

Chapter 9



Local Government  
in Uzbekistan

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Developing New Rules in the Old Environment



# Local Government in Uzbekistan

## Contents

1.	Major General Indicators .....	473
2.	Legal and Constitutional Basis .....	474
2.1	Overview of Local Government Reform .....	474
2.2	Legal Basis of Community Self-government .....	475
2.3	The <i>Mahalla</i> as a Form of Community Self-government .....	477
2.4	Territories with Special Status .....	478
3.	Local Politics, Decision Making .....	479
3.1	Public Participation in Decision Making .....	479
3.2	Internal Structure of Local Government Decision Making .....	480
3.3	Methods of Election or Appointment to Government Positions .....	481
3.4	System of Local Elections .....	482
3.5	Relationship between Elected and Appointed Local Government Bodies .....	483
3.6	Functional Autonomy in Decision Making .....	484
3.7	Ethnic Issues, Multicultural Government .....	484
3.8	Local Government Associations .....	485
4.	Functional Structure of Local Government .....	486
4.1	Local Government Functions .....	486
4.2	Distribution of Powers among Government Tiers .....	488
5.	Public Service Provision .....	489
5.1	Distribution of Functions .....	489
5.2	Trends in Public Service Provision .....	490
5.3	Civil and Private Sector Role in Service Delivery .....	492
6.	Local Finance, Local Property .....	493
6.1	Budget and Finance System .....	493
6.2	Revenues .....	495

6.3	Expenditures .....	496
6.4	Local Budget Process .....	496
6.5	Tax System, Local Taxes .....	499
6.6	Legal Forms of Ownership .....	501
7.	Relationship between the State Administration and Local Government .....	503
8.	Local Government Employees .....	504
9.	Legal Guarantees for Local Autonomy .....	505
10.	Next Steps in the Transition Process .....	506
	Recent Publications on Local Government in Uzbekistan .....	508
	Contacts for Further Information on Local Government in Uzbekistan .....	508
	Glossary of Uzbek Terms .....	509
	Annex 9.1: Major General Indicators .....	511
	Annex 9.2: Population, Settlements and Administrative Units .....	512
	Annex 9.3: Major Laws on Public Administration and Local Government .....	517
	Annex 9.4: Responsibilities of Administrative Tiers .....	518

# Local Government in Uzbekistan

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## 1. Major General Indicators

The Republic of Uzbekistan has been a sovereign state since September 1991. Located in the middle of Central Asia, Uzbekistan occupies most of the area between the Amu-Darya and Syr-Darya rivers, a total of 448,900 square kilometers. As of the beginning of 2000, Uzbekistan had a total of 24,487,700 inhabitants, 61.6 percent of whom live in rural areas. The average life expectancy is 67.8 years. Uzbeks account for seventy-seven percent of the population and Russians for six percent, while other ethnic groups such as the Tajiks, Kazakhs and Kara-Kalpaks comprise the remaining seventeen percent. In terms of religious faith, eighty-eight percent are Muslim (primarily Sunni), nine percent are Orthodox Christians and three percent are of other faiths. There were 4,992,000 government sector employees as of the first half of 1999, of which 119,000 were employees of public administration agencies.

The vast majority of urban settlements (74.3 percent) have populations of five thousand to fifty thousand people. The capital city, Taskent, has over two million inhabitants, while eleven other cities have populations exceeding one hundred thousand. Of rural districts, or *raions*, 79.3 percent have populations of fifty thousand to two hundred fifty thousand inhabitants. Rural districts have an average population of 235,500 and an average number of 72.2 settlements per district.

The Republic of Uzbekistan consists of the Republic of Karakalpakstan, twelve *oblasts*, or regions, 120 cities, 113 towns, 164 raions and 11,844 rural settlements. The most densely populated regions are Andizhan, with 506.3 people per square kilometer; Fergana, with 365.7 people per square kilometer; and Namanghan, with 236.4 people per square kilometer. The city of Tashkent also has a relatively high population density (150.7), as do the regions of Khorezm (203), Samarkand (158.8) and Syr-Darya (127.9). The desert areas of the Navoi regions are the most sparsely inhabited, with seven inhabitants per square kilometer overall, a number which diminishes to 4.1 in rural areas. Similarly, the Republic of Karakalpakstan has only 8.9 inhabitants per square kilometer overall and 4.6 in rural areas.

The system of public administration in Uzbekistan is comprised of two tiers, central and local. Local governments are subdivided into regional, district and city administrations. In addition, community self-governments also operate locally, although they are not part of the central public administration system.

## 2. Legal and Constitutional Basis

### 2.1 Overview of Local Government Reform

Since independence, Uzbekistan has laid down entirely new foundations for the national state, dismantling the previous administrative system. Many former political and economic government structures were thus dissolved to pave the way for an Uzbek state governed by democratic principles.

The adoption of the Constitution of the Republic of Uzbekistan on 8 December 1992 created the basis for the developing legislative framework of a sovereign Uzbekistan. Section 4 of the Constitution defines the state and administrative-territorial structure of Uzbekistan, while article 11 establishes the division of powers—legislative, executive and judicial—on which the government is based.

In 1994, the first elections were held according to the new electoral system. Representatives were elected both to Parliament (*Oliy Majlis*) and to the local councils. The unicameral *Oliy Majlis* (literally “Supreme Council” in Uzbek) is the highest legislative body in the Republic of Uzbekistan. It is currently composed of 250 deputies elected for a term of five years through multi-party elections in local districts.

The office of the president of the Republic of Uzbekistan, introduced in 1990, is the central position in public administration and the keystone in the national political system. According to article 89 of the Constitution, the president possesses both chief executive authority and the powers of head of the state. Therefore, the president of the country simultaneously performs the office of Chairman of the Cabinet of Ministers of the Republic of Uzbekistan, the highest executive body.

The system of local government has been established according to the Law on Local Public Administration, adopted on 2 September 1993. Local government activities are specified in the seven chapters and twenty articles of the law. Article 1 states that the local representative authorities at the regional, district and city levels are the local councils, whose full name in Uzbek is “Councils of People’s Deputies.” According to article 99 of the Uzbekistan Constitution, local councils at all levels are headed by a chairman, or *hokim* (*hokim* is translated as deputy ruler). Regional, district and city *hokims* also act as the head of the local executive branch, or *hokimiyat*.

Establishing a new system of local government according to constitutionally defined principles marked the final step in the process of government reform in Uzbekistan. Local government powers are shared between local divisions of state administration and the local self-government, which itself is comprised of the local council and the *hokimiyat*. The institution of the *hokim* is the core of the new system, combining executive and representative functions.

The general distribution of authority between the central and local governments is defined in the Constitution. At the macroeconomic level, the central government has the authority to establish

uniform tax, loan and monetary policy (articles 122 and 123), relevant powers assigned to the President and the Cabinet of Ministers and special powers belonging to the *Zhokargy Kenes* (Karakalpak for “Supreme Council”) and the Council of Ministers of the Republic of Karakalpakstan. Other aspects of central government authority are addressed in the Law on Land Cadastre, the Law on Ownership, the Law on Denationalization and Privatization, the Law on Banks and Banking Activities and the Law on Natural Resources.

