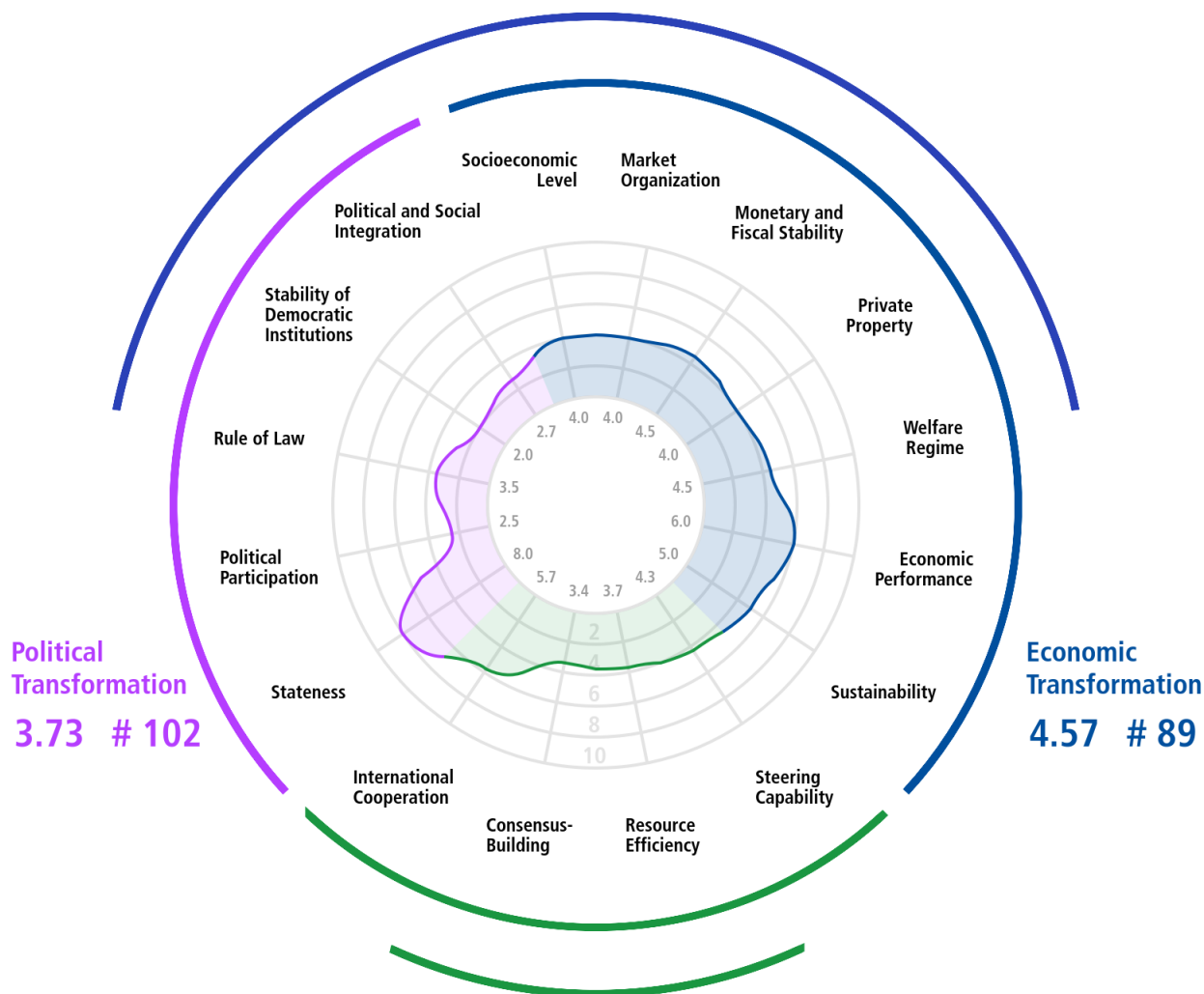


Uzbekistan

Status Index

4.15 # 102

on 1-10 scale out of 137



Political Transformation
3.73 # 102

Economic Transformation
4.57 # 89

Governance Index

3.83 # 104

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	34.2	HDI	0.720	GDP p.c., PPP \$	7378
Pop. growth ¹	% p.a.	1.9	HDI rank of 189	106	Gini Index	35.3
Life expectancy	years	71.7	UN Education Index	0.729	Poverty ³	% 86.2
Urban population	%	50.4	Gender inequality ²	0.288	Aid per capita \$	34.4

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Between 2019 and 2020, Uzbekistan undertook a series of comprehensive reforms, which were implemented to varying degrees of success, and earned a positive assessment regionally and internationally. Following a precedent set by his predecessor, President Shavkat Mirziyoyev assigned a development theme to each year. Thus, 2019 was called the Year of Active Investments and Social Development, and 2020 was called the Year of Development of Science, Education and the Digital Economy. President Mirziyoyev has demonstrated himself to be a technocratic, reform-oriented and dynamic leader.

In December 2019, parliamentary elections under the slogan “New Parliament” were conducted in Uzbekistan. Despite official promises of free, competitive and transparent elections, and a commitment to empowering the legislative body, Uzbekistan’s parliament continued its old practices of unanimous voting, and continued to lack pluralism, critical debate and transparency in decision-making. However, a few new practices were introduced, such as the broadcasting of Senate sessions on TV, and a woman was appointed chairperson of the Senate for the first time.

In his January 2020 address to parliament, President Mirziyoyev said that Uzbekistan must innovate in order to achieve the goal of becoming a developed country. This goal will only be achievable if Uzbekistan has highly qualified cadres and the best education system. “We must deeply master new knowledge and innovative technologies. This will make it possible to follow the shortest path of progress,” said Shavkat Mirziyoyev.

In this context, on October 5, 2020, the president signed the Decree on the Digital Uzbekistan Strategy and Measures on its Effective Realization. The decree stipulates that modern information communication technologies must be introduced in all branches of the economy, as well as in the social sphere, state management, health care and agriculture.

Meanwhile, COVID-19 necessitated a strong mobilization of the government's capacity. From the very beginning of the pandemic, a quarantine was established across the country. Immediately, new quarantine hospitals were created and necessary medical measures were introduced. As a result, the spread of the coronavirus was brought under relative control. By the end of 2020, the total number of registered infection cases was about 76,000. Uzbekistan is one of the few countries which preserved economic growth in 2020 (about 1.6%). At the same time, COVID-19 forced labor migrants (about 2.5 million Uzbek migrants were working in Russia alone) to return to Uzbekistan. Logistical problems, such as organizing charter flights, prevented the quick and safe repatriation of Uzbek laborers. Their return also increased the epidemiological burden on Uzbekistan, which could not effectively enforce quarantines on all those who returned from overseas. This simultaneously created psychological, social, political, financial, security as well as human rights issues.

During the reporting period, President Mirziyoyev reiterated and confirmed several times that the Central Asian region is a foreign policy priority for Uzbekistan. On his initiative, a new format for regional interactions – consultative meetings of presidents – was established and two such meetings have already been held: the first in Astana (2018) and the second in Tashkent (2019). At the same time, Mirziyoyev adopted a strong pro-Russian course and, in 2020, Uzbekistan for the first time joined the Russia-led Eurasian Economic Union (EAEU) as an observer.

History and Characteristics of Transformation

The Uzbekistan 2.0 reforms introduced in 2016 mark a new stage of the country's post-independence development that is associated with the election of President Shavkat Mirziyoyev. Mirziyoyev's predecessor, President Karimov, and his regime, were highly autocratic and represented a continuation of the Soviet-style political system. Paradoxically, whereas Karimov constantly reiterated the irreversibility of independence, portraying the Soviet past as a murky totalitarian period and asserting that there should be no nostalgia for the Soviet Union, he at the same time did little to eradicate the legacies of Soviet rule. The cult of personality around the head of the nation, backed by an omnipotent state machine, has nurtured and assured the obedience and loyalty of the Uzbekistan public.

President Mirziyoyev has neither radically torn down the basic elements of the Karimov regime nor built up an entirely new system. He cannot (and does not want to) speed up democratization, nor can he ensure no changes are made to the status quo established by Karimov. Mirziyoyev's "new course" is thus relatively successful but also controversial.

The Uzbekistan 2.0 reform agenda marks the beginning of a slow awakening of civil society. There are at least four indications that some progress is being made in this regard: First, social networks are rapidly expanding. Second, local populations in some provinces dare to protest against the abuses of power committed by regional governors or openly express resentment about problems such as the crisis involving the supply of gas and electricity to households. Third, a Code of NGOs

is currently being worked out openly and with the broad involvement of active NGOs. Fourth, independent journalism is growing slowly but steadily; in particular, independent bloggers are growing in number and in capacity. Initially, bloggers were considered to be an annoyance by officials in provincial and central government bodies, but they are fast becoming an indispensable part of civil society. The president himself confirmed that they contribute to reforms of the mass media.

The Uzbekistan 2.0 agenda has also facilitated a greater focus on reforms in education, health care and youth issues, as well as further economic liberalization. For instance, national and international higher education institutions are mushrooming in Uzbekistan.

Meanwhile, political reforms remain slow. Parliament's visibility has increased somewhat since the December 2019 elections, as parts of sessions are increasingly broadcast on television, the speaker of the Senate has begun to issue critical statements on certain issues, hearings are organized with ministers, and the media is covering parliamentary activity more frequently. However, the legislative body maintains its old practices. Voting on key issues, for instance, remains closed to the public, and parliamentary committees generally remain reluctant to engage external and independent experts.

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

Transformation Status

I. Political Transformation

1 | Stateness

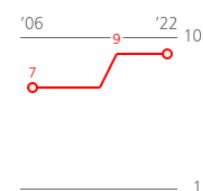
In principle, the state's monopoly on the use of force is established nationwide, with the exception of enclaves (Uzbekistan has four enclaves that are surrounded by the territory of Kyrgyzstan). A violent border dispute involving the residents of Uzbekistan's Sokh exclave, which is surrounded by Kyrgyzstan, broke out in May 2020. Apart from the border skirmishes and growing digital extremism, Uzbekistan has demonstrated its readiness to quell any signs of sociopolitical instability. Law enforcement agencies stand ready to prevent possible disturbances and suspicious activities. This monopoly on the use of force, albeit normal and right, has often resulted in the abuse of force by those who are authorized to use it. The possibility for the abuse of force was heightened with the adoption of the new Law on the National Guard in November 2020. In 2017, Uzbekistan made its National Guard independent of the military. The National Guard's new mandate surpasses the authority of Uzbekistan's National Security Service.

Formal citizenship and state identity as revealed in laws, official symbols and public statements is not the same as citizens' private identification with the state. Since independence in 1991, the Uzbek government has engaged in a deliberate effort to develop and popularize a state ideology that glorified Uzbeks' historical achievements and characterized its modern path to development in ethnic terms. Not all residents of Uzbekistan have embraced this state-controlled top-down approach to nation-building. Uzbekistan's minorities – the Turkic Karakalpak people, Tajiks, Russians and others – have developed complicated attitudes toward the nation-state. Some Russian speakers feel stronger affinity toward Russian history, culture and language. Tajiks may not share the official Uzbek history about the shared land and Islamic cities that were used by the ancestors of modern Uzbeks and Tajiks. There are strong local attachments overlaid with clan and regional allegiances that are deemed to be a serious challenge to the national cohesiveness of Uzbekistan and respectively to the state.

