Uzbekistan 1991: Starting conditions

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

• 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**

- 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.

**Revenues from entrepreneurial activities increased**

- Proportion of employed in small business, %
- Share of small business in GDP, %
- Poverty rate, % (left axis)

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

- Industry: 12.5% in 2001, 28.1% in 2013
- Agriculture: 74.5% in 2001, 98.1% in 2013
- Services: 37% in 2001, 48.9% in 2013
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

- 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

- 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

- 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;
- Shift of the production centers to other regions: e.g. shift of “Damas” production from Asaka to Khoresm.
Results Attained: Balance is Maintained!

- 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%.

- 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!

- 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.
It is important to implement structural transformations, %

<table>
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<tr>
<th>Year</th>
<th>Processing industry</th>
<th>Mining industry</th>
<th>Agriculture</th>
<th>Services</th>
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<tr>
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<td>55</td>
<td>8</td>
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<td>22</td>
</tr>
</tbody>
</table>

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

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)

- 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

• **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

• 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

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

Food Security in 2025: Availability, Accessibility and Nutrition

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