The new structure of executive power differs from previous ones in that the executive branch does not possess planning or distribution powers, and is only responsible for coordinating and regulating economic policies. Central government bodies are charged with maintaining the overall balance between supply and demand for goods and services. Socio-economic development at the local level is regulated on a case-by-case basis in addition to national and regional programs targeted at specific socio-economic issues. Administration and coordination of regional development is performed jointly by these bodies:

1. The Office of the President, which coordinates decisions on local development through its Department of Socio-economic Policy;
2. The Cabinet of Ministers, whose Information and Analysis Department is responsible for the consolidation and development of relevant government resolutions and monitors their implementation. This department has territorial offices in regions, Taskent and the Republic of Karakalpakstan;
3. The Ministry of Macroeconomics and Statistics. Its territorial offices are responsible for analyzing the current status of socio-economic development and formulating annual and long-term development programs for territories;
4. The Central Bank, Ministry of Finance, Committee for State Property Management and Support of Entrepreneurial Activities, Ministry of Agriculture and Water Resources, Ministry of Labor, Ministry of Social Welfare, State Committee for the Protection of Nature and the State Committee for Construction and Architecture. All of these agencies participate in the resolution of specific issues related to local development through the activities of their territorial offices;
5. Local administrations. The Cabinet of Ministers of the Republic of Karakalpakstan and hokimiyats of regions, districts and cities directly oversee the development of their territories.

## 2.2 Legal Basis of Community Self-government

Local government in Uzbekistan is supplemented by self-governing community organizations. The Law on Community Self-government, adopted in 1993 and subsequently revised in 1999, defines community self-government as “independent activity by citizens, guaranteed by the Constitution and the Laws of the Republic of Uzbekistan, for the purpose of resolving issues of local importance according to their own interests and history, as well as to national traditions, spiritual values and local customs.”

Community self-governments exist throughout Uzbekistan, based on the principle of decentralization. Different types of territorial units engaging in self-government activities include villages, *kishblaks*,

*auls* and mahallas. According to article 10 of the Law on Naming Administrative-territorial Units, the term “village” refers to localities with over two thousand inhabitants which are located in the vicinity of industrial or construction enterprises, railway stations or other important objects.

Kishlak is the Uzbek name for rural settlement. Its equivalent in Kara-Kalpak, Kazakh or Tatar is aul, a term which refers to compact enclaves composed primarily of these ethnic groups. A kishlak or aul may comprise many neighboring localities and is represented by an assembly of its citizens. Localities are grouped together under a given rural assembly using the criterion of convenience for local inhabitants. Government bodies establish or abolish villages, kishlaks and auls, and modify their territories or names with due regard for the opinion of the relevant self-governments.

Mahalla is an Arabic word meaning “local community” and refers to a community of people residing in a specific territory. Mahallas may vary in size from 150 to 1500 families. In cities, mahallas are generally established by the residents of a particular residential quarter or suburb. According to article 5 of the amended Law on Community Self-government Bodies, local governments may establish, abolish, merge or divide mahallas and modify mahalla borders upon the initiative of the mahalla self-government.

Citizens exercise their constitutional right to self-governance through citizen assemblies. These assemblies, attended by resident citizens over the age of eighteen, are the highest body of community self-government and are entitled to represent the interests of its inhabitants and make decisions on their behalf, which are effective on the respective territory.

According to article 7 of the Law on Community Self-government, bodies of community self-government include citizen assemblies of villages, kishlaks and auls, as well as those of mahallas within cities, villages, kishlaks or auls. An assembly council (*kengash*) is created to implement the decisions of the citizen assembly and to carry out daily self-government activities between sessions. This council is comprised of the chairman of the citizens’ assembly, various advisors, chairmen of assembly commissions and the executive secretary.

Community self-governments are non-governmental organizations, separate from the system of central government. They enjoy the rights of legal entities, possess unique official seals and are subject to registration with local government bodies. The guiding principles of the self-governments are democracy, humanism, openness, social justice and local autonomy.

According to article 3 of the Law on Local Public Administration and article 6 of the Law on Community Self-government, central government bodies should create the necessary conditions for the development of community self-governments without interfering in their affairs and assist citizens in the execution of their right to self-governance. However, this provision is rarely fulfilled; in practice, community self-governments have thus far had limited independence.

### 2.3 The Mahalla as a Form of Community Self-government

Today, the term “mahalla” is used uniformly in Uzbekistan to refer to a neighborhood community. In the East, the neighborhood community as a unit of social life dates back to ancient times. Mahalla, in both its historic and modern meanings, represents a clearly defined socio-demographic, cultural and spiritual entity, as well as an administrative-territorial one, in which people are united by traditions, customs and human, business and legal relationships. For centuries, these territorial entities have shaped the creation of rules of human coexistence, public opinion, ideological systems and outlooks within their boundaries.

Mahallas have received powerful support from the central government since the early stages of Uzbek independence. The state considers their welfare to be essential for the stability of the republic. In his book, *Uzbekistan: National Independence, Economy, Politics, and Ideology*, President Karimov emphasizes that “an important feature of our society is that it is based on the idea of collectivism, the unity of communal interests and the priority of public opinion. Therefore, mahallas play a major part in democratizing society and realizing its main principles, foremost that of social justice. Today, there is no other entity more knowledgeable about the real financial situation of local families and their spiritual and cultural interests. Mahallas are the fairest and most credible mechanisms for social support of the population and should become a reliable support and an effective instrument of reform in our society.”

In the Soviet era, mahallas existed alongside former government bodies such as local village councils. Today, mahallas have assumed their functions and are developing into bodies of local self-governance. Their recently acquired formal status as an important component of the state is reflected in the Regulation on Mahalla Committees in Cities, Villages and Kishlaks. In 1997, Uzbekistan had roughly ten thousand mahallas. Some mahallas have been established even within large city apartment blocks.

In view of new government objectives, the administrative structure of the mahalla has been clearly defined. A general assembly of household representatives elects a committee, or *kengash*, to head the mahalla. Committee members may also include elders elected for their experience in organizational work. This committee elects a chairman, officially titled chairman of the mahalla assembly, but more commonly known as the *aqsaqal*, a deputy chairman (*muovin*) and a secretary (*kotib*). Specific mahalla commissions are founded for improving living conditions, organizing ceremonial events, maintaining public order, housing stock and finances and overseeing issues concerning women, youths, war and veterans. In rural areas, several mahalla committees may combine to form one citizen assembly.

The social status of mahalla chairmen has changed notably. Many chairmen have extensive experience with administration in Soviet institutions, schools and universities, although inhabitants ultimately elect those who are familiar with popular customs and traditions. The prestige of the mahalla administration overall has significantly increased over recent years and the offices of chairman and secretary are now paid positions. In a further move to promote mahalla administration activity, a Presidential Decree on Support to Community Self-governments, adopted 23 April 1998, raised the salaries of both chairman and secretary and assigned a full retirement pension to chairmen.

In the years since independence, mahallas have accumulated substantial experience in resolving social, economic and other local issues. Many of them are now actively involved in the implementation of the large-scale government programs for revitalizing society and improving the quality of life. They also create material and spiritual conditions fostering individual initiative. Mahallas have gained experience in this area, as shown by the examples of Beruni mahalla in the Sabir Rahimov district of Tashkent, Yoshlik mahalla in the city of Djizak and Ulugbek kishlak mahalla in the Samarkand district.

