

## UZBEKISTAN

UNITARY COUNTRY

## BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: UZBEKISTANI SOM (UZS)

## POPULATION AND GEOGRAPHY

**Area:** 447 400 km<sup>2</sup>  
**Population:** 32.387 million inhabitants (2017), an increase of 1.6 % per year (2010 - 2015)  
**Density:** 72 inhabitants / km<sup>2</sup>  
**Urban population:** 50.6% of national population  
**Urban population growth:** 1.5% (2017)  
**Capital city:** Tashkent (7.6% of national population)

## ECONOMIC DATA

**GDP:** 222.3 billion (current PPP international dollars), i.e. 6 865 dollars per inhabitant (2017)  
**Real GDP growth:** 5.3% (2017 vs 2016)  
**Unemployment rate:** 5.0% (2017)  
**Foreign direct investment, net inflows (FDI):** 95.8 (BoP, current USD millions, 2017)  
**Gross Fixed Capital Formation (GFCF):** 32.1% of GDP (2017)  
**HDI:** 0.701 (high), rank 105 (2017)  
**Poverty rate:** 62.1% (2003)

## MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

According to the 1992 Constitution (with 2017 amendments), Uzbekistan is a unitary republic with a presidential form of government. The president is directly elected by universal suffrage for a five-year term. Since 2004, the Supreme Assembly (*Oliy Majlis*) constitutes the bicameral parliament, which is composed of the Senate and the Legislative Chamber. The Senate (upper chamber) is composed of 100 members. In total, 84 senators are indirectly elected by elected legislative bodies of cities, districts and regions. There are a total of 6 senators by regional jurisdiction, while the remaining 16 seats are appointed by the president. The Legislative Chamber (lower chamber) is composed of 150 members, of which 135 are elected via universal suffrage. Since the 2008 amendments to the electoral code, the remaining 15 seats are reserved to the Ecological Movement of Uzbekistan (EMU). The EMU, founded in 2008, is rather considered as a multi-stakeholder body comprised of non-governmental organizations than as a political party, mainly concerned with legislative efforts in solving the dire environmental situation in the country. This indirect electoral process is based on the designation of regional EMU delegates from all regions whom, in turn, elect the 15 representatives in the Legislative Chamber.

The system of local government is acknowledged in the 1992 Constitution and has been established according to the 1993 Law on Local Public Administration. It establishes a dual system of appointed local state administration and elected local governments. The office of the president of the Republic is the central piece of the governance framework and public administration with powers to appoint and dismiss the head of the regional state administration (namely, *governor* or *hokims*). Regional *hokims* are in charge of appointing the head districts' and cities' head of state administration. At all levels, the head of the *hokims* are the appointed chairperson of the elected local council. Local councils have a symbolic say in approving the nomination and receive a formal report from the local state administration of their respective jurisdiction. The central government, in coordination with the relevant head of local state government, appoints the heads of the agencies acting in the jurisdiction. This system is supplemented by a third level of "self-governing community" organizations (*mahallas*) established by the 1993 Law on Community Self-government (revised in 1999) for the purpose of resolving local issues. These *mahallas* are a reformed structure of the Soviet system and, in practice, are supporting the local state administration. All levels of subnational public administration are highly dependent on the central government.

The 2016 elections were an important milestone for the country, marked by the first change of president since 1992. In 2017, the President's Decree "on Approving the Concept of the Administrative Reform in the Republic of Uzbekistan" stated the need to strengthen the role of local self-governing bodies and increase the efficiency and effectiveness of their role in the system of public administration. The President called for the introduction of direct elections for regional and district *hokims*. In 2017, after the enactment of the Law on elections to district (city) Councils of people's representatives of Tashkent city, election were held for the new city council. This is the start of a governance reform programme, including a new Law on Local Self-Government. The draft Law is to be presented in 2019.

## TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Local assemblies ( <i>mahallas</i> )	170 districts ( <i>tumans</i> ) 30 cities of regional significance 1 city of republican significance	12 regions ( <i>wiloyats</i> ) The Republic of Karakalpakstan The capital city of Tashkent	
		Average district size: 162 000 inhabitants		
		201	14	215

**OVERALL DESCRIPTION.** The subnational government structure follows a dual system of elected local councils and appointed local state governments organized in a three-tiered territorial structure. In 2018, there are 12 regions in addition to two territorial units with special status: the capital city of Tashkent and the Autonomous Republic of Karakalpakstan. The regions and the Autonomous Republic of Karakalpakstan are subdivided into 170 districts and 31 cities of regional and republican significance. The *mahallas* are the lowest level of administrative and territorial jurisdiction.

**MAHALLAS.** *Mahalla* assemblies are chaired by the local patriarch (*aksaka*) elected by the citizens' assembly for two-and-a-half-year term according to the regulations of the Law on the Elections of an Assembly Chair and his Advisors. According to a 1999 President's Decree *mahalla* can be established in villages (*kishlaks* or *auls*) inhabited by no less than 500 families. The territorial jurisdiction of each *mahalla* is established by the relative district chair (district *hokim*).

**DISTRICTS AND CITIES.** Each of these local state government units has a legislative local council (*kengash*) and an executive body. The local councils are elected for a five-year term by the residents of the respective jurisdictions via universal suffrage. Until recently, local councils have performed a rather formal role. According to article 99 of the Constitution, all local councils are headed by a *hokim*, who is also vested with the local executive powers. All *hokims* are appointed and dismissed by the chief executive of the upper tier of government. Districts are also in charge of overseeing lower territorial jurisdictions, namely 88 cities of district subordination, more than one thousand urban-type settlements and more than 11 thousand rural settlements. According to 2015 census, the largest cities are Samarkand (513 thousand inhabitants), Namangan (489 thousand inhabitants), Andizhan (413 thousand inhabitants) and Nukus (300 thousand inhabitants). Moreover, districts and cities are authorized to engage into inter-municipal cooperation. According to Article 4 of the Law on Local Public Administration, this can take a contractual form (i.e. joint ventures, business associations) to improve service delivery or perform common duties in the interest of a larger territory.

**REGIONS.** There are three types of regional governments. The regions (*wiloyats*) are the upper level of subnational government, in charge of overseeing the districts and cities of regional significance. They are headed by a *hokim*, appointed and dismissed by the President of the Republic.

Secondly, according to Article 6 of the Constitution, the capital city of Tashkent has a regional status. There are no specific regulation regarding such status and Tashkent follows a similar structure of government as regions. With the enactment of the Law on elections to district Kengashi of people's deputies of the city of Tashkent, the first elections for the *hokim* of the capital city were held in December 2017. Tashkent is further subdivided into eleven administrative districts. Each of them is headed by their own *hokim* and composed of several *mahallas*.

According to article 70 of the Constitution, the Republic of Karakalpakstan enjoys certain autonomy, established by its own Constitution, but remains part of the Republic of Uzbekistan. According to article 80 of the Karakalpak Constitution, the Supreme Council (*Zhokargy Kenes*) is the regional government body, headed by a chairperson indirectly elected by the members of the council. The Chairperson can serve for two consecutive mandates and is in charge of appointing and dismissing district and city *hokims* of the Republic, in coordination with the President of the Republic and approval of the respective local councils.

## SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The responsibilities of the local state administration and the *mahalla* are respectively established by the 1993 Law on Local State Governments and the 1999 Law on Local Self-Governance of Citizens (revised in 2013). In addition, the competences of each level of state administration are established in the Budget Code, yet, there are overlaps in the assignment of responsibilities, resulting in unfunded mandates and a strong vertical power-sharing structure. The Law on Local Self-government bodies only vaguely refers to *mahalla's* responsibilities and competences: *mahallas* approve local development plans aimed at complex development, landscaping and nature preservation; they also have the right to identify families in need of social subsidies. These are more generally identified and determined by the special earmarked funds to *mahallas* in each district or city budgets. The amount of this fund and specific lines of expenditures are subject to the approval by the *mahalla*.

### MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONAL LEVEL	DISTRICT LEVEL	LOCAL LEVEL
<b>1. General public services</b>	Regional/city administration and operation of general services; Public buildings and facilities	District/city administration and operation of general services; Public buildings and facilities	Monitoring district works in the <i>mahalla</i>
<b>2. Public order and safety</b>	Recruitment for the army service		Management of citizens' voluntary contribution to fight disasters
<b>3. Economic affairs/transport</b>	Agriculture, irrigation and forestry; Subsidies to public transport companies	Veterinary services; Local roads	Approval of local development plans; Collection of statistical data on farmers' enterprises
<b>4. Environmental protection</b>	Parks & green areas	Parks & green areas; Waste management; Street cleaning	Approval of local nature preservation plans
<b>5. Housing and community amenities</b>	Housing renovation; Drinking water distribution; City improvement	Housing renovation; City and village improvement	Approval local landscaping plans; Management of voluntary works on community improvements
<b>6. Health</b>	General and specialized (incl. emergency) hospitals	Primary healthcare (medical centres); Preventive healthcare	
<b>7. Recreation, culture &amp; religion</b>	Sports facilities and events; Recreation facilities; Cultural facilities and events	Sports facilities and events; Recreation facilities; Cultural facilities and events; Musical and arts schools for children	Management of cultural and sports events (shared with districts)
<b>8. Education</b>	Specialized secondary education (boarding schools); Afterschool centres; Orphanages	Pre-primary, primary and secondary education; Afterschool centres	
<b>9. Social protection</b>	Care to elderly and people with disabilities (benefits and services); Services support services and subsidies for low income families	Care people with disabilities (benefits and services)	Management of social subsidies; Management of district government social care programs for elderly citizens; Women's rights protection

## SUBNATIONAL GOVERNMENT FINANCE

<b>Scope of fiscal data:</b> autonomous Republic of Karakalpakstan, regions and the city of Tashkent (consolidated data).	SNA 2008	Availability of fiscal data: <b>Medium</b>	Quality/reliability of fiscal data : <b>Low</b>
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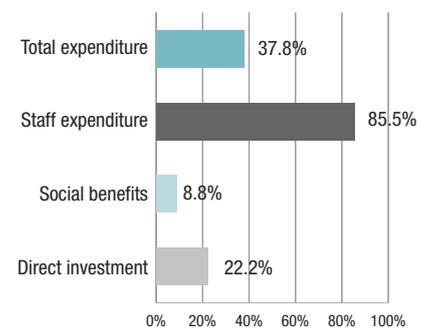
# UZBEKISTAN

UNITARY COUNTRY

**GENERAL INTRODUCTION.** General rules for Local State Administrations and local councils budgeting are established by the national Budget Code. Since 2010, the country is engaged in a budget system reform to improve accountability and transparency. With the support of UNDP and the World Bank, a new public procurement system has been drafted and the legislative framework should be adapted. In 2016, *mahallas* were deprived of budgeting powers. SNG yearly budget plans are to be approved by relevant local council. Uzbekistan is one of the countries in the Eurasian region that has been the slowest to bring fiscal decentralization system in line with the international standards. Local state governments own and administer public properties assigned to them by the central government; they retain taxes and other revenues as indicated by national legislation; and they develop and execute their budgets with the approval of the central government.

## SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
<b>Total expenditure</b>	<b>703</b>	<b>10.8%</b>	<b>100%</b>	
<b>Incl. current expenditure</b>	<b>658</b>	<b>10.1%</b>	<b>93.5%</b>	
Staff expenditure	541	8.3%	77.0%	
Intermediate consumption	49	0.7%	6.9%	
Social expenditure	49	0.8%	7.0%	
Subsidies and current transfers	10	0.1%	1.4%	
Financial charges	0.1	0.0%	0.0%	
Others	9.0	0.1%	1.3%	
<b>Incl. capital expenditure</b>	<b>46</b>	<b>0.7%</b>	<b>6.5%</b>	
Capital transfers				
Direct investment (or GFCF)	46	0.7%	6.5%	

