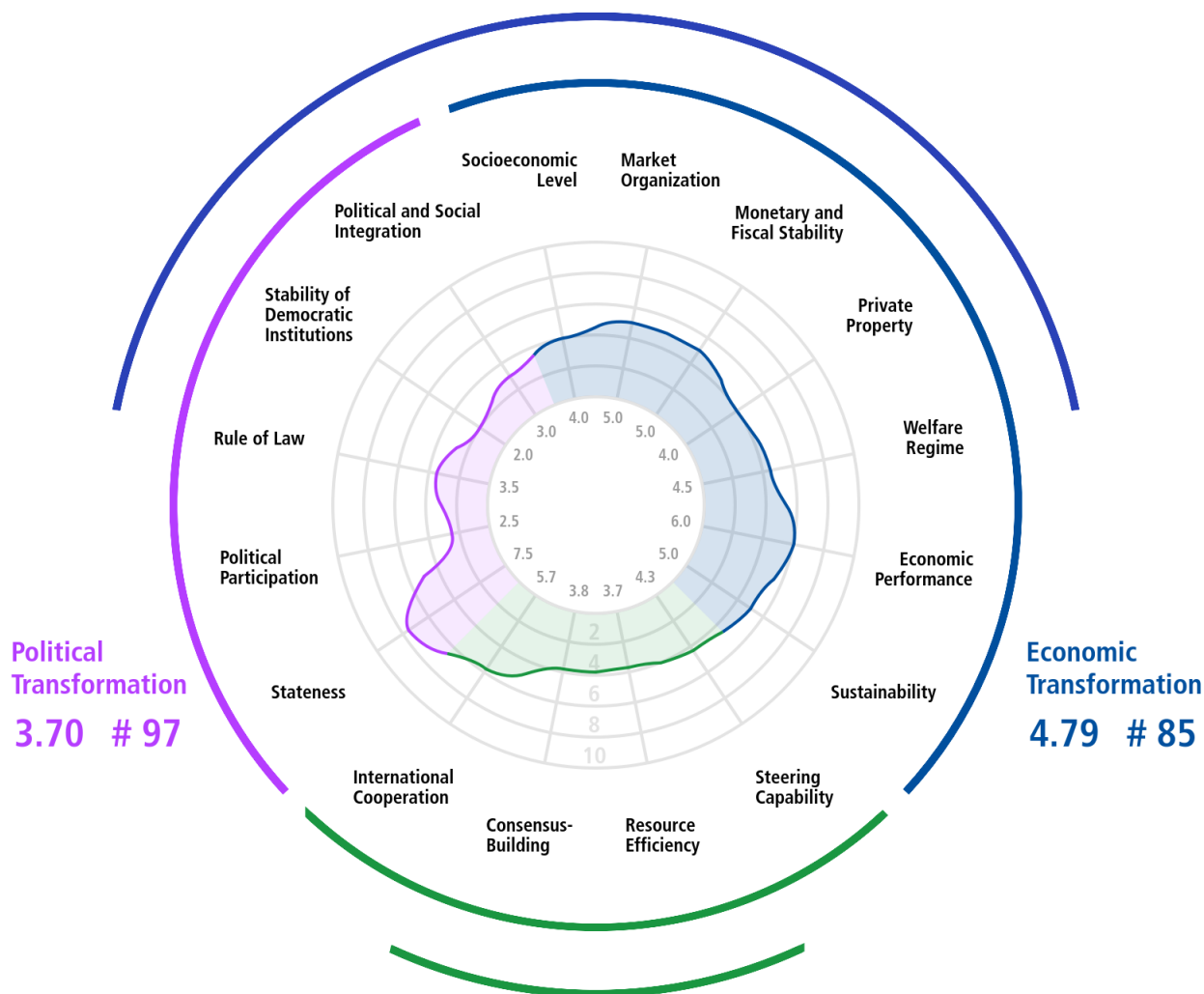


Uzbekistan

Status Index

4.24 # 99

on 1-10 scale out of 137



Political Transformation
3.70 # 97

Economic Transformation
4.79 # 85

Governance Index

3.92 # 98

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Uzbekistan. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	35.6	HDI	0.727	GDP p.c., PPP \$	9533
Pop. growth ¹	% p.a.	2.1	HDI rank of 189	101	Gini Index	35.3
Life expectancy	years	70.9	UN Education Index	0.743	Poverty ³	% 94.6
Urban population	%	50.5	Gender inequality ²	0.227	Aid per capita \$	32.7

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the review period (2021 – 2022), Uzbekistan underwent a series of reforms characterized by a mixture of rapid progress, uneven development and controversy across economic, social and political spheres. These reforms demonstrated varying dynamics.

In October 2021, Shavkat Mirziyoyev was elected for a second term in presidential elections that were neither free nor fair. The year 2021 was officially designated as “The Year of Supporting the Youth and Strengthening the Population’s Health,” while 2022 was named “The Year of Interests of the People and Active Mahalla” (Mahalla being a local self-governing community). These designations, intended to prioritize specific goals for each year, exposed underlying issues such as mismanagement, growing corruption and abuses of power, potentially leading to public dissatisfaction and criticism.

Signs of a looming political crisis began to emerge, aggravated by the absence of opposition parties and the ongoing crisis within the country’s party system. The Oliy Majlis (parliament) continued to follow outdated practices, including unanimous voting, a lack of pluralism and limited critical debates, thereby lacking transparency.

The initial Development Strategy of Uzbekistan, covering the period from 2017 to 2021, was discontinued in favor of a new strategy spanning 2022 to 2026.

Although Uzbekistan continued to grapple with the social and economic aftermath of COVID-19, progress was made in terms of immunity, and the number of cases remained relatively low.

The outbreak of Russia’s full-scale war in Ukraine in February 2022 posed a substantial existential challenge to former Soviet republics, including Uzbekistan. This geopolitical crisis significantly influenced Uzbekistan’s domestic and foreign policies.

Similar to the impact of COVID-19 in 2020/2021, the war in Ukraine prompted many labor migrants (out of approximately 2.5 million Uzbek migrants working in Russia) to return to their home country due to decreased labor demand in Russia. Fortunately, this return of labor migrants did not result in a chaotic situation.

In June 2022, Uzbekistan initiated a constitutional reform process. While the president initially proposed nine amendments, the constitutional commission suggested changes to dozens of articles. The process appeared nontransparent and inefficient, leading to the postponement of adopting the new constitution.

Furthermore, an administrative reform was accelerated toward the end of 2022, reducing the number of ministries from 25 to 21 and decreasing the size of administrative personnel within executive power branches by 30%.

Overall, during this period, Uzbekistan, along with other Central Asian countries, faced heightened geopolitical challenges due to Russia's aggression against Ukraine. Consequently, any discussion regarding Uzbekistan's accession to the Russia-led Eurasian Economic Union (EAEU) was deemed premature.

Despite these challenges, Uzbekistan continued to prioritize regional cooperation. Consultative meetings of Central Asian presidents occurred in 2021 and 2022, with Tashkent and Samarkand hosting high-level international events such as the Shanghai Cooperation Organization summit, a conference on Central Asia–South Asia connectivity, and a conference on Afghanistan.

In addition to regional cooperation, the second U.S.-Uzbekistan Strategic Partnership Dialogue took place in December 2022 in Washington, DC. A significant foreign economic achievement was Uzbekistan's inclusion in the European GSP+ system.

History and Characteristics of Transformation

The Uzbekistan 2.0 reforms, initiated in 2016 with the election of President Shavkat Mirziyoyev, mark a pivotal phase in the country's post-independence transformation that is associated with the election of President Shavkat Mirziyoyev. President Karimov, Mirziyoyev's predecessor, and his regime were characterized by a high degree of autocracy, essentially continuing the Soviet-style political system. Paradoxically, while Karimov consistently emphasized the irreversibility of independence and depicted the Soviet past as a dark totalitarian era, he did little to eliminate the lingering influences of Soviet rule. The cult of personality surrounding the head of state, supported by an all-powerful state apparatus, ensured the compliance and loyalty of the Uzbekistani public.

President Mirziyoyev has not completely dismantled the foundational aspects of the Karimov regime nor established an entirely new system. He does not seek to accelerate democratization dramatically, nor does he aim to preserve the status quo instituted by Karimov. Mirziyoyev's "new course" is, therefore, a relative success but also a subject of controversy.

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, the Code of NGOs is still being worked out, but progress is very slow. 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 placed a greater emphasis on reforms in education, health care, youth affairs and economic liberalization.

However, political reforms have progressed slowly. While there has been a slight increase in the visibility of parliament following the December 2019 elections (e.g., the speaker of the Senate occasionally issues critical statements, hearings are organized with ministers and there is more frequent media coverage of parliamentary activity), old practices persist. Key votes remain closed, and parliamentary committees hesitate to engage with external and independent experts. In December 2022, a popular member of parliament announced his resignation, citing his disappointment in the legislature's activity.

It appears to be the case that the more reforms are introduced, the greater the resistance to such reforms. Uzbekistan grapples with significant challenges, including poor state management, a lack of qualified civil servants, high levels of corruption and power abuses by local authorities.

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

The state's monopoly on the use of force is established nationwide. One of the specific features of stateness in terms of the monopoly on the use of force is that the state has always demonstrated its readiness to quell any riot and other manifestations of social instability. Law enforcement agencies stand ready to prevent possible disturbances and suspicious activities. While this monopoly on the use of force is a fundamental characteristic of any state, it has, in Uzbekistan, at times led to abuses of power by those authorized to exercise it.

In June 2022, mass riots occurred in one province of Uzbekistan – the Karakalpak Autonomous Republic. These riots were triggered by a constitutional amendment that aimed to revoke Karakalpakstan's status as a republic and align it with the other 12 provinces of Uzbekistan. The authorities swiftly intervened, deploying the police and special forces, and imposed a one-month state of emergency in the affected province.

While the state effectively exercises its monopoly over the use of force within its territory, its ability to prevent violence originating from outside its borders is limited. In April 2022, the Islamic State Khorasan Province (ISKP), an offshoot of the Islamic State of Iraq and Syria (ISIS) in Afghanistan, carried out rocket attacks into Uzbek territory from its base in Afghanistan. However, these attacks were short-lived and did not pose a significant challenge to the sovereignty of Uzbekistan.

Formal citizenship and state identity are one issue, and how citizens identify themselves with the state in their lives is another. While there is no legal discrimination based on nationality, gender, race, religion, language or similar factors regarding citizenship provisions, the way citizens connect with the state in their daily lives is more complex. For instance, a new citizenship system implemented in 2020 allows individuals without Uzbekistani citizenship who have lived in Uzbekistan for 15 years to apply for citizenship.

