928	0.934	0.908
Jizzakh	0.455	0.441	0.448	0.481	0.486	0.476	0.473	0.502	0.522	0.493
Kashkadarya	0.463	0.420	0.423	0.462	0.432	0.427	0.437	0.410	0.400	0.402
Navoi	0.707	0.718	0.663	0.755	0.770	0.786	0.756	0.933	0.845	0.841
Namangan	0.500	0.479	0.448	0.506	0.513	0.506	0.519	0.542	0.506	0.519
Samarkand	0.626	0.612	0.606	0.687	0.591	0.579	0.679	0.620	0.589	0.630
Surkhandarya	0.480	0.441	0.444	0.457	0.486	0.469	0.469	0.475	0.455	0.467
Sirdarya	0.366	0.361	0.366	0.382	0.405	0.396	0.382	0.459	0.407	0.387
Tashkent	0.732	0.670	0.616	0.631	0.608	0.658	0.630	0.652	0.671	0.677
Fergana	0.610	0.553	0.556	0.586	0.554	0.549	0.572	0.600	0.585	0.597
Khorezm	0.707	0.596	0.581	0.602	0.621	0.597	0.569	0.696	0.657	0.634
Tashkent City	3.455	3.761	4.090	4.201	4.473	4.354	4.237	4.548	4.415	4.304
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of Variation (times)	8.4	11.1	11.4	11.1	14.4	11.7	11.3	12.0	11.1	11.1
Without taking Tashkent c. into account	2.5	2.5	2.5	2.3	2.8	2.3	2.3	2.5	2.3	2.4

Source: Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan

ANALYTICAL PART

1. Price and Licensing Policy in the Telecommunications Sector and Liberalization of Government Regulations

A. N. Aripov, T. K. Iminov, Kh. A. Mukhitdinov
Uzbek Mail and Telecommunications Agency

Having a transitional economy, Uzbekistan is undergoing complex transformations of social and economic relations. One of the strongest manifestations of this is the considerable change in the relations between the government and the economy as part of the search for scientific bases and practical directions for improving such relations for every concrete period of the country's development. Management is a dynamic category and the methods, elements and principles of government regulation applicable to all stages of market transformations of the economy cannot be fixed for good. The direct government regulation of telecommunications sector operations in Uzbekistan can currently be characterized into two types:

Price regulation, prescribing enterprises to conclude transactions at regulated prices. Price regulation can be in the form of directly setting prices (tariffs), establishing formulas and rules for pricing, and establishing price floors and ceilings for all types of transactions, for certain groups of consumers or groups of telecommunication services providers.

Non-price regulation includes establishing mandatory requirements for entrepreneurs with regard to methods of organizing or running businesses, and technical requirements for equipment used, place and time of operations, output volume and so forth. Controlling and supervisory authorities are also important components of non-price regulation.

Taking into consideration these forms of government regulation the article consists of two parts.

1. Pricing Policy and Improving Methods of Tariff Fixing for Telecommunication Services

The process of strengthening the financial state of the telecommunications sector includes primarily the improvement of pricing policy. A reasonable tariff policy is a very important and complex problem, especially in transition countries. Wise tariff policy is important both for the sector and for the economy in general, as an efficient structure and level of prices for telecommunication services significantly contributes to the stabilization of the economy, as well as expanding the taxable base and generating additional revenues. Tariffs and other types of prices are the basis of income for covering the current expenses of enterprises and for profit generation, necessary for establishing social consumption funds and the social development of work teams, and for generating cash for investing in the modernization and development of the network. An insufficient level of tariffs leads to unprofitability for enterprises and their unbalanced development, and impedes the formation of telecom market infrastructure, as well as resulting in a lack of funds for the development and implementation of new types of services and information technologies.

Under the circumstances, the development of a sound tariff policy is important both for the financial stabilization of telecom service providers and for determining their market value, which is a key indicator for potential investment. The objectives of the telecommunication sector should be met while taking into account the interest of outside investors and their potential risks.

Another priority in pricing policy in the sector is setting up equal conditions for all telecom market players. In other words, the major principle of the tariff policy on the national market of services available to all should be the equality of tariffs for similar services with similar quality, eliminating distinctions between types of subscribers.

Despite some achievements, the current government tariff policy has a number of problems and shortcomings, primarily in the method of determining tariffs.

Governments of most countries recognize the necessity of government regulation of tariffs for telecommunication services due to the following key factors:

1. Despite market liberalization and privatization, the monopoly and dominant position of single operators will remain for some time.
2. New telecommunication operators cannot create an alternative primary telecommunication network to compete with former monopolists. Under the circumstances, government regulation of prices is necessary to ensure new operators the possibility of rendering competitive services to final consumers; and
3. Government focus is on maximum coverage of the public and organizations, despite possible losses.

These factors call for a clear definition of universal services subject to tariff regulation. Under the current definition, they include: access of users to the public network, local calls, national and international long-distance calls, telegraph services and so forth. We believe that such a definition is methodologically inaccurate and one-sided and therefore does not allow the proper fixing of tariffs for universal services. From our standpoint it would be necessary to clearly define two groups of universal (essential) services:

1. Universal services which are profitable for the operator due to the first two factors.
2. Universal services which are unprofitable or loss-incurring for the operator.

Therefore government regulation of tariffs should consist of two major areas:

1. Limitation of excess profit generation, when excessive prices for services could be established due to monopolistic elements in the market and the dominating position of single operators.
2. Compensation of losses for the operators providing unprofitable universal services, when they apply tariffs under the cost of the provided services to implement the third factor, addressing social and budgetary policy as well as the development of competition in the sector.

These particular approaches should become the basis of the tariff regulation mechanism in the telecommunication sector of Uzbekistan. However the second area of government regulation of tariffs, related to the compensation of losses for operators providing services below cost, with the objective of maximum coverage of the population, is not applied in Uzbekistan. The national operator UzbekTelecom incurs considerable losses due to current loss-making tariffs. This is related mainly to providing telecommunication services to remote rural areas, providing benefits to certain categories of the population, applying economically unsound tariffs on subscriber fees for the population, and so forth. In fact, losses incurred by the operator due to understated tariffs should be compensated by the establishment of a special mechanism. It would be useful to consider the recommendations of TACIS experts' that the main burden of rendering universal services should be on the dominant operator.

All this, in return, calls for addressing the following tasks: the legislative definition of loss-making services, the development of a mechanism for compensation of losses from rendering such services and the determination of sources of funding for such compensation; the determination of the dominant operator (operators), and their provision with concrete licenses for providing such loss-making services; the exclusion of international telephone calls from the list of universal services.

The reason for excluding international calls from the list of universal services is the following: including them in the list of universal services does not allow for a prompt response to the negative balance in settlements with international operators which occurs when outbound traffic increases over inbound, which negatively affects the financial standing of the telecom operator and reduces hard currency inflow into the country. Needless to say, settlements between countries for international phone calls are made on a mutually beneficial basis and according to international prices in line with market principles. That is, that in principle, tariffs for such services may not be regulated. Therefore the artificial suppression of prices with the aim of providing social protection to the low-income population has no grounds. The majority of customers using international communications are businessmen who don't need social protection.

The next problem is related to methods of calculating tariffs for telecommunication services. Until 1991 the country practiced a policy of centralized fixing of universal stable tariffs, based on estimating the average costs for the sector and the normal rate of return, which reflected outdated command and administrative methods of economic management. Significant progress in improving tariff policy has been achieved since Uzbekistan gained independence, however some barriers still remain and current pricing policy is not fully adequate for a market economy. The stage-by-stage implementation of market mechanisms in the country calls for the development and implementation of new methodological approaches to tariff policy and for the improvement of the system of settlements between operators for mutually provided services.

International practice suggests that depending on the degree of market liberalization and market mechanism development there are various methods of fixing tariffs for telecommunication services . They include administrative methods or "decree" tariffs, tariffication based on average costs, the cap price method, the free market prices method and tariffication based on maximum costs or prices. In general they can be divided into the following three groups:

– Direct regulation of tariffs by government agencies;
– Regulation by the establishment of a Maximum Rate of Return; and
– Price Cap Method.

Table 1 illustrates which methods from the above are used by countries worldwide.

Table 1.1. Method of Tariff Regulation by Country[1]

Country	Method of tariff regulation
France, Germany, Greece, Ireland, Denmark, Sweden and other EU countries	Price Cap Method
Finland, Costa-Rica, Estonia and Switzerland	Tariffs are not controlled
Portugal	Price Cap Method including cellular services
Spain, Thailand, Russia, Uzbekistan	Direct government regulation
UK	Price Cap Method, including connection services
Argentina, Australia, USA, Mexico, Armenia, Latvia, Azerbaijan, South Africa	Price Cap Method
Korea, Syria	Rate of Return Method

Direct regulation of tariffs by government agencies basically covers the first two methods, well-known in Uzbekistan. At present, the method based on average costs is practiced in Uzbekistan.

A considerable shortcoming of the existing method of tariffication in the country is that there are various levels of tariff approval and this results in incomplete calculation and allocation of costs according to services.

Calculations to a great extent are the result of a subjective approach to cost allocation, as they are not based on efficient standards on the number of staff, time allowance and necessary initial data on load for networks and so forth. As a result of calculations based on current methodology, the costs of a small number of services are established, over which all the expenses of the enterprise are allocated. This leads to a situation in which, as a result of cost allocation based on output costs of some services, there is no basis for justifying tariffs for other types of services.

Another shortcoming of the current method is that telecom operators basically have no incentives for increasing efficiency. In other words, this method unintentionally encourages the overstating of the costs of universal services by transferring costs from unregulated activities to regulated ones.

The selection of a scientifically justified method of tariffication primarily requires the establishment of objectives, tasks and principles of government policy for telecom tariffs regulation.

The objective of government regulation of tariffs for telecommunication services under the conditions of the existence of a natural monopoly is the formation of an adaptive system of tariffs ensuring the maximum satisfaction of public needs for telecommunication services based on matching the economic interests of final consumers, telecom operators and society in general. The essence of the objective is to logically determine the principles of improving the system of tariff regulation. Given the specifics of Uzbekistan, the most important principles include:
First – ensuring break-even or profitable operations of enterprises providing services at regulated tariffs. In other words, the tariff should include an average-weighted rate of return, sufficient for business development, in addition to output costs;
Second – ensuring the availability of telecommunication services for consumers, i.e. taking into account solvent demand of individuals and legal entities. To implement this principle it is necessary to establish tariffs which satisfy the priority needs for telecommunication services of the majority of individuals and legal entities. The drastic increase of tariffs for telecommunication services results in a decline in the consumption of the services and estimated incomes;
Third – liberalizing and ensuring the investment attractiveness of the telecommunication services market; and
Fourth – phasing out cross-subsidization.