Question
Score

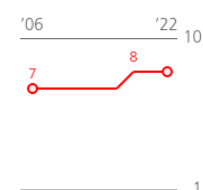
Monopoly on the
use of force

9



State identity

8



Until recently, Uzbekistan had one of the highest rates of statelessness in the world, with 97,346 documented cases. Amendments to the citizenship law that came into effect in 2020 mean that nearly 50,000 previously stateless people are now eligible for Uzbek citizenship. The new law eased requirements for citizenship, allowing all those born in Uzbekistan but residing elsewhere as well as those born elsewhere but living in Uzbekistan since at least 1995 to apply for citizenship. Fluency in Uzbek remains a requirement for citizenship.

In May 2020, the Ministry of Justice of Uzbekistan proposed making the Uzbek language the only official language of state bodies. This decision was disliked by many Russian-speaking citizens and even led the Russian Ministry of Foreign Affairs to publish a special statement addressing the issue.

Formally, Uzbekistan is a secular state. Religious dogmas have no noteworthy influence on legal order or political institutions. All religious institutions and congregations in the country are strictly controlled by the state, which forbids the influence of religious dogmas and norms on not only state institutions but even on society, unless these dogmas and norms are sanctioned by the state.

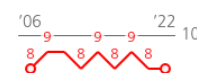
Meanwhile, even with state control over religion, Islamic teachings and ideology began acquiring a stable public profile under President Shavkat Mirziyoyev. Contrary to the first Uzbek president, Islam Karimov, who perceived Islam as a threat to the state, Mirziyoyev views it as a source of spiritual growth, an essential element of the Uzbek culture and a means to promote the “enlightenment” of the Uzbek population. During the month of Ramadan in May 2020, a new daily TV practice was established in which imams are invited to a TV studio to answer questions from Muslims live on air. Special TV programs on Islam are well established.

The United States has acknowledged the government’s lifting of some religious constraints by removing Uzbekistan from the U.S. list of countries of special concern in the sphere of religious freedom. It is notable that, in contrast to previous periods, more women and girls are allowed to wear religious clothes in public places including universities. A de facto ban on minors attending mosques was lifted in 2020 as well.

Other faiths (Russian Orthodoxy, Judaism, Protestantism and Catholicism) exist in the Muslim-majority society. All other non-traditional religious groups and missionaries are banned and suppressed. Islamic extremist groups attempted to influence and recruit Muslims in Uzbekistan to undertake terrorist activities in Syria via internet sites and social networks. The government attempts to block these internet sites with intermittent success.

No interference of religious dogmas

8



1

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

Upon assuming the post of president, Shavkat Mirziyoyev sought to distinguish his rule from that of his predecessor, Islam Karimov, by pursuing technocratic governance with an emphasis on efficiency and reform. There have been visible results of Mirziyoyev's reforms, which paid off when the coronavirus crisis hit the country. Uzbekistan had a rather balanced economy and thanks to the financial reserves it had built up, the Uzbek government was able to implement measures aimed at minimizing the impact of the coronavirus-induced shutdown. However, the government continued to be tested by scandals triggered by the abuse of power by local authorities, also known as khokims. For instance, the khokim of the Fergana province was criticized by the local population as well as the Senate in 2019 for abusing his power but was then nonetheless appointed to the office of deputy prime minister in 2020. Abuse of power was noted in Andijan province. Demonstrating aggression toward journalists critical of him, the khokim of the capital Tashkent (who is also a member of the Senate) waged threats toward them. Several district-level khokims were replaced by new ones.

While dealing with the economic consequences of the health crisis, the Mirziyoyev government was tested by another disaster: a newly built dam collapsed near the town of Sardoba in June 2020 forcing nearly 70,000 residents of Uzbekistan and 5,400 residents of Kazakhstan out of their homes.

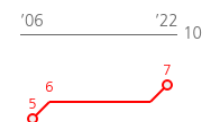
2 | Political Participation

On the surface, Uzbekistan has all of the formal trappings of democracy. The country carries out regular, general, multiparty elections, which are used to appoint the president and fill the majority of seats in the Oliy Majlis, the bicameral legislative body of Uzbekistan. The constitution and corresponding electoral legislation provide for universal and equal suffrage in free, fair and periodic elections conducted by secret ballot. However, electoral legislation and procedures require deep reform.

The electoral legislation does not allow independent candidates to stand in the parliamentary and presidential elections. Only parties can nominate their members. Pre-election campaigns and TV debates between political parties demonstrated their ideological and political confusion, and the absence of programmatic differences between them.

Basic administration

7



1

Free and fair elections

2



1

In December 2019, parliamentary elections took place. The OSCE full Observation Mission was sent to observe these elections. The mission's report was quite critical of the elections. The current work of parliament also reveals the persistence of old practices. On the one hand, its visibility has slightly increased. There are more public broadcasts of parliamentary sessions. The speaker of the Senate has delivered critical remarks on certain issues. Members of parliament have organized hearings with ministers and the media. However, recently members of parliament unanimously voted to appoint the governor of Fergana province to be deputy prime minister. This governor was widely criticized for abusing his power in the province but the question of his appointment to the higher state post was not critically or pluralistically discussed in the Senate.

Voting on key issues remains closed. In general, unfortunately, parliamentary committees remain reluctant to engage independent, external experts.

Uzbekistan's political system remains president-centric and largely immune to reform. Until recently, elected political representatives have had limited power to govern for two reasons: their own political impotence and the pervasive "invisible hand" of the omnipotent presidential apparatus and, of course, the president himself.

Engaging in genuine debate and waging criticism of government policies are still taboo activities in Uzbekistan, which curtails parliament's role in governance. Despite its limited role, members of parliament pushed back on the government's plan for Uzbekistan's membership in the Eurasian Economic Union (EAEU) in 2020.

At the same time, the president recently recognized that mid-level khokims and even some ministries do not fulfill their obligations properly because of lack of qualification or corruption. Overall, the current government faces a staffing dilemma as many officials that served under the previous regime either intentionally or unintentionally sabotaged ongoing reforms.

Association and assembly rights are formally guaranteed by the constitution. Formally, there are five political parties and more than 9,000 NGOs legally registered in Uzbekistan. However, there are no registered opposition parties and most of the active NGOs are in fact GONGOs informally affiliated with the political regime. Other NGOs are either very small, weak or work in spheres that do not cause the government concern. Rallies and public protests are equally restricted.

Similar to other states affected by COVID-19, Uzbekistan put in place a range of emergency measures to prevent the spread of infections throughout the country. It closed its borders, as well as schools and universities, while national holiday celebrations and sporting events were canceled, and public gatherings of more than 15 persons were banned. The government mobilized scores of medical and law enforcement personnel to enforce the lockdown. The reopening of Uzbekistan was followed by a surge in new cases, which led the government to impose a second

Effective power to govern

2

'06 _____ '22 10



Association / assembly rights

3

'06 _____ '22 10



lockdown in July. The heightened security measures were primarily aimed at preventing the spread of the coronavirus but in doing so seriously curtailed people's ability to exercise their rights.

The 2019–2020 period was fairly challenging for mass media. The year 2020 was officially called the Year of Development of Science, Education and the Digital Economy, with the aim of promoting digitalization. This process coincided with the pandemic, which has meant that the scope of virtual communication has increased, which in turn has allowed people to more freely express their opinions, as can be observed in the activity of bloggers. Although some bloggers have faced pressure from local authorities, and some have even lost their jobs or have been prosecuted, generally bloggers have become an important part of the media space.

Critical discussions are still restricted on TV and official websites. Although Uzbekistan does not have a dedicated censorship agency, the functions of such a body are implemented by the presidential apparatus, which strictly controls all mass media, especially TV. Nevertheless, there are relatively independent journalists, analysts and websites, which publish measured critical material.

A new organization – the Agency on Information and Mass Communications, which is under the administration of the president – was created in 2019. The main tasks of the organization include ensuring the rights of citizens to freedom of speech and information, strengthening the role of mass media in the political and socioeconomic development of the country, establishing equal conditions in the media market, and protecting journalists' rights. Until recently, the daughter of the president served as the deputy director of the agency. In November 2020, several online media outlets received warnings from the agency's director for publishing unreliable, biased and unverified information. These warnings represent a clear form of pressure and censorship.

In 2019, the Public Foundation for Support and Development of National Mass Media was created. The official goal of the foundation is to foster equal conditions in the media market, further the development of media outlets, and realize the rights of journalists and bloggers.

The pandemic exposed the fragility of freedom of speech and mass media in Uzbekistan. In March, the government introduced new legislative amendments to minimize panic and the dissemination of false information about the virus. Amendments to the Criminal and Administrative Code were passed in December 2020, which introduced fines and a maximum five-year prison sentence for those found guilty of spreading false information. According to the same law, prison sentences for slander and insult were canceled.

Freedom of
expression

3

'06 '22 10



3 | Rule of Law

The constitution of Uzbekistan provides for the separation of powers between the legislative, executive and judiciary, as well as between a strong presidency and a bicameral parliament called the Oliy Majlis (Supreme Assembly) with the power to approve the budget. However, in reality, the structure of the political system resembles a pyramid with the president and his administration at the top. The president's administration has an informal status of the "fourth power" which outweighs the three others.

After the parliamentary elections of 2019, the role and authority of the Oliy Majlis was expected to increase. However, despite hearings of ministers that are organized by the parliament's committees, the executive branch remains the dominant force.

In his December 2020 address to parliament, President Mirziyoyev pointed to the need for strengthening the role of local elected bodies – provincial and district-level councils. In early 2020, all of the administrative heads of provinces, districts and municipalities reported for the first time before the local councils on the implementation of their duties and plans. The president noted that the overall work of local municipal governments (khokimiyat) and councils is regulated by the respective law adopted 27 years ago, and this law doesn't meet demands of current reforms and needs to be amended.

Following the announcement of the first cases of COVID-19 in the country, the president declared a state of emergency in March 2020 that was followed by a range of emergency measures to prevent the spread of infection. The restrictions on free movement and gatherings were lifted in June 2020, but a surge in new COVID-19 cases led to a reinstatement of emergency measures in July of the same year. Parliament continued holding both physical meetings and meetings by means of video conferencing. For in-person meetings, some restrictions on the number of members of parliament present and social distancing measures were introduced, and parliament reduced the volume of plenary, committee, and other parliamentary events.

The judiciary in Uzbekistan is constitutionally differentiated and independent from the executive. In reality, it has been vulnerable to executive pressure and corruption.

More often than not, lawyers are reluctant to take politically sensitive cases and represent citizens who complain of abuses of power or injustice by officials. In July 2020, the president adopted the Decree on Additional Measures on Improving the Activity of Courts and Enhancing the Efficiency of the Judiciary. The decree envisages, among other things, the unification of civil, criminal and economic courts in the provinces, and the creation of courts of common jurisdiction in which strict specialization of judges will be maintained. In addition, a system of administrative judiciary in the republic is created, which takes into account international standards and experience.

Separation of powers

3

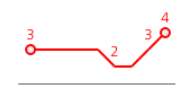
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Independent judiciary

4

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As a result of the strengthening independence of courts, the number of acquittals has risen: 719 citizens were acquitted in 2020. Furthermore, in 2019 and 2020, the courts canceled about 2,500 decisions of khokims. This, among other things, revealed the necessity of making the decision-making processes at the lower levels more transparent.