Question
Score

Monopoly on the
use of force

9



1

State identity

7



1

However, the issue of state identity, which involves people's loyalty to the state, is a multifaceted one. Some groups of citizens may identify themselves differently from the state's identity. For instance, the Russian-speaking population in Uzbekistan may harbor underlying sympathies toward Russia, leading to a sense of detachment from Uzbekistan. Even among Uzbek labor migrants, there have been instances where they sought Russian citizenship.

Uzbekistan has been an independent nation for over 30 years, yet traditional local affiliations, clan and regional loyalties, and nepotism continue to persist as outdated and conservative subnational and substate identities. These identities are seen as potential challenges to national cohesion in Uzbekistan and, consequently, to its stateness.

The recent riots in the province of Karakalpakstan, an autonomous republic of Uzbekistan, raised concerns about the national unity and cohesion of the country's population. Some nationalists in this province attempted to highlight a distinct Karakalpak identity separate from the rest of the nation, even expressing separatist sentiments. However, they did not garner significant support among the general population.

Formally, the state maintains a secular stance, with religious doctrines exerting minimal influence on the legal framework and political institutions. The government exercises strict control over all religious organizations and gatherings, ensuring that religious doctrines and norms do neither impact state institutions nor society as a whole, unless they are sanctioned by the state.

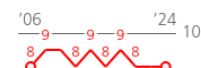
However, despite this official control, Islamic teachings and ideology have managed to establish a visible presence in the public sphere. For example, during the month of Ramadan, imams from mosques are invited to participate in live television broadcasts, where they answer questions from Muslims via phone calls. Additionally, state-controlled TV programs dedicated to Islam have become well established. Notably, in a change from the past, women and girls are now permitted to wear religious attire in public places, including universities.

Moreover, between 2021 and 2022, a new wave of active religious bloggers emerged, challenging the prevailing religious landscape by engaging in public discussions on the content and principles of Islamic religion. These discussions often become heated and are increasingly prominent, especially on social media platforms like Facebook, Telegram and YouTube. Given the growing influence of social media in society, this suggests that the state may be more accepting of open discourse on religious matters.

Uzbekistan also accommodates other faiths, such as Russian Orthodoxy, Judaism, Protestantism and Catholicism, within a fairly tolerant atmosphere, despite the predominantly Muslim population. However, all other religious groups and missionaries are strictly prohibited and suppressed.

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. While the state administration, organized hierarchically throughout the country, possesses the capacity to provide these services, issues like widespread corruption, mismanagement, unqualified personnel and a shortage of financial resources frequently lead to public dissatisfaction in many areas.

From 2021 to 2022, a series of scandals unfolded involving the abuse of power by local authorities known as khokims. Khokims in various provinces and districts were exposed for engaging in petty corruption, nepotism and power abuses. Recently, new Telegram channels like @kompromatuzb and @eltuzportali, along with numerous bloggers, independent websites and activists, have shed light on such violations and abuses by publishing concrete evidence against khokims, directors, chairmen, bankers, managers and other officials. These issues have adverse effects on various sectors, including public transport in Tashkent, infrastructure and more.

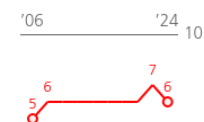
Nearly 60% of the population has access to clean water. Various projects, supported by international organizations and foreign countries, aim to address this issue. For instance, the government of Japan is assisting in upgrading water and sanitation infrastructure in the Surkhandarya province, although official reports claim that basic sanitation and electricity are supposedly available to 100% of the population.

Nonetheless, problems persist. Complaints about a deteriorating health care system and concerns about unfair judicial outcomes due to corruption are on the rise. In 2022, there was a sudden and significant deterioration in the energy supply system, with frequent interruptions in electricity and gas supply occurring throughout the country. The Ministry of Energy struggled to provide a convincing explanation for these disruptions.

In his December 2022 address to the parliament (Oliy Majlis), President Mirziyoyev acknowledged the crisis within the administrative system. He announced plans to reduce the number of state agencies from 64 to 23, ministries from 25 to 21, and administrative personnel by 30%.

Basic
administration

6



1

2 | Political Participation

Uzbekistan has all the necessary institutions and laws in place to conduct regular elections. These features include a Central Election Commission, universal suffrage with secret balloting, and accessible, secure and confidential polling stations. However, the election system as a whole operates with a degree of invisible state control at each stage.

In 2021, presidential elections were held, resulting in the re-election of President Shavkat Mirziyoyev for a second term. The election process was democratic in form but undemocratic in content. Candidates for the presidential post were carefully chosen to create an artificial appearance of competition. However, these candidates were essentially unable to present alternative political programs or challenge the incumbent.

Just a year after these elections, the president initiated a constitutional reform that proposed nine amendments. Independent experts and bloggers argue that this constitutional reform was primarily designed with the ultimate goal of resetting the presidential term limit and providing legal justification for the incumbent to run again in the next presidential elections.

Under current election laws, independent candidates are not permitted to run for parliament or the presidency; only political parties can nominate their members. Independent experts and bloggers are currently advocating for a substantial reform of electoral legislation that would allow the nomination of independent candidates. They also emphasize the importance of introducing elections for khokims, the governors of provinces, cities and districts, who are currently appointed rather than elected.

President Shavkat Mirziyoyev's ongoing reforms encompass all branches of government. However, despite the momentum of these reforms, the political system continues to revolve entirely around the president. Until recently, elected representatives in the political sphere had limited authority for two reasons: their inherent political ineffectiveness and the pervasive influence of the all-powerful presidential administration, as well as the president himself.

In his December 2022 address to the parliament and the public, President Mirziyoyev, for the first time, acknowledged the existence of a "manual control" regime in public administration. This marked the first public admission that the state's governance relied on outdated and heavily biased authoritarian methods.

In 2021, Uzbekistan's rating on the World Governance Indicator (WGI) by the World Bank improved, placing the country 116th out of 208 nations. However, it still falls below the global average rating.

Free and fair elections

2

'06 '24 10



Effective power to govern

2

'06 '24 10



In April 2022, the government introduced a decision titled “On Measures for the Further Improvement of Mechanisms for Social Partnership and the Implementation of Public Oversight.” According to this document, NGOs can engage in the development and monitoring of state programs, as well as provide input on draft laws. The outcomes of these NGO proposals should be made accessible on an electronic portal. However, the actual implementation of this decree is yet to be observed.

The rights to association and assembly are formally guaranteed by the constitution. On paper, there are five political parties and over 9,000 legally registered NGOs in the country. However, it’s important to note that there are no registered opposition parties, and many of the prominent and active NGOs are, in reality, government-organized non-governmental organizations (GONGOs) with informal ties to the political regime. Other NGOs are either small, weak, or work in areas that don’t concern the government. Registering NGOs and political parties faces significant obstacles, often resulting in arbitrary denials of registration based on questionable technical errors. Human rights groups, like the Human Rights House, have consistently been denied registration.

Although there have been announcements about the development of a new Code of NGOs, the process is far from complete. The semi-official National Association of NGOs (NANGO) of Uzbekistan has launched a Telegram channel to disseminate information about news, events, grants and projects to organizations. However, the Chairman of NANGO has recently faced criticism for perceived incompetence, inefficient management and a lack of involvement in genuine NGO activities. Another GONGO, the “Yuksalish” (“Growth” or “Elevation”) Movement, has organized various public events focusing on topics such as civil society development, constitutional reform, collaboration among Central Asian experts, and more.

At the highest political level, the government does not impose significant restrictions on assembly and associations. However, at the local level, some executives resort to intimidation and harassment against certain associations and groups of activists. In the current draft criminal code being discussed in parliament, the offense of “unlawful formation of a public association or religious organization” remains punishable by imprisonment.

In terms of legal protections, the situation appears quite democratic. The constitution guarantees freedom of expression, and there is legislation in place to protect freedom of information, which is somewhat effective.

During the review period (2021 – 2022), bloggers and independent journalism activity increased. While some bloggers faced pressure from local authorities and even lost their jobs, most of them became significant contributors to the media landscape. Critical discussions on various topics are on the rise, particularly on TV, websites and social media platforms. Although informal censorship persists, journalists and bloggers are addressing important, critical, and even sensitive issues, bringing them to the attention of the wider public.

Association /
assembly rights

3

'06 _____ '24 10



1

Freedom of
expression

3

'06 _____ '24 10



1

Several well-known independent news websites and online TV channels have gained popularity, including www.kun.uz, azon.uz, AzonTV, www.rost24.uz, human.uz, qalampir.uz, and the UzReport TV channel. However, there have been instances where independent journalists and bloggers faced intimidation, and some were even sentenced by courts.

3 | Rule of Law

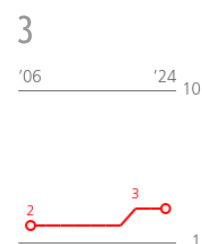
The Uzbekistan constitution provides for a separation of powers between the legislative, executive and judiciary, as well as between a strong presidency and a bicameral parliament known as the Oliy Majlis (Supreme Assembly). The parliament, among other responsibilities, has the authority to approve the budget. However, in practice, the political system in Uzbekistan resembles a pyramid, with the president and their administration at the pinnacle. The president's administration holds an informal status as the "fourth power," which dwarfs the three basic powers – legislative, executive and judiciary. While it lacks formal power status, its actual influence is substantial, operating under the president's purview. This system remains unchallenged due to the non-democratic nature of the political regime.

After the parliamentary elections of 2019, it was expected that the role and authority of the Oliy Majlis would increase. However, despite parliamentary committees holding hearings with ministers, the executive branch continues to dominate the political landscape in Uzbekistan.

In December 2022, a member of parliament who was known for being critical, independent and popular among the people announced his resignation due to disappointment with the legislative body's performance. This controversial case exposed underlying signs of a political crisis within parliament and the broader political system.

Meanwhile, numerous scandals involving abuses of power by khokims, such as corruption, nepotism, and a lack of management skills and professional qualifications, have emerged as significant indicators of an impending political crisis. Against this backdrop, a decision was made that khokims would no longer serve as chairmen of the local provincial councils, an elected body. While this decision is reasonable, a true separation of powers will remain an illusion unless the election of local governors is introduced.

Separation of powers



The judiciary in Uzbekistan is theoretically separate from the executive branch, as specified in the constitution. However, in practice, it has often been susceptible to executive influence and plagued by issues of corruption. The president himself frequently raises concerns about the quality and effectiveness of Uzbekistan's judicial system. In November 2022, he initiated a broad debate on the problems within the judiciary.

It's worth noting that a significant number of cases – 1.5 million annually – are brought before the courts, with 18,000 people appealing to the Supreme Court in 2022. Nevertheless, there are numerous instances of bureaucratic hurdles and mishandling of cases, primarily due to the incompetence, bias and corruption within local provincial courts.

