



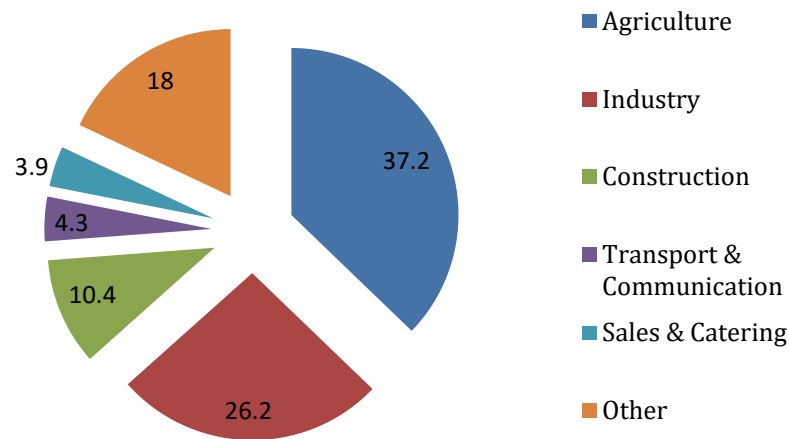
# UZBEKISTAN 2030

Defining the Pattern of Growth and Policies  
for Accelerated Transformation

Malaysia - September, 2015

# Uzbekistan 1991: Starting conditions

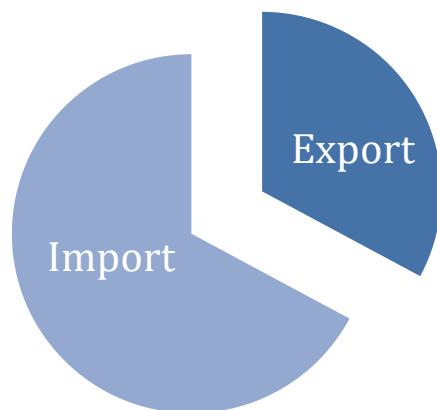
GDP structure dominated by agriculture (mostly, cotton production), %



GDP recession, high inflation, fiscal deficit and negative current account balance, %

GDP growth rate	-11,1%
Consumer price inflation rate	718,8
Fiscal balance	-18,3
Current account balance	-12%

Export exceeds import, negative trade balance %



## Starting position in 1991:

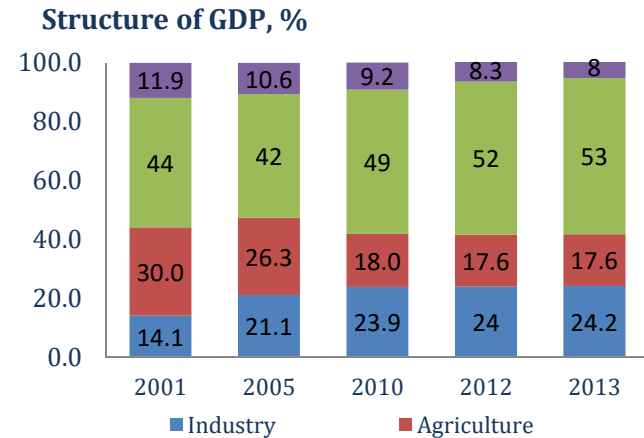
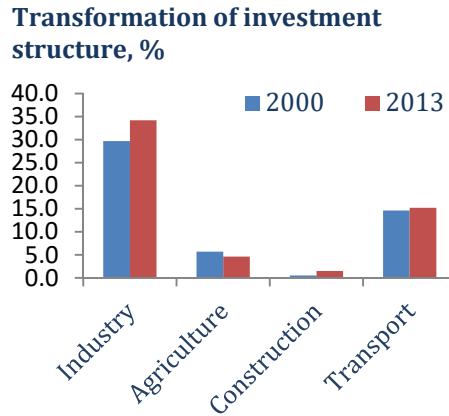
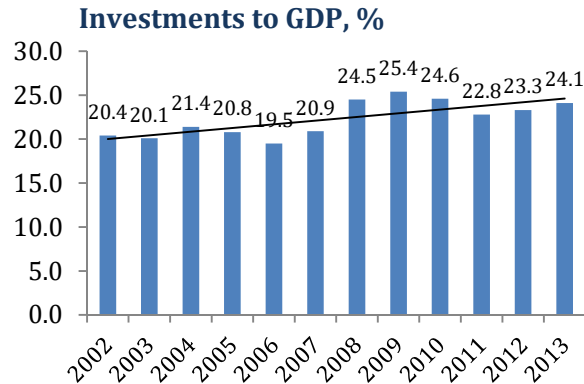
- GDP dominated by agriculture, national agriculture heavily specialized in cotton-growing; Uzbekistan – a net importer of basic foods;
  - Hard currency revenues and reserves insufficient to cover the gap by imports at world prices;
  - Need to generate investment resources for industry and infrastructure development;
  - Underdeveloped private institutions and nascent private sector
  - Adverse impact of the transition on the well-being of the people → Need to maintain safety nets for the growing population;
- **Importance to strike a delicate balance to achieve a number of development goals**

# Looking Back at the Past: Policies Implemented

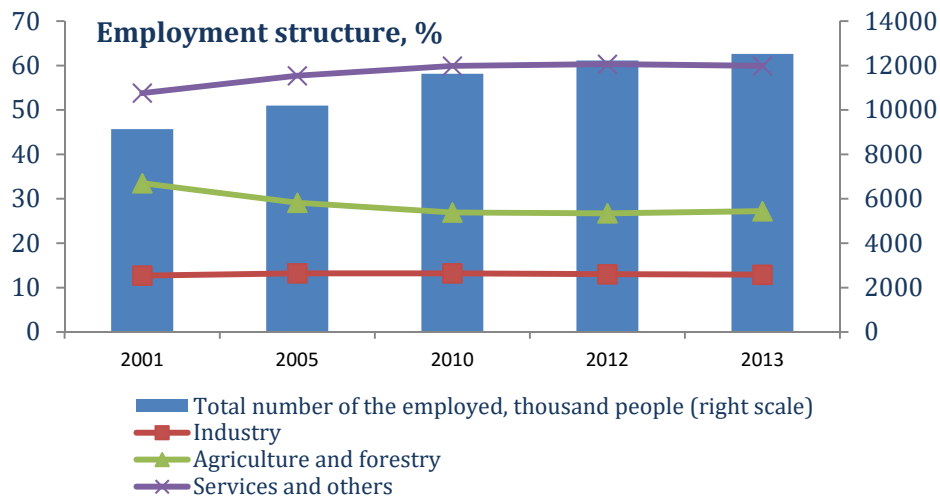
## *Structural Reforms to Ensure Sustainable Economic Development*