The E-SUD electronic court system introduced in 2014 with the assistance of the U.S. government has been installed in all of Uzbekistan's civil courts. The digital system of submitting and processing court cases has resulted in more efficient and transparent court proceedings. In January 2020, the E-SUD system was merged with the broader E-xSUD system, which includes economic, administrative and criminal courts. Due to the COVID-19 restrictions, the unified electronic court system has become a vital tool for keeping the national justice system operational. For instance, people could appeal to courts online.

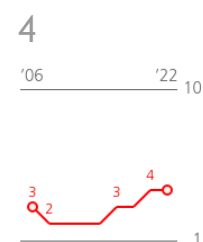
The anti-corruption policy run by the Uzbek government and law enforcement agencies has gained new momentum during the reporting period. The number of arrests and prosecutions of officeholders for alleged corruption is growing. During nine months in 2020, 838 criminal cases related to corruption were considered. In their aftermath, four officials of republican rank, 15 officials of provincial rank, and 626 officials of city and district rank were punished. In 2019, there were debates about the introduction of capital punishment for corruption but officially such a measure was deemed to be inefficient.

President Mirziyoyev appointed a young British-educated justice minister, Ruslanbek Davletov. Around 80% of prosecutors were replaced after the president accused them of corruption. Several high-profile former officials, including the elder daughter of Islam Karimov, were convicted of corruption in 2020.

On the other hand, there were also major cases of office abuse that were not prosecuted. One of the most high-profile cases involved the detainment of blogger Nafosat Ollashukurova for her publication on Facebook of materials that implicated local branches of power in corruption, including the illegal demolition of houses. She was detained for 10 days and put in a psychiatric center for medical treatment. After she was released, nobody from the state bodies was prosecuted for such an abuse of power. Similarly, the khokims of the Fergana and Khorezm provinces were widely criticized for abusing their power. But neither of the khokims was prosecuted. Moreover, the former khokim was even appointed deputy prime minister.

In March 2019, a legislative act was adopted that expanded the authority of the Ombudsman to include protecting the rights of persons who are in custody. In addition, measures were introduced to investigate allegations of torture or ill-treatment.

Prosecution of
office abuse



In June 2019, amendments were introduced to the Criminal Code, stipulating measures against abuses such as the unauthorized seizure of land, or the construction, reconstruction or overhaul of buildings, structures or other objects in violation of the established prohibitions (restrictions). In 2019–2020, there were a lot of reports about abuses of power by local governors who permitted the demolition of houses. These and other cases shed light on the fact that abuse of office is still deeply rooted within state organs.

There are official institutions whose mandate is to protect human rights, including the Office of the Ombudsman on Human Rights, the Committee on Democratic Institutions, NGO and citizens' self-governing bodies within the parliament's legislative chamber, as well as the National Center on Human Rights.

In order to secure the legal status of the Ombudsman, in March 2019, a law was adopted that empowered the Ombudsman to advance citizens' appeals to the Constitutional Court, and to deliver special reports and suggestions in parliamentary committee hearings.

Over the last few years, the mechanisms for receiving and considering citizens' appeals were improved through the creation of hotlines and telephone helplines. Legal and informational anti-discrimination measures have been adopted to prevent cases of direct or indirect discrimination of citizens on any ground. For instance, in January 2019, the national internet portal Advice.uz was created in order to publicize information on labor rights, citizenship and migration, the passport system, family relations, housing and communal services, entrepreneurship, social provision, health care, and other legal issues.

Following a government decision, in August 2019, the National Center for Human Rights organized learning courses to raise the qualifications of personnel in the sphere of human rights. Through the courses, representatives of state structures and civil society institutions receive training on procedures for implementing international treaties on human rights.

In September 2019, the Law on Guarantees of Equal Rights, and Opportunities for Men and Women was adopted, which determine state policy in the sphere of gender equality. In this document, for the first time, the notions of direct and indirect discrimination by gender are introduced. In 2020, Uzbekistan also became a member of the UN Committee on Human Rights.

A state of emergency was not declared during the pandemic, but emergency measures were introduced and restrictions were imposed, which led to a number of abuses of power. Courts were closed to in-person appeals by citizens. Lawyers could not move across the country because of quarantine restrictions.

Instances of torture in detention continued to be reported in 2020.

Civil rights

3

'06 _____ '22 10

2 _____ 3

1

4 | Stability of Democratic Institutions

All formal democratic institutions – which, according to Uzbekistan’s constitution, are supposed to provide for democratic choice (i.e., the parliament, the electoral commission, central and local administrative branches, the press, and political parties) – exist in the country. However, they have been operating only within the framework established by the rigorous political regime. As a result, they fulfill the agenda imposed upon them by the top leadership, primarily the president’s apparatus. This means that democratic institutions, albeit democratic by name not by essence, can perform their basic tasks relatively efficiently as long as they display loyalty and obedience to the state.

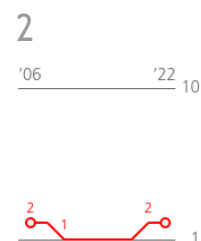
Even so, all branches of power have theoretically the potential for democratic reform. For instance, parliament adopts laws which are internationally evaluated as democratic and a new trend of strengthening parliamentary control mechanisms can be observed. The president has also articulated the need to introduce elections for local khokims (mayors) who are currently appointed.

Meanwhile, political reforms still proceed very slowly. Parliament’s visibility has slightly increased following the December 2019 elections. For example, fragments of parliamentary sessions are more often broadcast can be observed, the speaker of the Senate makes some critical statements on certain issues, hearings with ministers are organized, and media outlets cover parliament’s work more frequently. However, the legislative body maintains old practices. For instance, voting on key issues remains closed and, unfortunately, parliamentary committees remain reluctant to engage independent, external experts.

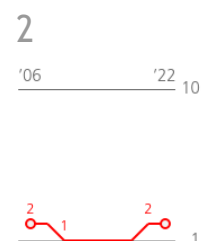
On the one hand, all democratic institutions in Uzbekistan are accepted as legitimate by all relevant actors. On the other hand, the omnipotent authoritarian regime can veto decisions and incapacitate institutions that are seen to have overstepped the political boundaries outlined to them. The official propaganda machine is eager to persuade the public, especially young people, that this is Uzbekistan’s path toward democracy. However, there is an important difference between the Karimov and Mirziyoyev regimes’ justification of their respective rule. President Karimov emphasized a unique, gradual, state-managed and ethnic path to development and democratization, while President Mirziyoyev’s approach stresses technocratic efficiency.

In April 2020, the presidential Decree on the Creation of the Public Chamber was adopted. Following the Russian model, the decree aims to strengthen public control, and interactions between the state and society. The Public Chamber will present an annual national report to the president and parliament on the state and tendencies of civil society development.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

The party system is not socially rooted but rather politically affiliated with the state. The Liberal Democratic Party (UzLiDeP) articulates the interests of businesses, entrepreneurs and private ownership. The Party of National Rebirth (“Milliy Tiklanish”) focuses on national revitalization, and the strengthening of national culture, traditions and values. The platform of the People’s Democratic Party (PDP) prioritizes social protection, equality, socially oriented market reforms and supporting workers. The Social Democratic Party (“Adolat”) promotes social justice and supporting vulnerable groups of citizens. Meanwhile, the Ecological Party advocates for environmental issues.

Hence, parties are given a special niche in the political system in the sense that they act as specialized state agencies rather than political parties. In this capacity, parties play the specific role of recruiting cadres for the government, parliament and other state structures. Although party leaders and activists always state that they have a stable electorate, in fact, citizens are largely unaware of parties’ activities, leaders and ideologies.

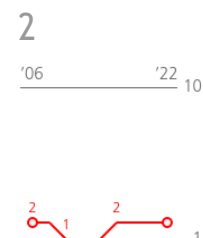
As a result of the 2019 parliamentary elections, women finally reached the 30% quota of seats that has been constitutionally enshrined but previously never realized. There were only 24 women in parliament before the 2019 elections, which has since risen to 48.

The party system of Uzbekistan needs fundamental reform. The absence of pluralist and critical debates between party factions in parliament confirms this, with parties largely visible only during elections. Uzbekistan’s political parties lack qualified political leaders and members. One of the innovations that can be a trigger for independent activism is the practice of press conferences, which parties must use fairly frequently to increase their visibility among constituents. Another innovation could be to launch political platforms and establish ideologies, which could lead to the merger of some parties, the division of others and even the rise of new ones.

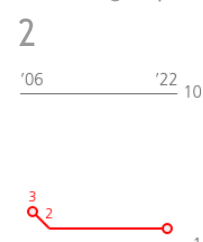
Interest groups are represented by various NGOs and GONGOs, which are somewhat active in supporting the interests of certain segments of society. For instance, NGOs/GONGOs such as mahalla (local self-ruling neighborhoods), Youth Movement, Association of Disabled, Federation of Trade Unions, Association of Doctors, Center Oila (family) and the Consumers’ Association are supposed to mediate between specific social groups and the political system.

The association of non-governmental and non-commercial organizations of Uzbekistan tries to mobilize NGOs and link them to the state. There are about 9,000 different NGOs in the country. The support fund for non-governmental and non-commercial organizations in Uzbekistan regularly provides small grants to NGOs.

Party system



Interest groups



A new practice is in the process of being introduced, which aims to aggregate different social interests through open online discussions of draft laws, state programs and other official documents. The president, in his address to Oliy Majlis in December 2020, also suggested including a special NGO representative in parliament.

Among the interest groups, business elites are the most influential and capable of promoting their interests within governmental channels. A new method for NGOs and state structures to interact, social partnerships, is currently being developed.

Some progress was registered between 2019 and 2020 in the sphere of interest groups. For instance, the new Code of NGOs is being developed with broad engagement from various NGOs. The National Association of NGOs (NANGO) of Uzbekistan opened a Telegram channel in which it informs the organizations about news, events, grants and projects, among other things. The NANGO organized a special meeting between NGO representatives and the parliamentary commission that deals with civil society institutions to discuss upcoming projects for 2021. In addition, in late 2020, a special Zoom meeting involving NGO and Ministry of Justice officials was organized by the Center for Development Strategy, which was devoted to discussing the impact of COVID-19 on the activities of NGOs.

The study of public opinion has not become an everyday attribute of Uzbekistan's political life. Some sporadic and narrow public opinion polls are conducted but they do not reliably convey citizens' attitudes toward democracy or broader politics. Very often people show little understanding of the goals of these polls, the meaning of the questions asked, or readiness to openly express their opinions. Meanwhile, local authorities very often try to obstruct the interviews.

Nevertheless, no alternative to democracy is accepted or discussed in society. References in official speeches, newspaper articles and televised news are repeatedly made to the concepts of democracy, democratic reforms, democratic society and the democratic state. At the same time, official government rhetoric emphasizes the need to pursue a unique Uzbek path toward democratization instead of (allegedly) blindly copying the West's democratic attributes. Uzbekistan's constitution defines the country as a democratic state. Although real knowledge of democracy remains superficial among ordinary people, overall democracy-related procedures and propaganda, albeit formal and state-regulated, do promote knowledge of and expectations for democratic development.

COVID-19 slightly diminished the overall pace of reforms, as parties, members of parliament and courts maintained social distancing rules that effectively became a form of political distancing. During the lockdown, there were cases of abuse of power by local officials.

Approval of
democracy

n/a

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n/a

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Given the excessive etaticization of public life, the social capital of many self-help associations remains largely unrealized. Mutual trust and solidarity among the population are limited to very few social domains, such as mahallas (neighborhood communities) and kinship networks. Family and community rites and ceremonies, and clans and clan-like patron-client networks, unite people to promote their private or group interests vis-à-vis state-controlled resources.