Even the performance of the Supreme Court has faced harsh criticism. In 2022, a new Chairman of the Supreme Court, Bakhtiyor Islamov, was appointed, while his predecessor, Kozimjon Kamilov, became a Constitutional Court judge. An interesting innovation was introduced that allows citizens to directly appeal to the Constitutional Court.

Furthermore, in 2021, a Special Report to the U.N. Council on Human Rights highlighted concerns about the independence of the judiciary and lawyers in Uzbekistan. A similar conclusion was reached in 2021 by the U.S. Department of State in its report on human rights in Uzbekistan, which also noted that the Uzbekistani judiciary was not yet fully independent and impartial. According to the World Justice Project Rule of Law Index, Uzbekistan ranked 78th out of 140 countries in 2022.

The anti-corruption policy of the Uzbek government and law enforcement agencies seems to be gaining new momentum. The number of cases involving the arrest and prosecution of officeholders on corruption charges is growing. Many instances of office abuse have come to light thanks to reports from bloggers and independent journalists. According to a 2021 report from the General Prosecutor's Office, officials who abused their power caused damage amounting to UZS 913.7 billion.

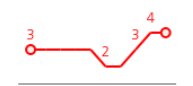
In just the first half of 2022, 1,429 criminal cases were initiated against 1,785 officials. This indicates either a surge in corruption or a stricter crackdown, as in the first half of 2021, there were 1,087 criminal cases against 1,200 officials. Among the 2022 figures, 13 officials were from republican ministries and agencies, 195 were provincial officials, and 1,577 were officials at the city and district levels.

In any case, these and other cases have revealed that office abuse remains deeply ingrained within state organs. Surprisingly, in late 2022, former General Prosecutor Rashid Kadyrov, who had been sentenced to 10 years, was released after serving less than five years in prison. Instances like this, along with the dismissal of the Tashkent mayor, suggest that anti-corruption activities also serve the purpose of appeasing international donors. Impunity for high-ranking officials loyal to the regime continues to be the norm, despite the strong anti-corruption rhetoric.

Independent judiciary

4

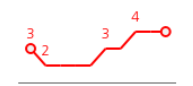
'06 _____ '24 10



Prosecution of office abuse

4

'06 _____ '24 10



On paper, all civil rights are protected and guaranteed. Official institutions, such as the Office of Ombudsmen on Human Rights, the Committee on Democratic Institutions, NGOs and Citizens' Self-Governing Bodies in the parliament's Legislative Chamber, as well as the National Center on Human Rights, have mandates to safeguard human rights. Even ideologically, government officials and the president frequently emphasize the importance of human dignity.

However, the practical reality is less optimistic. Reports from human rights organizations document various cases of violence against women and violations of gender equality principles and laws. In 2021, the president himself acknowledged receiving daily reports of violence against women. Interestingly, the term "domestic violence" has yet to be incorporated into national legislation. In February 2022, former Minister of Justice Ruslanbek Davletov stated that "criminalization of domestic violence is a complex legal concept," and the ministry is examining its inclusion in legislation.

While the Law "On Protection of Women from Harassment and Violence" was recently adopted, its effectiveness remains uncertain. On January 10, 2022, a special call center "1259" was established to address issues of domestic violence.

Human rights organizations have documented cases of restrictions on freedom of speech. According to the Reporters Without Borders World Press Freedom Index, Uzbekistan has shown continuous improvement, moving from the 165th position in 2018 to the 133rd in 2022 out of 180 countries.

However, serious human rights violations persist, including torture and persecution of LGBTQ+ individuals. Human rights NGOs face registration denials, and journalists and bloggers encounter harassment and imprisonment. The issue of forced labor also remains unresolved.

4 | Stability of Democratic Institutions

Uzbekistan maintains the formal features of a democratic system, including a constitution, a parliament, an electoral commission, central and local executive branches, and political parties. According to the constitution, these institutions are designed to support democratic choices. In practice, however, they operate strictly within the framework established by the authoritarian political regime and follow the agenda imposed by top leadership, particularly the president's administration. This means that these democratic institutions, in name only, can function effectively as long as they demonstrate loyalty and obedience to the state's leadership.

Political reforms in the country remain fragmented. While there has been a slight increase in the visibility of parliament since the December 2019 elections, with more coverage of its sessions, critical statements from the speaker of the Senate, and ministerial hearings, old practices persist. For example, key decisions are still made in closed sessions, and parliamentary committees are generally hesitant to involve independent experts.

Civil rights

3

'06 '24 10



Performance of democratic institutions

2

'06 '24 10



In December 2022, a popular member of parliament, Rasul Kuserbaev, announced his resignation, drawing significant public attention in Uzbekistan. He was known for his critical and independent stance on various political, economic, social, and environmental issues, and his departure was widely seen as a symptom of the undemocratic performance of the parliament.

The constitutional commission, tasked with drafting a new constitution, faced serious criticism from the public due to its lack of transparency and the undemocratic nature of its mission. Perhaps in response to this, the president changed his stance on the timeline for completing this work, emphasizing that the process should not be rushed.

In Uzbekistan, all democratic institutions are officially recognized as legitimate by relevant actors. However, the authoritarian regime wields informal veto power and can render these institutions ineffective if they exceed the political boundaries set for them. The official propaganda machinery has succeeded in convincing the general public, especially the youth, that this is the path Uzbekistan is taking toward democracy.

In April 2020, a presidential decree established the creation of the Public Chamber with the goal of enhancing public control and fostering interactions between the state and society. This structure was intended to facilitate a modern and effective dialogue between the government, citizens, and civil society organizations to further the country's development and promote active citizen participation in state and public affairs. The Public Chamber was expected to annually present a national report on the state and development of civil society to the president and parliament. However, this new institution remains only on paper, and there are no indications of its actual establishment.

In general, the commitment to democracy among interest groups, political parties and civic institutions in Uzbekistan is largely symbolic. The broader public opinion tends to be conformist rather than deeply committed to democracy. The military and clergy demonstrate full loyalty to the regime. Notably, loyalty to the regime from politically active groups, conformism among the population, and opportunism within state institutions are viewed as different expressions of commitment to the “national” path toward democracy.

Commitment to democratic institutions

2

'06 '24 10



5 | Political and Social Integration

Uzbekistan's party system lacks strong social roots and is primarily aligned with the state, as well as with clan and other particularistic interests.

Each party in Uzbekistan represents specific interests and agendas:

The Liberal Democratic Party (UzLiDeP) focuses on business and private ownership.

The Party of National Rebirth (Milliy Tiklanish) emphasizes national revitalization and the preservation of cultural traditions and values.

The People's Democratic Party (PDPU) advocates for social protection, equality, socially oriented market reforms, and workers' support.

The Social-Democratic Party (Adolat) also champions social justice and the welfare of vulnerable citizens.

The Ecological Party prioritizes environmental issues.

However, despite these diverse platforms, there is no true political pluralism in Uzbekistan, and all parties remain loyal to the regime. They are given specialized roles within the political system, akin to state agencies, and are primarily responsible for recruiting individuals for government, parliament, and other state positions. While party leaders claim to have a stable electorate, citizens are often not well-informed about their activities or ideologies. Consequently, genuine political competition among parties is virtually nonexistent.

In the 2021 presidential elections, the parties nominated candidates who were largely unknown to the population and were not seriously positioned to compete with the incumbent president. Their primary role was to create the appearance of a pluralistic debate and generate some interest among the public.

Interest groups in Uzbekistan are represented by various NGOs and GONGOs that engage in activism to advocate for the interests of specific segments of society. Notable organizations such as the Mahalla Foundation (focused on local self-ruling neighborhoods), Youth Movement, Association of Disabled, Federation of Trade Unions, Association of Medical Doctors, the Oila (Family) Center, and the Consumers Association serve as intermediaries between particular social groups and the political system.

The Association of Non-Governmental and Non-Commercial Organizations of Uzbekistan works to activate NGOs and establish connections with state structures. Officially, there are over 9,000 different NGOs in the country. The Fund for Support of Non-Governmental and Non-Commercial Organizations of Uzbekistan regularly provides small grants to support these NGOs.

In 2022, NGO houses were constructed in all provinces of Uzbekistan, including the capital, providing office space for active NGOs. The recently established GONGO "Yuksalish" (Nationwide Movement "Growth") is gaining popularity due to its ability to mobilize NGOs and the expert community.

Party system

2

'06 _____ '24 10



1

Interest groups

3

'06 _____ '24 10



1

While the president had previously proposed the introduction of the post of special representative of NGOs in the parliament, this initiative has not been realized yet. Some organizations, such as trade unions, are relatively passive and have limited political influence in society. Business elites, on the other hand, hold more influence and are better equipped to advocate for their interests through governmental channels. Additionally, there are informal but influential interest groups within Uzbekistan's elite, benefiting from the lack of transparency and accountability, which could pose a significant obstacle to the continuation of reforms.

The study of public opinion was nearly impossible under President Karimov's administration, and the current government inherited a legacy of mistrust and incompetence in evaluating public sentiment. Consequently, public opinion research has not become a routine part of the country's political landscape. The sporadic, small-scale public opinion polls that do exist are often unreliable and of limited utility. Frequently, people neither grasp the purpose of these polls nor the meaning of the questions, and they are often unwilling to openly and candidly express their opinions. Additionally, local authorities often try to hinder the conduct of interviews.

Nonetheless, there is no alternative political system to democracy that is accepted or discussed in society. Terms such as "democracy," "democratic reforms," "democratic society," and "democratic state" are repeated like a mantra in official speeches, newspaper articles and TV news. The constitution declares Uzbekistan to be a democratic state. Although ordinary people may have a somewhat superficial understanding of true democracy, formal, state-regulated democracy-related procedures and propaganda do contribute to the knowledge and expectations of ongoing democratic development. However, in 2021/2022, more individuals in society, particularly on social media, began to openly express their dissatisfaction with the Oliy Majlis and with the local Kengashes (elected councils of provinces and cities).

The persistent presence of nepotism and clan-family ties within Uzbekistan's political and governance system inevitably tarnishes and undermines democratic institutions and practices.

Due to the excessive presence of the state in public life, the potential social capital of many associations created for self-help purposes remains largely untapped and unrealized. Mutual trust and solidarity among the population are limited to only a few social realms and domains, such as mahallas (neighborhood communities) and kinship networks. People come together through family and community rituals and ceremonies, as well as through clan and patron-client networks, to further their private or group interests in relation to state-controlled resources.

The ability to self-organize varies widely in society and is influenced by factors such as an individual's ethnic background, lifestyle (urban or rural), level of education and professional qualifications. Ethnic minorities, for example, have the right and opportunity to establish national-cultural centers that effectively promote their cultural interests.