**Expanded investments into basic industries to ensure sustainable economic development and welfare improvement in the long term**

**This contributed to the structural transformation of GDP and ensured sustained rapid economic growth**



**Transformation of GDP structure contributed to the transformation of employment pattern**

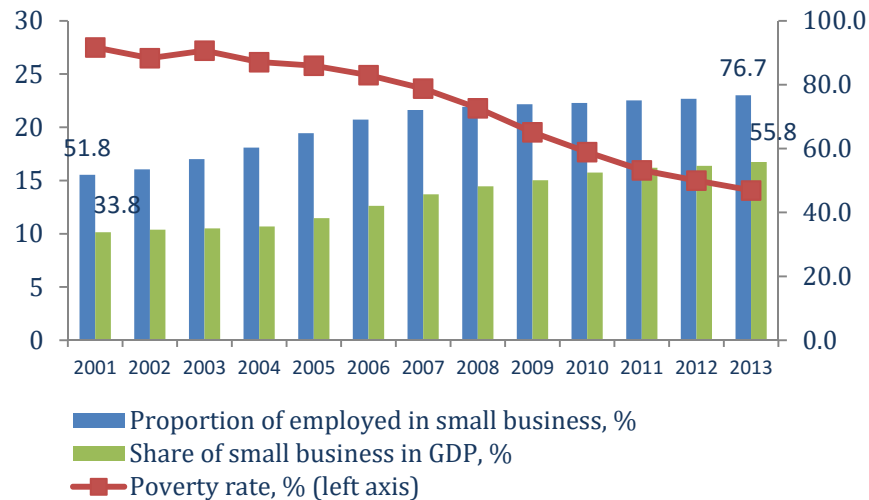


- In the first years of independence policies were aimed at mitigating the adverse effects of transition. Then, focus shifted to modernization, technical and technological renovation of basic industries (fuel and energy, metallurgy etc.)
- Focus on basic industries was essential to ensure rapid economic growth, expand exports, maintain macroeconomic sustainability, thus providing the basis for sustainable welfare improvement in the long term.
- Large investments into industrial sector contributed to the transformation of the employment pattern.

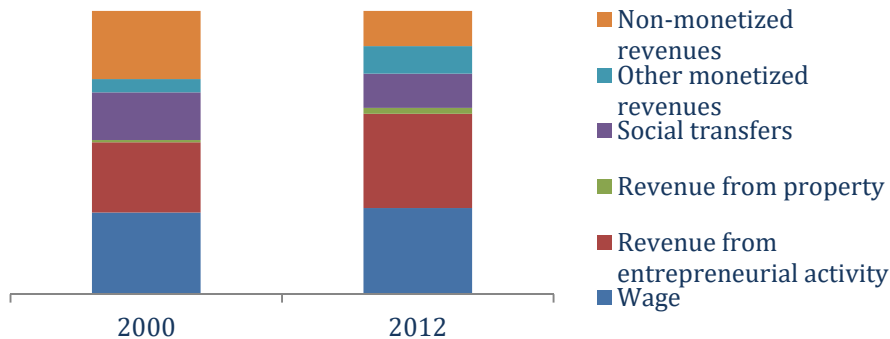
## Looking Back at the Past: Policies Implemented

### *Development of Small Business to Compensate for the Limited Impact of Basic Industries on Employment*

**Small business has contributed to employment generation and poverty reduction**

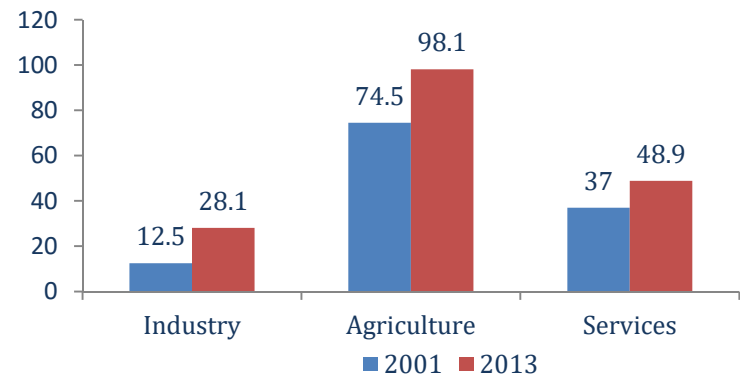


**Revenues from entrepreneurial activities increased**



**Development of small business contributed to structural transformation of the economy**

**Share of small business by sectors, %**

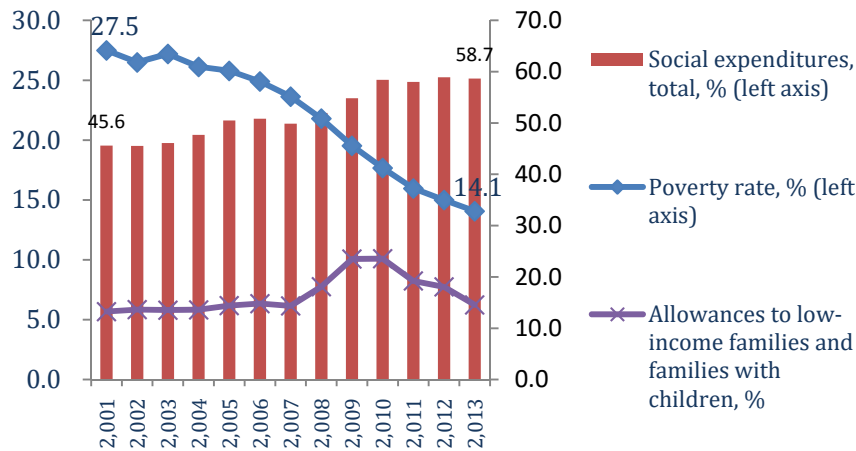


- Focus on basic capital intensive industries and reduction of employment in agriculture required additional measures to expand employment → **Development of small business was employed as one of such instruments**

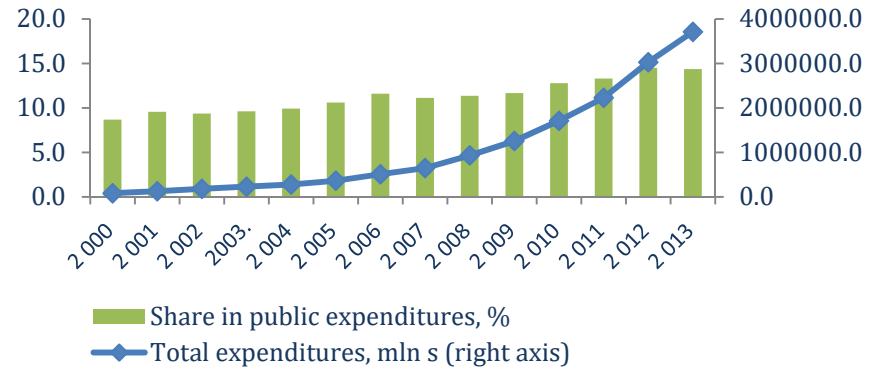
- ➔ Between 2001 and 2013 the share of SB and PE in employment increased from 51.8% to 76.7%;
- ➔ Catalytic role of SB and PE for introduction and effective implementation of market mechanisms and institutional transformations;
- ➔ SB and PE as a main factor of accelerated structural reforms and transformations: economic growth, diversification and growth of exports, etc.