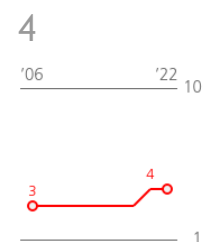
The capacity to self-organize is distributed unevenly in society, and depends on an individual's ethnic background, lifestyle (rural/urban), level of education and professional qualification. Ethnic minorities, for instance, are provided the right and opportunity to organize their national-cultural centers.

Meanwhile, the institutionalization of self-help and self-organization in the Uzbek context is mostly based on informal and narrow relations. For example, so-called gaps – friendship groups, with men and women grouped separately – function as social networks for former classmates, colleagues, neighbors and relatives.

In late 2020, the First Republican Forum of the Youth was organized, which the president attended. It was an important event in terms of mobilizing young people across a broad range of activities.

The pandemic affected slightly self-help mechanisms and the overall level of solidarity among people. On the one hand, many traditional communications and events (e.g., wedding ceremonies) were significantly reduced. On the other hand, new forms of solidarity came into being. For example, volunteers were very active in helping vulnerable people during quarantine.

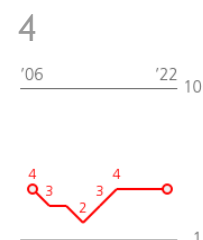
Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

According to official data, Uzbekistan had an unemployment rate of 5.92% in 2019 and 6.08% in 2020. However, the Asian Development Bank estimated that 11.4% of the population lived below the national poverty line. In 2019, the proportion of the employed population earning below \$1.90 (PPP) a day stood at 19.5%. In 2020, due to the pandemic, tens of thousands of labor migrants returned from Russia and other countries, exacerbating the unemployment problem in Uzbekistan. In January 2020, President Mirziyoyev officially recognized that poverty is an enormous social problem for the country. This is the first time since Uzbekistan's independence that poverty has been acknowledged as a national problem by the government. A new government institution – the Ministry of Economic Development and Poverty Reduction – was created and the president sought to partner with international

Question
ScoreSocioeconomic
barriers

organizations, such as the World Bank and UNDP, which had previously been barred from accessing in-depth information about the state of economic affairs in Uzbekistan. Inspired by China's experiences, Uzbekistan partnered with Beijing in an effort to reduce poverty.

In the 2019 HDI report, Uzbekistan ranked 106 out of 189 countries, with an index value of 0.720, climbing two places compared to the previous year's results. The overall loss in HDI due to inequality is not available. However, Uzbekistan's inequality-adjusted education index is 0.723 and the inequality-adjusted life expected index is 0.685. The Gini index is 36.8 and the Gender Equality Index is 0.288 (as of 2019). In 2020, Uzbekistan ranked 93 out of 131 countries in the GII.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	59159.9	50392.6	57726.5	57707.2
GDP growth	%	4.5	5.4	5.8	1.6
Inflation (CPI)	%	-	-	-	-
Unemployment	%	5.8	5.7	5.7	6.0
Foreign direct investment	% of GDP	3.0	1.2	4.0	-
Export growth	%	1.3	9.3	20.7	-18.7
Import growth	%	15.5	38.5	25.0	-12.9
Current account balance	\$ M	1477.9	-3593.2	-3365.6	-3138.4
Public debt	% of GDP	19.3	19.5	28.3	36.4
External debt	\$ M	16692.3	17735.7	22406.6	32174.4
Total debt service	\$ M	1906.5	1011.3	2643.1	3338.9
Net lending/borrowing	% of GDP	1.5	2.8	0.5	-
Tax revenue	% of GDP	12.2	14.8	13.2	-
Government consumption	% of GDP	13.2	14.1	16.9	17.6
Public education spending	% of GDP	5.3	5.9	7.0	5.1
Public health spending	% of GDP	2.1	2.0	-	-
R&D expenditure	% of GDP	0.2	0.1	-	-
Military expenditure	% of GDP	-	3.6	-	-

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

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

In 2020, Uzbekistan was named as one of the top 20 “global improvers” in the World Bank’s 2020 Doing Business report: It ranked 69 out of 190 countries. A special inter-agency commission was created to coordinate efforts to improve this rating. The commission is tasked with managing the overall road map for measures to be taken.

According to a Harvard University analysis, Uzbekistan has the capacity and an advantageous position to produce more than 50 types of industrial products. Industrial branches, such as oil and gas, chemistry, metallurgy, mechanical engineering, electro-technics, pharmaceuticals, construction materials, textiles, leather shoes, food, as well as the “green economy” can be drivers of the national economy.

In the geological sphere, in 2020, 21 mines and perspective fields were sold to investors in open auctions. The president announced that 50 more fields would be sold to local and foreign investors in 2021.

In 2020, Uzbekistan ranked eighth for starting a business, with the process requiring three days and three procedures on average. This includes one day for registering a business with the Public Service Center and obtaining the Certificate of State Registration; one day to make a company seal; and one day to open a bank account with a local bank.

The government has yet to address several fundamental challenges to the marketization of the country’s economy. These include the dominance of state-owned monopolies in key sectors of the economy, the lack of transparency in public procurement, poor track record on enforcing public-private contracts, an underdeveloped and over-regulated banking sector, poor protection of private property rights, and insufficient enforcement of intellectual property rights. The state retains a high share in the energy, oil and gas, chemical, transport, banking, and building sectors. This situation is a serious barrier for the development of market mechanisms and attracting investment. The president announced that beginning in 2021 electricity and gas supply will be based on market mechanisms.

Market
organization

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The Mirziyoyev administration has prioritized the following strategic goals: fostering a competitive economic environment; gradually diminishing monopolies in goods and services; developing new production lines and technologies; and increasing the compatibility of national goods in domestic and international markets.

By the end of 2019, 86 licensed types of business were canceled. As a result, the number of private companies increased by 25%. Competition in many branches of the economy also increased, including in the production of food, furniture and textile. Monopolies in the production of construction materials and cables, as well as money transfers were liquidated. According to the Anti-monopoly Committee's report, the number of companies with a monopoly decreased from 148 in 2018 to 136 by April 2020. In August 2020, the presidential Decree on Measures on the Cardinal Improvement of Licensed and Permissible Procedures was adopted, which is expected to mark an important step in reducing bureaucratic barriers. This normative act will cancel 70 types of licenses and 35 permission documents.

Nevertheless, state-owned enterprises continue to dominate Uzbekistan's economy and limit fair competition, especially in the energy, telecommunications, automotive, aviation, chemical and mining sectors of the economy. Government-owned banks and state agencies interfere in business operations, hampering efficiency in operations. Documents required for licensing, registration and permits can be changed without notice, which creates an opportunity for corruption.

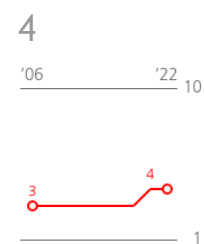
Official statistics show that the number of export companies is steadily growing. In 2020, their number was 4,873. During the first half of 2020, foreign trade amounted to \$19.5 billion, a decline of \$4.6 billion compared to 2019. Exports totaled \$8.2 billion, and imports totaled \$11.2 billion.

In cooperation with the European Union, the trade preference system "GSP+" was introduced. This system will make it possible to export more than 6,000 types of products from Uzbekistan to European markets without customs duties. In December 2020, Tashkent also became an observer in the Eurasian Economic Union (EAEU) and has taken steps toward full membership. Preparations for joining the WTO are underway. Uzbekistan provides Most Favored Nation Treatment to 45 countries.

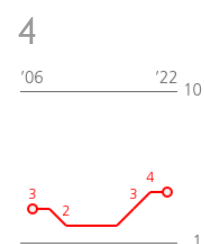
It was announced that for the companies in the export sector 50% of the costs of opening trade houses or shops abroad, as well as for advertising will be covered by the state.

The system of licensing exports was simplified. A national website was launched for conducting export-import operations based on the principle of a "single window," which provides a simple mechanism for electronic documentation and payments, including certificates of origin and phyto-sanitary certificates. With the introduction of such a mechanism, the average time required to prepare export documents was reduced from 174 to 96 hours.

Competition policy



Liberalization of foreign trade



There are currently 30 commercial banks (13 partially owned by the state and 17 privately owned) in addition to three large fully state-owned banks. Fully and partially state-owned banks control over 80% of the banking sector's assets and capital. Private banks are relatively niche players.

Starting in 2020, the central bank of Uzbekistan's policy rate will set the floor for loans at preferential rates, which will reflect market rates in 2021. However, monetary policy effectiveness remains constrained by high dollarization, shallow capital markets and high stocks of loans (58% in 2019 down from 71% in 2018) on preferential terms.

The banking sector has reduced exposure to SOEs and foreign-currency risk, while at the same time improving capitalization. Close to \$4.3 billion in loans to SOEs were moved from state-owned banks' balance sheets to the Uzbekistan Fund for Reconstruction and Development (UFRD), and the UFRD also swapped \$1.5 billion in loans for equity in state-owned banks.

In May 2020, the president adopted the Decree on the Strategy of Reforming the Banking System of the Republic of Uzbekistan for the period 2020–2025. In the strategy's framework, the state share in the banking system will be reduced from 85% to 40% by 2025. The share of non-banking credit organizations will increase from 0.35% to 4%.

The bank capital to assets ratio for Uzbekistan, according to the World Bank, was 18.7% in 2019. The ratio of non-performing loans to total gross loans in Uzbekistan was 1.5% in 2019.

8 | Monetary and fiscal stability

The central bank has begun its official transition to inflation targeting with the objective of reaching 5% in 2023 (down from 10% in 2021). According to World Bank estimates, inflation, which in the previous years ranged between 13% and 17%, was 12.6% in 2020 and is projected to drop to 10.6% in 2021.

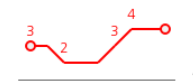
As for foreign exchange, legal entities registered in Uzbekistan may purchase foreign currency from commercial banks without limitation for the purpose of current payments (e.g., the import of goods and services), repatriation of profit, repayment of loans, business trip expenses and other non-trade payments. The exchange rate is based on the supply and demand in the interbank trade sessions conducted in the Currency Exchange of Uzbekistan. The mandatory sale of foreign currency proceeds has been completely abolished. Uzbekistan residents may freely buy and sell foreign currency and use funds abroad without limitations.

In December 2020, S&P Global Ratings affirmed its BB-/B long- and short-term foreign and local currency ratings for Uzbekistan. The outlook remained negative reflecting Uzbekistan's growing external and fiscal debt. Indeed, the current account balance, according to the IMF, was -5.6% of GDP in 2019 and -6.4% of GDP in 2020.

Banking system

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Monetary stability

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Meanwhile, revenues and large crisis response spending contributed to a fiscal deficit of about 5% of GDP in the first half of 2020. The ratings agency also noted the centralization of decision-making on the president, which makes policy responses difficult to predict.

The 2020 Fitch rating confirmed Uzbekistan's BB- long-term foreign currency issuer default rating (IDR) but stated that the country had a stable outlook. According to the Fitch report, Uzbekistan's resilience to the economic impact of the global health crisis derives from robust external and fiscal buffers, a diversified commodity export base, and access to external official financing. These factors provide Uzbekistan with the financing flexibility to respond to the COVID-19 crisis by supporting economic growth, and mitigating near-term risks related to a large current account deficit and rising government debt. For instance, the World Bank provided Uzbekistan with \$4.08 million to help support the country's response to the coronavirus crisis.