Approval of
democracy

n/a

'06 _____ '24 10

n/a _____ 1

Social capital

4

'06 _____ '24 10

3 _____ 4 _____ 1

However, the formal institutionalization of self-help and self-organization is predominantly based on informal and close-knit relationships. More recently, some religiously motivated activists and groups have emerged, also focusing on assisting people in need and the less fortunate.

Regarding broader social activism, including voluntary involvement in cultural, environmental or social associations that transcend traditional and narrow interests, it should be noted that a growing number of NGOs among the 9,000 registered in Uzbekistan have become more active. These NGOs engage in various social spheres, including social partnership, well-being and the environment, but their activities remain predominantly localized and focused on specific community concerns.

II. Economic Transformation

6 | Level of Socioeconomic Development

Uzbekistan, the largest country in Central Asia, has a relatively youthful population of 35 million. As per World Bank data, the population growth rate was 2.0% per annum in 2021, with a life expectancy of 71.8 years and an urban population of 50.43%. According to IMF data for 2022, Uzbekistan had an unemployment rate of 9.5%. Poverty has been officially acknowledged as a significant social issue, affecting 17% of the population in 2021. In response, the Uzbek government established the Ministry of Economic Development and Poverty Reduction, along with the Welfare Monitoring and Poverty Reduction Center, to assess and address poverty in the country. Uzbekistan has also signed a cooperation program for 2022/2023 with China to learn from Beijing's experience in poverty reduction.

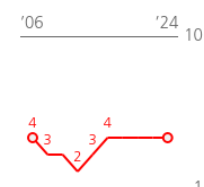
Uzbekistan's laws guarantee equal rights and opportunities for both men and women. However, women in Uzbekistan often find themselves under-represented or relegated to secondary roles in many high-paying fields. The problems of domestic violence and gender discrimination have recently gained significant attention in public discussions. The CPIA gender equality rating in Uzbekistan was reported at 4.5 in 2021 (with 6 being the highest), according to the World Bank's development indicators.

Income inequality and the unemployment rate are on the rise. According to the UNDP Human Development Report, Uzbekistan is ranked in international socioeconomic indices as follows: HDI 0.727, HDI rank 101 out of 189 (in 2021), Gender Inequality Index 0.227 (in 2021), and a Gini index of 36.8. A substantial number of unemployed individuals, approximately 2 million people, continue to seek work in Russia, despite the challenging economic conditions there due to Western sanctions.

Question
Score

Socioeconomic
barriers

4



Uzbekistan still grapples with one of the highest numbers of stateless individuals globally. However, some progress has been made since the enactment of new legislation in 2020, which facilitates the naturalization of stateless individuals in Uzbekistan.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	60283.5	60224.7	69600.6	80391.9
GDP growth	%	6.0	2.0	7.4	5.7
Inflation (CPI)	%	14.5	12.9	10.8	11.4
Unemployment	%	5.9	5.3	6.0	6.0
Foreign direct investment	% of GDP	3.8	2.9	3.3	3.1
Export growth	%	16.4	-20.1	13.4	24.6
Import growth	%	13.4	-14.9	23.4	13.6
Current account balance	\$ M	-3371.2	-3027.9	-4895.1	-618.0
Public debt	% of GDP	28.5	37.4	36.6	34.9
External debt	\$ M	22407.4	32342.8	38995.3	-
Total debt service	\$ M	2642.4	3215.7	4601.6	-
Net lending/borrowing	% of GDP	0.5	-1.9	-	-
Tax revenue	% of GDP	12.6	14.8	-	-
Government consumption	% of GDP	16.2	16.2	16.6	16.8
Public education spending	% of GDP	6.3	4.9	5.4	5.3
Public health spending	% of GDP	2.3	3.1	-	-
R&D expenditure	% of GDP	0.1	0.1	0.1	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): 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

Under President Mirziyoyev’s reforms, market competition is experiencing renewed vitality. Antitrust and anti-monopoly policies appear to be sensible, but the state still exerts control over the allocation of crucial resources, undermining competition and other market mechanisms. Although the informal sector remains significant, its scope is gradually diminishing.

The government maintains control over key sectors such as energy, oil and gas, chemicals, transportation, banking and construction. This situation poses a significant hurdle to the development of market mechanisms and the attraction of investments. While the president announced that starting in 2021, electricity and gas supply to consumers would be based on market mechanisms, it became apparent that the state was not yet prepared for such a fundamental change, citing potential social consequences.

According to an analysis by Harvard University, Uzbekistan possesses all the necessary prerequisites and is in a favorable position to produce more than 50 types of industrial products. Branches such as oil and gas chemistry, metallurgy, mechanical engineering, electro-technics, pharmacy, construction materials, textiles, leather goods, food and the “green economy” could potentially serve as drivers of the national economy.

In the field of geology, in 2020, 21 mines and prospective fields were auctioned off to investors. The president announced that in 2021, an additional 50 such fields would be made available to both local and foreign investors.

However, there are monopolies and oligarchic groups in the market whose activities tend to reduce genuine market competition. The prevailing economic policy of import substitution also constrains conditions for market competition. There have been reports from various provinces of business contracts being awarded without fair tender.

As for foreign investments, over 50 countries have invested in Uzbekistan’s economy. As of 2021, the main investors were China (\$2.2 billion), Russia (\$2.1 billion), Türkiye (\$1.18 billion), Germany (\$800.7 million), and South Korea (\$137.4 million). In total, Uzbekistan received \$11.1 billion in foreign investments, exceeding the annual projection by 113%.

Foreign and domestic investors enjoy a relatively unrestricted ability to initiate and withdraw investments. Prices are primarily determined by market forces, and there is cross-border mobility of labor and capital, including currency convertibility. Uzbekistan has also entered into bilateral agreements with 54 countries to prevent double taxation.

Market
organization

4

'06 '24 10



The authority responsible for overseeing the enforcement of existing antitrust laws in Uzbekistan is the Anti-monopoly Committee, also known as the “Competition Promotion and Consumer Protection Committee.” Uzbekistan is not a member of the International Competition Network.

In April 2021, a new law titled “On Licensing, Permission, and Notification Procedures” was enacted. This law comprehensively outlines various licensing activities and streamlines the process for obtaining licenses through mechanisms like a “single window” system. Additionally, as of January 2021, a presidential decree resulted in the cancellation of 70 out of 266 types of licenses and 35 out of 140 types of permissions.

According to a report from the Anti-monopoly Committee, the number of state-owned companies was reduced from 3,000 to 2,100, representing a 30% decrease during the period of 2021/2022. Furthermore, efforts are underway to draft a revised version of the “Law on Competition” that will consolidate the previous laws on competition and natural monopolies while introducing new criteria to promote a competitive business environment.

In March 2022, the presidential administration announced that currency liberalization had led to a doubling of the number of business entities engaged in foreign trade. This liberalization of foreign trade has been an ongoing process, including a significant reduction in customs duties over the last five years, which were halved. In April 2022, the president issued a decree titled “On additional measures to support subjects of foreign trade activity,” further bolstering the trend of foreign trade liberalization.

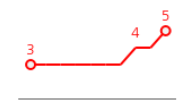
Over the years, foreign trade turnover has experienced substantial growth, increasing by a factor of 1.7, from \$24 billion in 2016 to \$42 billion in 2021. Exports grew by a factor of 1.4, and imports doubled during this period. This growth continued into 2022, with foreign trade volume reaching \$50 billion for the first time, representing an 18.6% increase compared to 2021. However, throughout 2022, there was an ongoing debate between official circles and independent economists about the nature, dynamics and challenges associated with foreign trade liberalization, highlighting its complexity.

There have been positive outcomes from the liberalization efforts, such as the introduction of the trade preference system “GSP+” in cooperation with the European Union, allowing for the export of over 6,000 products from Uzbekistan to European markets without customs duties. Uzbekistan is also in the process of preparing for accession to the World Trade Organization (WTO), with the goal set in the new Development Strategy (2022 – 2026) to complete the preparation in 2022. The country extends Most Favored Nation Treatment to 45 countries, and in 2022, the trade-weighted average tariff rate for Uzbekistan stood at 4.5%.

Competition policy

5

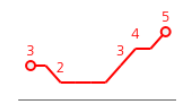
'06 '24 10



Liberalization of foreign trade

5

'06 '24 10



To support exporting companies, it was officially announced that the state would cover 50% of the costs for opening trade houses and shops abroad, as well as advertising expenses. The system for licensing exports was simplified, and a national website was launched to facilitate export-import operations through a “single window” mechanism, streamlining electronic documentation and payments, including certificates of origin and phytosanitary certificates.

However, some economists have noted the persistence of tariff barriers in foreign trade. For instance, foodstuffs imported from Russia and other CIS countries are exempt from import duties, while duties are imposed on similar imports from other countries. With the ongoing situation in Ukraine and Russia’s isolation from global markets, there is a growing need to stimulate the import of food, industrial products and raw materials from other countries. Despite these challenges, Russia, China, Kazakhstan and Türkiye continue to be Uzbekistan’s main trading partners.

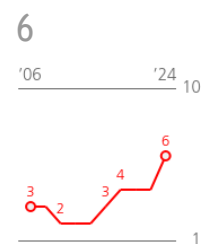
Moreover, in 2022, Uzbekistan significantly improved its position in the Heritage Foundation Index on “Trade Freedom,” with a 20.2-point increase, rising from 55.4 points in 2021 to 75.6 points in 2022.

Currently, Uzbekistan’s banking sector comprises 33 commercial banks: 12 state-owned banks (4 purely state-owned and 8 partly state-owned banks) and 21 others (comprising 10 joint-stock commercial banks, six banks with foreign ownership and five private banks).

In May 2020, the president issued a decree titled “On the Strategy of Reforming the Banking System of the Republic of Uzbekistan for the Period 2020-2025.” This strategy outlines the goal of reducing the state’s ownership share in the banking system from the current 85% to 40% by 2025. It also aims to increase the share of non-banking credit organizations from the current 0.35% to 4% within the same timeframe. Additionally, the decree stipulates that Uzbekistan will adhere to the standards set by the Basel accords during this period.

The reform strategy for the period from 2020 to 2025 was developed in collaboration with the World Bank and seeks to decrease the state’s direct involvement in state-owned commercial banks (SOCBs) while fostering a more efficient, inclusive and competitive banking system led by private sector banks. As part of this strategy, on May 24th, 2022, the World Bank approved a \$15 million concessional credit for Uzbekistan to support the government’s efforts. These reforms encompass restructuring and privatizing state-owned commercial banks, enhancing financial resilience against natural disasters, establishing a development bank, and improving export and trade financing mechanisms for local businesses.