Mahalla committees have also materially increased their financial capabilities. The government now permits them to engage in economic activity and establish industrial enterprises, canteens, shops or other facilities which contribute a share of their profits to mahalla funds. In addition, hokimiyats provide some financial support to mahallas, typically allocating one percent of the sale value of real-estate. It is also community custom that those who are better off share their wealth with their neighbors and citizens accordingly provide material assistance to the community. Traditionally, these acts are performed on a voluntary basis and are not widely publicized.

The tradition of community-based assistance acquired new forms and content once the government shifted its aims from universal social protection to support for the most vulnerable population groups. In a decision unprecedented elsewhere in the world, mahallas were charged with the distribution of certain government funds. This was designed to target social assistance more accurately, since mahallas are best placed to discern those in need of assistance, as well as to reduce administrative expenses.

For example, a special mahalla commission pays benefits to unemployed mothers of children under two, according to the Presidential Decree on the Increase of Material Support for Children, adopted in December 1996. Assistance to families with children is the largest social program in terms of both expenditures and beneficiaries, accounting for 6.3 percent of all national budget expenditures in 1998.

In January 1999, a Presidential Decree on Increasing the Role of Community Self-governments in Providing Targeted Social Assistance appointed community self-governments to oversee timely payment for public utilities. Part of these funds is then transferred to the mahalla to subsidize public services for low-income families. This role has considerably improved the prestige of mahalla committees. However, it must be noted that the excessive expansion of responsibilities frequently leads to bureaucratization of mahalla committee activity and thus distracts them from their main traditional functions.

## 2.4 Territories with Special Status

The Republic of Karakalpakstan is the only territorial autonomy with special status in Uzbekistan. Formerly the Karakalpak ASSR, it was renamed in 1992. As of 1 January 2000, Karakalpakstan had a population of over 1.5 million people in an area of 165,000 square kilometers. According to article 70 of the Uzbek Constitution, the Republic of Karakalpakstan is part of the Republic of Uzbekistan and its sovereignty is protected by the Republic of Uzbekistan.

According to the Constitution of Karakalpakstan, adopted on 9 April 1993, the highest representative state body with legislative authority is the *Zhokargy Kenes*. Its exclusive powers include the adoption and amendment of the Constitution and laws of Karakalpakstan.

The Uzbek Constitution also states that the Karakalpak Constitution may not contradict the Uzbek Constitution and that the laws of Uzbekistan are also mandatory and binding on the territory of Karakalpakstan. Article 75 of the Uzbek Constitution stipulates that relations between Uzbekistan and Karakalpakstan are regulated by their bilateral agreements.

In general, Karakalpak laws are virtually identical to the equivalent Uzbek laws, with only minor changes. For example, according to article 99 of the Karakalpak Constitution, bodies of self-governance in villages, auls, as well as city *makan-kenes'es* (mahallas) are citizen assemblies. Local self-government powers, procedures and elections are regulated by the Karakalpak Law on Community Self-government, very similar to the Uzbek law of the same name. This is true for the Law on Local Public Administration and many others. Thus, the system of local self-governance in Karakalpakstan does not differ greatly from the rest of the nation.

Tashkent, the political, economic, administrative, academic and cultural center of Uzbekistan, is another administrative-territorial unit with special status. As the capital city of the country, it is the largest city directly subordinate to the republic. As of 1 January 2000, it had a population of 2,135,500. Although there is no specific law on the status of the capital city, Tashkent has an administrative structure unlike other cities in that its hokim, like regional hokims, is appointed directly by the president, as stipulated in both the Constitution and Law on Local Public Administration. In addition, Tashkent is divided into eleven administrative districts, each with their own hokim and hokimiyat, which are in turn divided into several mahallas.

### 3. Local Politics, Decision Making

#### 3.1 Public Participation in Decision Making

Popular traditions have been used as a basis for reforming the system of self-governance. These include several traditionally Eastern features such as paternalism, continuity, the power of moral example, esteem for elders and an orientation toward family values. These principles, rooted in the community and deeply embedded in both individual and collective psychology, remain relevant and adaptable to the new socio-economic reality.

Citizen assemblies arguably represent a traditional form of public participation in the decision making process. Citizen assemblies resolve local social issues and make proposals to government authorities regarding specific decisions. The new version of the Law on Community Self-government has also expanded opportunities for their participation in decision making. For instance, they will be

able to more efficiently control the local execution of law and review reports from heads of enterprises located in community territory on issues of environmental protection and land improvement.

According to the Constitution, the most important issues regarding the state and society are subject to public discussion and referendum. Consequently, a public referendum was held on 26 March 1995, to determine the timing of the presidential elections. A new public referendum will decide whether to introduce a bicameral parliament in 2004. There is no law on local referenda, as local referenda and public hearings are not widely popular.

Although local referenda are infrequent, representative and executive bodies acknowledge the importance of public opinion, making it a priority to review citizen appeals and often taking the opinion of citizens and NGOs into account when making decisions. The hokim holds regular office hours open to citizens who wish to make complaints or proposals. Local council members also review citizen requests in meetings with their constituencies and take specific local measures in response. The establishment of the Ombudsman's office and its regional offices has created yet another mode for citizen participation.

### 3.2 Internal Structure of Local Government Decision Making

Regional, district and city council members are elected by the residents of the respective territory. Councils conduct their activities through council sessions, which are convened by the hokim at least twice per year. In addition, they may be convened at the initiative of two thirds of the members. Council members shall be notified of the hokim's decision to open a session at least seven days beforehand. The sessions are chaired by the hokim or, in his or her absence, by a council member appointed by either the hokim or the council. The secretary is elected from the council members for the duration of the session. The session has due authority provided that at least two thirds of total members are in attendance.

Local council decisions are approved by a majority of council members through open vote or secret ballot. Special commissions are established to prepare issues to be submitted to the session, to control the execution of council decisions and to implement the legal acts of Uzbekistan.

The local council has authority over issues related to the activities of the local executive branch. The hokim and deputy hokims are appointed and dismissed with council approval. In addition, the council reviews general legislation, approves the budget and reviews reports from the hokim and the local administration on implementation of council decisions.

The local council establishes the rates of local taxes, duties and fees and may determine exemptions in compliance with the applicable legislation. It also decides upon issues related to the protection of citizens' rights, social and economic development, environmental protection and administrative matters, and may resolve other issues within its competence.

The hokim is empowered to make decisions and issue instructions. He or she is responsible for planning, funding and managing local property. The hokim also coordinates the activities of community self-governments and enterprises of different forms of ownership which provide construction, transport, roads, telecommunications and trade, communal, social or cultural services. In addition, the hokim is responsible for administering social protection, law enforcement and protection of human rights and freedoms. In cases specifically envisaged by the law, the hokim's decisions shall be approved by the local council. If any of the hokim's decisions contradict legislation, the council is empowered to annul them.

Local council legislation and hokim decisions adopted within their competence are binding for all citizens, officials and enterprises located in the given territory. These acts enter into force at the date of signing, unless the act itself stipulates otherwise.

### 3.3 Methods of Election or Appointment to Government Positions

According to the Constitution, the president has the power to appoint or dismiss the first deputy and deputies of the Prime Minister and members of the Cabinet of Ministers, subject to approval by the Oliy Majlis. The president also appoints and dismisses the hokims of regions and Tashkent, subject to approval by the corresponding councils. As a rule, candidates are promoted from the personnel reserve currently under formation by the administrative and human resource divisions of the state administration.