# Looking Back at the Past: Policies Implemented Social Policies to Fulfill Social Rights and Expand Opportunities for Various Social Groups

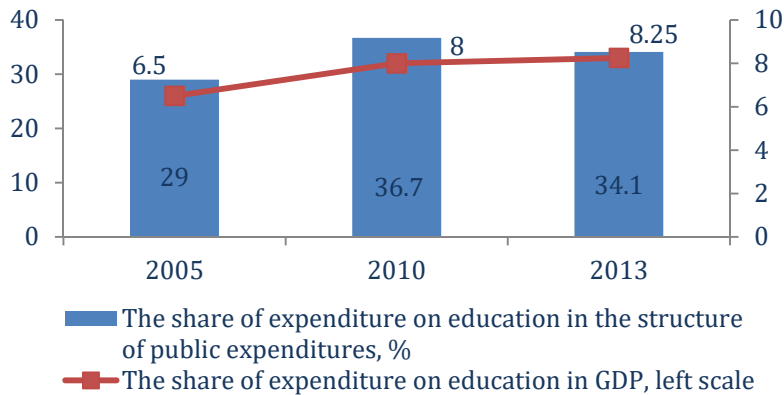
**Share of social expenditures in state budget increased from 45.6% to 58.7% between 2001 and 2013**



**Public expenditures for healthcare increased from 8.7% to 14.4% in 2000-2013**



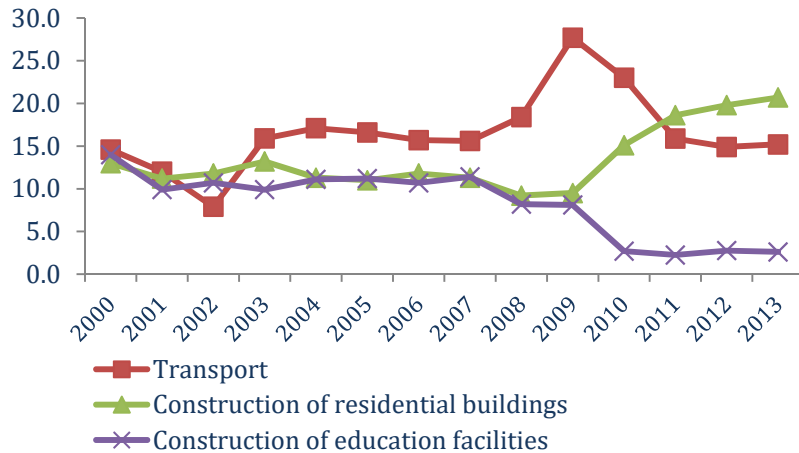
**Share of public expenditures for education in the state budget increased from 29% in 2005 to 34.1% in 2013**



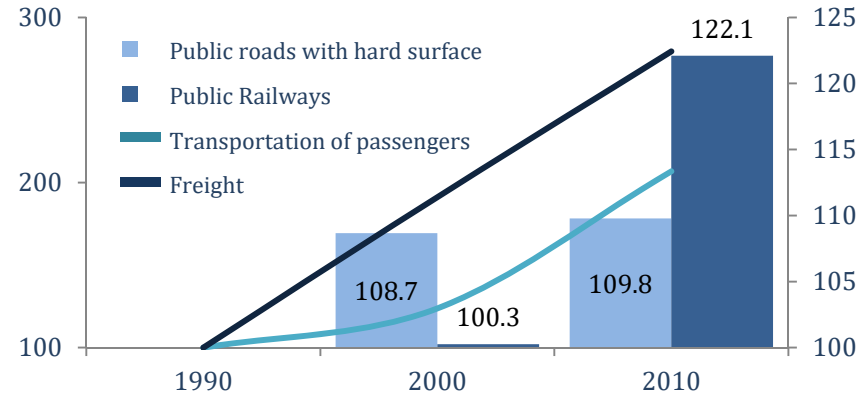
- Targeted social protection (with the focus on families with children) enabled the security of people in cases of inability to pay for provision of key basic social services for vulnerable groups;
- Welfare improvement and poverty reduction → Targeted SP system → More fiscal space to invest more in education and healthcare;
- Reforms in education implemented within the National Programme for Personnel Training;
- Protection of public health, especially maternal and child health, identified as a priority to develop the nation's gene pool;
- Social policies with multi-level multiplier effects (sportswear for schoolgirls, introduction of the English language classes from the 1-st form, etc.)

# Looking Back at the Past: Policies Implemented Infrastructure Development to Improve Quality of Life and Create More Opportunities

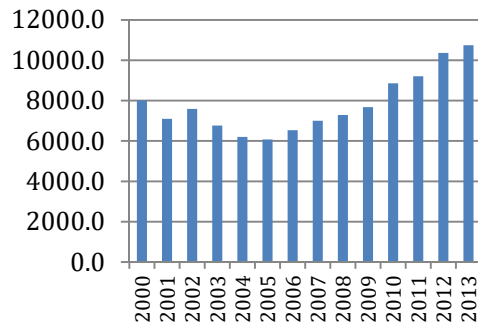
**Shift in the structure of investments to infrastructure:  
from construction of education buildings  
to residential ones**



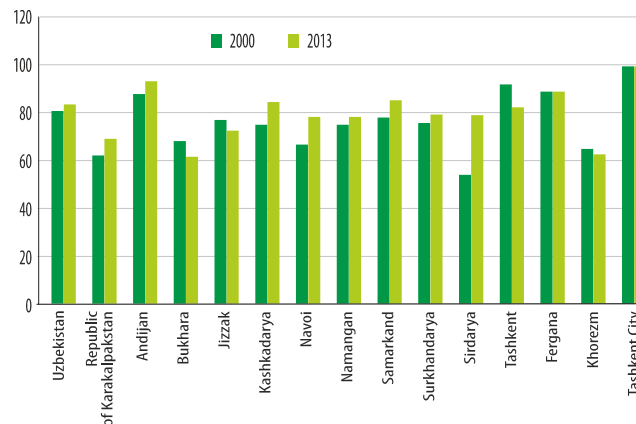
**Development of Transport Infrastructure (1990 = 100%)**