Banking system



In March 2022, a law was enacted titled “On non-bank credit organizations and micro-financing organizations.” Additionally, Uzbekistan is gradually introducing Islamic financial services, with assistance from the Islamic Development Bank.

Although nonperforming loans (NPL) in Uzbekistan had historically been quite low, they started to rise in 2018 and saw significant increases in the first half of 2020 and the first half of 2021, largely attributed to COVID-related shocks. The NPL ratios may continue to deteriorate due to ongoing lending growth and the expiration of loan moratoria granted in 2020 to alleviate the economic impact of the COVID pandemic. As of December 2022, the capital adequacy ratio stood at 17.8%. In 2021, the bank capital-to-assets ratio was 13.18%.

Overall, according to observers in Germany, Uzbekistan’s banking system exhibited notable resilience during the COVID-19 pandemic, partly supported by the country’s favorable macroeconomic conditions. The banking sector also demonstrated relative immunity to the repercussions of the Russia-Ukraine war.

8 | Monetary and fiscal stability

As of the end of 2022, the exchange rate for the Uzbek currency stood at \$1 = UZS 11,000 (UZS = Uzbek som). The som is pegged to a foreign anchor currency at a reasonably realistic rate. The central bank sets this rate, and other banks may make slight adjustments. The exchange rate is determined through the interbank forex trade sessions facilitated by the Currency Exchange of Uzbekistan, taking into account supply and demand dynamics.

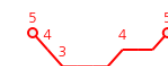
Legal entities registered in Uzbekistan have the freedom to purchase foreign currency from commercial banks without restrictions for various international transactions, including importing goods and services, repatriating profits, repaying loans, covering business trip expenses, and other non-trade payments. The mandatory sale of foreign currency proceeds has been entirely abolished. For individuals who are residents of Uzbekistan, there are no limitations on selling, buying or utilizing foreign currency abroad.

However, due to the ongoing conflict in Ukraine, banks in Uzbekistan have imposed restrictions on foreign currency exchange operations. The country is facing a shortage of U.S. dollars and euros, prompting these limitations. As of October 14, 2022, individuals looking to exchange currency are restricted to a daily limit of \$500. Authorities attribute this decision to the “current geopolitical situation,” which has led to a surge in cross-border money transfers and increased demand for hard currency.

Monetary stability

5

'06 '24 10



1

The Uzbek Ministry of Finance issued dual-tranche sovereign Eurobonds worth \$870 million, denominated in both U.S. dollars and Uzbek Soms, on the London Stock Exchange.

Regarding inflation, data from the Ministry of Finance indicates that the inflation rate in 2022 accelerated to 12.3% year-on-year. The central bank of Uzbekistan is officially transitioning to an inflation-targeting regime with the goal of achieving a 5% inflation rate in 2023. Currently, the central bank maintains its policy rate at 15%.

In 2022, Uzbekistan's GDP growth rate stood at 5.7%, as per official statistics. This represented a modest decrease from the post-pandemic growth rate of 7.4% recorded in 2021, primarily attributed to unfavorable external conditions.

The government's fiscal and debt policies generally promote macroeconomic stability but lack sufficient institutional safeguards. In 2022, consolidated budget revenues were projected to be UZS 254.6 trillion, equivalent to 30.3% of GDP. State budget revenues were set at UZS 200 trillion, or 23.8% of GDP. The budget exhibited a negative balance during the reporting period, reaching -4.7% of GDP in 2021 and -4.0% of GDP in 2022. As a result, there was an accumulated public debt equal to 35.8% of GDP in 2021, which slightly decreased to 34.1% of GDP in 2022 due to GDP growth.

The current account balance, which was -7% of GDP in 2021, is reported to have improved to -3.3% of GDP in 2022. Consequently, the volume of external debt has increased over the years, reaching \$38.8 billion as of April 2022 (compared to \$17.7 billion in 2018, \$22.4 billion in 2019, and \$32.2 billion in 2020). This growth in external debt has sparked a controversial debate among experts regarding the sustainability of Uzbekistan's debt. While official reports assert that the debt is manageable, concerns are growing due to the high level of external debt.

Uzbekistan's credit ratings from Standard & Poor's and Fitch stand at BB- with a stable outlook. Moody's credit rating for Uzbekistan was last assigned a rating of Ba3 with a stable outlook.

9 | Private Property

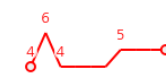
Property rights and regulations governing the acquisition, benefits, use and sale of property are formally defined in the law, but they are not properly implemented or enforced. Property rights can sometimes be vulnerable to arbitrary interference by state authorities.

For example, in 2021/2022, there were controversies surrounding the construction of new modern buildings in areas where people lived, resulting in the demolition of their homes and their forced relocation to other districts. Following numerous public complaints, the president issued a decision prohibiting the arbitrary destruction of old houses without the owners' consent and requiring fair compensation based on market values for the loss of these houses. However, the previous practice continues to persist.

Fiscal stability

5

'06 '24 10



1

Property rights

4

'06 '24 10



1

In October 2022, a draft law titled “On State Registration of Rights to Real Estate” was introduced. This law outlines the various types of real estate, associated rights and restrictions, state registration of land plot rights, and mechanisms for resolving disputes before going to court. The aim of this law is not only to address existing issues but also to strengthen the protection of citizens’ and entrepreneurs’ real estate rights, serving as a reliable legal document.

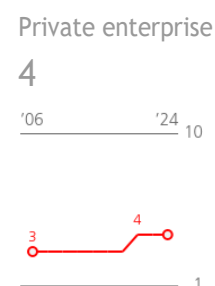
In the same year, Uzbekistan adopted a law titled “On Procedures for the Withdrawal of Land Plots for Public Needs with Compensation,” which regulates land plot withdrawals for public purposes under a single legal framework. Additionally, amendments were made to the law “On Pledge” and the Civil Code, with a focus on reinforcing property rights. Specifically, the “On Pledge” law stipulates that if the pledger’s right to ownership of the pledged property is terminated due to the seizure of property for public purposes in accordance with the law, the pledger should be provided with alternative property or appropriate monetary compensation. While these laws represent steps in the right direction, their effective implementation remains a challenge.

As of May 1, 2022, foreign citizens have the right to invest in Uzbekistan by purchasing new real estate (excluding land) without the need for a residence permit.

According to official data, the contribution of small and private businesses to GDP has increased significantly, rising from 31% in 2000 to 54.9% in 2022. These businesses also account for a substantial portion of employment, with 74.4% of the workforce engaged in this sector. While private companies theoretically enjoy a degree of freedom, they can encounter various economic, political and social obstacles to their growth, particularly in the agricultural sector. There have been instances of private property expropriation by government entities. Nevertheless, the government has expressed its commitment to supporting the private sector and small- and medium-sized enterprises.

The new Development Strategy (2022 – 2026) places a greater emphasis on the private sector through “public-private partnerships.” For example, 20% of digitalized state services will be transferred to private companies. Goal 13 of the strategy emphasizes the importance of ensuring the protection of private property rights, including land rights, as a priority.

It has been reported that, following extensive tax reforms in Uzbekistan in 2019, which removed restrictions on the size of enterprises, private companies were able to consolidate their subsidiaries into holding groups. This allowed them to adhere to international standards of corporate governance and accounting practices, as well as utilize various forms of finance both locally and internationally. In early 2022, a presidential decree introduced tax incentives to encourage investment in domestic capital markets.



Official sources report that Uzbekistan implemented over 2,000 decrees and laws to support the private sector between 2017 and 2022. These measures include the cancellation of 114 types of licenses and permits for entrepreneurship, the replacement of 33 types of licenses and permits with a notification procedure, a reduction in the number of tax inspections from 13 to 3, a decrease in the value-added tax rate from 20% to 15%, and a reduction in the social tax rate from 25% to 12%. Additionally, import customs duties for 3,500 types of goods and excise taxes for 1,100 types of goods were eliminated.

10 | Welfare Regime

Significant portions of the population remain vulnerable to poverty, given the relatively low level of state salaries and pensions. In 2021, the average salary was approximately \$300.

In July 2022, the president issued a decree titled “On the Strategy of Social Safety for the Population of Uzbekistan,” which serves as a comprehensive framework for various aspects of a social safety network. This decree includes the establishment of a unified registry for social safety network purposes. Notably, it outlines a 3.2-fold increase in the minimum unemployment benefit. Additionally, a Social Safety Fund was created under the supervision of the Ministry of Finance.

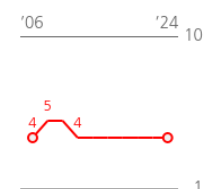
Furthermore, the president announced additional state grants for students from the most disadvantaged families. Comprehensive state programs are in place to support families in need, as well as individuals with disabilities and those facing health challenges. Beyond government support, activists, volunteers and religious groups also contribute to providing assistance to these vulnerable segments of the population.

Over the past two years, the government has implemented the use of “Iron Notebooks,” “Women Notebooks,” and “Youth Notebooks.” These are specialized databases that contain information about the most vulnerable families and social strata eligible for specific subsidies from the state.

Equality of opportunity is an officially endorsed principle in Uzbekistan. In theory, women and individuals from various ethnic or religious backgrounds enjoy nearly equal access to education, public positions and employment opportunities. Legal safeguards against discrimination are in place, and gender equality is formally acknowledged. For instance, a 30% quota for women’s representation exists in the Uzbekistan parliament. However, in practice, affirmative action measures are inadequately implemented, particularly concerning employment. There are few women holding key positions in government, NGOs, businesses, schools and universities. In 2021, the female labor force participation rate was only 39.4%. The Committee of Women of Uzbekistan, an active non-governmental organization, advocates for women’s rights across various societal domains.

Social safety nets

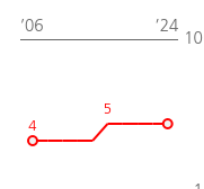
4



1

Equal opportunity

5



1

The literacy rate is nearly 100% due to mandatory primary and secondary education, although the education system is often marred by corruption and dysfunction. It serves the entire population of the country. Rural youth face fewer opportunities compared to their urban counterparts in acquiring quality education and securing jobs. Girls and young women have equal rights to education, which they often exercise. The enrollment ratio for females to males is 0.9. As of the 2021/2022 academic year, Uzbekistan's public universities enrolled a total of 808,400 students, with women comprising 45.6% of this figure.

While Uzbekistan grapples with a high overall unemployment rate, this issue affects citizens across the board, regardless of their identity or social background. Explicit discrimination in employment based on certain categories of citizens is rare. Job advertisements in newspapers and online platforms are open to diverse individuals.