The authors have substantiated the necessity of the step-by-step implementation of the Price-Cap Method in Uzbekistan. This method was used for the first time in regulating British Telecom prices in the UK and at present is the prevailing form of price regulation in the EU and other developed and developing countries. This method is based on establishing a ceiling or Price Cap on telecommunication services for a period from 3 to 5 years. The method's benefits include:

– it encourages operators to increase efficiency of operations: if the actual efficiency is higher than the estimated one, the operator receives additional profit within the remaining period of Cap Price index validity;
– telecommunication agencies gain incentives for implementing new resource-saving technologies, resulting in cost-saving;
– the mechanism of transferring costs from non-regulated services to regulated becomes unnecessary;

[1] L. Reiman, Improving the System of Government Regulation of the Telecom Sector, St. Petersburg, 2000, page 82.

– operators lose interest in the excessive investment and overstating of current expenses; and
– the Price Cap method is easy to implement, and establishing a Price Cap index does not require considerable costs from the government.

However, applying this method under imperfect competition may result in the emergence of unjustified possibilities for excess profit-generation by monopolists or dominant operators.

The next area for improving the government policy of tariff regulation is the need to considerably improve the procedures for determining, establishing and controlling the performance of tariffs for telecommunication services in Uzbekistan. Given price liberalization requirements and the reform of the sector, it would be necessary to further strengthen the role of the UzASI and improve its management capacity for regulating tariffs. This implies the step-by-step exclusion of basic electronic and mail communication services from Article 4 of the Law of the Republic of Uzbekistan On Natural Monopolies dated April 24, 1997. This approach is primarily dictated by emerging competition in the telecommunication sector, as Uzbektelecom is no longer a monopolist by many development parameters. The process of establishing tariffs for monopolists and natural monopolists should be adjusted by:

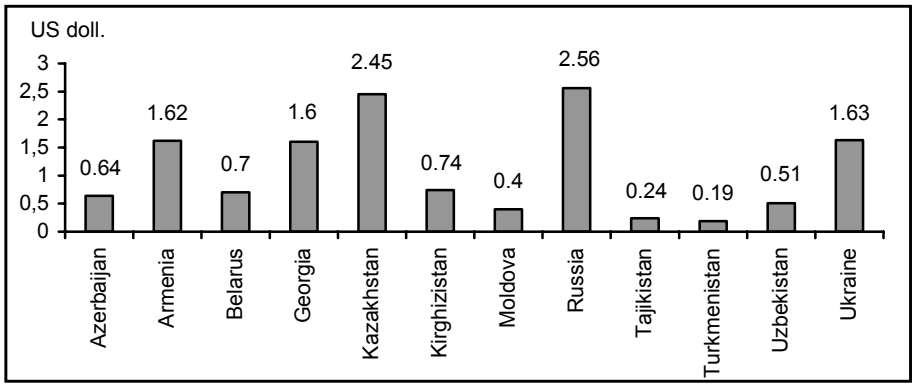
– reducing the number of universal (essential) services regulated by the Ministry of Finance, leaving only services related to the social and fiscal policies of the government; and
– phasing out the procedure for approving tariffs by the Ministry of Finance and assigning to UzASI the function of price regulation for the telecommunication sector.

As a result of the implementation of the above proposals, the role and independence of the regulator in the telecommunication sector should be strengthened and the procedure of tariff adjustment for universal services and inter-network connections should be simplified. Including in regulated tariffs the required rate of return sufficient for future investment, in addition to covering costs, will increase the attractiveness of the sector for investors and create opportunities for further development.

Excluding the general use of electronic communication services from the purview of natural monopolies will allow operators and providers with a small market share, for instance, STS lessees as well as other small and medium businesses, to establish tariffs on the services provided for free. At the same time, Uzbektelecom, being a dominant operator in the market, would report to the Ministry of Finance only the tariffs for universal services. Tariffs for other services in line with the Law On Telecommunication Services dated August 20, 1999 would be established on a contractual basis.

Nonetheless, the major problem of pricing policy in the sector is related to the economically unjustified low level of effective tariffs. At present, many tariffs for popular services (specifically local calls) do not cover the costs of their provision and do not sufficiently compensate the costs of renovation and technical modernization and development. The existing level of tariffs is very low, and therefore does not allow operators to make settlements with foreign companies for equipment which has already been supplied and used.

Graph 1.1. Subscriber Fees (for households) by Country



Analyzing the level of tariffs for fixed local phone communications by country, the authors have come to the conclusion that tariffs for access and subscriber fees in Uzbekistan are lower than in a number of CIS countries (Graph 1.)

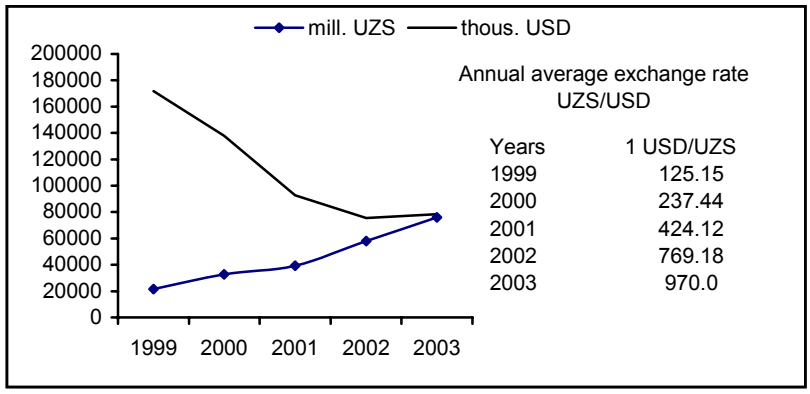
Due to a shortage of funds, repair work on lines and cables is not done, and expenditures on important items are artificially low. In an environment of perfect competition, market prices (tariffs) should cover the required level of capital expenditures and operation costs and ensure an acceptable level of rate of return on invested capital. When the tariffs are regulated by the government these requirement should be taken into consideration in the process of tariffication.

To implement the above requirements the following is proposed: ensure considerable increase in the tariffs for universal services; develop a mechanism of cost reimbursement for local operators providing telephone

services for certain types of subscribers on beneficial terms; and increase efforts to phase out widely practiced cross-subsidization.

National currency exchange rate fluctuations have also negatively affected the financial state of telecom operators. In 1999-2003 the USD to UZS exchange rate increased almost by 7.76 times. This resulted in a considerable gap between income in UZS and USD terms (Figure 2), and this did not allow current expenses to be covered while simultaneously repaying international loans. However, the positive trend is that this gap is decreasing due to the anti-inflation policy of the government and the implementation of measures aimed at establishing free convertibility of the national currency.

Graph 1.2. Revenues of AK "Uzbektelecom" from Basic Activities (without VAT)



2. Licensing the Operations of Telecommunication Market Participants

The most important non-price method of government regulation is granting licenses to businesses engaged in certain types of operations. The current legislation of Uzbekistan defines a license as the "permission (right) for conducting the licensed type of operations, with obligatory compliance with the license requirements and conditions granted by the licensing agency to a legal person or an individual."

A fair and objective licensing procedure creates robust conditions for entry of new players into the market and fair competition. Another important feature of licensing is that licenses legally bind the obligations of every license holder to create general networks for the benefit of society in general and ensure equal access to them.

The necessity of licensing in the telecommunication sector is stipulated by the following factors:
– The natural limits of the network resource and the accessible range of frequencies used for data transmission, number capacity and address space in global networks;
–The dual function of communication systems: to satisfy economic needs and to ensure national security;
– The need to maintain established requirements to the level of the professional skills of the employees of the telecommunication operators;
– The need to ensure the integrated certification of telecommunication equipment;
– The urgent need for timely, complete and high-quality satisfaction of the economy's demand for telecom services in order to ensure the well-being of the country and the development of its social and economic system;
– The need to regulate the services market and effect antimonopoly legislation; and
– The need to ensure the coordination of operations of economic entities in the telecommunication sector as well as to control their operations.

The regulation of the telecommunication sector of Uzbekistan through licensing has a number of specific features of historical, social and structural-economic character.

First. The stages of social and economic development of the country determine the specific conditions for the formation of the economy, competition, and requirements for the regulation of business operations in various sectors. During the transition from a command-administrative system to a market economy, there was a need to maintain the existing network, to determine and regulate its configuration and technological development, to encourage competition and to establish conditions to attract investment. Therefore at this stage the licensing of design, building, operation and providing network services was practiced.

Second. A distinctive feature of licensing in the telecom sector is the existence of a natural monopolist. On the basis of licensing, i.e. developing schemes of regulatory institutions, the conditions for the elimination of the monopoly and the development of competition are determined.

Third. Another specific feature is the necessity of providing so-called universal services. These services are socially significant. Regulation of universal services is made through licensing, when the dominant telecom-

munication operator is obliged to provide universal services on the territory of Uzbekistan. Universal services envisage the need for the uniform regulation of tariffs for such services and this is also reflected in the conditions of licensing activities of telecom operators providing universal services.

Fourth. Considering the importance of the telecommunication sector for national security and economic independence, as well as the need to ensure consumers' rights, license holders are controlled by government agencies to ensure their compliance with the license agreements.

Therefore, based on the above, the objective of government regulation of the telecommunication sector is to satisfy the demand of the economy for high-quality services by encouraging leading operators and others with sound development potential.

The efficiency of the licensing process is the most important issue in licensing theory. We agree that it is critical to run a cost-benefit analysis and to propose methodology for its assessment.

The major effects of licensing are: selective access to licensed operations; bolstering the responsibility for violation of standards referred to in the licensing terms; use of information obtained in the process of licensing by the government; use of proceeds from collecting licensing fees; the limitation of competition and the enlargement of market structure. The first four effects could be defined as objectives for the justification of licensing.

The main problem of licensing in the telecommunication sector of Uzbekistan is related to the costs incurred by both market participants and society in general due to the limitations of licensing as a form of regulation. The licensing costs for economic entities include getting the license, complying with the terms of licensing and communicating with the regulatory agency in the process of operations.

In turn, society also incurs costs related to the limitation of the number and quality of services available on the market, the increase in prices resulting from the restriction of competition, as well as the slowing or ceasing of innovations and the introduction of new technologies and new products.