Regional hokims in turn appoint district and city hokim, subject to approval by the district or city council. City hokims appoint hokims to city districts upon the approval of the city council, and district hokims appoint hokims to cities of district subordination upon approval by the raion council. The latter are also considered to be the district hokim's first deputies; other deputies are also appointed or dismissed by hokims at all levels subject to the approval of their respective council.

According to article 80 of the Karakalpak Constitution, the chairman of the Supreme Council (Zhokargy Kenes) is the highest government official in Karakalpakstan. Elected from the members of the Supreme Council, the chairman may serve a maximum of two terms in office. The Council of Ministers of Karakalpakstan is the highest body of state administration in the autonomous republic. The Council of Ministers is headed by a chairman who is nominated by the chairman of the Supreme Council and appointed by the Supreme Council in coordination with the President of Uzbekistan. Raion and city hokims of Karakalpakstan are appointed and dismissed by the chairman of the Supreme Council upon nomination by the chairman of the Council of Ministers and are subsequently approved by the corresponding local council.

The personnel policy of the Uzbek government is designed to ensure the regular rotation of public servants in both central and local governments in order to promote industriousness and prevent corruption. It is no secret that family, neighborhood and clan connections play an important role in

staff promotion. However, these are gradually becoming less reliable guarantees for obtaining prestigious government posts and privileged community status. Under the new political and economic conditions, entrepreneurial qualifications, skills and initiative are increasingly valued over family and political connections.

### 3.4 System of Local Elections

All citizens over eighteen years old are eligible to vote and run for office, with the exception of those who are imprisoned or declared incompetent by court. Presidential, parliamentary and local council elections are regulated by the Law on Presidential Elections, the Law on Elections to the Oliy Majlis and the Law on Elections to Regional, District and City Councils, amended on 26 December 1997 and 19 August 1999. Elections have been held twice in Uzbekistan since independence. Unlike elections held under the old regime, these were organized on a competitive, multi-party basis. The most recent elections to Parliament and local councils were held in December 1999 and the most recent presidential elections on 9 January 2000.

Although the Constitution has laid the legal foundations for the functioning of a multi-party system, the new political system of the republic is still under development. According to article 34, citizens have the right to form political parties, trade unions and other public associations. Currently, there are five registered political parties. Political parties may nominate their parliamentary candidate if they have been registered at the Ministry of Justice at least six months prior to elections and have gathered fifty thousand signatures. However, no more than ten percent of the fifty thousand signatures may come from any one region, including Tashkent and the Republic of Karakalpakstan. Political parties may nominate up to 250 candidates for Parliament, a total of one candidate from each electoral district.

In the 1999 elections, unlike previous elections, citizens were granted the right to nominate their own candidates. Citizens may form an initiative group of at least one hundred voters in a given electoral district to nominate a candidate. Local governments also nominate their own candidates, usually the local hokim. Local administration officials, members of government and employees in the Office of the Public Prosecutor may run for office, but must resign their posts if elected. Hokims are permitted to both perform their office and enjoy membership in the Oliy Majlis, as it is not yet a professional parliament, convening only for two to three days, four times per year, in order to adopt laws drafted by its committees and commissions.

It should be noted that candidacy requirements are not equal, since local government sponsored candidates are not required to gather signatures in their support, unlike candidates from political parties or citizen initiative groups. In addition, pre-election meetings of candidates and their constituencies may only be organized by the electoral commission and held in its presence of its members, who are usually influenced by local governments. There is evidence of hokimiyats pressuring certain candidates and generally interfering in the election process, all of which is to the detriment of truly democratic elections.

In the 1999 elections to the Oliy Majlis, the results were as follows: forty-eight seats were won by the People's Democratic Party of Uzbekistan (PDPU); thirty-four by the People's Democratic Party *Fidokorlar* (The Selfless); twenty by the *Vatan Tarakkiyoti* Party ("Motherland Progress"); eleven by the Social Democratic Party *Adolath* ("Justice"); ten by the Democratic Party *Milliy Tiklanish* ("National Rebirth"); 110 by local governments; and sixteen by voter initiative groups.

To some extent, political diversity at the local council level is reflected by the parliamentary elections. Analysis of these elections reveals the dynamics of growth among the different political powers and their popularity. For instance, most council seats at the regional, district and city levels had frequently been occupied by representatives of local governments and members of the PDPU, the former communist party. Today, the *Fidokorlar* Party is also widely represented in the local councils, although the popularity of other parties at the local level is still rather low, demonstrating how gradually this traditional Eastern society is moving towards a democratic system. According to the Law on Community Self-governments, citizens' assemblies may submit proposals to local councils on the nomination of candidates to Parliament, regional councils and the Tashkent council and decide upon the nomination of candidates to district and city councils.

In 1993, the first elections of chairmen (*aqsaqals*) and council members of citizen assemblies were held, following the adoption of the Law on Community Self-government. Elections of citizen assemblies and their officials may be held by secret or open ballot, provided that all citizen voting rights are upheld. During the preparation for elections, local agencies of the central government must assess and recommend the candidates. These agencies organize public opinion polls on candidates, evaluate their professional, organizational and moral qualities, and analyze the previous work record of assembly chairmen. The role of political parties in this process is still insignificant.

In November 1998, citizen assemblies were organized nationwide to hold the elections for community chairmen. Seventy percent of the adult population participated, a total of 8.4 million people. In many places, citizens voiced their dissatisfaction with ineffective or indifferent self-government heads, refusing to re-elect eighteen percent of chairmen for a second term. Among council members, forty-seven percent were not returned to office. In total, 7,574 chairmen were elected. Of these, 65.5 percent had received higher education and over half of them are under the age of fifty. A total of 446 women were elected as chairmen and over 14,000 as council members. On average, ten council members and one chairman were elected per self-government. Among council members, 42.2 percent have received higher education. Of both chairmen and councilors, 372 individuals have a scientific degree.

### 3.5 Relationship between Elected and Appointed Local Government Bodies

The Constitution assigns specific powers to the Parliament, the president, Cabinet of Ministers, Supreme Court and other courts of the Republic. The principle of division of powers was subsequently elaborated in further legislation, such as the Law on the Oliy Majlis, the Law on the Cabinet of Ministers and the Law on the Courts. It should be noted that even with the attempts to specify the

functions of each branch of power, their “solidarization” still remains an important goal. This does not dictate a uniform approach to all government activities; in contrast, it refers to coordinated effort rather than unification along party lines. Coordination of activities between all government bodies is necessary for the strength of the institution as a whole.

An objective analysis of the laws and activities of representative and executive powers reveals that hokimiyats ultimately possess the upper hand in their relationships with local councils. On one hand, council approval is necessary for their appointment to office and councils may monitor hokim activities by reviewing their reports in local council sessions. However, the extent to which hokims are truly accountable to the council remains unclear. The actual role of local councils in the system of local state administration is rather limited, while hokims have real political, legal, organizational, staff, material and financial advantages. As long as the same individual heads both branches of power, the principle of undivided authority prevails over those of democracy.