**Construction and reconstruction of residential buildings, thous.m2**



**Access to water supply system, %**

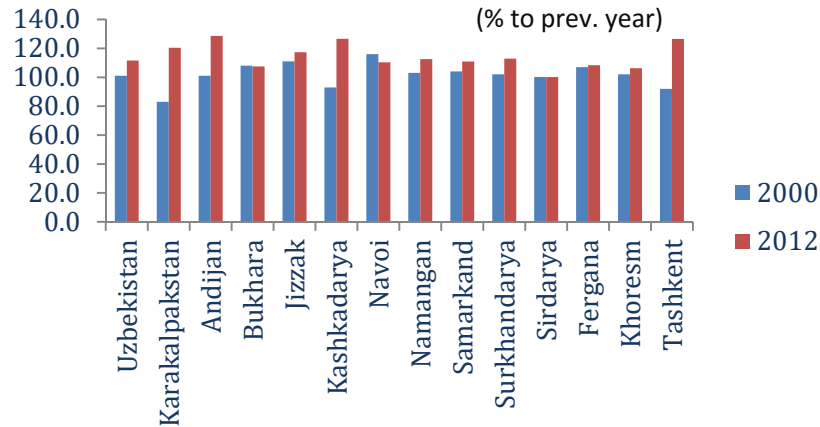


- In early 2000-s investments in infrastructure focused on construction and reconstruction of schools, professional colleges, academic lyceums
- In late 2000-s - 2010-s – Anti-crisis programme, development of transport infrastructure, programs on construction of residential housing, etc.
- ➔ Better living conditions, better quality of life
- ➔ More opportunities, improved business climate
- ➔ Stimulation of the domestic demand ➔ Economic growth, new jobs, multiplier effects throughout the economy

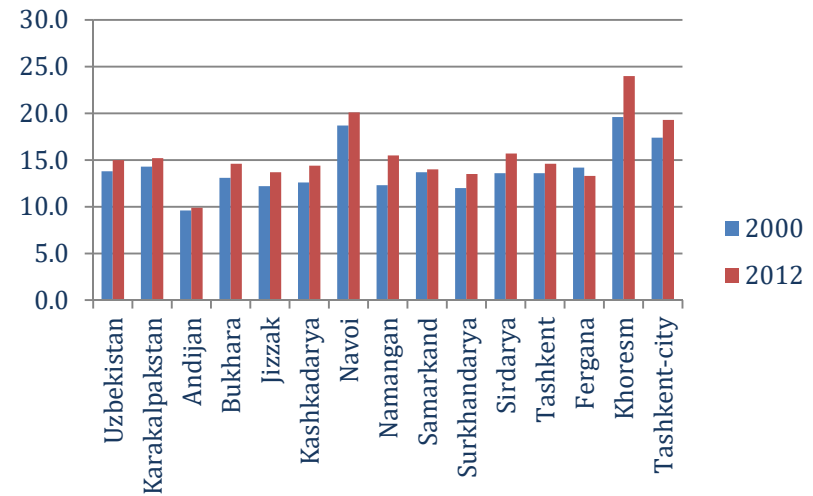
## Looking Back at the Past: Policies Implemented

### *Regional Development Programmes to Ensure Balanced Spatial Development*

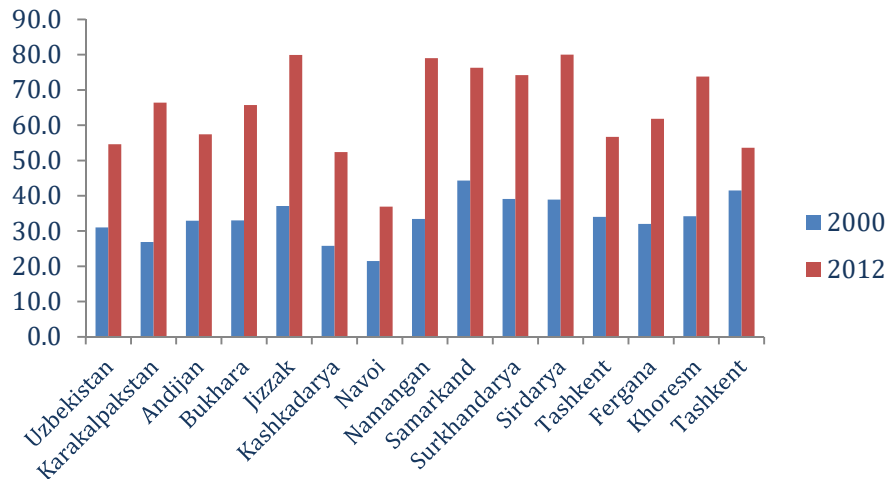
**Accelerated growth of investments into regional development**



**Regional programs on housing construction: Provision with housing, sq. m. per capita**



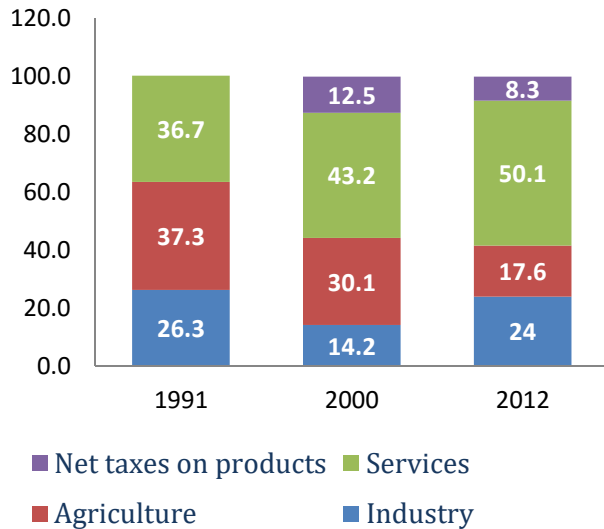
**Regional programs on small business development: Share of SB in GRP increased, %**