It would be necessary to find an optimal regime for this regulatory method, ensuring maximum satisfaction for all the parties concerned. It is important for the general methods of licensing and the role of the government to be adequate for the development stages (liberalization) of the telecom market. The toughest system of licensing is characteristic of the stage with high market monopolization. At the present stage of telecommunication market development we would list the tasks of license typification, determination of rational license issuing (cancellation) procedures and optimization of payments for license issuing as the most topical ones. The most important task in improving license regulation of the telecommunication sector is the development of concrete standards of conditions and obligations based on the structure and volumes of granted rights.

Another problem in the organization of licensing is related to the classification of operations of license applicants. This classification should be based either on territorial (local, national long-distance and international long-distance) or technological (data transmission networks, radio) principles. However, the ongoing network convergence process is making its impact as modern technologies allow the combining of transmissions of various types of data within one technological system for any distance. Therefore applicants should decide which types of licenses they may need, or maybe all of them. The prospect of obtaining many licenses is the less desirable option due to higher costs.

A similar problem has emerged with the development of new types of activity in television broadcasting. Technologically, such networks can be built on the basis of air broadcasting or cable networks. The task is to provide regulations and standards for such types of operations, define requirements for such operations and study the possibility of their licensing.

Estimating licensing fees is also a considerable problem. Current rates of stamp duty are differentiated based on the type of operations and telecommunication network. However the scale of operations is not taken into account.

Many license requirements and terms are still not differentiated in Uzbekistan. For instance, the license agreement of a telecommunication infrastructure operator should differ (considerably) from the agreement with a service provider. License agreements should contain positions which actually exist in practice, rather than just being declared in regulatory acts, without practical implementation, as is now the case. The most acute issue is the access of data transfer network operators to international information networks and the

necessity of organizing the national traffic of the data transfer network – there are no documents on them, but such requirements are included in agreements.

The licensing of many new specific types of activity is established only after their launching, creating another problem. This refers to IP telephony, global satellite communication services and so forth.

In an effort to achieve developed market relations it is necessary to follow the principle of a gradual reduction of government regulation and interference in the business operations of economic entities. The ultimate result of this regulation should optimally be minimal regulation of licensing relations. However the authors believe that the transition from government regulation to market should be made gradually by applying methods more close to market regulation. Therefore it would be practical to consider the following alternatives to licensing, widely practiced in foreign countries: general control and law enforcement; informational regulation; license auctioning; and the alternative (mandatory) insuring of the responsibility of telecom market participants.

At present a focused formulation of the objectives and structuring of the tasks of government licensing of telecommunication services is required, taking into account licensing guidelines and ensuring a match between the economic interests of final consumers, telecom operators, the public in general and national security. The existing procedure of licensing of the telecommunication sector should be transformed as soon as possible, and the ways of rationalizing the licensing mechanism should differ based on the stage of development (liberalization) of the telecommunication services market.

To improve the licensing mechanism it would be expedient to divide licenses into general and individual categories, and conduct their typification according to the characteristics of the type of services, communication standards, all-inclusiveness, geography and time.

The further improvement of telecommunication sector regulation should envisage designing the mechanism of step-by-step transition to alternative methods of licensing. The authors believe that the most progressive and acceptable method for Uzbekistan would be the alternative insurance of participants in the telecommunication market.

2. Internal and External Factors for Sustainable Development of Water Users' Associations in Uzbekistan

By Sandjar Djalalov,
Center for Effective Economic Policy and
Masahiko Gemma, Waseda University

INTRODUCTION

Uzbekistan is situated in an arid zone, and agricultural production in the country without irrigation is impossible. The role and the importance of irrigated land cultivation are illustrated by the following figures: products from irrigated land contribute 60% to the gross agricultural product; irrigated crop production makes up 20% of the national income; the share of the value of irrigational facilities accounts for as much as 20% of the fixed assets used in the national economy; approximately 17% of electricity is used in agriculture; and irrigated agriculture provides employment for about 30% of the total working population in Uzbekistan. Apart from favorable climatic conditions, there are sufficient labor resources due to the low migration of the rural population, which has traditional skills in agriculture and centuries-old experience in irrigated crop production.

In the near future, the shortage of water for agriculture will increasingly constrain economic development. The reasons for this are as follows: increasing shortage of water resources caused by interstate distribution; reduction in irrigation capacity of Aral basin rivers due to global changes in climate; human impact on the environment; quality of water; salinity of irrigated land and inefficient use of water and land resources.

The present system of water utilization in irrigational agriculture results in considerable losses at all stages of water flow, from water intake, irrigation in the fields and overflow disposal. The loss rates vary according to the type of construction of water supply, overflow disposal system, irrigation method and watering technique, as well as organizational, economic and other factors.

Attempts to introduce fees for water utilization and self-supporting relations during the Soviet period, with neither institutional changes at the farm level, nor privatization or liberalization of the marketing system and financial resources, were doomed to failure. After disintegration of the Soviet Union, under the influence of the technical assistance provided by international organizations, new institutional structures were created at the level of farms: Water Users' Associations (WUA).

The objective of this study is to analyze the external and internal factors which influence the sustainable development of Water Users' Associations in Uzbekistan, draft policy recommendations to improve the internal structure of WUA and determine the other possible aspects for further research on WUA. We have conducted interviews in four regions of Uzbekistan and used quantitative and qualitative methods as the research methodology. The regions covered include Jizzakh, Sirdarya, Bukhara and Tashkent regions, which represent various natural/climatic and economic zones of Uzbekistan.

BACKGROUND

1.1 Water management on a farm level

Irrigation and irrigated agriculture in Central Asia have evolved over thousands of years. Before the revolution, the characteristics of water utilization and procedures for water distribution varied substantially depending on local conditions. However, all different types of water distribution complied with certain basic principles. This paper is not aimed at providing detailed description of water distribution but it is necessary to emphasize that water management was based on the following important principles of shariat and other national traditions:

– Water from unlimited sources is a public property;
– Water contained in reservoirs constructed by individuals belongs to them in accordance with their property rights.
– The sale of water without land is prohibited;
– When water shortages arise, water is allocated evenly through irrigation channels;
– Water is allocated either by share or by turns;
– Each water user should participate in the repair and maintenance work of irrigational systems.
– Water utilization is based on the principle of self-management. Special managers, who are paid in kind, are selected by population to monitor the proper operation of the main and secondary irrigation channels. Every water user has to contribute his or her labor to the operation and maintenance of the irrigational facilities.

During the Soviet period, the ancient relationships and customs were eliminated and replaced by a centralized system of water management. After expropriating all land and establishing Soviet types of farms – kolkhozes and sovkhozes – a new type of water services were offered, which became a part of collective farms.

The structure and functions of existing institutions, which result in a lack of incentives for individuals, are not likely to achieve efficient water distribution and operation of the system. Private farmers' evaluation of irrigation services quality in the Jizzakh region (2002) was not particularly impressive. Only 3.5% of farmers chose to give them an excellent mark for the service quality, 31.5% of farmers marked good, with the biggest share of farmers, 35.1%, being merely satisfied with irrigation services provided. However, 27.7% of respondents were not satisfied. The level of satisfaction with irrigation services provision varies by region and type of farming. Evaluations correlate with the characteristics of water allocation and delivery time. A survey of different types of farms in the Sirdarya and Bukhara regions shows, that the farmer's satisfaction with this aspect of water allocation is quite low (Table 1). The respondents' answers correlated with the location of farms. Those farmers whose land is located at the beginning of the irrigational facilities are most satisfied, while farmers in the middle or at the end of such facilities are a far less satisfied with the water delivery.

Table 2.1. Rating of Satisfaction with Water Delivery Arrangements

	Agricultural Cooperatives (Shirkats)		Private Farms	
	Bukhara	Sirdarya	Bukhara	Sirdarya
Entirely Satisfied	12%	21%	4%	38%
Somewhat Satisfied	51%	9%	46%	24%
Somewhat Dissatisfied	35%	27%	34%	23%
Entirely Dissatisfied	2%	40%	11%	14%
Difficulty Answering		3%	5%	1%

Source: Sirdarya and Bukhara farm survey results 2003.

Farmers' ratings usually depend on the timely delivery of sufficient amount of water to their fields. To help achieve this, it is necessary to provide incentives for more efficient water utilization under conditions of water shortage by establishing Water Users Associations (WUA).

1.2 Founding and Operation of Water Users' Associations (WUA)

The first WUAs began to appear in Central Asia in 1996 in Kazakhstan and Kyrgystan, where the legislation regulating their operation was adopted. In Uzbekistan, where a gradual approach to reform the agriculture was adopted, experiments with WUA began in 1999. However, only since 2003 has the creation of WUA, together with an organization for the basin management of water resources, become part of the state's policy for rehabilitation of irrigation facilities. The creation of WUA as a top-down initiative brought about many difficulties, both internal, caused by farmers' misunderstanding of the new institutional structure, and external arising from legal, economic and social environment in which the WUA should operate.

The main objective of WUA is to unite farmers for the common maintenance and operation of irrigational facilities, hydro-technical installations and constructions, and for regulating water resources utilization and other irrigational operations.

The WUA is a legal entity acting on the principles of complete financial independence, responsible for the consequences of its operation and for the fulfillment of its obligations in relation to state water organizations, founders and other institutions.

The main functions of the Water Users Association are as follows:
–Develop relationships with water management organizations and other partners for concluding contracts;
–Provide initial accounting of water and control over water consumption by Association members;
– Arrange water collection, water distribution and draining of water in compliance with the terms of a license for the right of water consumption, and approve norms, plans and limits for water consumption and contracts on water supply;
– Provide technical servicing and maintenance of the irrigation systems of farms and other water users incorporated in the Association, and of special buildings and constructions located within those irrigation systems.
The main advantage of WUA in comparison with state-owned organizations is provision of more efficient water supply services, and achievement of adjustments in design and construction of irrigation projects to meet local needs. In quantitative terms, this results in an expansion of irrigated areas, higher yields and increased income for farmers. One of the main, quite important, factors is a reduction of the government's financial burden and even a reduction in the environment pollution.

2. Internal Factors Affecting WUA Sustainability

2.1 Demand and Supply for Water at the Farm Level

After achieving independence, Uzbekistan made several attempts to improve the institutional structure of water management, however, no major changes resulted. Survey findings in Sirdarya and Bukhara regions

showed insufficient water delivery. Farming in Sirdarya region is mainly based on virgin lands with a permanent water shortage, particularly at the end of irrigation systems, which kept state production targets from being fulfilled. Many agricultural enterprises did not receive enough water, nor was it delivered on time, although private farmers claimed that they received better and timely delivery of water than farmers from agricultural cooperatives (Table 2). This is likely due to much smaller sizes of their fields and satisfying their demand for water resources relatively easily.