### 3.6 Functional Autonomy in Decision Making

According to article 103 of the Constitution, regional, district and city hokims exercise their powers on the principle of undivided authority and are personally responsible for the decisions and activities of government bodies subordinate to them. The hokims’ decisions are binding for all enterprises, institutions, organizations, officials and inhabitants in the respective territory, provided they are made on issues within their competence.

Decisions of the higher levels of government are obligatory for lower ones. The hokim must comply with legislation of Uzbekistan, implement Oliy Majlis resolutions, presidential decrees, instructions of the Cabinet of Ministers or higher hokims and execute local council decisions within the territory of the local government. The hokim may also annul decisions of lower level governments if they contradict the Constitution or other legislation.

### 3.7 Ethnic Issues, Multicultural Government

Representatives of over one hundred nationalities live in Uzbekistan. Of these, Uzbeks are the most numerous. According to article 4 of the Constitution, all citizens have the same rights and freedoms and are equal under the law regardless of gender, race, language, belief or social origin. The state language is Uzbek, except in the Republic of Karakalpakstan, which uses both Karakalpak and Uzbek as official state languages. The Constitution guarantees respect for the languages, customs and traditions of national and ethnic groups living in Uzbekistan and ensures conditions for their continued development. Many ethnic groups have the opportunity to maintain their unique cultural identities by practicing their national traditions, establishing associations or cultural institutions and exchanging information or providing education in their native languages.

Uzbek legislation does not indicate special privileges for any ethnic groups with regard to participating in public administration. The rights of representation and participation in political life are regulated by common legislation, which treats all citizens equally. This equal status is borne out by the ethnic composition of candidates in the most recent elections. Of all registered candidates for Parliament approximately eighty-nine percent were Uzbek; 5.1 percent Karakalpak; 2.1 percent Tajik; 1.6 percent Russian; 1.3 percent Kazakh and 1.1 percent representatives of other ethnic groups.

### 3.8 Local Government Associations

According to article 4 of the Law on Local Public Administration, local councils and hokims of different cities or districts are authorized to undertake joint measures in their mutual interest, such as setting up joint ventures, business associations or other contractual forms of inter-governmental cooperation. Local governments cooperate on a voluntary basis, in the spirit of solidarity. They may organize funds and establish joint structures to perform common duties. They may also unite to form associations or alliances in order to regulate and represent the interests of a larger territory. The status of these associations is defined by the type of organization.

Local governments may also cooperate to improve local self-government and service delivery, form partnerships with foreign municipalities and work together with local offices of international organizations. According to article 17 of the Law on Community Self-governments, a national council of aqsqaqs and oblast, district and city coordination councils on self-government issues may be established to coordinate local self-government activities.

The national non-profit Mahalla Foundation was established to provide state support to preserve historical and spiritual values, to promote folk customs and traditions, to disseminate cultural and educational activities among mahallas and to encourage further social and economic development. The foundation distributes funds to organize different events and publishes the *Mahalla* newspaper. Major foundation activities are directed at:

- improving the activities of local mahalla committees nationwide;
- improving social protection of low income families, disabled people and children in the local territory;
- promoting concepts of humanism, mercy, mutual understanding and good neighborly relations.

Counterpart Consortium, an international NGO, is currently implementing a program to support the mahalla initiative and strengthen cooperation between NGOs and local self-government in the Republic of Karakalpakstan and the Bukhara and Ferghana regions. The program's main objectives include:

- increasing the participation of mahallas in NGOs activities on the grounds that they are recognized representatives of public opinion and partners of the local communities;
- encouraging the transformation of mahalla committees and other administrative structures in order to establish efficient two-way communication between citizens and the state;
- establishing sustainable interaction between mahalla committees and NGOs within the framework of social partnership.

## 4. Functional Structure of Local Government

### 4.1 Local Government Functions

Local government activities are regulated by the Law on Local Public Administration. Major local council functions are the following:

- to approve the local budget and report on its execution;
- to approve long-term social, economic and land development programs and plans for regions, districts or cities;
- to establish tax privileges or exemptions on local taxes, duties and fees;
- to approve the appointment or dismissal of hokims or deputy hokims and review reports on their activities;
- to review reports from heads of divisions, departments and other structural units of the executive branch;
- to approve and amend regulations concerning the local council and provisions on council commissions;
- to establish or dissolve local council commissions and review reports on their activities;
- to certify local council members or dismiss them from office before the end of their term;
- to review and decide upon council member initiatives.

Major functions of the local hokim functions are:

- to supervise economic, social and cultural activities in the region, district or city;
- to develop and maintain social and economic development programs;
- to mobilize territorial and inter-sectoral resources to promote efficiency in production and the solution of social issues;
- to submit local social and economic development programs to the local council for approval;
- to submit major components of the local budget and budget execution to the local council for review;
- to continue privatization and destatization efforts at the local level;
- to promote foreign and inter-regional economic relations;
- to provide for the enforcement of law, order and security;
- to supervise local communal services;
- to ensure protection of the environment.

Both internal and external bodies perform control, audit and supervision functions over local governments. Internal control is the responsibility of the representative branch, and is performed by the hokim, the budget and finance commission and the accountant. The hokim monitors operations of all department heads and local administration employees, while the budget and finance commission monitors changes in budget revenues. The control and audit department of the Ministry of Finance and its local government divisions monitor local government assets.

State regulatory bodies are charged with overseeing the implementation of approved programs and their timely performance. In addition, they monitor the application of economic legislation and the observance of the rights and guarantees for businesses. These functions are fulfilled by special control bodies of the executive branch of government and the court system, primarily by the economic courts.

According to the Law on Community Self-government, citizen assemblies in villages, kishlaks, auls and mahallas are usually responsible for the following functions:

- electing a chairman and committee, electing commission members and commission chairs for main areas of assembly activity and reviewing their reports on a quarterly basis;
- electing an audit and administrative commission;
- approving the action plan and expenditures of the community self-government as well as measures to improve local sanitary conditions;
- exercising control within the community over the implementation of national legislation as well as community government decisions;
- sending representatives to district election committees for presidential, parliamentary and local council elections;
- reviewing reports from the heads of district, city and regional hokimiyats on issues within the competence of community self-governments. Minutes of the citizen assemblies on these reports are sent to the regional or Tashkent hokimiyats, which then register them and control the fulfillment of citizens' applications;
- forming own local self-government funds and owning, managing and disposing of local government property;
- organizing control over expenditures;
- organizing voluntary financial collections from residents to improve public places or to assist low-income families to repair their housing;
- deciding upon the contractual use of resources belonging to enterprises or organizations located on the respective territory to improve them, plant trees and gardens or organize sanitary purification;
- deciding upon the voluntary pooling of funds from legal entities and individuals for the development of local social infrastructure;
- sending representatives to the district commission on distributing plots of land.

In addition, city mahalla meetings address issues concerning benefits to needy families with children and ensure the targeted and efficient use of state funds. Citizen assemblies in villages, kishlaks and auls support the meetings of the mahallas in their territories and review their reports on the use of centrally allocated funds. The kengash of the citizens' assembly has the following responsibilities:

- to assign and distribute benefits to unemployed mothers with children under two years old from state budget funds according to established procedures;
- to support regular medical care for single senior citizens who require permanent care, using funds allocated by the state;
- to facilitate employment opportunities for local inhabitants, for example, by organizing home-based jobs.