Recently, concerns were raised by representatives of the Russian-speaking population regarding the perceived diminishing role of the Russian language and the emergence of Uzbek nationalism. However, efforts to preserve the Russian language are evident in television programming, media coverage, academic activities, social interactions and other aspects of society.

11 | Economic Performance

In 2022, the real growth rate of the economy was estimated at 5.7%. According to the submitted budget for 2022, GDP amounted to \$74.2 billion or \$2,100 per capita. A team of IMF analysts who visited the country in November 2022 noted that Uzbekistan's economic growth remained robust during the year, despite facing global and regional challenges, including Russia's war in Ukraine. However, inflation remains a concern, and uncertainties lie ahead.

Consumer inflation in Uzbekistan for 2022 was reported at 12.25%, marking the highest rate in the past three years. In 2021, the inflation rate was 9.98%, and in 2020, it was 11.14%. This increase in prices is attributed to global factors, particularly the impact of Russia's full-scale war in Ukraine and disruptions in supply chains.

The number of unemployed individuals in Uzbekistan decreased from 1,561,000 in 2020 to 1,441,900 in 2021. The poverty rate also declined from 17% in 2021 to 15.7% in 2022. The unemployment rate decreased to 8.8% in the first half of 2022, down from 9.5% in 2021.

In 2021, the current account balance stood at -7% of GDP, representing the highest rate in recent years. However, by 2022, it decreased to an estimated 3.3%. FDI increased to 3.8% of GDP as of September 2022, with a net amount of \$2.044 billion (with a stock of \$11.278 billion) in 2021. Russia and China were the main investors, each contributing around 20%, followed by Türkiye and Germany.

Output strength

6

'06 '24 10



1

The ratio of public debt-to-GDP was 39% at the beginning of 2021 (38% at the end of 2021) but decreased to 34.1% by October 1, 2022. In 2022, tax authorities collected more than 148.4 trillion soms, representing a 16% increase compared to 2021 and reflecting the country's strong economic performance. Total loans amounted to \$33.754 billion in December 2022.

Uzbekistan's gross fixed capital formation reached \$23.810 billion in December 2021, showing an increase from the previous amount of \$22.037 billion in December 2020.

12 | Sustainability

In the 2022 Yale Environmental Performance Index (EPI), Uzbekistan was ranked 107th out of 180 countries, earning a score of 38.2. This score can be broken down into various categories, indicating the country's performance in different environmental aspects. Specifically, Uzbekistan ranked 132nd with regard to health impacts, 167th for air quality, 77th for water and sanitation, 141st for wastewater treatment, 58th for agriculture, 27th for ecosystem services, 76th for biodiversity and habitat, and 83rd for climate change.

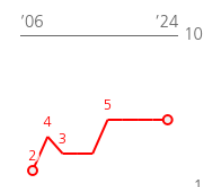
Uzbekistan faces a significant environmental challenge due to the drying up of the Aral Sea, which is considered one of the most severe environmental disasters globally. In October 2021, the country experienced a severe dust storm that covered the entire territory, resulting in lasting consequences, including high dust density in the air. In November 2022, the Ministry of Economic Development identified the degradation of soil, the reduction of water resources and air pollution as the most pressing ecological problems that require urgent solutions. As a result of these experiences, the population is gradually becoming more interested in ecological issues, leading to the introduction of ecological courses in several universities.

In September 2022, the president issued a decree titled "On additional measures to implement energy-saving technologies and the development of low-power renewable energy sources." This decree includes measures to encourage the installation of solar or wind power stations, with financial incentives provided for such initiatives. Additionally, the president introduced a "Green Zones" policy to promote environmentally friendly practices.

However, in the years 2021 and 2022, various ecological non-governmental organizations (NGOs) raised concerns about the illegal cutting down of trees in many cities for business purposes. Despite official prohibitions against such activities, illegal tree felling remains widespread.

Environmental
policy

5



The budgetary allocations for education had increased from a low of 5.3% of GDP in 2016 to 7% in 2019 but declined again to 4.8% in 2021. R&D expenditures trail these expenditures, amounting to only 0.1% of GDP in 2020. However, the 2022 budget shows a renewed focus on the education sector. According to official figures, education budgets typically make up 25% to 30% of the government's total expenditures in Uzbekistan. In 2021, the U.N. Education Index was reported as 0.743. The number of higher education institutions significantly increased to 154 in the 2021/2022 academic year, up from 70 in the 2016/2017 academic year. Furthermore, the youth enrollment rate in undergraduate higher education rose to 28% in the 2021/2022 academic year, a significant increase from the 9% recorded in the 2016/2017 academic year.

In 2018, the government developed an Education Sector Plan (ESP) for the period from 2018 to 2022, in collaboration with the Local Education Group (LEG), comprising various ministries and coordinated by UNICEF. This plan outlined sectoral priorities for all education sub-sectors and provided a government action plan for the specified period.

Starting with the 2020/2021 academic year, the number of state grants for university education doubled. While Uzbekistan boasts universal literacy for both men and women, concerns persist about the quality of education, which often fails to adequately prepare young people for the demands of a knowledge-based economy. Contemporary Technical and Vocational Education and Training (TVET) remains underdeveloped and does not align with labor market and industry needs.

Preschool enrollment has improved since reforms began but remains low, with disparities in rural-urban access and socioeconomic class impacting learning outcomes in later years. World Bank data for 2020 indicates a troubling increase in the number of out-of-school children, reaching approximately 23,500. Moreover, men tend to outnumber women in higher education, contributing to gender inequality in employment and career prospects.

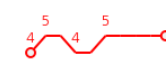
The New Development Strategy (2022 – 2026) places a strong emphasis on education reforms. Article 46 of this document sets the goal of achieving 50% higher education coverage. Public higher education institutions are expected to gain more academic freedom and financial autonomy, a move that could potentially lead to significant improvements in the higher education system.

Additionally, Article 49 envisions having at least 50 non-governmental private higher education institutions by 2026. Around 10 universities are targeted for inclusion in international rating systems such as QS and THE by the same year. Article 50 outlines plans to double the number of “free and creative-thinking youth” sent to prestigious foreign universities through the “El-Yurt Umidi” foundation, with a focus on natural sciences, technical fields and IT, representing an ambitious initiative with the potential to drive progress in these areas.

Education policy /
R&D

5

'06 _____ '24 10



1

Governance

I. Level of Difficulty

The structural constraints on governance are significant and involve the deleterious legacy of Karimov's rule. His regime fostered an isolated economy and largely ignored enduring societal and environmental issues that persist today.

With increasing poverty, economic disparities, high unemployment and inadequate infrastructure in rural areas (many towns and villages lack essential gas, electricity and water supply infrastructure), internal migration, along with external labor migration, has resulted in a significant population overload in the capital, Tashkent, which now accommodates 2.5 million people. This population influx has disrupted the distribution of the labor force and national wealth, exacerbating existing structural challenges.

One indicator of these problems is the deteriorating quality of public transport in Tashkent over the past few years. Buses and the underground metro system are consistently overcrowded. Additionally, heavy traffic congestion in the capital has further highlighted the urgent need for more transport bridges, overpasses and tunnels.

In October 2021, Uzbekistan experienced a severe dust storm that not only affected the entire country but also neighboring Central Asian nations. Dense dust lingered in the atmosphere at high altitudes for several days, resulting in significant ecological issues. This event has prompted increased government attention to environmental concerns.

Under President Karimov, civil society in Uzbekistan was marginalized and prevented from meaningful engagement in political and civic activities. While civil society traditions were weak, some NGOs and individuals demonstrated enthusiasm for promoting public interests and addressing specific social needs. Environmentalists and youth organizations, in particular, have begun to gain visibility in society. Civil society culture and traditions have also started to take root and grow steadily in virtual spaces such as the internet and social networks. However, in real life, the most crucial aspect of civil society – pluralism – remains restricted by the state.

Structural constraints

7

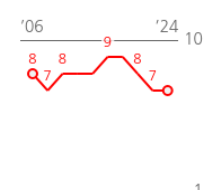


10

1

Civil society traditions

7



10

1

In April 2020, a presidential decree was issued to establish a public chamber under the presidential administration. Its stated mission was to enhance public oversight and foster collaboration between the government and civil society. The chamber was tasked with annually presenting a national report on the state and trends of civil society development to the president and parliament. However, as of the end of 2022, the chamber had yet to commence its operations.

Additionally, the president announced that starting in 2021, additional targeted financial resources would be allocated to local Khokimiyats for implementing special projects in collaboration with local civil society groups to address issues at the provincial and district levels. However, it remains unclear whether such cooperation is indeed occurring in a meaningful manner.

In March 2021, the president signed a decree outlining the “Conception of Development of Civil Society in 2021-2025.” This includes a road map that suggests a more in-depth examination of civil society issues and broader state support for civil society institutions through social partnerships.

In 2022, the Uzbek government made no progress in advancing the stalled draft NGO code. However, in June, it issued a decree requiring local NGOs that receive foreign funding to collaborate with a state-appointed national partner, effectively granting the state more control over project implementation and further limiting the freedom of NGOs.

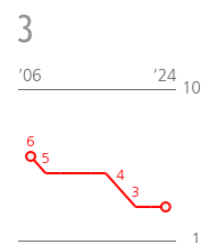
While there haven’t been any actual instances of violent conflict based on social, ethnic, or religious differences, underlying divisions exist within both society and the political elite. These divisions are rooted in local, regional and social disparities, leading to tensions between the central government and outlying regions, as well as between the extremely wealthy and the desperately poor.

Inter- and intra-religious conflicts are unlikely due to the deep-seated religious and interethnic tolerance of the local population. Although there may be remnants of Islamic extremist groups, their influence and recruitment efforts have significantly waned following government crackdowns. Throughout 2021/2022, there were official reports of small extremist groups detected and neutralized by special forces in various provinces of Uzbekistan. At the same time, online recruitment attempts were promptly blocked.

However, there were troubling events in 2022 that have the potential to escalate into more significant conflicts, including the protests in the Karakalpakstan Autonomous Republic of Uzbekistan in July 2022, which were sparked by proposed constitutional amendments that would have abolished the Autonomous Republic’s status. Law enforcement agencies cracked down on the protests, and a one-month state of emergency was declared in the province.

Another concerning incident was the widespread power outages and gas supply disruptions that occurred throughout the country in December 2022. These disruptions resulted in numerous complaints and social unrest.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Each year, the government declares its intention to focus on a specific program goal or social priority. The government named 2021 as the “Year of Supporting Youth and Strengthening Health Care for the Population,” 2022 as the “Year of Caring for Individuals and Improving the Quality of Education.”