Table 2. Irrigational Water Delivery to Private Farmers' Fields

	Agricultural Cooperatives (Shirkats)		Private Farms	
	Received Enough Water	Delivered on Time	Received Enough Water	Delivered on Time
Bukhara region	71%	70%	63%	26%
Sirdarya region	29%	29%	62%	58%

Source: Sirdarya and Bukhara farm survey results, 2002.

The survey findings in Tashkent region (2003) indicate that the coefficient of water consumption is determined by the relationship between planned and actual water supply. Water supply depends on the type of crops. Analysis of water demand and supply of WUA "Aganai" shows that in 2003, agricultural crops such as vegetables, potatoes and maize, oriented to market or for self-consumption, received water in the amount sufficient to meet the demand for water. Cotton and wheat, state order crops, received 50-75% of their needs for the water, and the lowest supply was observed in the irrigation of kenaf – 20-30%.

2.2. The Interests of Farmers in Creating and Participating in the Operation of WUA

As noted above, the state authorities have acted as the initiator of establishing WUA. This corresponds to the model, accepted in Uzbekistan, of implementing reforms when the state carries out the reforms and monitors them. It must be noted that almost all respondents were happy with old system having been phased out and replaced by a new structure which, according to many parameters, is reminiscent of the system of water relations that existed before collectivization.

The basic incentive for ensuring the participation of farmers in managing water utilization is realization above average profits from irrigated lands. The findings of a survey of farmers designed to rank the effectiveness of incentives is presented in Table 3 below.

Table 3. Ranking the Incentives for Farmers to Participate in WUA (%)

Incentives for Farmers	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	No answer
Increased yields and higher profits from farming	26.9	5.7	47	0.7	0.1		19.6
More efficient and guaranteed supplies of water (improvement of water supply while farmers take responsibility for the maintenance of systems and water distribution, provides a long-term incentive for farmers)	39	38.3	2.5	0.7	0.4		19
Quick resolution of conflicts associated with water, which can arise among farmers, and between farmers and water supply organizations (reduction in costs and social tension associated with resolving disputes)	12.4	36.1	27.6	3.5	1.2	0.1	19.2
More functions conferred to farmers (farmers are allowed to participate in the process of making decisions on issues which have impact on their welfare and operation, such as taxation and determining water charges, schedules for water allocation, concession and revocation of legal rights for water)	1.9	1.3	1.3	67.4	6.5	2.1	19.4
The potential for technical improvement of the irrigation and drainage systems and improvement in provision of irrigation services	0.7	0.3	0.8	6.9	68.7	2.9	19.4
Cost savings by eliminating unnecessary physical constructions (farmers, who know local requirements well, can help in the development of higher quality irrigation construction projects)	0.1	0.1	0.4	1.1	3.6	66.8	27.4

Source: Private farm survey in Jizzakh region (2003)

According to the survey findings there were no general meetings of the WUA for the next six months after the meeting for setting up the WUA and electing its chairman. In cases of water shortages or conflict situations with their neighbors, the farmers brought up the problem directly with the chairman. The participation of farmers in the operation of WUA was limited to practical aspects of water waste or water utilization issues only. Due to a lack of information, or other more serious problems, the farmers were not interested in the future prospects of WUA's operation or the structure of the association. One of the functions of WUA is training of water users. Before independence, inter-farm seminars introduced collective farmers to the latest achievements of science and engineering in the area of irrigation and drainage. Sociological research indi-

cates that such seminars are no longer being carried out, due to a lack of resources. The WUA chairmans' indicated that there is a need to arrange seminars geared towards more detailed study of the objectives and functions of WUA members.

2.3 Election of Chairman and Management of WUA

According to the WUA charter, the WUA chairman is appointed by election. In all three associations included in the survey, the former chief hydraulic engineers of farms were elected as the WUA representatives. It should be noted that the elections were open and were carried out on a democratic basis.

The choice of the chairman is the most important factor for the future development of WUA. The chairman should have authority, possess managerial abilities and understand various aspects of water resources management on a farm level. The research carried out in the Jizzakh area indicates that the farmers have various opinions, and to the question "Who should be elected as the chairman of WUA?" farmers answered as follows: 16.2% of the respondents recommended the chairman of the collective farm; 14.5% of the farmers suggested an "aksakal" (a respected elderly person) for the position; 35.1% nominated the main collective-farm irrigator and 10.2 % recommended others.

The daily operation of WUA is carried out by staff of the employees including main hydro-technicians, bookkeeper and secretary. The standard workload for a hydraulic engineer is 500 hectares of land. The functions of the WUA have basically remained the same – water allocation and maintenance of drainage systems– except for a new function: payments for water resource services. In a typical situation that requires additional engineering and qualified experts, the WUA can contract different organizations. The survey has shown that the majority of the farmers evaluate the work of WUA as satisfactory.

The WUA has the status of a non-profit-making organization that does not have the right to profit from providing services to organizations. The basic sphere of its activity should remain at the level of a community farm. However, in conversation about financial stability, the chairman of WUA "Aganai" emphasized the benefits of providing commercial services to population and organizations. The basic factor keeping WUA from expanding its operation is a lack of funds of members to pay membership fees and dues for the services.

The research (Kai Wegerich, 2000) conducted in the field identified that opinions of former heads of collective farms and state farms in making water management decisions dominate. The research carried out in Tashkent region confirmed the importance of their role in the operation of WUA; at the same time, this group was supervised by the WUA's chairman and many actions resulted from joint decisions.

2.4 Resolving Conflicts

Disputes arising out of water usage usually arise as a result of water shortages. In a wet year, under conditions of sufficient water supply, conflicts do not arise and water is allocated equally among farmers. In a dry year, the farmers arrange night watches on their own initiative to guard the water. However despite this, cases of water theft are frequent. The water supply to private farmland depends on the location of the cultivated areas relative to the irrigation system. The closer sowing areas are located to the start of the irrigation system, the greater the water supply; as the distance from the irrigation source increases, water supply falls. The water for farms located at the end of the irrigation system reaches only 50-60% of the required amount, resulting in dissatisfaction among the farmers. Interviews have shown that even in dry years, the farmers located at the start of irrigation system have enough water resources for the irrigation of lands, which cannot be said of the farmers at the end of the system.

Tension usually arises between shirkat administration, which distributes a limited amount of water to private farmers, and those who receive it. Crops of strategic importance for the government – cotton and wheat, the majority of which is produced on land of cooperative farms – have priority in water allocation. According to the findings of the study conducted in the Jizzakh region, farmers themselves resolved conflict situations in many cases. However, a number of cases when farmers did not succeed in reaching a compromise was significantly greater. Under unresolved disputes parties turn to a third party to solve the conflict. According to the survey, assistance in resolving conflicts was provided by a representative of a local water distribution agency in 5.2% of the cases, irrigator of a collective farm in 23.5% of the cases, the chairman of a collective farm in 10.5%, and in 6.9% by aksakals (respected old men in the neighborhood). The absence of a system for punishing arbitrariness or theft of water undermines efforts to use water efficiently.

2.5 Willingness to Pay

In the past, agricultural production on irrigated lands was based on water resource utilization for free and this left an impression on the mentality of agricultural producers that agricultural resources are free. However, according to the survey in Jizzakh region, covering 860 farmers, 99.5% of them agree to pay for water if it is delivered in the required amount and on time.

The basis for WUA sustainability is the financial stability of the organization which depends on timely payment of membership fees. Prior to the creation of WUA, all water users paid a water tax, which was a symbolical sum – 0.11 soum/ m^3. Based on survey findings in Jizzakh in 2000, the costs for irrigation services (at an irrigation standard rate of 6000 m^3/hectare) was about 264 soum per hectare for irrigating cotton and 176 soum per hectare for grain (given the irrigation norm of 4000 sum/ m^3).

Currently in Uzbekistan payment for water utilization is calculated based on by-hectare irrigation services provided by WUA. The cost for irrigation services for surveyed farms in 2003 was 5,615 sum per hectare (approximately 5.7 US dollars per hectare). In all three WUA covered in the study, the chairmen of WUA considered the taxation of the payment for services as a serious problem. Thus the chairman of WUA Karasha mentioned that for the 2002-2003 season, only 15% of the payment for water was collected. The basic reason for non-payment was the delay of payment for grain on the part of procuring organizations.

The sociological study has shown that the farmers will not pay in full for the use of water without liberalization of prices for strategic crops - cotton and grain and the elimination of the state order system. In addition, the lack of measuring equipment makes accurate calculations of water charges almost impossible.

3. External Factors That Have Negative Impact on WUA Sustainability

3.1 Limitation of Water

The limiting factor in the development of irrigational agriculture in Uzbekistan is growing shortage of water resources. There are two main reasons for the shortage of water resources. The first is an inefficient distribution of water resources from Syrdarya and Amudarya rivers in the Central Asian region. Disputes between the Water Management Agencies of the states lying upstream (Kyrgystan, Tajikistan) and downstream (Turkmenistan, Uzbekistan, Kazakhstan) resulted in flooding of significant territory and a severe shortage of water in the agricultural season. The second reason is the waste of water resources in the entire irrigation and drainage system, beginning from the source and including channels of different levels. It is necessary to note that the waste of irrigated water depends considerably on the type of hydro-structure, the presence of lining in canals and channels, and also on organizational, economic and other factors. Currently 20% of irrigated water is lost in inter-farm irrigation systems. The losses within internal farm irrigation systems are much higher in both absolute and relative terms and, according to experts' estimates, they reach 40-50% of delivered water. An additional 10% of water is lost in temporary earthen channels. In addition to losses arising from technical reasons caused by imperfect engineering and land-improvement systems, and deterioration of systems resulting from long-term operation without repair, other reasons for these losses are organizational caused by the indifference of agricultural producers and water users to the economic utilization of water resources.

3.2 Financial Issues

Most private farmers report serious problems in obtaining loans, and delays in payments in general. They especially noted difficulties arising out of restrictions on their access to cash and use of cash. In the past, farmers mainly financed their farming operation from their own sources. They have the impression that the bank loans are inaccessible to them, and even Peasants and Farmers' Association's loan facilities and the Business Fund loan facilities have had little impact. Only 28.6% of the 860 farmers covered by the survey reported having direct access to advance payment arrangements for cotton production and 15.7% for wheat.

According to the survey, 66.7% of private farmers had not applied to a bank for a loan in the past. 30.6% of all farmers in the survey said they did not need a loan, but it is necessary to bear in mind that farmers who took part in the survey clearly did not consider the deferred payment arrangements they had with the collective farms and others as a loan. The other farmers who did not apply to a bank for a loan either reported that bank interest rates were too high (36.6%) that the procedures for obtaining a loan was too complicated (23.3%) or simply reported their lack of confidence that banks would help them (4.4%). Generally, the answer to this question reveals a lack of farmers' confidence toward banks.