More and more often, community self-governments are undertaking initiatives and engaging in entrepreneurial activity by opening small private companies, joint ventures, commercial shops and cooperatives to produce consumer goods or by establishing subsidiary farms to raise cattle and poultry or cultivate crops. For instance, the meeting of Mahalla Number 34 of Bukhara opened a custom tailor shop in its territory, thus providing dozens of women with jobs. In addition, they have established a shoemaker's workshop, a barber shop, a tearoom, a greenhouse and a bakery.

## 4.2 Distribution of Powers among Government Tiers

Government reform has proceeded according to the stated principle that "the state is the major reformer," adopted as the Uzbek national model. Accordingly, in the initial stage of reforms, the state concentrated major authorities, including central executive power, in its own hands. Currently, reform is characterized by a combination of central and local regulation, since it is necessary to coordinate both regional and national interests to implement social, economic, budgetary and taxation policies. The key objective now is to achieve a balance of central and regional interests and codify them in legislation. In order to do this, the government must make two key changes. First, it must differentiate between the functions and authority of different levels of government. Equally importantly, it must provide all local government tiers with sufficient funding to carry out their assigned tasks.

Powers of regional, district and city councils and hokimiyats are all addressed by the Law on Local Public Administration; however, the law fails to specify clearly their functions and authority. Consequently, former administrative methods have been preserved at the local level, in a manner often contradicting the general strategic approach to reforms. In order to clarify the rights and responsibilities of local government in solving social and economic issues, legislation on the administrative-territorial structure must be modified as follows. The number of tiers that supervise regions, districts and cities should be reduced, the organizational structure of the territorial government should be simplified and the number of organizations or enterprises subordinated to the local governments should be increased.

According to legislation, hokims are authorized to make decisions on daily operations and the use of state-owned property within their territory. Hokims exercise control over the efficient location of production and social facilities, environmental protection, the rational use of natural and human resources and state-owned objects.

Regional, city and district administrations are financed from the state budget of Uzbekistan. The structure of an administration and its departments depends on the size of local government. Small administrations are organized according to functional principles, whereas large administrations establish special divisions to address specific issues. Regional administrations are subdivided into various structural units such as directorates, departments, agencies and divisions. At the oblast level, directorates are subdivided into departments and groups, with directorates on economy, culture, education, health care, social security, justice, communal services and others. In addition, these administrations have a secretariat, an accounts department, a human resource department and an economic department.

Local governments are usually subordinated to higher level governments in carrying out their administrative functions. Most administrative decisions on district and regional public service delivery are made from above, following a hierarchy of power starting at the ministry, followed by the chief regional division, followed by the city or district department. The minister designates heads of regional divisions in coordination with the regional hokim. The regional division head in turn appoints heads of territorial departments in coordination with the district or city hokim.

Local government employees are classified as either elected or appointed officials. Hokims, deputy hokims, committees and commissions are appointed from the members of the local council. These officials then establish the local executive bodies within the administration. The city hokim drafts a list of staff for the hokimiyat in coordination with the regional hokim and within budget limits approved by the local council. The higher executive body determines the organizational structure of the hokimiyat according to the model presented in figure 9A.1.

The Law on Community Self-government regulates citizen assembly activities. The kengash has a support office determined by the assembly. The chairman of the assembly is elected for a two and a half-year term in coordination with the hokim of the respective district or city. The executive secretary and other employees are hired upon the chairman's nomination and paid from either community government or local budget funds.

## 5. Public Service Provision

### 5.1 Distribution of Functions

As shown in annex 9.4, the system of public service provision is based on the principles of centralization and deconcentration. Budgetary organizations such as educational, health care or cultural institutions are doubly subordinated both to local governments and to their respective ministries. Local governments generally provide services in the fields of schooling, health care, social security, culture and leisure, communal services and land improvement.

According to article 41 of the Constitution, every citizen of Uzbekistan has the right to free education. Schools are supervised by the state, meaning that the central government has the authority to open, reorganize and close educational institutions. However, local hokimiyats regulate and maintain secondary schools. School principals are employed or dismissed by the Ministry of Public Education in coordination with the respective hokim.

Local self-government functions are mainly concentrated in the provision of social services and the distribution of benefits to low-income inhabitants. In general, the state establishes, reorganizes or dismantles the social service divisions of local self-governments and regulates their activities. Local governments also analyze data on inhabitants, organize their registration and determine the amount of assistance to be provided.

All citizens of Uzbekistan have the right to adequate health care. Free health care includes basic medical services, such as outpatient services and first aid. Local governments supervise primary health care institutions, clinics, hospitals, outpatient centers and some other medical institutions in addition to managing public health within the territory.

In the cultural sphere, local governments administer libraries, museums, cinemas, theaters and other institutions in their territory. As long as institutions are subordinated to different central, regional and oblast bodies, local governments will be responsible only for those considered to be of local importance or those that they established themselves. However, these institutions may only be reorganized or closed in coordination with the Ministry of Culture.

Economic responsibilities of local governments include communal services such as water, gas, electricity, heat supply, waste management and maintenance of engineering structures. These services may be provided by state-owned, joint, municipal, private or other types of companies. Hokimiyats also sponsor transport and construction projects, administer construction works and maintain local roads.

## 5.2 Trends in Public Service Provision

In order to build civil society and democracy in Uzbekistan, the government is implementing a long-term strategy of political, economic and social development. It envisages the creation of a social order in which a strong central government will focus its efforts on the major functions of national importance, such as defense, security, law and order, foreign policy, currency, financial and taxation policies, the adoption of legislation and the pursuit of strategic goals. Other issues are to be gradually transferred from the central to the local level.

Based on this concept of statehood, central administration powers are slowly being assigned to local governments. Resolutions of the Cabinet of Ministers have dissolved the ministries of local industry, communal economy and communal services and transferred their enterprises to the supervision of regional hokimiyats. While the state continues to monitor the performance of the production process, it has handed over branches of industry as well as some social services to local governments.

Local community self-governments have acquired the authority to establish, reorganize and liquidate small service enterprises. The state actively stimulates the establishment of economic relations and cooperation zones, through various programs such as the mahalla enterprise, all of which play an important role in creating relationships between local governments and businessmen. In the past three years, 174 such zones were created in the country, affecting 409 collectives, small and private enterprises, workshops and shops and creating 6,500 jobs. The establishment of economic zones in the Uzbek regions is a promising development, as they contribute to the stabilization of economy by supplying local markets with different consumer products. At the same time, the proximity of these enterprises to residences allows mothers to work at home, giving them the opportunity to earn a steady salary while raising their children, which promotes the general well-being of the population.

The chairmen of the citizen assembly encourages inhabitants to participate voluntarily in improving local surroundings by planting greenery, maintaining housing, outdoor structures, yards and parks and constructing and maintaining playgrounds, sports fields, roads, bridges, streets, sidewalks, historical or cultural monuments, communal facilities and cemeteries. To finance these functions, the community uses resources allocated by the district or city hokimiyat in addition to own resources.

The chairman of the citizen assembly also registers civil status acts such as birth, death, marriage, divorce and paternity certificates. If there is no notary in the settlement, chairmen are authorized to certify wills or proxies (excluding proxies to drive and dispose of vehicles), to undertake measures to protect inherited property, to certify the authenticity of copies or excerpts of official documents (excluding copies of education certificates) and to certify the originality of signatures on the documents.