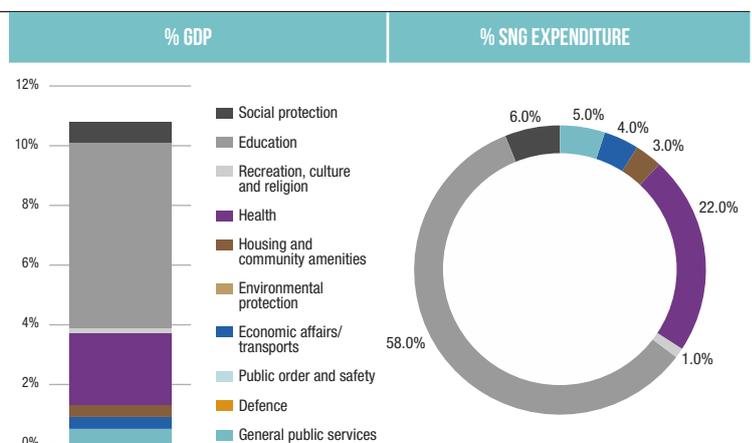


**EXPENDITURE.** In 2016, regional government expenditure accounts for 37.6% of the general governmental budget. This is relatively similar to the share of the other countries in the Eurasia region (i.e. Russia, Belarus and Kazakhstan). The highest share of regional current expenditure (at 77%) is allocated to staff wages, specifically teachers and doctors. This is accounted for by the fact that wage rates of public servants are mandated by the central government. However, the assigned expenditure does not match with adequate funds. In order to comply with the central government mandatory rates, regional governments allocate very low share to the remaining categories.

**DIRECT INVESTMENT.** Capital expenditures from local funds are rather low (at 6.5% of subnational government spending) as construction of infrastructure is mostly covered by the central government via several earmarked funds to specific investment purposes, such as Reconstruction and Development Fund; Roads Fund; Fund for Development of Educational and Health Infrastructure; Irrigation Fund; Ecological and Waste Management Fund; Fund for the Development of Aral Sea Region and the Drinking Water Fund. However, regional governments account for 22% of total capital spending. In addition, subnational tiers of government are often empowered by the central government to monitor and even manage the investment process within their jurisdictions.

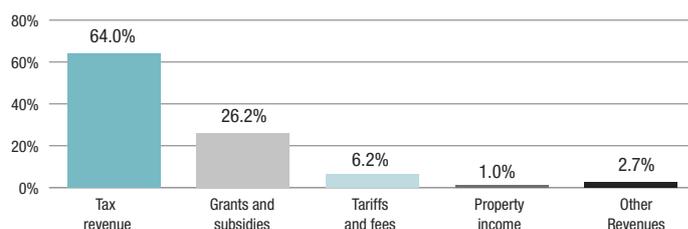
## SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Education appears to be the largest expenditure line (more than half of the total), followed by health (about a quarter). These functions are almost entirely (more than 80%) delegated to sub-national governments. General public service expenditure seems rather low (only 5% of total expenditures). One possible explanation is that sub-national executive bodies are territorial representations of the central government: public servants within these institutions are paid via the central budget.



## SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
<b>Total revenue</b>	<b>726</b>	<b>11.1%</b>	<b>33.2%</b>	
Tax revenue	464	7.1%	29.2%	64.0%
Grants and subsidies	190	2.9%		26.2%
Tariffs and fees	45	0.7%		6.2%
Property income	7	0.1%		1.0%
Other revenues	19	0.3%		2.7%



**OVERALL DESCRIPTION.** In Uzbekistan, tax revenue accounts for the largest share of subnational government revenue (at 64%), amounting to 7% of the GDP and 29% of general government revenue. While the National Tax Code does not define local taxes specifically, Article 52 of the Budget Code lists two types of taxes: “nationwide” and “local”. It also assigns particular taxes to central and regional governments. The latter include: shares of national taxes (set by the law on the national budget for the coming fiscal year); local taxes; non-tax revenues grants. Regional governments share their revenues with district/city governments at their own discretion.