89.1% of farmers who actually applied to a bank for a loan failed to obtain it. High interest rates were again cited as a negative factor by 14.6% of failed loan applicants. Other reasons given were that the bank would not grant a loan for a period long enough or that they could not satisfy the bank's requirement for collateral or guarantees.

All but one of the 15 successful loan applicants received short-term loans up to a maximum period of one year. Only 3 of the borrowers were able to obtain their loans without the putting up a collateral, 4 were able to secure third party guarantees and the remaining 8 provided a variety of farm buildings, farm assets and machinery purchased to meet collateral requirements. While the acceptance of the machinery as collateral is

a one step forward by the banks, banks still do not accept a right to sell the crop to be received in the future as a collateral. This indicates a lack of confidence on the part of banks concerning the value of contracts.

4. The Long-term Sustainability of WUA

The establishment of WUAs has social advantages. Associations represent the interests of farmers through the process of democratization and delegation of authority. That social capital is considered to be a substantial benefit despite the difficulty to quantify it. However, the establishment of the institutional structure of WUAs in itself cannot address all problems arising in the transitional period, in which farmers do not receive revenues from their products which reflect their true market values. It may therefore be necessary for the WUAs to receive financial support from the government in the form of subsidies for an initial period.

Long-term sustainability and financial viability are of great importance for the existence of WUAs. Agricultural policy of the government impacts external and internal factors discussed above and these factors determine the sustainability of WUAs. Sustainability is not necessarily based on the principle of self-financing of the organization, which implies an existence without external assistance and resources. In the initial period of their existence, WUAs often receive assistance for their establishment and development. Thereafter they are expected to operate without any help or external interference. In practice, the associations often cannot resolve major problems on their own such as ensuring financial viability. WUAs are not able to operate under conditions of a lack of funds for their operation, which can lead to bankruptcy during the initial period of their existence. Therefore, financial viability is a crucial factor for the sustainable development of WUA. If expenses are to be covered for the most part out of fees from members, it is necessary to keep them at the lowest possible level.

5. Conclusions and Recommendations

The sustainable development of WUAs requires the following: the definition and legalization of the right to water; the determination and regulation of external factors affecting the organization of water utilization; technical training of employees of WUAs; assistance in the development, reconstruction and financing of large scale irrigation projects; and activities associated with the protection of the water resource base.

To ensure the long-term sustainability of Water Users Associations, it is necessary: to create an economic environment for profitable agricultural production; to secure ownership rights to agricultural production and freedom in marketing these products; to liberalize the pricing systems in agriculture; and to provide government support in the form of subsidized loans and tax exemptions to members of WUA at its inception period. A legal basis for water utilization needs to be established, which takes into account new system of production and ownership and changes in the institutional structures in water management including the establishment of WUAs. The legal status of private water users and a legal basis for the right to water need to be established. Related legislation should be drafted which is designed to encourage the development of WUAs.

References:

Kai Wegerich, Water User Associations in Uzbekistan and Kyrgystan: Study on Conditions for Sustainable development. Occasional Paper # 32 Water Issues Study Group. School of Oriental and African Studies, University of London. (2000). 23 pp.

3. Economic Growth, Fiscal Policy and the Results of Quantitative Analysis

Sergey V. Chepel, Marina Katanova
Center for Effective Economic Policy

The goal of any economic policy is to achieve sustainable economic growth. Fiscal regulation plays a considerable role in attaining this goal. While providing governments with the most effective tools for turning economy around in general fiscal policy (compared to other types of regulation), at the same time, carries the risk of aggravating the general macroeconomic situation if erroneous or inefficient decisions are made. Therefore, prospects for economic development depend, to a substantial extent, on the accurate assessment of such risks and the effectiveness of fiscal policy.

The specifics of the mechanisms of the fiscal policy impact on economic growth are that there are a large number of both positive and negative effects caused by policy changes, and the effects themselves may be considerably spread over time. For instance, an increase in real expenditures on health care and education improves the quality of human capital and in the medium-term perspective and facilitates economic growth. On the other hand, if additional budgetary expenditures require an increase in tax rates, then this may cause a decline in the profits of manufacturers and income available to the population. As a result, savings may decline and the investment activity of enterprises plummet. The negative effect on growth may occur earlier than the above-mentioned positive effect resulting from the improvement of human capital. If the increase in the budgetary expenditures is accompanied by an increase in the budget deficit, then in the short-run the most likely implications will be the growth of money supply and acceleration of inflation processes, growth of interest rates, as well as other factors and problems impeding economic growth.

The quantitative assessment of all such effects is complicated by the fact that their multi-vector and diverse nature impacts the specifics of the economy and the government's selected regulatory strategy, determining the uniqueness of the pattern of interconnectedness of the parameters of budgetary and tax regulations with economic growth.

One of the most important issues for transitional economies is the one related to maintaining the optimal (from the economic development acceleration standpoint) balance of budgetary revenues and expenditures, their structure, and the correlation of budgetary and macroeconomic indicators (for instance the share of public expenditures in GDP) with expenditures on individual budget items on a per capita basis. Our article covers one of such important issues inherent in the transitional economy of Uzbekistan.

The stationary nature of the absolute majority of the time series data on the expenditure and revenue items of the governmental budget makes it possible to carry out an econometric analysis and to test a hypothesis on the existence of statistically significant interconnections both within the limits of budget regulation and interconnections with other types of economic policies.

As can be seen from the budget statistics analysis findings, there has been a sustainable tendency of a reduction of budgetary revenues and expenditures over the last 6-8 year period under review. Econometric analysis findings have proven the hypothesis of different sensitivity (vulnerability) of various budget expenditure items to a reduction in budget revenues.

Existing data on budget statistics make it possible to analyze four types of budget expenditures: expenditures on public investments GI, expenditures for meeting social needs (education, health care etc.) GS, social protection expenditures GOTH, and expenditures on public administration bodies GRX. This also makes it possible to derive regression equations for these indicators. The econometric analysis conducted indicates (see Table 1) that expenditures on public administration was the most sensitive to a reduction of revenues in the period under review. The reduction in the growth rates of total budgetary revenues GR by 1 percentage point resulted in a reduction of expenditures on public administration by 2.4 percentage points on average, compared to 1.14 points – for public investments. The least sensitive expenditure items were those designed to meet social needs and social protection. Their elasticity coefficients were 0.79 and 0.88 accordingly. In general this confirms a hypotheses about the social emphasis of the public policy, which promotes the improvement in the quality of human capital – one of the most important prerequisites economic growth as a whole.

In turn, increases in the budget revenues depend on the economic growth as a whole. This is confirmed by equation parameters linking GR and GDP. Each additional percentage point of GDP growth rates increases the budget revenues by 0.45 percentage points.

Similar elasticity exists for the interconnection: income tax ~ average wage. A wage increase of 1 percentage point results in the increase in budget revenues under income tax item by 0.43 p.p. Indirect taxes are more sensitive to GDP dynamics. Changing the taxable base GDP*rVAT (where rVAT – VAT rate in industry) at 1 percentage point changes dynamics INDTAX at 0.98 p.p.

Thus budget revenues and expenditures are closely linked to economic dynamics. Therefore improvement of budget regulation processes is possible only with the acceleration of development in the real sector of the economy, its structural development, and raising effectiveness of exploiting potential factors of economic growth.

A key issue in justifying the indicators of fiscal policy is determining and justifying optimal level of state expenditures at different stages of development. There is a lot of research work done on this.[1] Their primary findings as follows: over sufficiently long period of time there exists a statistically significant negative relation between state expenditures and economic growth. However some scholars regard the reliability of this relation as insufficient.[2] Their main argument is that with the increase in the number of samples (the number of countries analyzed) the explanatory ability of regressions derived drops sharply. Thus if for 24 countries – R^2 = 0.4 then for 166 countries this coefficient drops to 0.041.

The reason for this lies in the heterogeneity of countries used in a sample i.e. the lack of homogeneity. This has been validated in the research by A.Illarionov[3]. He analyzed 46 potential predictors (factors – predictors), determining state expenditures. As a result it was discovered that the statistical homogeneity of samples and consequently the reliability of regressions derived increases considerably when all countries have been divided into 4 categories by population (less than 1 mln., 1-5 mln., 5-20 mln., more than 20 mln.) and three categories by level of development (up to 3 thousand dollars per capita for GDP, 3-9 thousand dollars, more than 9 thousand dollars). Under this classification, Uzbekistan stands in the 4th group (4th category by population and 1st category by level of revenues – the group of large poor countries).

This group includes 14 developing countries and countries with transitional economies. The average level of state revenues in the group is 19.7% of GDP (on consolidated budget), with state expenditures – 24.2% and budget deficit – 4.5%.

The budget parameters of Uzbekistan differ from these average assessments i) by lower level of budget deficit (not more than 1% for the last 3-4 years); and ii) by the higher level of state expenditures and revenues (32-34%).

The equations derived through econometric analysis for each group showed that 3 out of 9 of them are characterized by a positive relation between growth and the size of the state (based on indicators of budget expenditures, as % of GDP). These are the countries with populations of less than 1 mln. For all others, the relation was negative. The fourth group (where Uzbekistan stands) showed the highest level of this interconnection. A reduction in state expenditures by 1 percentage point increased the GDP growth by 0.32 percentage point on average. The research by Russian scientists has also identified the critical size of the state. For the 4th group – this is about 35% of GDP. Any further increase in state expenditures leads to the suspension of sustainable growth and triggers a decline. The important finding of this research was the fact that the relationship between dependence of GDP growth and the size of state expenditures as % of GDP has the shape of a convex curve (see Graph 3.1), i.e. in addition to the critical point there exists a point on the axis of state expenditures where GDP growth rates reaches the maximum point.

For countries from the 4th group this estimate makes up 20-24%, for Russia it is 18-21%. The assessment of the critical points for Uzbekistan was done on the basis of statistical data for the years 1991-2003. A polynomial to the 2nd power was used as an approximating curve.

