



Feature Article  
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## Uzbekistan's "System Reset"

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On January 24 Uzbekistan's President, Shavkat Mirziyoyev, delivered his third annual report to Parliament. This address marks an important step in Uzbekistan's reform effort.

As he has done before, President Mirziyoyev emphatically stressed the need to replace old, ineffective structures and work methods with market-based management of the economy and democratic political practices. This time, however, he laid special emphasis on the urgent need to strengthen representative forms of governance at each level. To this end, he strongly urged members the newly elected Parliament to participate actively in the reform process. He pleased for them to act bold and decisively on their own, and not to wait for guidance from the executive branch of government. Instead, he said that their positions should reflect the views and interests of their constituents.



In his effort to enhance the effectiveness of the national Parliament, President Mirziyoyev appears to be seeking a stable system based on checks and balances. He clearly realizes that the alternative – to construct a system based on a rigid "power vertical" would be counterproductive.

But the alternative is not possible if the country has only "a puppet Parliament." Instead, he envisions an independent Parliament or Oliy Majlis. His goal is to develop an independent Oliy Majlis that has the will and skills required to initiate and adopt laws based on the interests of citizens and the nation as a whole. Hence the call to enhance the status and authority

of parliamentarians. To this end, also, he sharply broke with tradition by proposing a law that will oblige ministers to respond personally to requests from members of parliament.

Of course, it is one thing to propose reforms and quite another actually to implement them. However, concrete reforms have already been implemented by the government in Tashkent. For the first time in Uzbekistan's history the Prime Minister has presented his nominations for members of the Cabinet of Ministers to Parliament for its approval. In responding, the Parliament has already begun to assert itself. The same process of change is evident in the Parliament's handling of draft legislation emanating from the executive branch. The Parliament of 2010-2014 did not reject or return any law. By contrast, the outgoing Parliament, whose term ended several months ago, refused to discuss sixteen legislative drafts and instead sent them back to the initiators for revision. It is also notable the fact that all these actions were the result of debates among different political parties, a far cry from the old days when Parliament invariably acted unanimously. These shifts are important; they indicate that the old system of "passing laws by order" is dying.

No system of checks and balances can function without an independent and effective mass media. In sharp contrast to the past, Uzbekistan's media are increasingly coming playing the role of the "fourth power". By identifying topical problems that concern people, they are embracing the role of a "barometer" of the people's well-being and their views on reforms. As this develops further, Uzbekistan should gain "feedback mechanisms" that enable it to define and implement reforms

on a bottom-up basis and not simply top-down.

Another important component of Uzbekistan's "systems reset" are the independent and organized citizen initiatives that are grouped under the terms "non-governmental organizations" ("NGOs") or "civil society." Until the President Mirziyoyev years these were either purely for show or nonexistent. By contrast, the government is now seeking to strengthen NGOs as a means of monitoring and exposing to public discussion the work of the country's large bureaucracy. NGOs have already initiated more than seven hundred monitoring initiatives affecting public services and political practices.

It is obvious that political reforms can ever truly succeed unless they also embrace a new economic model. The many institutions, structures, and habits that were inherited from the Soviet past have long been able to throttle new ways of thinking and doing. Thanks to the years he spend earlier as Prime Minister, President Mirziyoyev is keenly aware of these failings and knows full well that palliative measures are doomed to fail. Instead, he has been quite aggressive in calling for the development of a new economic model based on genuine and functioning market principles. In the recent speech and in a series of concrete initiatives the President and his administration seek to advance this goal by stimulating entrepreneurial initiatives.

The effort of supporting business is seen also in the measures taken to mitigate the negative impact of the coronavirus pandemic on the economy. A special anti-crisis program covers the banking sector, manufacturing and labor relations. A special \$1 billion fund has been

created to combat the consequences of the coronavirus spread. The Uzbek government is paying a special attention to medium and small businesses, exporters, tourism, transport and hotel business, as well as socially vulnerable populations.

In order to minimize possible losses, wide-ranging preferences and benefits have been granted to entrepreneurs and citizens forced to quarantine. In particular, the deadline for paying property and land taxes for individuals has been extended, the tourist tax has been suspended; tax rates for the use of water resources have been reduced, and the surcharges of a number of taxes have been suspended.