Meanwhile, opportunities for Uzbekistan to enter the international financial markets improved. For example, for the first time, UZS 2 trillion were deposited in euro bonds.

The president demanded that by February 2021 a draft law regulating non-bank credit organizations should be developed. In addition, Islamic financial services are gradually being created and the Islamic Development Bank has been invited to assist in this endeavor.

The GDP growth rate was 5% in 2019. The COVID-19-related impacts reduced GDP growth. In October 2020, the IMF projected GDP growth to be 0.7%. In January 2021, the Uzbek government reported that GDP grew by 1.6%.

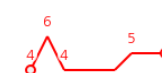
According to the World Bank, in 2019, external debt totaled \$15.78 billion. Of this debt, 86% (\$13.51 billion) will mature in more than 10 years, and 7% between five and 10 years (\$1.1 billion). External public debt was projected by the government to be \$20.4 billion by the end of 2020 (39% of GDP). Under the economic pressure of COVID-19, the government raised its external borrowing limits in 2020. External debt has been serviced comfortably. The debt service ratio was 4.5% in 2019 and 5% in 2020. For 2020, newly arranged external borrowing is projected to be \$5.5 billion, while the state anticipates the figure for 2021 to remain under \$5 billion.

According to the Ministry of Finance, state budget revenues for the first half of 2020 amounted to UZS 58,157 billion or 45.3% of the approved annual parameter. During the reporting period, an increase of 15% was achieved compared to the same period last year. State budget expenditures for the first half of the year amounted to UZS 64,878.9 billion or 25.4% of GDP. The largest share of expenditure has been allocated to social programs (53.4%). In general, the government's fiscal and debt policies promote macroeconomic stability, but lack institutional safeguards.

Fiscal stability

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In order to mitigate the consequences of the COVID-19 pandemic, UZS 82 trillion worth of measures have been realized. In particular, the special Anti-Crisis Foundation was created to fight the coronavirus and was granted UZS 16 trillion from the state budget. In fighting the pandemic, Uzbekistan received financial help from the United Nations, WHO, international financial institutions, as well as from the United States, Russia, China, Turkey, the United Arab Emirates, South Korea, Japan and Germany.

9 | Private Property

Property rights and regulations on the acquisition, use and sale of property are defined formally in law, but they are not implemented or enforced consistently.

Thus, private property is protected against baseless expropriation by the Law on Investments and Investment Activities, and the Law on Guarantees of the Freedoms of Entrepreneurial Activity. Despite these protections, the government has habitually expropriated the assets of Uzbek citizen. Foreign investors' assets can also be seized for arbitrary reasons, such as unilateral changes in investment agreements or to support a public works project. By law, the government is obliged to provide fair market compensation for seized property, but many who have lost property complain that the compensation that they have received has been significantly below the fair market value. Profitable businesses are at greater risk of expropriation, but smaller companies are also vulnerable.

In 2020, there were a number of scandals because of the construction of new modern buildings in residential areas where houses were destroyed, and residents were forced to move to other districts. Following multiple complaints, the president issued a decision prohibiting the arbitrary destruction of old houses without owners' consent and fair compensation for the loss of those houses.

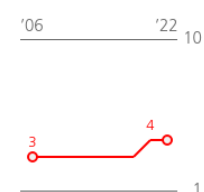
Private businesses have also expressed concerns about local government policies that fail to follow the new legislation protecting private property rights. Small businesses have reported that their property has been expropriated in favor of well-connected companies, or for development projects supported by regional or municipal authorities.

On October 27, 2020, President Mirziyoyev signed the Decree on Measures to Rapidly Reform State-run Companies and Privatize State Assets. According to this decree, more than 620 state assets are to be transformed and put up for public auction.

A crucial presidential decree was adopted according to which, as of July 1, 2019, public land will begin to be privatized. This decision allowed for the privatization of land, with supporting cadastral real estate documents, in populated localities. It is expected that this measure will stipulate more foreign and domestic investments in the economy, as well as improve land legislation.

Property rights

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According to official data the share of small business and private entrepreneurship in GDP has grown since the year 2000 from 31% to 56%.

Although private companies can, in principle, operate freely, they often encounter economic, political and social barriers. This is especially true of the agricultural sector. There were cases of expropriation by government entities and intermediaries. At the same time, the government declared its support for the private sector.

According to the Heritage Foundation and WSJ, Uzbekistan ranked 114 out of 186 countries for economic freedom in 2020, an improvement of 26 places over the previous ranking.

Uzbekistan undertook four key business climate reforms in the past year. During the first half of 2020, 36,983 additional small companies were established.

From the Anti-Crisis Fund for Fighting COVID-19, UZS 16 trillion was provided to individuals and enterprises. More than 500 companies received a combined UZS 66 trillion in tax relief measures, extended credit repayment deadlines and other financial support.

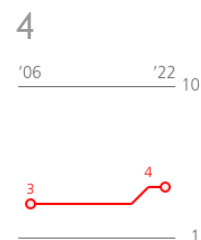
10 | Welfare Regime

Considerable portions of the population are still at risk of poverty. State salaries and pensions are relatively low. There is no single state agency responsible for social protection. State functions are divided among the various ministries responsible for health, education, labor and finance. The status, qualifications and functions of social workers were not defined prior to June 2020, when the Ministry of Justice adopted a relevant decree. Another deficiency of the social welfare infrastructure has to do with the mechanisms for identifying those in need. The primary tasks fall on the mahalla (neighborhood) committees, which have been criticized for mishandling finances.

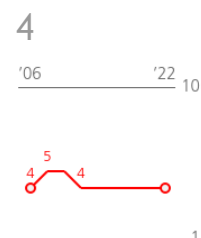
A number of social safety policies adopted in recent years promise to improve the welfare regime in Uzbekistan. 2019 was named the Year of Active Investments and Social Development, which envisaged significant measures to support the population, especially the most vulnerable strata. For instance, for the first time in 10 years, teacher salaries were increased by 50%. Since 2018, two special state programs have been realized – Each Family is an Entrepreneur and The Youth is Our Future – for which 2,605 business projects were accomplished. In addition, two other special state programs were launched – Prosperous Village and Prosperous Mahalla (neighborhood community) – which envisage the financing of housing construction and landscaping in rural and neighborhood community areas.

Serious novel government decisions have been introduced. As of January 1, 2019, the pensions of all working pensioners will be paid in full, without reduction. Multifaceted support, which includes professional education, legal consultation and

Private enterprise



Social safety nets



other forms of social support, is being arranged for unemployed people. The minimum monthly salary is being re-considered. In addition, a special social allowance for mothers who have devoted their lives to caring for a disabled child was introduced. In 2020, a consumption basket was announced for the first time, making the social safety system more transparent.

A presidential order provided labor migrants with low interest loans of up to UZS 10 million to cover travel, patent and insurance costs. Every year 600,000–700,000 people enter the labor market in Uzbekistan. About 500,000 jobs are created annually. Thus, about 200,000 people require help to find jobs as labor migrants.

In May 2020, the president signed a decision on additional measures to support the owners of household plots and ensure employment for the population. According to this decision, UZS 50 billion will be distributed from the Anti-Crisis Fund to the State Fund for Supporting Employment in order to finance improvements to household plots, subsidize unemployed people and help vulnerable families pay the membership fees of agricultural cooperatives. The president also announced additional state grants for female students from vulnerable family backgrounds. Comprehensive state programs to support vulnerable families as well as disabled and ill people have been realized. In addition to state support, civil society activities are growing and volunteers are supporting vulnerable groups of people.

Nevertheless, a study conducted by UN agencies found that the pandemic-induced crisis has taken a particularly high toll on women. Gender-based violence skyrocketed during the lockdown, and many frontline health workers (four-fifths of whom are women) are struggling with anxiety, burnout and depression. Socially and economically marginalized groups, including people with disabilities, returning migrants, and people living with HIV/AIDS or drug dependencies, are experiencing the impact of lockdown measures most acutely.

In September 2019, Uzbekistan adopted the country's first-ever gender equality law that represents a firm stance against gender-based discrimination and ensures equal rights for both sexes. This is, however, an ambitious goal in a society with deeply rooted gender stereotypes. Opportunities for men and women are far from equal. In terms of unpaid domestic labor, women continue to bear responsibility for ten times that of men, and violence against women is rarely investigated and prosecuted in courts. However, there appears to be the political will to change the status quo.

In the last three years, nearly 20 normative legal acts were adopted. These include two laws, one presidential resolution, four presidential decrees and 13 decisions of the Cabinet of Ministers.

The recent parliamentary elections doubled the number of women in parliament (from 24 to 48), though the number remains below the 30% quota established by law. For the first time, a woman was elected as speaker of the Senate.

Equal opportunity

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Issues surrounding female employment and social protections for women have become more pronounced during the COVID-19 pandemic. There is a growing demand to reduce gender gaps in the labor market by providing equal access and improving maternal and childcare.

Uzbekistan also has a law that prohibits discrimination against persons with disabilities, but societal discrimination continues. Uzbekistan criminalizes consensual sexual activity between men, which is punishable by up to three years in prison.

The official literacy rate in Uzbekistan is almost 100% because primary and secondary education is obligatory, and the system of schools, though often corrupted and poorly run, extends across the entire country. Rural youth have fewer opportunities than their metropolitan contemporaries in terms of acquiring a decent education and work. Girls and young women have de jure and de facto equal rights to education and often exercise these rights (ratio of female to male enrollment – 0.94; female labor force – 52.4%).

Recently, some representatives of the Russian-speaking population have been concerned about the reduced scope of the Russian language and an alleged rise of Uzbek nationalism. These concerns have been mitigated somewhat by efforts to revive the Russian language in TV programming, media coverage and academic life.

11 | Economic Performance

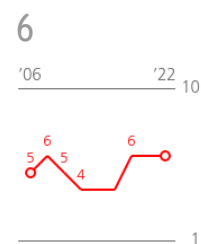
Despite the restrictions adopted to combat the pandemic, GDP growth in Uzbekistan in January to September 2020 amounted to 0.4% and is expected to reach 1.4% by the end of 2020. This shows a positive trend compared with many other developed and developing countries. It is expected that the country's economy will grow by more than 5% in 2021. GDP per capita was at \$1,763 in 2020 (based on PPP \$7,378), up from \$1,742 in 2019. The unemployment rate was 15% in 2020.

The volume of investments in fixed assets decreased by 8.2% in 2020. Investments from the budget decreased by 33.6% and foreign investments and loans guaranteed by the government by 28%. Uzbekistan has approved a new investment program for 2020-2022 that expects to attract investments in the amount of UZS 850.5 trillion and includes foreign investments of \$35.5 billion.

Uzbekistan's major exports resources are gas, gold, cotton and uranium. Uzbekistan is the world's ninth largest producer of gold and the seventh-largest producer of uranium, the latter of which is all exported.

The year 2019, the Year of Active Investments and Social Development, saw, for instance, the German company Graess Energy begin construction of a solar power plant in Muinak, Karakalpakstan. A \$12 million solar power plant with 10 MW capacity will be built in phase I; in phase II, the capacity will be increased to 20 MW, with the German company expected to invest another \$12 million.

Output strength



In November 2019, President Mirziyoyev created the Council of Foreign Investors, a body by which executives and representatives of foreign companies, banks, investment companies, international financial institutions and foreign government financial organizations will be given the opportunity to advise the government on measures to improve the country's investment climate.