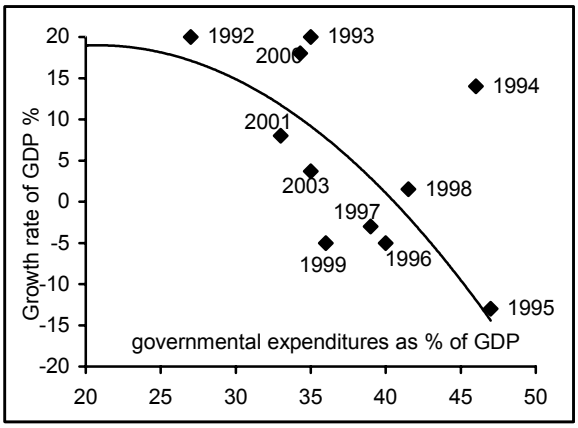
1 Ran, R. “The Optimum Size of the State. What is it? – Belorussia Newspaper, 1998, August 17 // the Budget, Taxation and Economic Growth. – US Congress, Growth and Prosperity Series, 1999 // Veder, R. Twelve measures of state policy in the interests of economic growth. In the book: Ways of economic growth. International experience, 2001 // Beach, W. Why Taxes Affect Economic Growth. Heritage Lectures 1998 // Begg D., Wyplosz Ch. How Big a Government? 1999

2 Abalkin L. “Logics of economic growth” Institute of economics RAN, 2002 // Gavrilenko E. “Quality and quantity”, 2002 #21

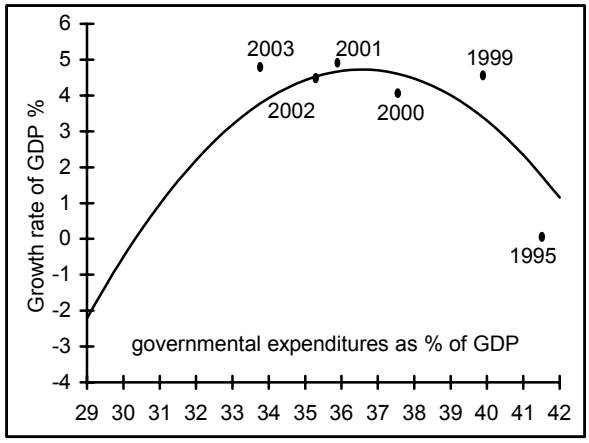
3 A.Illarionov, N.Pivovarova “Sizes of States and Economic Growth”.

Graph 3.1. Size of the State and Economic Growth relationship for Uzbekistan and Russia (1991-2003)

a. Russia



b. Uzbekistan



Source: Article by A. Illarionov, Dimensions of State and Economic Growth, and calculations made by the authors.

GDPt = 8.85 * GE – 0.121 * GE ^2 As can be seen from the diagram, there is a critical level of government expenditures - 43-44%, and there is optimal point of government expenditures– 36-37%.[4] The dynamics of actual expenditures for the last years had a downward tendency and their value in 2003 comprised about 33% of GDP, i.e. the optimal value of this parameter turned out to have been passed. Therefore further reduction of this parameter would contradict the objective of GDP growth rate acceleration, which requires reconsideration of tax reform priorities. The mechanical reduction of tax rates and numerous tax benefits should be substituted with the principles of a more uniform distribution of the tax burden, strengthening the role of direct taxes and rental payments, and maximum possible legalization of revenues generated by small and private businesses in the shadow sector of economy. The emphasis of tax policy should be transferred from the manufacturing sector to the consumption sector, as well as to the expansion of the taxable base, first of all, at the expense of resource payments and market-based assessments of real estate.

The inexpediency of further reduction of public expenditures in the present situation is also supported by the fact that along with the existing level of expenditures one should take into account their absolute value, particularly when converting into a per capita basis. If using direct accounting and the official rate of dollar, then in converting to a per capita basis for 2002-2003, per capita government expenditures from the state budget in Uzbekistan they equaled only USD 120-140 compared to USD 330-400 in Thailand and Turkey and USD 1200-1500 in Malaysia and South Korea. This is an evidence of insufficient budget potential of the country. A further reduction in the share of budget expenditures under the conditions of strengthening the integration processes of Uzbekistan into the world economy would even further reduce per capita governmental expenditures. This could result in a rapid loss of the free medical care and still existing free secondary education, a reduction in the level of pensions, allowances and average wages in state-owned institutions, and would aggravate social instability, aggravate gender problems, reduce the quality of public services, and spark additional instability in society and the economy.

It should also be taken into consideration that the research findings correspond to the specific conditions of the period under review (1991-2003) and the recommendation on the inexpediency of a further reduction of government expenditures is true only for a short-term period under the condition of maintaining current rates and priorities in the implementation of reforms. In the long-term period measures designed to reduce relative budget expenditures should be resumed, along with the increase in the per capita government expenditures in US dollars. The estimate for the 4th group of states – 20-20% GDP, as was shown above – could be used as a reference point for the optimal size of government expenditures.

To overcome the above-mentioned tendencies in budget regulation and to achieve an optimal combination of budget and macroeconomic indicators will require improvement of the tax policy and consistent reduction of the tax burden on manufacturers in non-resource branches of economy and on low-income families. This will also require simplification of the taxation mechanism and establishing equal conditions of taxation, as well as bringing the present tax code into conformity with the generally accepted requirements and standards adopted in developed countries. To achieve this, it is necessary:

4 To analyze sustainability of this parameter we also used some other regressions, in particular regression Eq5 (see Table 1). This differs from the previous equation by the more reliable evaluation of criteria DW, that was achieved by selection of n power with factor GE^n, and also parameters MA(p), AR(q). The findings of the assessment of the optimal level of government expenditures are approximately the same as in the previous one, confirming the sufficient reliability of this parameter.

– to revise the tax legislation and reduce total number of taxes, simplify tax computation methods, bring the tax legislation into conformity with international standards with respect to methods of calculating the taxable base for profit tax;
– the process of establishing taxes for the mining and extractive sectors of economy should be based on the redistribution of the tax burden from manufacturing to extracting and mining industries, while creating necessary conditions for the latter to get the required rate of return;
– indirect taxation should be improved with a reduction of its impact on inflationary processes and a reduction of the tax burden on manufacturing. At the initial stage it is expedient to reduce VAT rates on imported equipment for the period of equipment renewal and modernization for enterprises involved in the intensive processing of local natural resources;
– an introduction of fixed rates of excise tax on tobacco and alcohol products would simplify indirect taxation. It is necessary to carry out a gradual reduction of the list of excisable commodities and to carry out a stage-by-stage unification of excise tax rates on imported products (unified rates of excise tax on imported products belonging to a single commodity group should be established at the initial stage);
– canceling the majority of tax benefits would create conditions for fair competition and restriction of corruption in the tax sphere, would increase the transparency of taxation, would simplify the tax calculation process for enterprises and would facilitate tax control;
– measures should be taken to further stabilize the tax system by introducing laws restricting the frequency of adoption of new resolutions and amendments of by-laws and departmental instructions in the tax sphere.

These measures should be accompanied with a strengthening of the role of local tax collection in the formation of the income base of local budgets. Priority should be given to the introduction of mechanisms for the stimulation of local authorities to strengthen the income base of local budgets. The proportion of tax payments into central and local budgets should be revised. Local budgets should accumulate more payments from indirect taxes, resource payments and other non-tax payments.

Table 3.1. Assessment of Equation Parameters for the Analysis of Dependencies between Expenditure and Revenue Items of the Budget

# of equation in the file Eviews	Dependent variable	Parameters of factors			Parameters of equation			Assessment of reliability of the equation
		Factors	ratio	P-value	Sample	R^2	D-W	
1	2	3	4	5	6	7	8	9
eq1_4	log (GI)- state investments into fixed capital	log (GR) - budget revenues total SEES3 – seasonality factor AR(1), MA(1)	1.14-0.14	0.01 0.25	1997.1-2003.4	0.54	1.88	Unstable
eq1_7	log (Goth)- expenditures on social protection	log (GR) – revenues SEES3 –seasonality factor AR(2), AR(3), MA(2)	0.88	0.04	1997.1-2003.4	0.67	1.86	Stable
eq1_8	log(GRX)- expenditures on public administration bodies	log (GR)- revenues SEES1 AR(3),MA(2)	2.4-0.06	0.06 0.33	1997.1-2003.4	0.75	2.3	Stable
eq1_9	log (GS)- expenditures on social needs	GR-revenues total SEES2 MA(2) MA(4)	0.79 0.028	0.01 0.57	1997.1-2003.4	0.61	2.2	Unstable
Eq 1	log (GR) – expenditures total	log(GDP) – GDP SEES3-seasonality factor	0.45 0.001	0.00 0.09	1997.2-2002.4	0.79	1.97	Stable
Eq 2	log(PIT) – income tax	log(WAGE(-1)) – average wage SEES1 AR(1), AR(4) MA(4)	0.43 0.01	0.00 0.09	1998.2-2002.4	0.90	2.3	Stable
Eq 3	log (INDTAX) – indirect taxes total	log(GDP*rVAT*0.01)-GDP and VAT rates in industry	0.98	0.06	1997.2-2003.3	0.63	2.1	Stable
Eq 4	GDPt – GDP growth rates	GE – state expenditures (in % to GDP) GE^2 AR(1) MA(2)	8.85-0.121	0.00 0.00	1992-2003	0.99	1.0	Stable
Eq 5	GDPt – GDP growth rates	GE-state expenditures (in % to GDP) GE^2.47 AR(1) AR(2) MA(3)	7.69 - 0.014 89	0.01 0.01	1992-2003	0.95	1.92	Stable

Note: all equations (except the last one) are built on the dynamics of correlative indicators used in the form of growth rates; equation stability was estimated according to the value of change of their parameters with exclusion from the sample of 2-3 observations.

4. State Property Management in the Corporate Sector of the Economy of Uzbekistan

R. I. Yaushev, SRI DMR
State Property Committee of Uzbekistan

The world's experience in the area of economic development has shown that there are enterprises with a state-owned share of interest in their statutory capital (hereinafter referred to, unless stated otherwise, as enterprises with a state-owned share) in all countries. At the same time, in various countries, the scale and motives of the state's participation in the economy are different, being determined by a number of interrelated factors, such as the country's conditions, which have formed over many years, the peculiarities of its present-day stage of development, its place in world economic relations, the competitive ability of the national economy, as well as social, economic, cultural and other functions of the state.

In countries with developed market economies, the only argument accepted in favor of state ownership in one or another sphere of production activities is the presence of so-called "market failures", on account of which public benefits and expenses do not coincide with private ones. Such a situation occurs, for instance, in the cases of the monopolization of the market structure, when the goal of profit maximization, pursued by the private owner, leads to additional costs for society in the form of a smaller (as compared to the model of free competition) production output and a higher price for these products. Understandably, even in situations when the market is failing, Western economists seldom advocate nationalization, but at this point it is important to accentuate something else: state entrepreneurship is considered as one of the possible ways of securing the public interest, when it turns out to be "too tough for the market," for whatever reason.