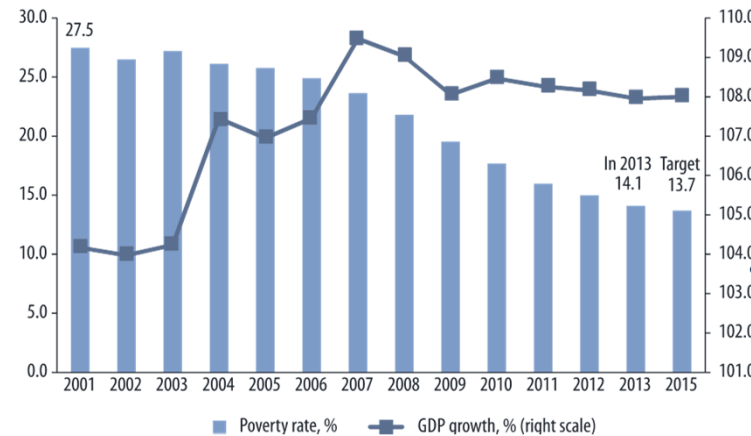
- Regional programmes aimed at accelerating socio-economic development in the regions through development of small business, investments into industrial projects, infrastructure development, etc.;
- Launch of the new enterprises (automotive enterprise in Asaka and Samarkand, Shurtan GCC); localization programmes;
- Formation of the growth and development poles: FEZ «Navoi», «Angren», «Jizzak», «Tashkent»;
- Shift of the production centers to other regions: e.g. shift of «Damas» production from Asaka to Khoresm.

# Results Attained: Balance is Maintained!

GDP structure transformed substantially

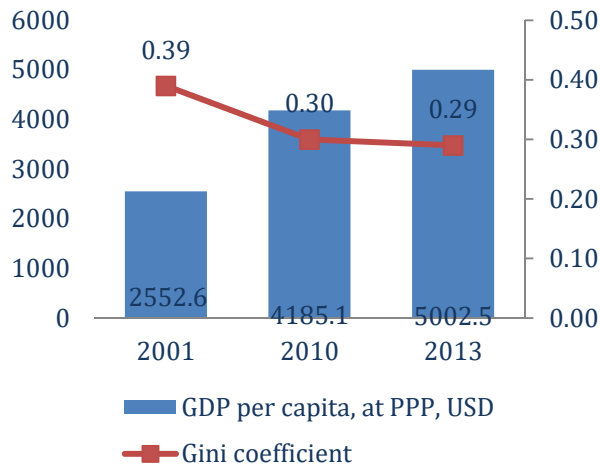


Sustainable economic growth accompanied by halving of the poverty rate

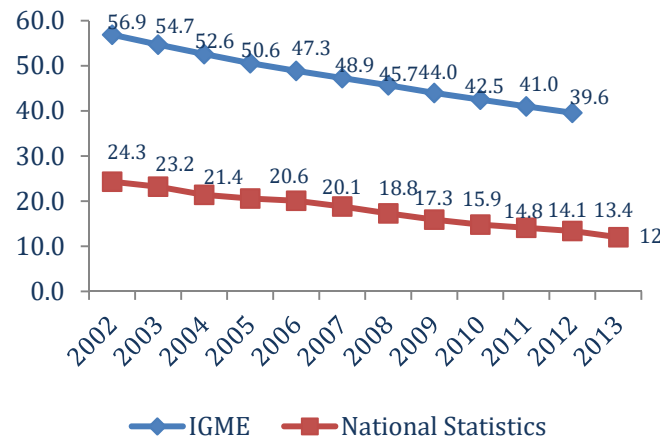


- Uzbekistan managed to implement structural reforms and expand share of industry and services in GDP structure
- In 2001-2013, amid stable economic growth rates, Uzbekistan was able to nearly halve its poverty rate – from 27.5% to 14.1%.

Rapid growth of per capita income accompanied by the reduction of inequalities



The Under-five children mortality rate decreased sharply between 2002 and 2013



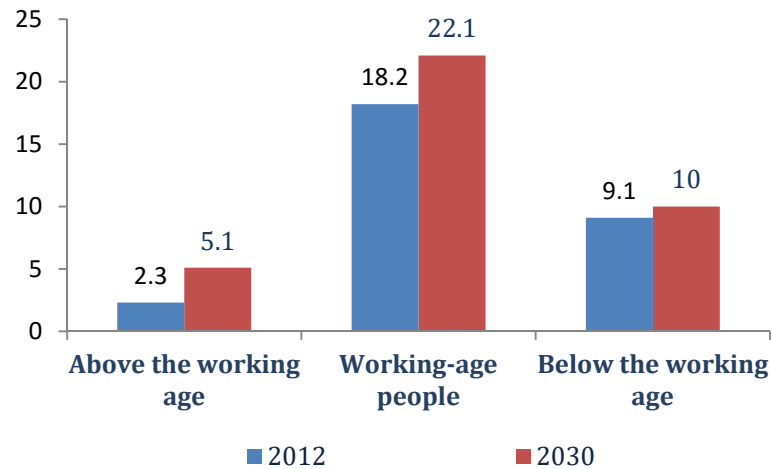
- While GDP per capita and real wages doubled; income differentiation reduced steeply.
- Even in the conditions of major structural transformations Uzbekistan managed to ensure fulfillment of basic social rights



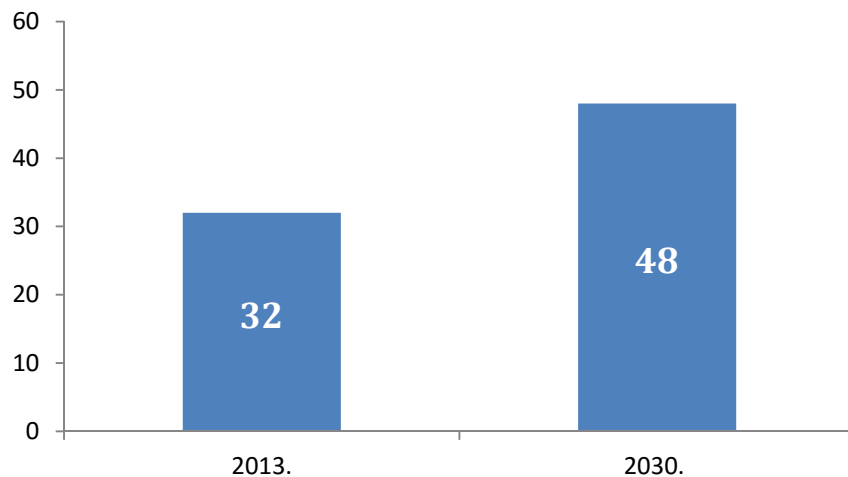
# Will the Results Attained So Far Be Sustainable Towards 2030?