12 | Sustainability

In previous years, Uzbekistan determined national Sustainable Development Goals. This process not only contributed to heightened awareness of the goals but also led to an institutional framework for the coordination and implementation of the goals. There is, for instance, the Coordination Council, which is headed by the deputy prime minister and composed of six expert groups. Membership to the council currently excludes non-governmental representatives.

Uzbekistan has also launched extensive policy and legal reforms in the environmental area. For instance, in 2019, the Concept on Environmental Protection by 2030, the Strategy for the Transition to a Green Economy for the period 2019–2030, the Strategy on Municipal Waste Management for the period 2019–2028 and the Strategy for the Conservation of Biological Diversity for the period 2019–2028 were adopted.

There are certainly many environmental issues remaining in the country. For example, the system of pollution charges has not been changed. Tax exemptions on water used for irrigation in agriculture weaken incentives for preserving water. The government has increased tariffs for utility services, but the tariffs are still below cost recovery levels. Data on many environment-related indicators is not collected, while other indicators have a more limited scope compared to the global ones.

Nevertheless, Uzbekistan's progress in the environmental realm is reflected in its improved global rankings. According to the Yale Environmental Performance Index, Uzbekistan is ranked 88 out of 180 countries, with a score of 44.3. Within the index's subcategories, the country ranks 121 for health impacts, 177 for air quality, 77 for water and sanitation, 134 for wastewater treatment, 58 for agriculture, 27 for ecosystem services, 140 for biodiversity and habitat, and 34 for climate change.

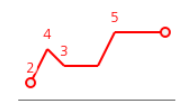
Uzbekistan continues to suffer from one of the most severe environmental disasters in world history, the drying up of the Aral Sea. During the 75th Session of the UN General Assembly in September 2020, President Mirziyoyev proposed that establishment of a multilateral trust fund to address human security issues in the Aral Sea region.

Fossil energy consumption constitutes 97.7% of total energy consumption. The Ministry of Energy announced that Uzbekistan is going to increase the share of renewable energy sources up to 25% by 2030. Uzbekistan possesses significant

Environmental
policy

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renewable energy potential. In May 2019, the Law on Using Renewable Energy Sources was adopted. The law regulates the use of solar, wind and geothermal energy, as well as the energy of water flows and biomass.

In 2019–2020, a number of ecological NGOs raised the problem of the illegal cutting down of trees in many cities for business purposes. Despite a government prohibition, such actions are quite widespread. The population is increasingly interested in ecological problems and ecological courses have been introduced in several universities.

The UN Education Index ranks Uzbekistan 106 out of 189 countries, with a score of 0.729. In the sphere of higher education, there are 112 universities and higher education institutes, of which 35 opened during the last three years (13 are local branches of foreign universities).

According to the UNDP report for 2020, about 5.3% of GDP is directed to education and 0.2% of GDP to R&D. Education in Uzbekistan has been run by the state under the direct management of the Ministry of General Education, and the Ministry of Higher and Specialized Education. Currently, the government is seeking to liberalize the education system and fully implement the principles of the Bologna process. The president announced that, through the system of the national foundation El-Yurt Umidi, the number of MA and PhD students sent to foreign universities will be increased fivefold. For the first time, 100 students will be sent abroad next year to study on a bachelor's degree program. A two to threefold increase in their numbers is expected over the coming years.

An important innovation is that 30 leading universities in Uzbekistan have been given the right to independently determine their curricular (typically determined by the state) as well as new student enrollment quotas.

In October 2019, the presidential Decree on the Conception of the Development of the System of Higher Education of the Republic of Uzbekistan until 2030 was adopted. The decree envisages, among other things, getting 10 universities in Uzbekistan into the list of 1,000 best universities in the world (Quacquarelli Symonds World University Rankings, Times Higher Education or Academic Ranking of World Universities). The National University of Uzbekistan and Samarkand State University aim to rank among the 500 best universities in international rankings. The decree also stipulates the gradual introduction of the concept “University 3.0,” implying closer links between education, science, innovation and the commercialization of the results of scientific research. Interestingly, according to the decree, the higher education system in Uzbekistan is to be transformed into a hub of international educational programs in Central Asia (using support from the U.S. Department of State and UN agencies).

Education policy /
R&D

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Beginning in the 2020/2021 academic year, the number of state grants for university education will be doubled.

Maintaining the library system, purchasing new literature and improving the remuneration of university faculties will be prioritized. In 2020, the Year of Development of Science, Education and the Digital Economy, special reform steps were made in both education and R&D. In particular, restrictive licensing rules for and strict government control over non-governmental educational institutions (NEI) were canceled. NEIs can now be easily registered by the state agency. A special state program, One Million Programmers, was adopted.

Currently, the country faces a serious lack of qualified higher education graduates, especially in the industrial sector. Only 9.5% of the population which are of student age have access to higher education, which is very low by regional and international standards. The government aims to at least double this figure by next year.

The right to independently decide on awarding the title of professor and PhD degrees is given to the leading universities which have specialized scientific councils in the respective spheres (only the special Higher Attestation Commission – a very conservative state structure – was previously authorized to award such titles and degrees). In 2020, special governmental attention was given to the development of mathematics, chemistry, biology and geology. In particular, the new University of Geology was created.

Governance

I. Level of Difficulty

The structural constraints on governance are significant though manageable in the short run. Key structural problems include high agricultural dependence on water resources with up to 90% of water coming from neighboring Tajikistan and Kyrgyzstan; the desiccation of the Aral Sea that has caused an environmental disaster in the sea basin; and aging infrastructure (every winter Uzbeks experience power outages).

Each year, around 400,000 young people enter the labor market, many of them without prospects of a decent job. Because of COVID-19 hundreds of thousands of labor migrants returned to the country, exacerbating social problems. At the same time the government realizes big plans to accommodate jobless people by providing them land for cultivation of agricultural products.

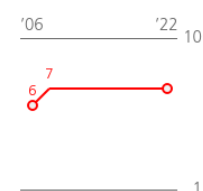
Given growing poverty, severe unemployment and infrastructural deficiencies in provincial areas (in many towns and villages the local population suffers from lack of gas, electricity and water supply infrastructure), the internal migration, in addition to external migration, has led to the overpopulation of the capital Tashkent which, among other things, added to the existing structural problems.

Despite such structural constraints and the pandemic, a number of big structural changes took place in several spheres. For instance, a new metro line was constructed in Tashkent in 2020. New infrastructural projects are also continued. In many cities, the construction boom is notable. In June 2020, the Sardoba dam on the water reservoir on the border between Uzbekistan and Kazakhstan crashed causing huge consequences for the local residents of the Syrdarya province, including the destruction of houses, many dead cases and damage to local agriculture (the dam collapse affected Kazakhstan's residents as well).

On the last day of May 2020, an incident occurred in Uzbekistan's Sokh exclave, which is surrounded by Kyrgyz territory, between residents of Sokh and the local Kyrgyz community. The incident revealed the social problems of Sokh that had accumulated over time; in particular the road connecting Sokh to the mainland of Uzbekistan was blocked by the Kyrgyz side. The prime minister of Uzbekistan urgently visited Sokh and a special development program for the area was adopted.

Structural
constraints

7



Uzbekistan's regulatory environment makes it almost impossible for civil society organizations to register. Despite this legal void, Uzbekistan's civil society has been more vibrant in 2020 than at any time in the country's post-Soviet history.

Civil society tradition has been weak in Uzbekistan. There was a brief period in the 1990s up to the early 2000s when thousands of independent civil society groups could register and receive funding from foreign donors. Many of those organizations were involved in service delivery to vulnerable groups such as women, children and the disabled with very few advocacy organizations. These organizations were shut down after the Andijan uprising in 2005.

Despite the weakness of traditions of civil society, there has been growing enthusiasm in civil society circles in advancing public interests and voicing specific social needs. For instance, such groups as environmentalists and youth organizations gradually occupy visible niches in the society. The virtual space of social networks plays a growing role here. Citizens call out corruption but also fill in gaps in the social safety net as the pandemic stretches public services to the limits. The most important feature of civil society – pluralism – is so far, however, limited by the state.

In April 2020 the president adopted a decree on the creation of the Public Chamber under the presidential administration. However, by the end of 2020, the Public Chamber has not yet begun to function. In December 2020, the president proposed the position of a special representative of NGOs in parliament, who will be authorized to articulate, promote and defend the interests of NGOs. The representative will also participate in meetings of parliamentary committees.

The president furthermore announced that from 2021 additional targeted financial resources would be provided to local municipal governments for special projects in cooperation with local civil society groups, in order to resolve local (provincial and district level) problems.

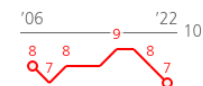
There were no violent incidents based on social, ethnic or religious differences in 2020. Nonetheless latent cleavages exist within society along local, regional, ethnic (Uzbek-Tajik), and social lines. Some tension is also implicit between the center and the periphery as well as between the extremely rich and the desperately poor.

A border incident in the Uzbek exclave Sokh in May 2020 had ethnic undertones revealing the potential for eruption of interethnic violence as a result of the escalation of local conflict. Inter- and intra-religious conflicts are least likely due to the government crackdown on radical Islam as well as Islamic practices that are inconsistent with the official interpretation of Muslimness. Society, however, appears to be intolerant of religious conversion from Islam to Christianity.

Throughout 2019-2020 there were a number of official reports about several small extremist groups in different provinces of Uzbekistan detected and neutralized by special forces. At the same time, some attempts were undertaken in the virtual space, and there were online recruiting attempts which were blocked.

Civil society traditions

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Conflict intensity

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In most cases when tokens of social conflict arise, especially with the involvement of local or high-ranking officials, outrageous public reaction breaks out in the online social networks and authorities respond to such cases in order to prevent them from escalating. There were several scandalous events in 2020 when local authorities initiated huge construction works and displaced the residents of some local districts where the construction was to be launched. This displacement caused serious resentments. This potential was also demonstrated at the end of 2020 in several provinces because of gas and electricity supply disruptions.

II. Governance Performance

14 | Steering Capability

Since taking office, President Mirziyoyev has sought to distinguish himself from his predecessor by a public turn toward effective, technocratic governance and policy reform. This has been a central pillar of Mirziyoyev's legitimacy and long-term strategy – fixing many of the governance problems (inefficiency, corruption, nepotism) that flourished under Karimov. Apart from this general vision, Mirziyoyev's government has been guided by short-term goals and priorities expressed in the catchy slogans and programs established for each year of reforms. Thus, the year 2017 was named the Year of Dialogue with the People and Human Interests. The year 2018 was proclaimed the Year of Support of Active Entrepreneurship, Innovative Ideas and Technologies. The year 2019 was named the Year of Active Investments and Social Development. The year 2020 was called the Year of Development of Science, Education and the Digital Economy. Meanwhile, 2021 is the Year of Support for the Youth and Strengthening Public Health Care.

In January 2017, the five-year action strategy for the development of Uzbekistan until 2021 was adopted. This document envisaged five basic reform directions: modernization of state management, reform of the judicial system, economic liberalization, reform of the social sector, and principles of security and foreign policy. However, only limited results have been achieved across all these fronts.