A new development strategy for Uzbekistan covering the period from 2022 to 2026 has been adopted. This strategy outlines seven priority areas and includes 100 specific goals. One of its primary objectives is to elevate Uzbekistan to the status of an upper-middle-income country. This involves increasing GDP per capita by 1.6 times over the next five years, aiming for a per capita income of up to \$4,000. Achieving this goal relies on achieving stable economic growth across all sectors. Another crucial aim is to reduce the inflation rate to 5% by 2023, although as of 2022, the inflation rate had only dropped to 9%. The strategy also places significant emphasis on the rapid development of the digital economy as a primary driver of growth, targeting a 2.5-fold increase in digitalization. Additionally, there are plans to attract \$70 billion in foreign investments over the next five years.

It remains to be seen whether these ambitious goals, consolidated into a single document, will be realized. Historically, similar plans have often encountered challenges, including special interests and deviations from strategic objectives.

Several institutions, such as the Institute of Forecasting and Macroeconomic Research, play crucial roles in strategic planning. They are responsible for developing scientific and methodological approaches to strategic planning, as well as crafting targeted programs for the country’s socioeconomic development across short-term, mid-term and long-term periods. These efforts take place within the context of economic liberalization and the nation’s expanding intellectual and technological potential.

The implementation capacity of the government and administration per se is strong, but it is constrained by the nature of the authoritarian regime in Uzbekistan. Task execution is closely monitored and controlled through a hierarchical system, with a heavy emphasis on the president’s central role. The president frequently conducts inspections of provinces, which serves the dual purpose of increasing his visibility across the country and providing a mechanism for personally overseeing and correcting policy implementation. This approach is more characteristic of personalized control than institution-based governance, as even the president acknowledges it as a form of “manual control.”

Question
Score

Prioritization

4

'06 _____ '24 10



1

Implementation

4

'06 _____ '24 10



1

Tasks such as constructing new railways and highways, establishing industrial facilities, cultivating cotton, and mining gold and uranium are typically outlined in strategic plans and are often executed satisfactorily. However, significant challenges emerged in 2022, particularly in the form of frequent power outages and disruptions in gas supply, especially during the winter season. This crisis exposed underlying issues within the energy system that had been accumulating over the years and suddenly became apparent. In addition to causing widespread dissatisfaction and protests among the population, this crisis also revealed substantial shortcomings in strategic planning and implementation within this critical sector.

Uzbekistan has only a limited number of relatively capable independent think tanks and academic institutions that engage in critical analysis of existing policies and government decision-making processes. While the creation of the Expert Council, under the president, in January 2019 was intended to bring together successful individuals from various backgrounds, including business, government, science, foreign consultants and expatriate compatriots, its operations remain opaque and its effectiveness is uncertain.

On the international front, the country's political leadership continues to collaborate with global institutions like UNDP, OSCE and the World Bank, which maintain small offices in Tashkent. These international partnerships involve the exchange of expertise, and their effectiveness is expected to grow as reforms progress.

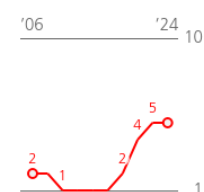
However, one critical aspect of effective policy learning is still lacking in Uzbekistan – a pluralistic and critical approach to analyzing political, economic, social and cultural issues. While government decisions and actions are well-documented and explained by the media and affiliated experts, they are rarely subjected to critical evaluation.

This absence of scrutiny has significant consequences, as evidenced during the constitutional and energy crises of 2022. These events highlighted the persistence of specific interests, clientelism and a lack of consultative practices. For instance, following the energy crisis, the media and experts questioned the content, benefits and implications of gas contracts with Russian companies, emphasizing the importance of learning from such contracting practices to prioritize national interests and prevent potential future energy crises.

Another example of the lack of policy scrutiny and learning can be found in the new Development Strategy (2022 – 2026), which surprisingly advocates for closer cooperation with the EAEU – an organization led by Russia. This stance is increasingly questioned due to the geopolitical nature and the flawed integration agenda of the EAEU, particularly in the aftermath of the war in Ukraine.

Policy learning

5



15 | Resource Efficiency

One of the most challenging issues in Uzbekistan is the quality of its civil service. Quality, in this context, encompasses qualifications, skills, initiative, responsibility, communication abilities, openness and more. The recruitment of administrative personnel often follows outdated Soviet practices and remains opaque in many cases. Notably, nepotism continues to persist and even expand.

In December 2022, the president issued a decree aimed at significantly streamlining the executive branch. This decree called for a reduction in the number of executive power branches from 61 to 28, a decrease in the number of ministries from 25 to 21, the complete dissolution of 20 agencies, and a 30% reduction in executive branch personnel. The hope is that these measures will lead to a more efficient utilization of administrative resources.

However, despite these reforms, reports from various experts and even critical comments from the president himself highlight the persistently low efficiency and qualifications of personnel. Additionally, there are concerns about inadequate communication both within and between government agencies.

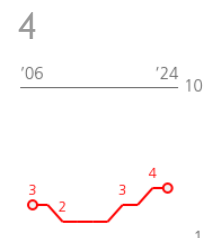
In 2022, an “innovative” approach was introduced to address numerous local issues, particularly related to infrastructure. This approach, known as the Open Budget instrument, allowed local self-government bodies to propose projects like road maintenance and school construction. These proposals were to be funded through a competition where local communities collected votes online. Unfortunately, this system has been marred by numerous abuses and is neither perceived as fair nor efficient.

Similar challenges emerged when efforts were made to improve budget transparency. While the budget for 2023 was published and open for discussion for the first time, the actual budget discussion within the Oliy Majlis led to the resignation of an independent member of parliament who disagreed with the ultimately nontransparent and uncritical process.

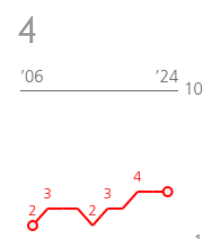
Transparency in the government system and improvements in policy coordination mechanisms are gradually being implemented. The regime employs a variety of coordination styles, including hierarchical-bureaucratic, informal-network, personalist, centralized and even ideological. This approach can occasionally prove functionally efficient when it comes to policy implementation, creating some semblance of policy coherence. However, it heavily relies on strict executive discipline and close oversight from the top.

The president himself regularly conducts inspections of various regions within the country and frequently replaces provincial and city governors (khokims). This policy serves three interconnected objectives: preventing an excessive concentration of power in the hands of khokims, who often abuse their authority; curbing corruption; and ensuring adherence to executive directives.

Efficient use of assets



Policy coordination



The parliament, characterized by nearly unanimous voting, may give the impression of well-coordinated policymaking and law enactment on the surface. However, this often implies that genuine trade-offs are either weak or artificially manipulated. In contrast, there are clear instances of contradictions and conflicts in policy. For instance, despite the president’s proclamation of “green zones” and a moratorium on deforestation, in many places, khokims prioritize business interests and permit the large-scale removal of green areas. These cases generate significant discontent among the local population.

In the new Development Strategy (2022 – 2026), Articles 83-84 focus on anti-corruption policies. These articles outline several measures, such as increasing transparency and public participation in anti-corruption efforts, incorporating information technologies and artificial intelligence, and promoting a culture of zero tolerance for corruption. However, these measures are quite general and may face challenges in effective implementation.

In July 2021, the president signed a decree meant to create a culture of zero tolerance for corruption. This decree included various measures, with particular emphasis on the adoption of a law on “Conflicts of Interest.” It acknowledged that corruption posed a significant threat to the state and social development of Uzbekistan.

Despite these initiatives, practical efforts by the government have shown limited political will and capacity to effectively combat corruption. Additionally, the few integrity mechanisms that have been implemented have often proven to be ineffective.

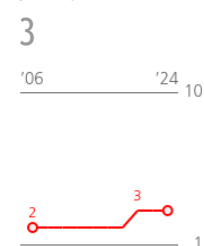
16 | Consensus-Building

Consensus on goals in the Uzbek context can be conceived as “consensus by default.” The absence or weakness of pluralist discussions in the authoritarian system and the authority of the president create a political and social environment in which consensus seems well established and guaranteed.

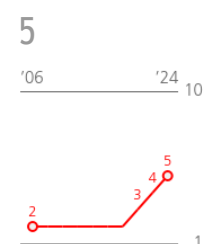
The president managed to build this consensus not only by declaring these goals with appealing slogans but also by pursuing a policy of real reform in several spheres. The nature of his power system can be described as soft autocracy, as it gradually transitions toward democracy by promoting market reforms and encouraging civil society, all while maintaining a firm grip on the political structure.

Mirziyoyev seeks to cultivate this consensus by engaging with the people, often delivering lengthy public speeches addressing both parliament and the general population. However, it’s important to note that this consensus tends to be of an authoritarian nature, as there remains a significant gap between the demonstration of consensus around democratic goals and the actual implementation of democratic reforms.

Anti-corruption policy



Consensus on goals



Furthermore, the consensus regarding democratic and market economy objectives largely relies on the conformist and opportunistic behavior of the political and economic elites. The political landscape in Uzbekistan lacks genuine pluralism, with no opposition parties willing to challenge the existing political regime.

There is a well-established consensus in favor of a market economy in Uzbekistan, and this consensus is evident in both public discussions and economic policies implemented since the end of Karimov's rule. Various measures, such as privatization, the liberalization of foreign trade, the establishment of private universities, support for entrepreneurship and small businesses, efforts to reduce monopolies, and the development of private banking, provide tangible evidence of this commitment. As a result, private business now accounts for approximately 50% of the national economy.

The question as to what extent reformers can exclude or co-opt anti-democratic actors can, in the context of Uzbekistan, be reframed as follows: "To what extent can the authoritarian regime include or co-opt pro-democratic actors and reformers?" There remains a significant gap between the formal and practical aspects of democracy in Uzbekistan. The system is quite intricate, and pro-democratic forces are relatively weak, both within the government and in society.

Anti-democratic actors include individuals who intentionally or unintentionally undermine the reform efforts initiated by Mirziyoyev. These actors consist of corrupt officials, executives, chiefs and managers who abuse their power, as well as unqualified and irresponsible public servants who obstruct the forces advocating for democratic reforms in pursuit of their own careers and prestigious positions within government structures.

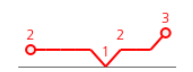
There is also a noteworthy aspect of Mirziyoyev's leadership, specifically his personal commitment to democracy. While reforms have made substantial progress in many areas, the political realm has seen the least transformation. This means that reforms related to the party system, parliament, and the election of local provincial khokims (governors) have been delayed for an extended period. Whether the president is willing to further these reforms and facilitate a democratic political process during his second term remains uncertain.