In transitional economy countries, including the Republic of Uzbekistan, where the mechanism of market self-regulation of economic processes has not yet reached its "full swing," state ownership predetermines the functioning of a considerably broader sphere of the economy, in comparison with a country objectively prone to "the imperfections of the market." The existence of state-owned enterprises and economic companies with a state-owned share in their statutory capitals is determined by both objective and subjective circumstances.

The reasons that determine the objective character of the existence of economic companies with state-owned shares and of the state's interest in them depend on the object's characteristics, and consist in the following.

First, the state's interest in relation to the enterprises subject to privatization in the foreseeable future is of a temporal nature, and can be connected with a chosen strategy of sales. A number of enterprises are in need of rather substantial investments in order to restructure their production. The circle of investors in possession of such funds is rather limited, and their selection is technologically complicated and requires a certain amount of time. Therefore, one can consider as a possible preferred option for the development of such enterprises the retention of state ownership of blocks of their shares intended for sale, during the time of the search for appropriate investors by governmental authorities, based upon the programs of structural readjustment of certain enterprises and whole sectors. Roughly the same motivation can be used as an explanation for the attempts of state privatization authorities to hold back blocks of shares of certain enterprises already intended for sale, in expectation of the growth of their quotations on the stock market.

Secondly, as to the other segment of enterprises, the state's interest spreads over the long term, transgressing the bounds of the present reform period, in view of the peculiar role that they play in the country's economy as a whole. This allows the privatization of such enterprises solely by means of their transformation into joint-stock companies with a considerable share of the state's participation. To this category the following can be included: the defense industry and separate financial institutions (from considerations of national security), mining operations, precious metals and gems production, alcoholic beverages production (from considerations of replenishment of the budget revenues in view of the specific character of these highly remunerative types of activities), natural monopolies (power engineering, transport, and communications), as well as a large group of enterprises closely related to them by their sectoral affiliation and their impact on the markets (from considerations of government control of those sectors, whose economic activity in many respects determines the inflationary background of the economy as a whole). As applied to many enterprises, one can speak of the conjunction of all these factors.

As subjective reasons that explain the appearance under market reform conditions of a large number of enterprises with state-owned shares, one can consider the constant conflicts of interest between various bureaucratic structures in the governmental authorities' system, and between some business representatives

and the top management of companies as a result of the process of privatization and its concrete variations. In practice, the motivation for such behavior is reduced to the attempt to maintain an existing situation, whose preservation cannot be guaranteed in case of the full privatization of the enterprises. The outcome of such efforts, as a rule, is a slowdown of the privatization process at the stage of various agreements and the appearance of quasi-private enterprises, over which the state retains its control for the most part nominally.

In Uzbekistan, under the influence of objective and subjective factors, a portion of shares of nearly every joint-stock company, founded on the basis of a state-owned enterprise, has been left – until recently – under state ownership. For joint-stock companies of strategic importance (major electric power plants, chemical industrial complexes, cotton-processing plants, etc.) the state usually owns 51% of shares, while in other joint-stock companies it owns predominantly 25% of the stock. In addition to that, there is a state-owned share in the statutory fund of a number of limited liability companies, which have been founded on the basis of state-owned enterprises.

The appearance of state ownership objects new for the Republic of Uzbekistan – blocks of shares of joint-stock companies and shares in the statutory fund of limited liability companies (hereafter, unless stated otherwise, blocks of shares) has called forth the necessity of creating an effective system for their management. In this connection, the State Property Committee developed and approved on July 1, 1994 the Regulation on the Procedure of Delegating the Rights for the State-owned Share in the Charter Capital of Joint-Stock Companies to Authorized Agencies. In accordance with this document, the right to the management of state-owned package of shares could be delegated by the State Property Committee to investment funds or other bodies authorized by the Committee on the basis of a bilateral agreement. The given bodies were conferred the right to delegate their representative to participate in stockholders' general meetings and in the work of the joint-stock company's supervisory board.

All the packages of shares that were in state ownership have been transferred for asset management to economic amalgamations (associations, concerns, corporations, etc.), founded during the first years of market reforms on the basis of liquidated sectoral ministries. These structures were created in the form of volunteer associations of enterprises with various forms of ownership on the basis of the community of their interests. Statutory funds of the given associations do not contain any state-owned share of ownership.

Later on, a number of previously founded trusts, associations and other economic amalgamations were transformed into holding companies, as well as into state-owned-and-joint-stock and joint-stock companies, which, per se, are also holdings (hereinafter referred to, unless stated otherwise, as a holding company). Statutory funds of these companies have been formed fully or for the most part with state-owned assets (blocks of shares, stakes and property complexes of whole enterprises). These assets were exchanged by the state for the shares issued by the holdings themselves. Therefore, the holding companies, unlike other forms of economic amalgamations founded in Uzbekistan, manage the state-owned assets that have been handed over to them as their own property, rather than as property that has been received for asset management.

The unification of enterprises with a state-owned share – by the homogeneity of their product output, closeness of co-operational relations between then, and other criteria – into sectoral (multi-sector) holding companies characterizes the essence of the Italian model of state property management. It is widely used, besides Italy, in other highly-developed countries with a significant share of the state's interest in the economy (Germany, France, etc.). It has also been widely adopted in countries with transitional economies (Russia, Ukraine, Kazakhstan, etc.). The principal motivation for governmental authorities when founding holdings is the aspiration to limit objects under direct public management, more qualified control over which can be ensured by specially created structures that work on a continuing basis. With such an approach, the issue of management of state-owned blocks of shares of these structures themselves is brought to the forefront.

The Regulation of the Cabinet of Ministers of the Republic of Uzbekistan of August 28, 1998 "On Measures for the Improvement of the System of Management of Joint-Stock Companies" established – for blocks of shares that have not been transferred to the statutory funds of holding companies – a differentiated approach to the organization of management, depending on their size. For each joint-stock company whose proportion of state-owned blocks of shares exceeds 25%, a representative of the state's interests (a governmental agent) is assigned. As to the blocks of shares amounting to 25% and less, they can be transferred for asset management both to legal entities and individuals.

For execution of this Regulation, the managers and responsible officials of governmental bodies (the Cabinet of Ministers, ministries, departments, etc.) were appointed as governmental agents for joint-stock companies which are the holding structures' parent companies and are the largest-scale enterprises of the country that are not part of economic associations (Tashkent Aviation-Production Association, Almalyk Mining Company,

etc.). As to the functions of management of state-owned blocks of shares of joint-stock companies which are members of economic associations, they have remained virtually with these structures. The blocks of shares amounting to 25% and less have stayed with them under their asset management. As governmental agents for the joint-stock companies which are members of economic associations, mainly the managers and specialists of these associations were appointed.

A question might arise: what has called forth the necessity of creating concerns, corporations, associations and other forms of economic amalgamations without a state-owned share of interest in their statutory funds, and the delegation to them the management functions originally by state-owned enterprises, and then, as they were transformed into economic societies, by state-owned assets in the statutory funds of these societies? Firstly, the goal pursued was to avoid the loss of controllability of the economy, as the state was unable – after the liquidation of sectoral ministries – to directly manage an enormous number of enterprises with a state-owned share. Secondly, a correctly chosen form of unification, depending on the tasks which the enterprises are willing to accomplish jointly, opens a number of new opportunities to them, including the improvement of economic efficiency and reduction of costs, a reduction of economic activity risk, a growth of competitiveness, etc. All of this can be achieved thanks to the centralized solution of a number of problems of economic management by the unified enterprises. Therefore, the economic amalgamations had to – in accordance with their charters – facilitate the restructuring and adaptation of the enterprises of which they consisted to the market conditions of economic management; to follow – within their framework – a unified investment, technical and technological policy; to conduct marketing research; and to defend the interests of the enterprises before governmental and other authorities.

However, the associations under review were entrusted not only with the functions of economic management, but also many of them have received from former sectoral ministries some particularly governmental functions (the issuing of licenses and various permits for the conducting of activities, distribution of certain types of production resources in accordance with quotas allocated by state authorities, etc). With the help of these instruments and the state-owned blocks of shares which have been transferred to them for management, the economic amalgamations have established a tight administrative control over the enterprises, including unwarranted interference in their operating activity, and the solution of staff issues at their own discretion, etc.

Even enterprises with an insignificant share of state-owned interest have found themselves under the tight control of economic associations. This was a consequence of the adoption in 1998 of by-laws (a standard provision for the supervisory board of a joint-stock company, a provision on governmental agents at joint-stock companies, etc.), which entitled the manager of a state-owned block of shares to veto decisions of the supervisory board and to suspend the execution of decisions of the shareholders' general meeting at his own discretion, irrespective of the volume of the block of shares.

Thus, as President of the Republic of Uzbekistan I. Karimov pointed out in his speech at the session of the Cabinet of Ministers on July 18, 2003: "Despite the fact that in recent years many of the sectoral ministries were transformed into various economic amalgamations – corporations, associations, companies – command-and-administrative methods still prevail in their work. They have not given up direct intrusion in the economic activities of enterprises, or their direct regulation."[1]

The existence of a large number of enterprises with a state-owned share, without any objective reasons, and the retention in many respects of the old command-administrative methods of management of their activities have become the primary factors that hold back the adaptation of these enterprises to the nascent market relations in the economy. In many of them, restructuring has never been conducted, a full-scale transition to the generally accepted principles of corporate management has never been carried out; and broad opportunities have never been created for the display of entrepreneurial initiative. This has entailed the following consequences: the low investment attractiveness of enterprises with a state-owned share, the low competitive ability of many kinds of products they manufacture, especially in foreign markets; and the high proportion of low-profit and unprofitable enterprises in a number of sectors (machine-building, light industry, etc.).

A number of normative legal acts, adopted within the last year and a half, are aimed at a fundamental review of the attitude to the state's participation in the economy, and at the creation of beneficial conditions for effective functioning of enterprises, including those with a state-owned share. The acts are the Presidential Decrees of January 24, 2003 – "On Measures for a Cardinal Increase of the Share and Significance of the Private Sector in the Economy of Uzbekistan"; of December 9, 2003 – "On the Improvement of the Republic's Economic Management Bodies"; and of December 22, 2003 – "On the Improvement of the System of Economic Management Bodies"; as well as the Resolutions of the Cabinet of Ministers of April 17, 2003 –

1 Newspaper "Narodnoye Slovo", July 19, 2003, # 148.

"On the Program for Denationalization and Privatization of Enterprises for the Period of 2003-2004", and of April 19, 2003 – "On Measures for the Improvement of the Corporate Management of Privatized Enterprises", etc.