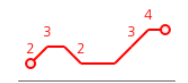
Debates have been unfolding among experts and political elites about ways to harness the fourth (informational and technological) “revolution” in Uzbekistan. In this context, the digitalization of all spheres is stimulated. In particular, the government launched the special programs Training One Million of Programmers and Digital Tashkent, among others. In the same vein, an open data portal for the Republic of Uzbekistan was created, which provides access to information resources and open data of state organs. This portal is an increasingly essential element for transparent governance in Uzbekistan. The portal also operates as a mechanism of public control, and through which new services for citizens and businesses are delivered.

Question
Score

Prioritization

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Uzbekistan signed an agreement with Russia to construct a nuclear power station. In addition, Uzbekistan also attracts substantial investment from the United States, the European Union, Japan, India, China and Turkey, among others, as well as support from international financial organizations, such as the IMF, World Bank, European Bank for Reconstruction and Development, and Asian Development Bank.

To deal with the COVID-19 crisis, the government created the \$1 billion Anti-Crisis Fund (about 2% of GDP) to support the economy and help those most affected by the crisis. Loans and development assistance from international donors were also used to cushion the economic impact of the pandemic, which Uzbekistan weathered fairly well.

The capacity of the government to implement its strategy is fairly strong as far as its political intentions are concerned. Yet, structural constraints such as poverty, aging infrastructure and rampant corruption constrain it. The accomplishment of tasks is hierarchically monitored and controlled. The president undertakes frequent inspections of provinces, projecting his personal visibility across the entire country.

For tasks such as the construction of new railroads, highways, bridges and industrial plants, the cultivation of cotton, and the mining of gold and uranium, strategic plans are usually well designed and implemented. In other sectors, implementation has been slow or has failed completely.

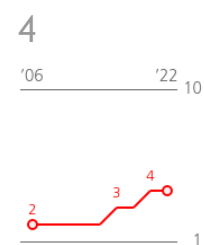
Due to the pandemic, economic growth slowed to 1.6% in 2020 but is expected to pick up to over 5% in 2021. By shifting the economy to “pandemic mode,” the government was able to limit the economic damage caused by the widespread health crisis. Even at the peak of the outbreak, most of Uzbekistan’s large and heavy industries and major construction projects continued to operate. At present, while many countries are dealing with a winter wave of infections, Uzbekistan has been lifting most of its quarantine restrictions.

There are several capable independent think tanks and academic institutions that can critically, albeit to a limited degree, review existing policies or analyze problems the government faces and its mistakes.

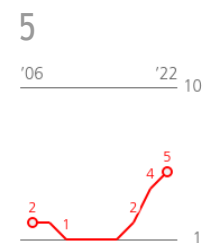
The political leadership cooperates with international institutions such as the UNDP, OSCE and World Bank, whose offices operate in Tashkent. The expertise provided by international experts is accepted and the efficiency of such interactions is expected to increase in the context of the ongoing reforms.

In January 2019, a new body – the Expert Council – was created under the president of Uzbekistan, which is composed of businessmen, officials, academics including foreign consultants and compatriots living abroad. The council will provide expert advice to ongoing reforms in all spheres. However, so far, the work of the council remains opaque.

Implementation



Policy learning



At the same time, an essential requirement of any policy learning – a pluralist and critical approach to political, economic, social and cultural issues – is still less developed in Uzbekistan. Government decisions and actions are spelled out and well explained by the media and affiliated experts but seldom critically evaluated. Interestingly, a relatively novel practice for Uzbekistan is currently being considered, namely that parliamentary hearings will be scheduled for issues under the consideration of parliament. This may help to foster learning from past experiences and improve policymaking.

The president constantly demonstrates an innovative policymaking style. Frequently, new solutions to existing problems across various spheres (e.g., executive governance, banking, education, support of NGOs, social protection and digitalization) are announced. For instance, in 2020, Uzbekistan improved its position in the Open Data ranking from 125th position to 44th.

15 | Resource Efficiency

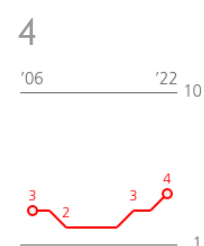
Currently, the government structure of Uzbekistan consists of 24 ministries, 10 committees within the Cabinet of Ministers (CM), 11 agencies, five committees under the CM, five centers and four inspectorates under the CM, two central institutions, and four departments. In addition, there are several secretariats. In general, the structure is very bloated, and personnel efficiency and qualification levels are very low. Inter- and intra-agency communication is ineffective.

The lack of skilled civil servants in Uzbekistan is a serious problem. Most civil servants in government administration lack the appropriate skillsets, openness, sense of accountability, and willingness to abide by rules and regulations. Personnel recruitment continues to follow the Soviet tradition of connection-based rather than merit-based hiring.

Uzbekistan needs to establish a mechanism for evaluating and selecting personnel in accordance with key performance indicators. It also needs to create a modern and transparent system for recruiting civil servants, preventing conflicts of interest and introducing income reports. Budget allocations for the state apparatus have significantly increased in the last few years. According to an analysis of the Ministry of Justice, in many ministries, state agency and departmental functions and responsibilities are duplicated. The Law on State Service has yet to be adopted.

The “single window” digital information system, which was introduced in September 2020 and intended to be used by state services across the country, is supposed to embody the president’s claim that it is not the people who serve state organs but state organs who serve the people. This new system allows citizens to submit claims digitally and, therefore, avoid having to interact with several different offices within the state bureaucracy.

Efficient use of assets



During the pandemic, UZS 82 trillion (about \$8.2 billion) was spent on complex measures to mitigate the consequences of pandemic. Of this, UZS 16 trillion was spent on creating a special fund for fighting COVID-19 and supporting individuals and companies. Tax and credit privileges amounting to UZS 66 trillion were introduced for 500 state companies, entrepreneurial entities and eight million citizens.

Policy coordination is being improved only slowly. The regime adopts various coordination styles – hierarchic-bureaucratic, informal-network, personalist, centralized, even ideological – but these approaches are often functionally deficient. Although a veneer of policy coherence is created, little meaningful inter- and intra-government coordination is practiced.

The dominant coordination mode is vigilant surveillance from the top. The president himself regularly inspects the situation in provinces of the country, and frequently replaces the khokims (mayors) of provinces and cities – a policy that pursues three interrelated objectives: to prevent the concentration of local power in the hands of khokims, who more often than not abuse their power; to limit the scope of corruption; and to ensure executive discipline. In his 2020 address to parliament, the president emphasized that the efficiency of local executives was hampered by the lack of qualified staff and corruption. He also pointed out that local executives and councils were working on the basis of legislation adopted 27 years ago. This legislation no longer meets current requirements and must be profoundly amended.

A new system of policy coordination is being created. The Ministry of Justice and its provincial branches are tasked with controlling and assisting the implementation of the relevant decisions. In addition, a system of public hearings and public monitoring is being created in which civil society institutions, mass media and citizens are involved.

The UNDP and the Ministry of Justice of Uzbekistan signed an \$8 million agreement on advancing anti-corruption efforts in Uzbekistan between 2018 and 2020. The Republican Inter-Agency Commission Against Corruption was established in June 2020. It is headed by the general attorney, who announced that the agency would be independent and would not operate under any state structure.

The speaker of the Senate announced that all normative and legal acts will be reviewed by anti-corruption experts. She also announced that Uzbekistan will join the Council of Europe's Group of States against Corruption (GRECO).

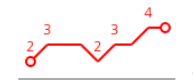
A new article addressing the illegal self-enrichment of officials was included in the Criminal Code of Uzbekistan. A new strategy on the development of the state civil service until 2030 was adopted, which envisages the introduction of effective mechanisms to enhance a culture of anti-corruption among civil servants.

The president demanded that the digitalization of government services should be widely developed in order to optimize the civil service. Therefore, next year, 60 more state services will be digitalized, and online services will constitute 60% of all state services.

Policy
coordination

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Anti-corruption
policy

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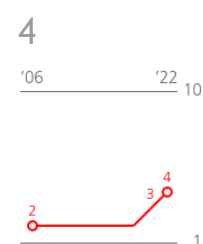
There is currently no requirement for public servants to declare their assets. However, it is proposed that as of January 1, 2021, a civil servants' asset and income declaration system will be introduced for all levels of the civil service.

16 | Consensus-Building

Building consensus around the principles of democracy and a market economy has always been a top-down, government-driven process in Uzbekistan. President Islam Karimov, who ruled Uzbekistan between 1989 and 2016, had a deep mistrust of democracy and its institutions. Considering it to be a threat to stability and challenge to his political rule, he deemed it necessary to place all expressions of democracy under his own supervision and tight governmental control. Karimov also publicized the idea of an “Uzbek path” to development and democracy, premised on the principles of state pre-eminence, and a gradualist and culturally sensitive reform process. Since taking office, President Shavkat Mirziyoyev has sought to distinguish himself from his predecessor by publicly advocating for effective, technocratic governance and policy reform. His aim is not necessarily to build democracy in Uzbekistan but to create a more prosperous, reputable and globally integrated Uzbekistan in order to establish a legacy based on economic modernization, fighting corruption and technocratic governance. Mirziyoyev’s modality of ruling is reflected in his frequent and relentless inspection visits of the provinces of the country, a practice that has projected an image of him as a “mobile president.” His approach to power can be characterized as soft autocratic – shifting slowly toward democracy by spurring market reforms and activating civil society, while maintaining strong control over the political system. Mirziyoyev has tried to build consensus by means of greater dialogue and engagement with people. In general, consensus is based on the popularity of the leader of the country. However, it is, so to speak, an authoritarian consensus; the gap between declared democratic goals and the implementation of democratic reforms endures. At the same time, consensus on democratic and market economy goals is to a great extent based on the conformist character of the political and economic elites. The political process in Uzbekistan does not display real pluralism. There are no opposition parties which would dare to challenge the political regime. Uzbekistan’s existing opposition parties are of an opportunistic nature.

Consensus on a market economy is strong and broadly manifested. This is reflected not only in the public discourse but also in economic decisions, for example, concerning privatization, the liberalization of foreign trade, private universities, entrepreneurship and small business, reducing monopolies, and private banking. Private businesses constitute about 50% of the national economy. At the same time, serious debates are taking place about the market, for instance, with respect to the national airline.

Consensus on goals



In the context of Uzbekistan, the question “to what extent can reformers exclude or co-opt anti-democratic actors?” can be reformulated as “to what extent can the authoritarian regime include or co-opt pro-democratic actors and reformers?” There is still a gap between de jure and de facto democracy, and this gap is being filled by pro-democratic actors within the government and in society.

Anti-democratic actors are those who intentionally or unintentionally sabotage ongoing reforms in practice, even if they embrace democratic conventions rhetorically. These actors include corrupt officials (including local officials who are responsible for overseeing and implementing national initiatives), executives, managers who abuse their power, and unqualified and irresponsible careerists.

Mirziyoyev’s own commitment to democracy is also questionable. Although multifaceted reforms are conducted with varying levels of success, politics remains the least reformed realm. Consequently, reform of the party system, the functioning of parliament, the election of local provincial khokims (mayors), as well as the removal of constraints on individual freedoms and freedom of information are effectively delayed. Whether the president unblocks political reforms and secures a democratic political process is yet to be seen.

The regime has not yet faced serious social, religious or ethnic cleavages in society.

In general, the political leadership is able to moderate cleavage-based conflicts. Furthermore, civil society is politically still very fragile and reluctant to challenge the existing status quo. Finally, one of the characteristics of Uzbek society is its political absenteeism, which is due to the country’s Soviet background, and which makes open and sharp cleavages and conflicts less likely.