The constitutional commission's nontransparent, unprofessional and inefficient work in drafting a new constitution in July 2022 once again underscored the undemocratic tendencies of some members of parliament who distanced themselves from the broader democratic community. Notably, the commission refrained from incorporating a crucial amendment concerning the election of khokims (local governors) into the draft constitution, despite its urgent and widely recognized necessity.

Anti-democratic
actors

3

'06 '24 10



The regime has not yet encountered significant divisions in society along social, religious or ethnic lines. In general, the political leadership is adept at mitigating conflicts based on these divisions, thanks in part to the deep-seated interethnic, religious and cultural tolerance prevalent in Uzbek society. This inherent tolerance reduces the likelihood of vehement conflicts. Furthermore, civil society remains politically fragile and inactive, making it less likely to challenge the existing order. Additionally, political disengagement within society can be traced back to the Soviet era, further diminishing the likelihood of overt and intense cleavages or conflicts.

One notable conflict unfolded in 2022 in the Karakalpakstan Autonomous Republic of Uzbekistan, where people protested against a constitutional amendment that sought to eliminate its autonomous status. A state of emergency was imposed in the region for one month, and the proposed constitutional amendment was subsequently revoked.

In various parts of the country, there have been emerging forms of conflicts, where people are growing frustrated and prone to disputes due to gas and electricity shortages. While the government attempts to provide explanations for these issues, people are becoming increasingly skeptical of such explanations.

The third sector in Uzbekistan is predominantly comprised of GONGOs, which are government-organized non-governmental organizations. While these entities are occasionally invited to various government meetings at local and national levels, it's important to distinguish them from independent civil society institutions. Notably, the establishment of the Public Chamber, a special body designed to engage directly with civil society on policy matters, which was announced a couple of years ago, has yet to be realized.

On one hand, relatively active actors within civil society make efforts to use both formal and informal channels to convey their information and demands to political decision-makers. They may collaborate with certain GONGOs, utilize the internet or even employ personal communication channels to reach high-level decision-making circles.

In March 2021, the president approved a new “Conception for the Development of Civil Society for the Period of 2021-2025.” This framework introduced an index to measure the openness of NGO activities. Among its priority measures, it seeks to create favorable conditions for the active participation of civil society institutions in state and public management and expand the involvement of these institutions in the implementation of state social projects.

Across all provinces of Uzbekistan, “Houses of NGOs” have been established, providing office space for the most active NGO.

Cleavage /
conflict
management

5

'06 '24 10



Public
consultation

3

'06 '24 10



The president has successfully fostered a political environment characterized by a broad consensus within society. This consensus is underpinned by his personal authority and the accomplishments of his reform agenda. However, the authoritarian approach to maintaining this consensus faces a growing challenge stemming from a widening gap between segments of society that support and demand reform, on one hand, and those that hold more conservative and anti-reform views, on the other.

Two highly sensitive issues that have the potential to polarize society and may require reconciliation efforts – religious extremism and political opposition – are currently marginalized in Uzbekistan. Both matters are tightly controlled, and political divisions do not significantly disrupt the overall harmony within the country.

Repressive actions taken by law enforcement agencies against independent journalists, human rights advocates and political dissidents have become relatively rare occurrences. Even the disturbances in July 2022 in Karakalpakstan, which were suppressed with casualties, did not significantly undermine the broader political and social consensus for stability in the country.

17 | International Cooperation

International assistance plays a fairly important role in Uzbekistan, particularly in the formulation of sector-specific development strategies.

The United Nations is actively involved in helping Uzbekistan achieve its Sustainable Development Goals (SDGs) by 2030. Uzbekistan has committed to this program, and a dedicated online platform, <http://nsdg.stat.uz/>, has been established to monitor the progress in implementing the SDGs.

The World Bank has endorsed the Uzbekistan Country Partnership Framework (CPF) for the period from 2022 to 2026. Over the next five years, it will support the government's strategic priorities outlined in the National Development Strategy (2022 – 2026).

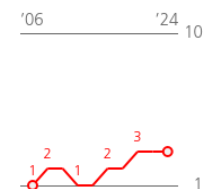
During his state visit to Saudi Arabia on August 18, 2022, President Shavkat Mirziyoyev held discussions with the president of the Islamic Development Bank. They reached an agreement for the bank to allocate \$1.6 billion for projects in Uzbekistan.

In November 2022, Vice President Shixin Chen of the Asian Development Bank (ADB) reaffirmed the ADB's commitment to supporting Uzbekistan's reforms. This includes efforts to transition to a green economy and help the country manage external shocks.

U.S. assistance to Uzbekistan focuses on various economic sectors such as trade, agriculture, tourism, capital markets, as well as education, trans-border river management, rule of law, anti-corruption measures and counter drug trafficking. Additionally, some level of military and security cooperation exists.

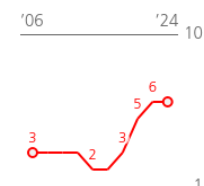
Reconciliation

3



Effective use of support

6



Japan also provides substantial assistance to Uzbekistan through its Official Development Assistance Program. Similar project assistance is extended by South Korea, the European Union and other developed countries.

Overall, the government has clear political and economic development goals outlined in the Development Strategy, with a well-defined road map for achieving them. International organizations, including banks and foundations, have not expressed concerns or criticisms regarding inconsistencies or shortcomings in their collaborative efforts with Uzbekistan.

Uzbekistan's growing credibility is being recognized by many international agencies, state officials and experts.

The human rights situation in the country is gradually improving, and several political prisoners have been released. Efforts are being made to enhance the investment climate, including tax reductions, liberalization of foreign trade, simplification of the visa regime and assurance of national currency convertibility. These improvements contribute to a positive image of the country and increase its credibility, fostering prospects for cooperation.

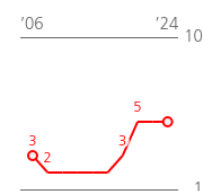
In December 2022, during the visit of the Uzbek Foreign Minister to Washington, DC, the annual Strategic Partnership Dialogue (initiated in 2021) took place. In the joint statement issued at the conclusion of the dialogue, the United States reaffirmed its unwavering support for Uzbekistan's independence, sovereignty and territorial integrity. The United States also reiterated its commitment to assisting Uzbekistan in implementing its ambitious reform agenda, particularly in the economic, educational and human rights domains. Discussions also covered Uzbekistan's role in providing humanitarian assistance to Afghanistan and its active participation in the C5+1 diplomatic regional cooperation format.

Uzbekistan's inclusion in the European Generalized System of Preferences Plus (GSP+) in April 2021 means that goods from Uzbekistan can be sold in Europe without tariffs. This decision is expected to stimulate investors and businesses from European Union countries to engage in various projects and enhance economic cooperation. The new Development Strategy for Uzbekistan, spanning the period from 2022 to 2026, outlines plans for the country to join the World Trade Organization (WTO) in 2023.

However, the 2022 Human Rights Watch Report on Uzbekistan raised concerns about stalled legal reforms, continued restrictions on freedom of speech and authorities' heavy-handed response to protests in Karakalpakstan. The report highlighted cases of criminal charges against critical bloggers and obstacles placed on the work of independent human rights groups. On a positive note, the report found no evidence of systemic forced labor in Uzbekistan's 2021 cotton harvest, leading to the end of the international boycott of Uzbekistan's cotton.

Credibility

5



During the review period (2021 – 2022), Uzbekistan exhibited dynamic and productive regional activism, which was driven in part by the Russian war in Ukraine and the volatile strategic situation in Afghanistan.

In July 2021, Tashkent hosted a high-level international conference on “Central Asia-South Asia Connectivity.” The primary focus of the conference was the establishment of a railway network connecting landlocked Uzbekistan to the Indian Ocean via Afghanistan and Pakistan.

In August 2021, Uzbekistan actively participated in the Third Consultative Meeting held in Avaza, Turkmenistan. In July 2022, the Fourth Consultative Meeting took place in Cholpon-Ata, Kyrgyzstan. These meetings have become regular occurrences and underscore Uzbekistan’s successful efforts to rejuvenate regional cooperation in Central Asia.

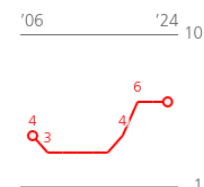
July 2022 witnessed a high-level international conference on Afghanistan in Tashkent, featuring participation from the Taliban government and relevant international stakeholders.

In September 2022, Samarkand, Uzbekistan, hosted the Shanghai Cooperation Organisation (SCO) summit, culminating in the adoption of the Samarkand Declaration of the SCO.

In December 2022, a treaty titled “On Alliance Relations Between the Republic of Kazakhstan and the Republic of Uzbekistan” was signed. This treaty not only laid the groundwork for a deeper strategic partnership between the two nations but also set a compelling example for other Central Asian states to follow.

Regional cooperation

6



Strategic Outlook

Mirziyoyev's new reform-oriented course is not without its share of controversies, risks and challenges. One of the primary obstacles to the success of his reform program is the pervasive corruption that is eating away at the economic, political and moral health of the state and society.

Another critical issue that threatens the overall success of the reforms is the quality of the government bureaucracy. This problem encompasses both the selection and recruitment of civil servants and the circulation of political elites. Many state officials and bureaucrats have proven to be stumbling blocks to the comprehensive reforms currently underway.

The new parliament, elected in 2019, has failed to meet the expectations of the electorate. While it has shown some signs of increased openness and activity, it has not succeeded in gaining greater authority among the population.

From a strategic standpoint, several crucial steps in the reform process have been overdue and remain unrealized. These include allowing representatives of NGOs to participate in parliamentary work, establishing the Public Chamber under the president of Uzbekistan, adopting a new Code of NGOs, privatizing major state-owned companies and other state assets, reforming the education sector, and, importantly, introducing the election of khokims (local executive governors). Given these circumstances, long-awaited political reforms need to be prioritized and expedited.

Uzbekistan's foreign policy continues to be influenced by geopolitical upheavals. The war in Ukraine presented an unprecedented challenge for Uzbekistan, with its "neutral" stance during several U.N. General Assembly votes on Russia's aggression against Ukraine placing Tashkent in a delicate position. Uzbekistan is keen to promote regional cooperation and integration in Central Asia while diversifying its foreign political, economic and trade relationships to reduce its dependence on Russia.

In October 2021, presidential elections were held in Uzbekistan, resulting in Shavkat Mirziyoyev's re-election for a second term. It remains uncertain whether he will seek a third term. His initiation of several amendments to the constitution has proven to be a cumbersome and controversial process.

The president also introduced the New Uzbekistan Development Strategy for the period from 2022 to 2026, a comprehensive program comprising 100 "purposes." While ambitious in its scope, the success of this strategy hinges on the fairly general nature of many of these "purposes" and the hindrance posed by conservative and reactionary forces that impede the reform efforts. Its ultimate success remains to be seen.