## Key Development Challenges

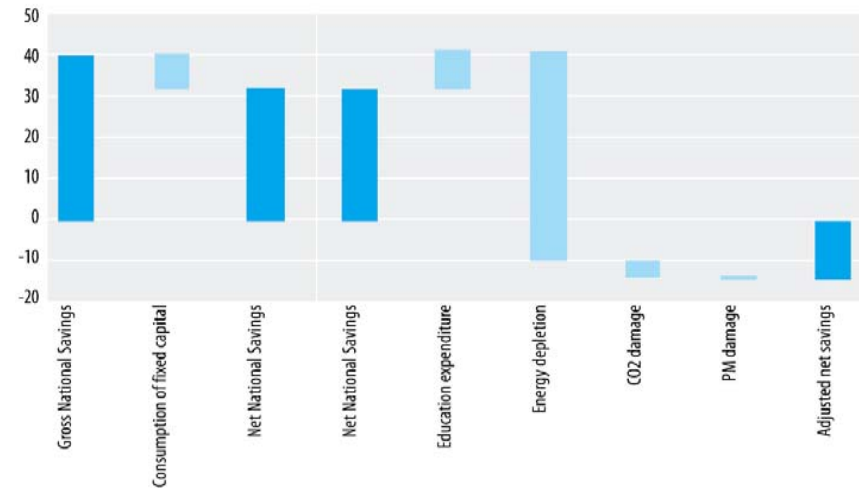
**Transformation of the Demographic Structure:  
Share of the labor force will rise sharply towards 2030!**



**If the model of social contract and social policies remains unchanged, consolidated tax burden will grow from 32% to 48%, economic growth will shrink to 3% per annum**



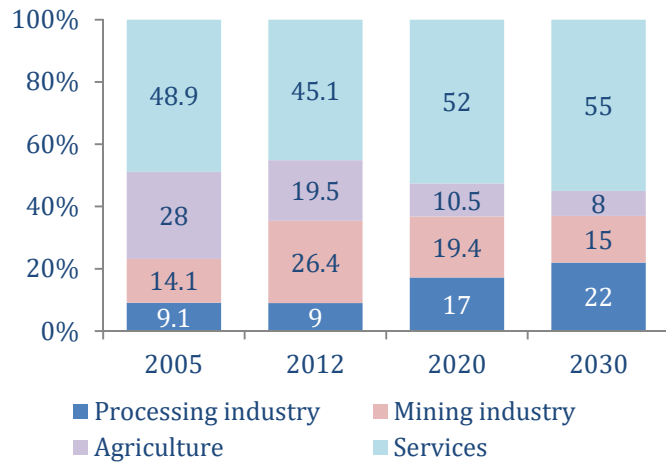
**Adjusted Net Savings in Uzbekistan have a negative value (% of GNP, 2010) -> The pattern of growth driven by the extensive use of natural capital will not be feasible in the future!**



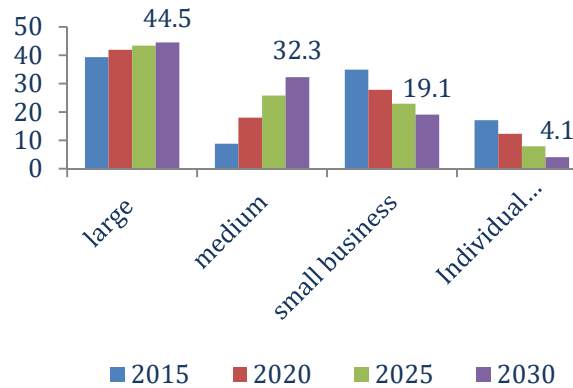
- Transformation of the demographic structure → more people in the working age → more jobs required.
- The model of economic growth driven by the extensive use of natural capital was efficient in the transition period but is not feasible for the future.
- Taking into account expected transformations of demand for social services, current model of social contract and social policies will not ensure fulfillment of basic social rights in the future.
- *Development strategies need to be revised to ensure economic breakthrough, growth of people's well-being and fulfillment of social rights for both current and future generations towards 2030.*

# Uzbekistan Towards 2030 - Solutions for the Future: Structural Transformations to Expand Decent Employment and Ensure Further Improvement in Living Standards

**It is important to implement structural transformations, %**

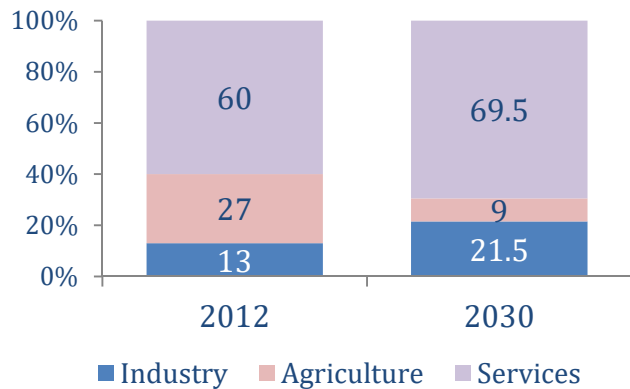


**To make structural reforms possible the pattern of enterprises needs to change (Structure of value added by firm size)**

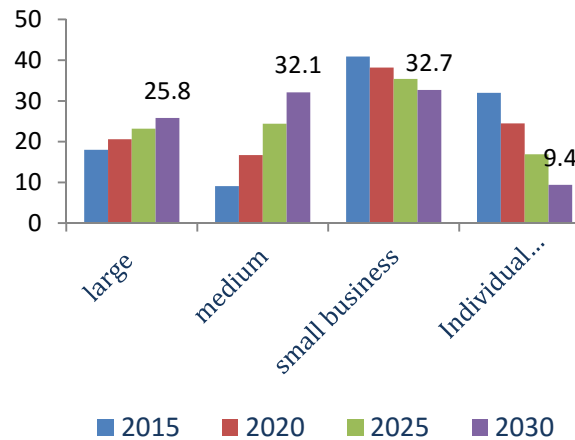


- It is important to implement structural transformations to expand the share of manufacturing industries from 9% to 22% in 2030
- This will require transformation of the **pattern of enterprises: *medium enterprises*** could become a driver of structural reforms and the new quality of employment

**As a result of structural reforms, structure of employment by sectors will transform**



**Structure of employment by enterprises will also transform**



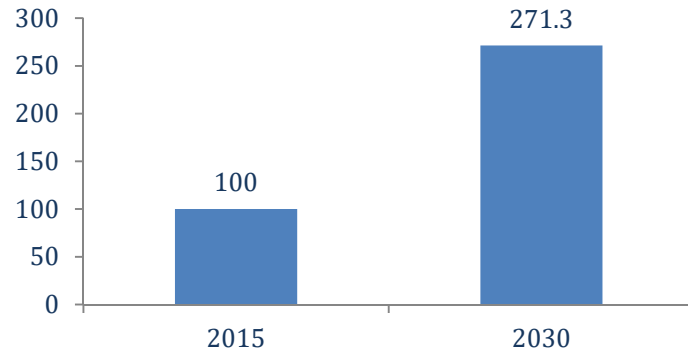
Expected results:

- Expansion of formal, productive and sustainable employment;
- Fiscal space to cover the expanded demand for social services in the future

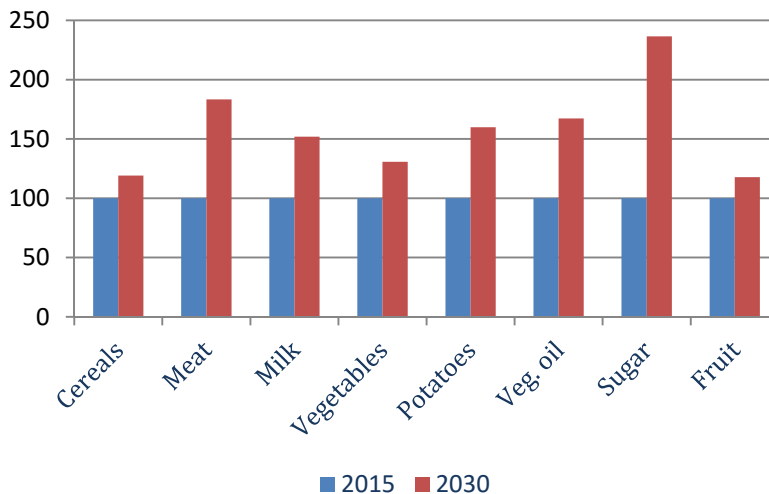
# Uzbekistan Towards 2030 - Solutions for the Future:

## *Managing Natural Resources Efficiently to Ensure Sustainable Development (Structural Transformations Need to be Implemented Intensively, not Extensively)*

**Demand for energy resources will grow almost 3 times (2015=100%)**



**Demand for food will increase (2015=100%) → Extra burden on land and water resources**



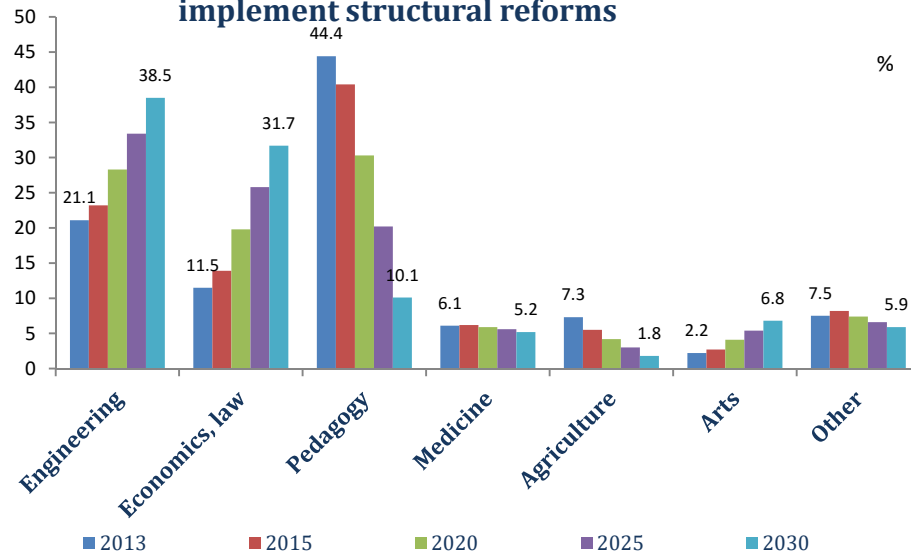
**Shift from natural capital-driven to intangible capital-driven growth is essential**

	Uzbekistan	Upper-middle income countries
Human capital	0.15-0.17	0.17-0.20
Intangible capital	0.16-0.18	0.2-0.5
Production capital	0.3-0.6	0.2
Natural capital	0.1	0.03
Expected economic growth	4-6%	8-10%

- Transformations of GDP structure + population growth and change in the demographic pattern + growth of personal income → Transformed demand for infrastructure and resources.
- To cope with the new challenges and employ the emerging opportunities the revision of the existing pattern of resource consumption may be required
- It is important to shift from natural capital-driven growth to intangible capital-driven development
- → This will cover the growing demand for resources and generate multiplier effects throughout the economy, thus contributing to job creation, income growth etc.

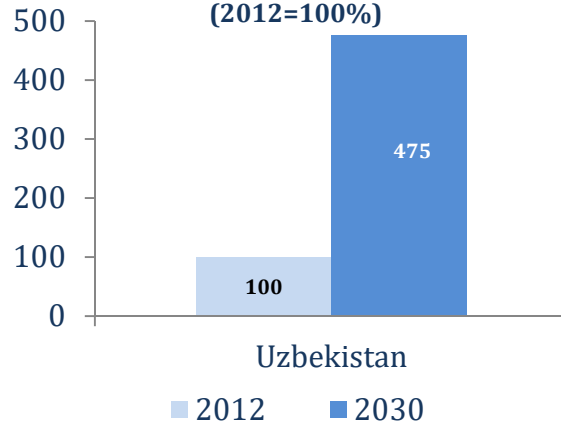
## Uzbekistan Towards 2030 - Solutions for the Future: Transformation of Social Compact and Social Policies in Line with the Transformation of the Economy and Society

**Structure of higher education needs to be transformed to implement structural reforms**

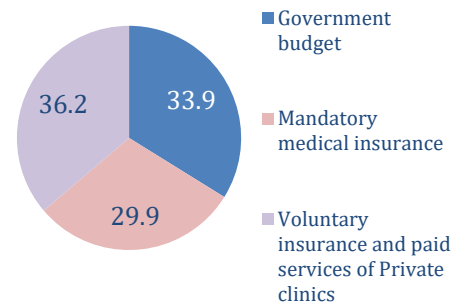


- Education structure and content needs to be transformed in line with the transforming economy structure → Critical mass of knowledge for economic breakthrough
- In healthcare: To cover the expanding demand for the high quality social services insurance forms of health financing need to be introduced → 58% of the employed need to be covered by MHI by 2030