At the same time, several conflict situations occurred in 2020, such as a border incident in the Uzbek exclave of Sokh, and protests in several provinces caused by gas and electricity supply disruptions. Although these situations did not escalate, they demonstrated the potential for conflict if reforms slow down or if problems in people’s everyday lives are exacerbated.

Until recently, civil society organizations have been mostly excluded (or self-excluded) from the policy process. Civil society groups have traditionally dealt with service provision and non-political matters. The third sector has been dominated by GONGOs, which are now periodically invited to various local and national meetings. But these organizations should not be confused with independent civil society institutions.

On the one hand, relatively active civil society actors try to utilize sophisticated formal and informal channels to provide information and submit demands to the political level. They sometimes collaborate with some GONGOs or use internet channels or personal communication channels in order to reach out to top decision-makers.

Anti-democratic actors

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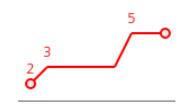
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Cleavage / conflict management

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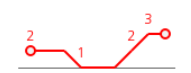
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Civil society participation

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In 2018, President Mirziyoyev signed the Decree on Measures to Radically Increase the Role of Civil Society Institutions in the Process of Democratic Renewal of the Country. The document acknowledges systemic shortcomings that continue to impede the effective operation of NGOs in Uzbekistan. These include excessive bureaucratic requirements and red tape for the registration of NGOs due to outdated legal norms that do not meet current requirements.

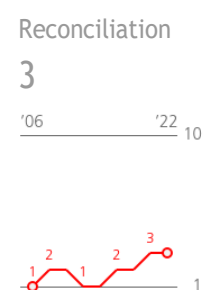
During the pandemic, independent NGOs organized several Zoom meetings to discuss the problems faced by and needs of NGOs. Currently, a code for NGOs is being developed and a number of civil society institutions are engaged in this process. It has been announced that a special representative for NGOs will be established in the lower chamber of parliament in 2021.

The president has managed to create a political atmosphere of broad political consensus in society. This administratively managed consensus is backed by his personal authority and his devotion to reforms. However, the authoritarian mode of reconciliation is being challenged by the growing divergence between reform-oriented and reform-demanding strata of society on the one hand, and conservative and anti-reformist segments of society on the other.

The two most sensitive issues that could polarize society and perhaps require reconciliation measures – religious extremism and political opposition – are kept at the political periphery in Uzbekistan. Both issues are strongly limited, and political antagonism does not undermine common sense and the political atmosphere in the country.

Repressive measures used by law enforcement agencies against independent journalists, human rights defenders and political opponents, albeit manifested in some cases, have significantly reduced recently.

When President Mirziyoyev came to power, he released many political prisoners, raising hopes that the government was serious about political reform. Yet, the authorities have not provided former political prisoners with avenues for legal redress, for example, to overturn unjust convictions or access adequate medical treatment, even though many remain in terrible health due to their decades-long ordeals. Neither has Uzbekistan given any indication that it will pursue a meaningful strategy of truth and reconciliation that would lead to the legal rehabilitation of those freed. Without a meaningful national dialogue about past abuses, it is hard to see Uzbekistan making a leap toward greater democracy. And a national dialogue is unlikely to be initiated under President Mirziyoyev, as he was an integral part of the Karimov regime and has so far shied away from openly distancing himself from Karimov's legacy.



17 | International Cooperation

Uzbekistan has further improved its record in getting and effectively using international support and assistance.

The United Nations has implemented its comprehensive assistance program for the period 2016–2020 under the UNDAF. This program covers four main areas: economic development, with a special focus on employment and social protection; the quality of health care and education; the protection of the environment and sustainable development; and effective management of state services and protection of human rights. UN special agencies, such as UNESCO, UNISEF and UNODC, among others, consistently realize their programs in Uzbekistan. The United Nations provides assistance to implement Sustainable Development Goals (SDG). A special online platform (<http://nsdg.stat.uz>) was created to monitor the implementation of SDG programs.

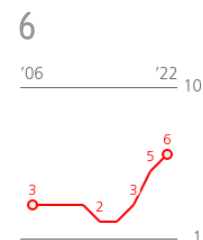
The World Bank had a special partnership concept with Uzbekistan for the period 2016–2020. The board of directors of the Inter-American Development Bank confirmed \$509.2 million in funding for economic projects in Uzbekistan. In 2019, Uzbekistan signed a country partnership strategy with the Asian Development Bank for 2010–2023.

U.S. assistance to Uzbekistan has increased by 400% since 2016, which reflects the sustainability of U.S. support for Uzbekistan’s comprehensive reform efforts. U.S. assistance to Uzbekistan covers trade, fighting the pandemic, agriculture, capital markets, education, geology, management of trans-border rivers, tourism, rule of law, support for NGOs, fighting corruption and drug trafficking, and military and security cooperation. In particular, USAID and the American Center for Disease Control provided \$9 million to help fight COVID-19, which includes technical assistance, laboratory instruments and testing devices, as well as 200 means of providing artificial ventilation for lungs.

Japan provides assistance to Uzbekistan within its Official Development Assistance Program. Similar special assistance programs are provided by South Korea and other developed countries, the European Union, and international organizations.

At the same time, there were allegations and reports that international assistance provided for anti-pandemic measures was not used properly or was very opaque.

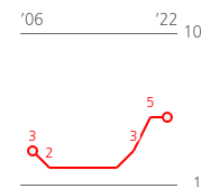
Effective use of support



Many international agencies, foreign state officials and experts point to the increasing credibility of Uzbekistan compared to under the Karimov leadership, which found Uzbekistan largely isolated. The situation in human rights has slowly improved and several political prisoners were released. The investment climate has also improved. Taxes were reduced. Foreign trade has been partially liberalized and the visa regime has been substantially simplified. National currency convertibility is guaranteed. These and other improvements create a positive image and increase the credibility of the country in the world.

Credibility

5



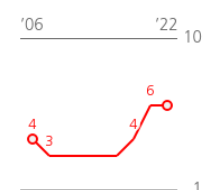
Cooperation with foreign states is developing steadily on a bilateral level and multiple agreements have been signed. At the end of 2019, the United States announced its new Strategy for Central Asia. In January 2020, the “C5+1” diplomatic format was conducted in Tashkent. During the December 2020 visit of the Uzbek Ministry of Foreign Affairs delegation to Washington, DC, the existing Uzbekistan Annual Bilateral Consultation mechanism between the United States and Uzbekistan was transformed into a strategic partnership dialogue. Following the consultations, the U.S. side confirmed its commitment to a strategic partnership with Uzbekistan and its readiness to support reforms in Uzbekistan.

At the same time, during domestic and international discussions of Uzbekistan potentially joining the EAEU, Western powers expressed concern because, according to them, such a decision could undermine Uzbekistan’s prospect of becoming a WTO member.

In November 2019, the second consultative meeting of the five leaders of Central Asian states was held in Tashkent. In that meeting, a joint statement was adopted, which re-affirmed the need for regional unification. The sides expressed their resolve to develop and promote joint initiatives and projects directed toward strengthening peace, stability, security and support for sustainable development in Central Asia.

Regional cooperation

6



The third consultative meeting was scheduled for October 2020 to be conducted in Bishkek, the capital of Kyrgyzstan. However, it was postponed until 2021 because of the political upheavals in Kyrgyzstan following the fraudulent parliamentary elections in that country.

The COVID-19 pandemic brought with it a new test of regional cooperation. Uzbekistan sent humanitarian assistance to Kyrgyzstan and Tajikistan to help fight the pandemic. In particular, the leadership of Uzbekistan announced that in the south of Tajikistan a receiver-distributor center will be constructed for people infected with COVID-19, which Uzbekistan would fully equip.

In 2020, the International Institute for Central Asian Studies was created in Tashkent. In June 2020, the water reservoir Sardoba at the border between Uzbekistan and Kazakhstan collapsed causing huge damage to local homes and agriculture. Rumors

spread that this tragedy would lead to tensions between the two states, but the governments managed to resolve the problem in a peaceful and constructive way. Both states officially referred to the Treaty on Strategic Partnership (2013) and the Treaty on Eternal Friendship (1997) to effectively arrange communications.

Uzbekistan significantly improved its relations with Afghanistan. A number of Afghan official visits to Uzbekistan took place in 2019 and 2020. Construction of a railroad from Termez in the south of Uzbekistan via Afghanistan toward ports on the Indian Ocean has been promised by the Uzbek side.

At the same time, a controversial decision on Uzbekistan joining the Eurasian Economic Union as an observer was adopted in 2020. The economic benefits of Uzbekistan's future membership in this organization were not well calculated or demonstrated, and debates in the country on the issue polarized the expert and political community.

Strategic Outlook

Uzbekistan has made visible progress over the last few years in implementing ambitious reforms. These reforms have facilitated the emergence of a qualitatively different social and economic environment both in the country and in the region.

The first phase of reforms focused mainly on improving macroeconomic management in Uzbekistan and included changes to price setting and foreign exchange management, trade liberalization, and fiscal and monetary policy reform. The pace of reforms has inevitably slowed due to the impact of the pandemic on administrative capacity, although the impact of the health crisis on the economy has been relatively limited. Uzbekistan avoided an irreversible adverse effect of COVID-19 on its economy. Growth is expected to pick up in 2021, but the level of uncertainty remains high, and economic recovery will depend on the continuation of policies to protect lives, support growth and mitigate the economic damage caused by the pandemic.

One of the main hurdles to continued reform is pervasive corruption, which is eroding the economic, political and moral health of the state and society.

Another fundamental problem that undermines the success of reforms is the quality of officialdom. This problem is related to the issue of selecting and recruiting state cadres as well as the circulation of political elites. The large number of state officials and bureaucratic institutions appears to be a key stumbling block to ongoing comprehensive reform.

Much hope was placed on the 2019 parliamentary election. The new parliament was expected to symbolize the beginning of a new political process. Although parliament has made a shift toward more open and powerful activity, it is yet to gain indisputable decision-making authority.

From a strategic perspective, several important steps toward reform are expected and needed. The next phase of reforms, as noted by President Mirziyoyev, will need to focus on reducing the large role of the state in the economy, and creating a vibrant and resilient private sector, which will involve establishing a level playing field for businesses and protecting property rights.

The authorities have embarked on far-reaching reform of the judicial system, which aims to strengthen the independence and integrity of the judiciary. Key steps will need to focus on strengthening the independence of the Supreme Judicial Council and the procedures for the selection of candidates to judicial offices, as well as the organization of courts. The Anti-Corruption Agency is tasked with investigating possible corruption, but success in tackling corruption will also depend on fair and credible prosecution and adjudication.

In the realm of politics, NGO representatives need to be integrated into the legislative process, new legislation on the civil service must be adopted, further reforms of education are necessary to stop the brain drain, and the introduction of elections for khokims is in order.

Geopolitical turbulences continue to affect Uzbekistan's foreign policy. In 2020, Uzbekistan became an observer in the Russian-led EAEU structure. Membership in the EAEU may prevent Uzbekistan joining the WTO.

In October 2021, presidential elections will be held in Uzbekistan. The president repeatedly pledges his commitment to democracy. However, in all previous presidential elections, political parties, although nominating their respective chairmen as candidates, could not promote alternative political programs and even supported the incumbent president. Because there is little likelihood that existing parties will become real, competitive and popular political forces, much will depend on the extent to which the party system of Uzbekistan will be reformed. Ideally, during his second term, President Mirziyoyev should speed up political reforms, and work toward consolidating a more open and pluralist political system.