**TAX REVENUE.** All taxes in Uzbekistan are being collected by the National Tax Committee. According to the Budget Code, subnational governments’ tax revenue is composed of shares of national taxes and locally raised tax revenue.

**Shared taxes** are viewed as a kind of a balancing transfer of revenues from central government. SNGs do not have the authority to change tax rates or the tax base of local taxes. Neither can they provide tax benefits on local taxes. The particular sharing rates of shared taxes vary from year to year and differ for different local governments. They are established by the law on the central government budget for the coming fiscal year. As a result of the sharing rates policy in 2016, the three main national taxes (PIT, CIT and VAT) respectively account each for around 13.8%, 12.4% and 13% of subnational government revenue and approximately 1.5% of the GDP. Other shared taxes include small business simplified tax, tax on imputed income, excises (5.1% of SNG revenue), natural resources tax, and water resources tax.

**Local taxes** are made up of gasoline tax, property tax, land tax and simplified land tax. The property tax gains a significant share of local tax revenues (18.5%) and local revenues (11.8%), which is one of the largest compared to the Euro-asian countries with similar scope of local government sector. It amounted to 1.3% of GDP in 2016, which is high by international comparison.

**GRANTS AND SUBSIDIES.** The Budget Code includes a special section on intergovernmental fiscal transfers. However, the adopted system of grants lacks transparency and formalization. The Budget Code divides grants into several categories: categorical grants, social transfers and current balancing grants. By law, shared taxes are included in grants, but accounted for as tax revenue. There is no capital grants provided to regional and local governments.

**Categorical grants** are allocated to provide funding for the corresponding devolved functions allocated to regional and local governments by the central government. Social transfers are allocated to pay teachers’ and doctors’ salaries. The non-spent categorical grants and social transfers are to be returned to the central government. Current balancing grants also serve to balance revenues and expenditures on top of shared tax revenues. They aim at fiscal equalization of local governments.

**Mutual settlements** represent the core of intergovernmental fiscal relations between levels of government in Uzbekistan. They appear to be the major tangible result of in-year negotiations between upper and lower levels of state administrations. The amount of each settlement is set at the discretion of the upper level of government and is used to compensate for changes in local spending assignments initiated by the central government within the fiscal year term. The mutual settlements may be transferred in both directions (from and to the central government).

**OTHER REVENUES.** Tariffs and fees, property income and other revenues account for 10% of subnational government revenue. They include revenue from the privatization of public property, stamp duties, fines and penalties. There is little if any autonomy of regional and district governments in influencing these revenues.

## SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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### Total outstanding debt

Financial debt\*

\* Currency and deposits, loans and bonds

**FISCAL RULES.** Subnational governments are not permitted to run budget deficit. Their adopted revenues and expenditures for the next fiscal year have to be equal. They can increase their expenditures only in case their revenue collections exceed the forecasted amount adopted in the budget decree.

**DEBT.** Subnational governments cannot provide guarantees in favor of third parties or grant budget loans to non-governmental entities or individuals. SNGs can attract short-term loans from the upper level of government, to be repaid by the end of the fiscal year. They cannot borrow from anywhere else.



Lead responsible: UCLG  
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**Socio-economic indicators:** World Bank // UNDP // UN Desa // ILO // Uzbekistan National Statistical Committee.

**Fiscal data:** IMF GFS.

**Other sources of information:** Anthony Bowyer (2018) Political Reform in Mirziyoyev’s Uzbekistan: Elections, Political Parties and Civil Society - Central Asia-Caucasus Institute & Silk Road Studies Program // Rustam Urinboyev (2018) Local Government in Uzbekistan in Global Encyclopedia of Public Administration, Public Policy, and Governance // Akmal Saidov (2011) Country Profile: Uzbekistan UCLG – GOLD II: Local Government Finance the challenges of the 21st century // World bank (2018) Project Appraisal document for a Medium-Size cities integrated urban development project.