Due to the reduction in GNP, state funding of public services, including health care, diminished throughout the period of transition. Nevertheless, several innovative educational institutions have recently been created. A total of 240 lyceums and 136 gymnasiums have been built, the number of specialized schools has grown by six percent and the number of higher educational institutions has increased by thirty percent since 1991. Secondary education is available to most children, though there is a trend towards decreased attendance. The scope of major service provision to the inhabitants is detailed in table 9.1.

*Table 9.1*  
**Provision of Major Social Services by Region, 1999**

Regions	Secondary Schools	Hospital Beds per 1000 people	Housing [m <sup>2</sup> /person]	Availability of Natural Gas [%]
Republic of Karakalpakstan	62.3	48.2	14.1	87.6
City of Tashkent	81.4	80.2	17.3	97.0
Andizhan	73.0	65.4	10.0	62.6
Bukhara	85.1	48.5	12.9	85.3
Djizak	68.8	50.4	13.4	71.8
Kashka-Darya	71.7	47.9	12.9	55.0
Navoi	75.6	47.1	14.0	67.4
Namangan	76.8	60.0	11.1	56.2
Samarkand	72.4	57.3	13.8	84.8
Surhan-Darya	71.3	41.8	11.9	57.7
Syr-Darya	79.7	65.7	13.1	84.3
Tashkent	71.9	49.5	13.3	79.5
Ferghana	78.5	63.3	12.7	75.0
Khoresm	79.0	50.2	17.9	90.5
<b>National average</b>	74.8	56.3	13.4	72.9

### 5.3 Civic and Private Sector Role in Service Delivery

Local governments facilitate the establishment of enterprises, institutions and organizations of different forms of ownership engaged in public service delivery within the territory. Hokimiyats register enterprises, facilitate joint ventures with foreign investors and conclude agreements on the sale and purchase of products for territorial development or for use by inhabitants. Local governments may also agree to accept services or payments in kind in lieu of profit tax.

Of the various kinds of enterprises, local governments clearly have the most control over municipal companies and organizations. The hokim approves provisions on municipal enterprises, institutions and organizations and appoints their heads if so stipulated by the company charter. These organizations are mainly financed from the local budget.

Though public services are primarily provided by budget-funded organizations, the private sector also plays a role. Legislation does not restrict privatization in this sphere. For example, hokimiyats issue tenders for city transport routes to private companies and most passengers use private transport services. In addition, local communal service associations are being created to replace former housing maintenance offices (ZhEKs). Relations between local divisions of the state government and non-municipally owned organizations are governed by contract. Local governments of large cities may also establish associations and form partnerships with private companies. In cases such as these, private companies may receive advantages such as the use of land at lower prices, tax privileges and other benefits that the local government may choose to grant, depending on the importance of the service provided. However, it should be noted that tax and other privileges may be granted only for taxes and fees assigned to the respective local budget.

In order to create a market for medical services and thereby increase their quality, the government has encouraged the development of paid health care. By 1999, fifty-nine private, self-financing hospitals were already functioning, with a total of fifteen thousand beds. About three thousand doctors are licensed to practice medicine privately. Alongside these positive developments, however, there are many unresolved problems, such as the supply of medicines and the need to reduce morbidity in rural areas.

Most small companies operating on the territory of local self-governments are private. Their owners provide services to mahalla residents and manage operations according to mahalla regulations. Local self-governments are entitled to use the social and economic potential of enterprises located in their territory in the interests of the resident and of local development. Accordingly, they may grant permission to enterprises to use natural resources in the local territory if this furthers local interests. In order to maintain comprehensive development, local governments may do the following:

- coordinate the participation of enterprises and organizations in local development;
- pool the resources of enterprises, organizations, citizens and local budgets on a voluntary basis to build, repair and maintain facilities of production and social infrastructure;

- conclude agreements with non-municipally owned enterprises on cooperation for the social and economic development of the territory, for the production of consumer goods and for the provision of services.

## 6. Local Finances, Local Property

### 6.1 Budget and Finance System

According to article 122 of the Constitution, Uzbekistan has an independent financial and monetary system. At the head of Uzbekistan's banking system is the Central Bank. The banking system is regulated by the Law on the Central Bank (1995) and the Law on Banks and Banking (1996). Uzbekistan also has a Banking and Finance Academy and thirty-three commercial banks with some eight hundred subsidiaries and divisions. However, no municipal banks currently exist.

The national budget is comprised of the national budget, the budget of the Karakalpak Republic and local budgets. The national budget consolidates national funds earmarked for specific purposes. The draft Law on the Budgetary System is under discussion and there is no special law on local public finances. The key principles of the budgetary system are a unified system of budget classification, a clear budgetary process and documented budget accounting; conformity of the budget structure to the administrative-territorial structure of Uzbekistan; correlation of budgets at different levels; a balanced national budget; itemized planning of public revenues by specific sources and expenditures; and national budget expenditures within the limits of the approved budgetary allocations.

Over the past few years, Uzbekistan has managed to achieve a growth in GDP and the consolidated national budget. The national budget includes central government expenditures, while the local budgets include expenditures of the regional governments, district and city governments as well as community self-governments. Central and regional government expenditures are stable relative to GDP and the consolidated national budget, while local community self-government expenditures have dramatically increased (see table 9.2). Social assistance programs funded through the local budget include assistance to low-income families, families with children under sixteen and single mothers with children under two. These programs have been administered by community self-governments since 1994, 1997 and 1998, respectively. Funding for these programs is established centrally as part of consolidated budget expenditures, reflected in the local budget and transferred to the community self-governments. Specific funds for these programs are distributed by local self-governments in compliance with fixed regulations. As of 2001, community government expenditures are to be itemized separately in the national budget.

National budget funds are redistributed among budgets of different levels by assigning subventions and subsidies to lower-level budgets, granting budgetary loans, and channeling budgetary funds to the higher or lower-level budget through mutual settlement schemes created during budget

implementation. Local budgets enjoy no financial autonomy and are strongly dependent on the center. The budgetary subventions and subsidies are allotted within the limits of the approved budgets. There is no special law regulating subventions, which are granted to underdeveloped regions according to need. Standards for their allocation are subject to change on an annual basis. In 1999, for example, subventions accounted for 35.9 percent of local budget revenues in Karakalpakstan, 29.6 percent in Djizak, 23.6 percent in Samarkand, 17.3 percent in Namangan, 16.4 percent in Syr-Darya, 14.4 percent in Andizhan and 11.2 percent in Surkhan-Darya. No other regions received subventions in 1999.