**Demand for healthcare will transform  
Per capita health expenditures  
(2012=100%)**



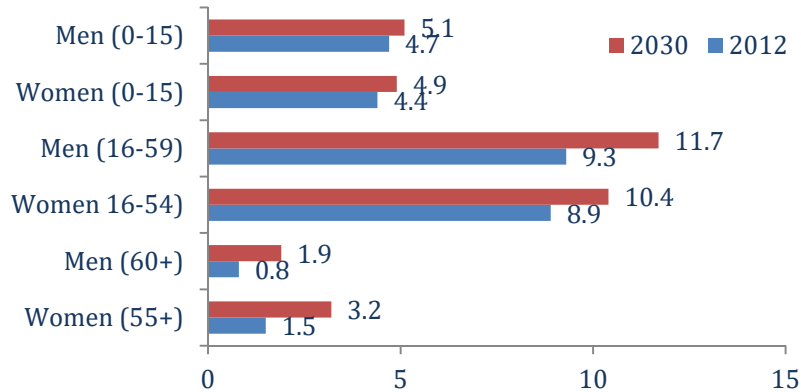
**To cover the expanding demand for high quality healthcare the model of health financing needs to be revised**



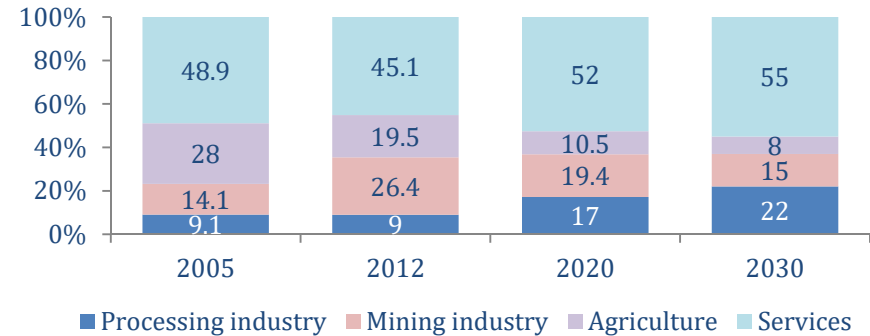
- Overall, social compact needs to shift from “loyalty in exchange for security and social guarantees” to “loyalty in exchange for better opportunities”

# Uzbekistan Towards 2030 - Solutions for the Future: Spatial Policies Based on the Spillover Effects to Ensure Balanced Regional Development

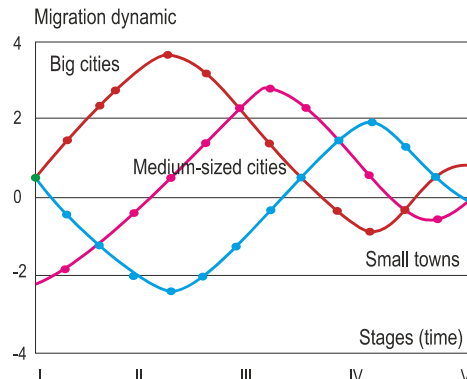
By 2030 the number of population will grow to 37,3 mln. people



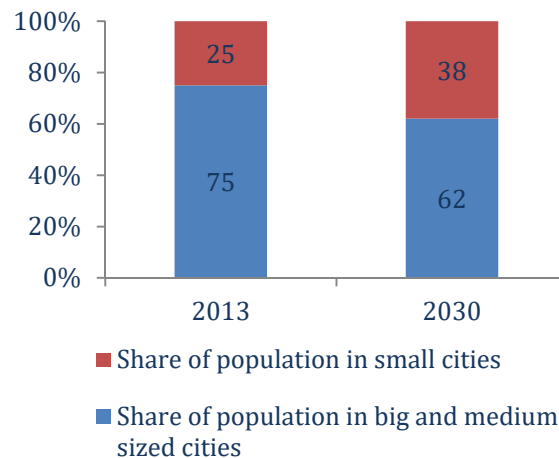
Structure of the economy will transform: industrialization



**Small cities could disseminate multiplier effects to ensure balanced spatial development: international experience**



**Development of small cities is important to ensure social sustainability: By 2025 almost 40% of the population will live in small cities**



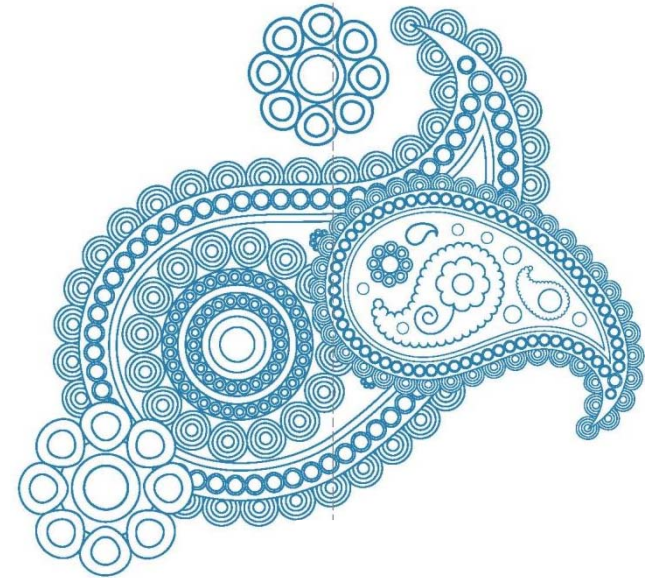
- Main trends for the future: Accelerated industrialization and growth of the number of population in the working age
- → It is important to:
  - 1) Optimize the allocation of production forces → Spatial development based on the potential and comparative advantages of the regions
  - 2) Develop special instruments to disseminate the effects throughout the regions → Small cities could become such an instrument

## Findings

- The delicate balance between the goal of improving the well-being for various social groups and ensuring the basis for sustainable growth and development in the medium and long term, has been maintained so far.
- To attain the development goals towards 2030, it is important to take into account new trends and challenges, that will identify development perspectives at the national and global levels.
- It is important to find optimal balances: between investment “now” and “tomorrow”; by state and non-state actors. These balances are not static but rather dynamic.
- There are no ready-made recipes. It is important to go beyond the conventional strategies and select institutions and instruments, that will work in the realities of the country.
- Development framework for the Vision-2030 needs to form a basis for inclusive growth that will create opportunities to fulfill social rights of both current and future generations; will be sustained over time and broad based across sectors, groups, regions.

# Thank you!

## CER/UNDP Flagship Initiatives of 2014/2015:



**Looking beyond the horizon:  
guidelines and best practices in  
formulating national visions**

<http://vision.cer.uz>



**Uzbekistan Towards 2030: A New  
Social Protection Model for a Changing  
Economy and Society**



Uzbekistan



**Food Security in 2025: Availability,  
Accessibility and Nutrition**



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