These stipulate, first of all, a sharp reduction in the number of enterprises with a state-owned share by means of their complete sale into private ownership. By the beginning of 2005, the number of such enterprises will have decreased, in comparison with the beginning of 2003, by nearly 2.5 times. And this is not the limit. The conception of privatization of state property in the Republic of Uzbekistan for the period of 2005-2007, drawn up by the State Property Committee, stipulates a further large-scale reduction in the number of enterprises with a state-owned share based upon the principle of minimum sufficiency. The presence of the state will be retained only in those enterprises for which it would be impossible to realize the national interests in their activities (regulation of natural monopolies, solution of the tasks regarding strengthening the country's defense capacity, etc.) by alternative means, that is via methods of indicative (indirect) regulation of their activities.

In the given documents a high emphasis was placed on the improvement of corporate management of privatized enterprises, and the increase in their economic self-sufficiency, in pursuance of which:
– those by-laws, according to which the manager of a state-owned block of shares, irrespective of its value, could block any decisions of the supervisory board, and to suspend the implementation of decisions of the shareholders' general meeting, have been abolished. Now the state's agents and trustee managers have the same rights and responsibilities in corporate management bodies as the private shareholders (their representatives);

- a ban has been introduced on the election to a joint-stock company's supervisory board and inspection commission of those persons who work at the company under a labor contract and, therefore, are in direct subordination to the supervisors of its executive body;

- the responsibility and financial interest of the executive body's supervisors in the final results of the joint-stock company's activities have been increased by means of changing the terms of making of a contract with the director (chairman of the board), and establishing quarterly accountability of the executive body to the supervisory board in the course of the execution of the annual business-plan, etc.;

- in October, 2003 the Corporate Management Center was founded, where managers of state-owned blocks of shares, supervisors and members of supervisory boards and executive bodies, as well as specialists of joint-stock companies, undergo training;

- a full-scale transition has been implemented to market mechanisms of providing enterprises with material resources. Economic entities of various forms of ownership were given an opportunity to purchase cotton fiber, ferrous metals, oil products and other highly-liquid types of products on their own, through the network of commodity exchanges and trade-fairs, based on direct contracts with suppliers. As a result of that, as well as owing to the transition starting from October 2003 to the transition to free convertibility of the national currency for current operations, including foreign economic operations, economic associations have lost the distributive instruments of interference in the activities of the enterprises they consist of.

The putting up for sale of controlling and blocking packets of shares of many enterprises, and extending their economic self-reliance, as well as the creation of beneficial conditions for the active participation of private shareholders in corporate management have caused a sharp increase in the investment attractiveness of the Republic's enterprises. While in 2002 the total volume of sale of shares on the stock-exchange market amounted to UZS 41.7 bn., in 2003 it rose to UZS 74.7 bn., and in the first half of 2004 shares worth UZS 52.8 bn. were sold. At the same time, the share of foreign investors in the total volume of transactions for the sale of privatized enterprises' shares has increased from 28.0% to 70.2% and 74.9%, respectively.

Under the conditions of a sharp reduction in the number of enterprises with the state's share and liberalization in all the spheres of the economy, there is no need for having a large number of economic associations with different organizational and legal forms but performing the same functions. Therefore, the Presidential Decree dated December 22, 2003 "On the Improvement of the System of Economic Management Bodies" established the following basic organizational and legal forms of economic associations, which should in the long-run receive preferred development status: joint-stock companies, including state-owned joint-stock companies that carry out economic management of the enterprises they consist of via the blocks of shares of these enterprises which belong to an economic association; and associations, created on a voluntary basis by enterprises-founders in order to render assistance in their activities by means of delegating to them some general functions without the right to manage the blocks of shares of the founder enterprises.

Economic amalgamations in Uzbekistan that have been founded in the form of associations must fill the same functions as similar structures in other countries with market and transitional economies (protection of the rights and interests of enterprises before state authorities and other bodies, rendering assistance to them in the advancement of their products to the world's markets, etc.). At the same time, the associations will constantly have to prove, by the results of their activities, their necessity to the enterprises and provide the justification for the dues they are receiving from the enterprises for the funding of their (the associations') operations.

The associations' release from their functions of management of state-owned blocks of shares is carried out in a number of ways: through the sale of the state-owned blocks of shares into private ownership, the transfer of them to the statutory funds of holding companies controlled by the state, and to professional, private managing companies for asset management.

The transfer of state-owned blocks of shares into contract management to private managing companies characterizes the essence of the American model of management of the given objects of state property. The model is usually applied in countries with an insignificant state's share in the production sector. It is used to a limited extent in countries with a high share of the state's participation in the economy (Germany, France, Russia, etc.). Normally, managing companies receive for asset management the state-owned blocks of shares of only those enterprises, for which the state's interest in their activities consists solely in supplementing the budget with non-tax receipts (in some of the countries, for example, in Germany, commercial banks also acting as managing companies). This is connected, apparently, with the economic nature of private managing companies. The goal of their activities is to maximize the income of their proprietors. As for the amount of payment for the services of these companies, this is usually in direct relation to the earnings yield of the blocks of shares they are managing. Therefore, they are interested in accepting high-yielding blocks of shares for asset management.

The above-mentioned is proved by the results of the bidding to receive the right for asset management of state-owned blocks of shares, conducted by the State Property Committee in the second half of the last year and the first half of the current year. By July 1, 2004, 9 tenders had been conducted, at which the blocks of shares of 386 economic societies were offered. The blocks of shares of 47 economic companies (highly profitable enterprises of the fat-and-oil, flour-and-cereals, and other sectors of the industry) were transferred to asset management companies. At the same time, no interest was shown in the blocks of shares of low-profit and unprofitable enterprises.

At the beginning of this article it was mentioned that the goals of the state's participation in statutory funds can consist not only in the supplementing of the budget with non-tax receipts. In many cases, state-owned blocks of shares serve as instruments for regulating natural monopolies, implementing structural reorganization in certain sectors of the economy, implementing programs for the improvement of national security, preserving social stability, and solving other nation-wide tasks. Their solution is quite often connected with the limitation of the profit growth of enterprises with a state-owned share. It is not only disadvantageous to the private managing companies to manage the state-owned blocks of shares of such enterprises, but it is also beyond their strength. In order to implement such interests of the state it is necessary, as a rule, to efficiently coordinate the activities of a number of interconnected enterprises of one or several sectors; to pursue within their framework common investment, technical, and other policies; and to resolve other issues which private managing companies are unable to handle.

The above-stated gives grounds for drawing a conclusion about the expediency of transferring the state-owned blocks of shares into asset management by professional managing companies for only those enterprises, for which the state's interest in their activities consists solely in supplementing the budget with non-tax receipts.

As to the functions of management of the blocks of shares of those enterprises, for which the state's interests in their activities go beyond the purpose of supplementing the budget, and which are presently in the asset management of associations, they should be transferred to the statutory funds of holding companies. The number of given forms of economic amalgamations is going to increase by 5 units by the end of the current year, in accordance with the relevant governmental decisions, as a result of the transformation of the corporation "Uzdonmakhsulot" and 4 associations ("Uzavtosanoat", "Agromashservis", etc.) into joint-stock companies. It is possible to transform into holding structures some of the other associations, an overwhelming majority of the enterprises of which are not subject to full transfer into private ownership, for example, the association "Uzpakhtasanoat". New holding companies can be created also by means of consolidation of the state-owned blocks of shares of enterprises that presently are members of several associations.

Exceptions to the above are the industrial giants (Tashkent Aviation-Production Association, Almalyk Mining Company, etc.) which are large-scale corporate structures. It would be expedient to leave the functions of management of the state-owned blocks of shares of these enterprises, taking into consideration their limited number, to representatives of the state's interests, who are elected to their managing bodies.

In order for the holding companies to solve the tasks the state has entrusted them with, it is necessary – in addition to the above-reviewed measures, aimed at increasing the effectiveness of their operations (a release from distributive functions, etc.) – to address other problems arising in the process of creation and management of activities of these structures.

One of the important factors of effective activity of any economic amalgamation, including a holding company, is the optimality of the composition of its enterprises and the amount of the state's share in their statutory fund. However, many companies do not have such optimality. For example, the state-owned blocks of shares of 40 joint-stock companies have been transferred into the statutory fund of the state-and-joint-stock company (SJSC) "Uzbekengilsanoat." For 32 of them, the state-owned portion of shares amounts to 25%, and for the other 8 – between 5.5% and 23%. At the same time, local and international best practice have shown that it is expedient to have in state ownership those blocks of shares, which would allow either the full control of the enterprises and, accordingly, the management of the enterprises; or, at the least, the blocking of management decisions at these enterprises, which would be capable of harming national economic and other interests. In this respect, state-owned blocks of shares with a portion of 25% or less in the statutory fund of one or another enterprise are unpromising in terms of performing the objective functions of state property. After the cancellation of special rights in corporate management bodies, to which the managers of state-owned blocks of shares had been entitled, they now do not let them block decisions of the given bodies that would conflict with the interests of the state.

"Uzbekengisanoat", besides its affiliates, is formed by more than 70 enterprises, which are in full private ownership (the associated members of the company). Such enterprises are among the members of some other companies, though this is not caused by the necessity of realization of the state's interests in their activities. It is possible that in some cases it is expedient to have a small number of enterprises without any state-owned shares as members of companies controlled by the state – for example, if there are close cooperational relations between private enterprise and the affiliates of the company. However, in every concrete case, the membership in such companies of the enterprises that fully belong to private proprietors should be strictly voluntary, and the benefits of that for the company's affiliate enterprises are substantiated by the corresponding technical and economic calculations.

Another important factor for increasing the effectiveness of activities of holding companies is the improvement of the procedure for the appointment (election) and activities of representatives of the state in their management bodies. It is necessary to legislatively determine that the responsibility for realization of the state's interests in the holding company's activities is born not only by the state's agent, but by all the persons who have been elected (appointed) to the supervisory board at the suggestion of an authorized governmental agency. In Uzbekistan, according to the example of foreign countries, the number of representatives of the state on the supervisory board and the inspection commission of the holding companies should be – percentage-wise to the total number of its members – no less than the amount of the state-owned block of shares of this company. At the same time, all the representatives of the state should possess the same status, rights and responsibilities. The given suggestion should be applied to other joint-stock companies (Tashkent Aviation-Production Association, Almalyk Mining Company, etc..), where the institution of representatives of the interests of the state will be preserved.

It is also necessary to improve, based on the study of foreign experience, the mechanisms of mutual relations between the holding companies and the state's authorities and affiliate enterprises; the procedure for forming the funds for financing these companies' activities; and the criteria of assessment and remuneration of their managers; and to solve other problems arising in the course of creation and management of the given integrated corporate structures.