The socially vulnerable categories of citizens were not ignored. An effective partnership between the state and civil society at newly established Aid coordination centers was set up. Together with about 18,500 volunteers of the Youth Union of Uzbekistan, these centers provided grant aid to about 200,000 families in need.

Moreover, in order to target support to socially vulnerable segments of the population, President Mirziyoyev suggested to establish a "Kindness and Support" nationwide movement. He encouraged entrepreneurs to take responsibility by providing voluntary assistance to those in need. In return, the state will provide the entrepreneurs with compensation through various benefits and preferences on taxes, leasing, and loans as well access to necessary resources. It is expected that the Government will adopt a special decree on state support to entrepreneurs providing charitable assistance. As Deputy Prime Minister Jamshid Kuchkarov

noted, every sum spent by the entrepreneur will be compensated by the state.

The development of the global economy in recent centuries provides convincing proof that the best way to increase citizens' well-being is to remove impediments to entrepreneurial activity. Uzbekistan's Soviet past provides equally compelling evidence of what happens when such activity is thwarted or suppressed. For the past few years Uzbekistan has been working diligently to overcome that passed through fundamental reforms of the economy. There is evidence that these efforts are beginning to pay off.

World Bank data indicate that annual GDP growth in the emerging market and developing economies of Europe and Central Asia prior to the corona-virus was about 2,2% but Uzbekistan reached 2,5 times that rate. Since the start of reforms, foreign direct investment (FDI) in Uzbekistan has quadrupled. The standard world rating agencies (Standard & Poor's, Fitch's, and Moody's) have begun to rate Uzbekistan's credit, while the successful placement of bonds worth a billion dollars indicates the market's positive response to the country's economic plans.

President Mirziyoyev has also abolished the government's monopoly control over the marketing of the cotton and grain crops, which are major components of the national economy, employing together one out of every ten Uzbeks. This was the necessary first step to the creation of a true market economy in agriculture, which will doubtless over time lead to great diversification, specialization, and export.

No feature of Uzbekistan's former economic system did more harm or gained more notoriety

than the widespread corruption that long prevailed. Like many other governments dealing with this plague, Uzbekistan realizes that there is no one “single bullet.” Instead, President Mirziyoyev has launched diverse steps as making the currency fully convertible, expanding computerization in the handling of government contracts, taxes, and payments; reforming the courts; requiring full public reporting of the income and property of civil servants; and transforming legal education.

These and other initiatives have been the subject of many initiatives by the President and he has frequently reported on their varying progress. A year ago the Parliament passed a new law “On Combating Corruption,” which is being implemented through a nation-wide program. And over the past year both chambers of Parliament have established committees on corruption and judicial reform and staffed them with young men and women with modern legal training, usually abroad. These steps are all quite recent, Uzbekistan in Transparency International’s Corruption Perception Index has already climbed five positions. The fact that this gauge is now widely publicized within the country attests to the seriousness with which it is viewed by both the government and the public. To take this matter further, the President now proposes the creation of a separate anti-corruption body. In defense of the idea, it should be noted that international experience shows that truly independent structures to fight corruption are a proven means of advancing the cause.

Unless reforms are accompanied by increase in the public’s standard of living they are unlikely to endure. Over the past two years, real incomes

in Uzbekistan have grown by 49%. The government has also increased pensions and social security payments. The Administration’s proposed fund of \$700 million is intended to provide social protection to the most vulnerable citizens and also to help them to enhance their own abilities.

Whenever a government sets about to reform itself it gives rise to both doubts and fears as well as hopes. All of them are present in Uzbekistan but for today hopefulness far outweighs skepticism and anxiety. This due both to the fact that important steps have been taken towards genuine and systemic reform, and that President Mirziyoyev has taken it upon himself to report on them in a thorough and candid manner. By speaking candidly on the status of participation in government and marketization of the economy, on checking corruption and enhancing accountability, he has managed to ensure wide public support for his reform strategy. Moreover, since the reforms become more and more evident, reform process is receiving new stimulus and energy. As a result, Uzbeks will benefit but so will their neighbors in Central Asia and also millions of others worldwide. Under any circumstances, as President Mirziyoyev stated in his report to Parliament, “there will be no return to the past”.

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