*Table 9.2*  
**Correlation of Consolidated National Budget Components**

	1996	1997	1998	1999
Central government expenditures as a percentage of GDP	17.0	14.0	16.8	14.7
Central government expenditures as a percentage of the consolidated budget	46.6	43.6	48.8	45.9
Regional government expenditures as a percentage of the consolidated budget	53.4	56.4	51.2	54.2
Community self-government expenditures as a percentage of consolidated budget	0.47	4.9	6.3	6.7

*Table 9.3*  
**Share of State Subventions in Local Budget Revenues, 1997–1999**

	1997		1998		1999	
	[UZS million]	[%]	[UZS million]	[%]	[UZS million]	[%]
Local budget revenues including state subventions	168,326	70.1	239,725	74.2	340,574	76.6
Local budget revenues excluding state subventions	136,704	57.0	186,406	57.7	304,578	68.5
State subventions to local budgets	31,622	13.1	53,319	16.5	35,996	8.1
Other sources of revenue	71,651	29.9	83,642	25.8	103,839	23.4
<b>Total revenues</b>	<b>239,977</b>	<b>100</b>	<b>323,367</b>	<b>100</b>	<b>444,413</b>	<b>100</b>

## 6.2 Revenues

Regional funds are comprised of budgetary funds, extra-budgetary funds, special funds, credit, subventions and subsidies. Local budget revenues are formed of:

- local taxes, duties and fees as well as obligatory payments and other non-tax revenues assigned to local budgets;
- national taxes, duties, fees, obligatory payments and other national revenues channeled to local budgets;
- revenues from the allocation or utilization of public property in compliance with legally established standards;
- funds acquired by the government through succession or gift as prescribed by the legislation;
- budgetary subventions, subsidies and loans from higher-level budgets;
- donations from legal entities, individuals and foreign states.

By decision of the Cabinet of Ministers, the Ministry of Finance may increase the share of national budget revenues designated for local budgets in order to fund specific expenditures itemized in the local budget.

Local governments may also form extra-budgetary funds out of voluntary donations from citizens, organizations and enterprises as well as other extra-budgetary resources. Taxes and other payments that are to be entered to the budget may not be used for this purpose. Extra-budgetary funds are kept in special accounts, not be withdrawn except by decision of the appropriate local council or hokim.

Extra-budgetary funds at the regional and national level include territorial development funds, environmental funds and the social assistance fund for low-income groups. Drastic changes in the economic situation quite often require rapid administrative response, especially when finances need to be redistributed. Thus, extra-budgetary funds are managed by the executive branch—unlike budgetary funds, which are regulated by local council—since the executive branch is able to act with greater speed and efficiency. The extra-budgetary fund may be used to:

- influence the manufacturing process by funding, subsidizing and crediting enterprises;
- implement environmental protection measures funded by specifically designated sources and fines for environmental pollution;
- provide social services through providing benefits and pensions and subsidize or fund the general social infrastructure.

The Karakalpak Republic provides one example of local budget structure. Since implementation of local budgets follows a standard accounting format, the structure of local budgets is the same throughout Uzbekistan, though the numbers vary. In Karakalpakstan, VAT forms the major part of revenues (15.29 percent), followed by corporate income tax (9.92 percent) and personal income tax (9.27 percent). Since the republic is located at the epicenter of the Aral environmental crisis, it is notably behind other regions in terms of socio-economic development. Therefore, Karakalpakstan has been provided with all possible support from the national government, including subventions amounting to over thirty-five percent of the Karakalpak local budget.

### 6.3 Expenditures

Local budget expenditures, including those of the Karakalpak Republic, are made within the limits of the approved allocations in the form of:

- current expenditures of public organizations funded through local budgets;
- current budgetary transfers;
- capital expenditures for the acquisition and repair of fixed assets, capital for public need, the acquisition of land and other intangible assets for public needs.

Again using the Karakalpak Republic as an example, the largest part of its local budget expenditures in 1999 went to the social and cultural sphere (49.89 percent). Since the personnel training program is a national government priority, over thirty-six percent of the local budget is invested in education. Other important areas of budget funding include health care (12.17 percent), social assistance for low-income citizens (10.45 percent) and public capital investment (14.97 percent).

### 6.4 Local Budget Process

As part of the national budgetary system, local budgets are firmly tied to the state budget. Local governments exercise only nominal authority over local budget resources; in practice, local budget planning is centralized, with local revenues and expenditures defined by the Ministry of Finance. Budget policy is frequently aimed at limiting regional independence and supporting vulnerable regions at the expense of stronger ones. Nonetheless, these policies still preserve a sectoral-specific bias in allocating production facilities and other factors contributing to underdevelopment in the poorer regions. In addition, wide disparities in the per capita budgetary funds distributed among regions create unequal access to basic social services (see Annex 9.3).

Regional budgets do not set aside funds to develop the local economy so as to generate local tax revenues. Regional hokims are generally uninterested in the issue, although opportunities exist for organizing facilities to manufacture consumer goods, building materials and art industries. These facilities could improve the supply of these goods to the local population as well as contribute to local budgets. However, upon their establishment, the tax rates for funds distributed to local budgets under the regulated budgetary articles would be immediately applied to these enterprises or industries. There are no long-term standards for the allocation of funds from the regulated tax items. The dependence of local governments upon central bureaucracy is thus entrenched in the local budget structure.

Local budgets mainly consist of funding from the national budget and local tax revenues. Central funding distributed to regions includes:

- funding through national investment programs earmarked for social and cultural events, social protection, administrative costs and maintenance;
- allocations from national taxes and revenues according to standards established by the government;
- subventions allocated from the national budget.

The process of formulating national and local budgets is as follows. According to the terms set by the Cabinet of Ministers, the Ministry of Finance issues an annual request to local governments to draft their budgets for the coming year and file requests for allocations from national targeted funds. This is sent to regional hokims, the Tashkent hokim and the Karakalpak Cabinet of Ministers. Upon receipt of this request, these administrations have three days to decide upon drafting procedures. Within three days of making their decisions, the financial bodies of these administrations likewise request their subordinate local governments to draft budgets and file requests for budgetary allocations. The request form for budgetary allocations and procedures for compiling the necessary documentation are provided by the Uzbek Ministry of Finance.

The deadline for submitting a request for budgetary allocations in the coming year is 1 June of the current year. The financial departments of district and city hokimiyats must then submit their draft budgets to higher financial bodies by 25 June. Regional hokimiyats, the Karakalpak Council of Ministers and the Tashkent administration must submit their draft budgets to the Ministry of Finance by 1 June. Finally, the national budget for the coming year is drafted by the Ministry of Finance by 1 October.

The draft national budget contains the following items:

- 1) revenues and expenditures of the national budget;
- 2) standards for allocating shares from national tax revenue to local budgets, the amount of local budget revenues, including budgetary subventions and subsidies, and total local budget expenditures;
- 3) the amount of petty cash provided for in local budgets;
- 4) the amount of the reserve fund of the Uzbek Cabinet of Ministers and reserve funds of local budgets, the ceiling for the national deficit and sources for its financing.

The Uzbek Ministry of Finance must draft a budget message together with various ministries and organizations and submit it to the Cabinet of Ministers by 1 October. This message contains:

- 1) a summary of national socio-economic development and estimated figures for the current year;
- 2) a budget implementation report for the previous year and the forecast of budget implementation for the current year;
- 3) key macroeconomic indicators on which the draft budget is based;
- 4) an outline of the proposed national budgetary and tax policies for next year;
- 5) data on the status of national debts, foreign and internal, as well as debt-related expenditures;
- 6) the draft budget for the coming fiscal year.

The Cabinet presents the budget message by 1 November to the National Parliament, which approves the national budget. Within two weeks, local budgets are adopted by regional councils, the Tashkent council and the Karakalpak Parliament in compliance with the national budget. City and district budgets are passed by the appropriate local councils one week later. Budgets of city districts and cities of raion jurisdiction are adopted by the city or district council, respectively.

Within one week of adopting the national budget, the Ministry of Finance notifies the Karakalpak Cabinet and regional and Tashkent city hokims of their total budget revenues and expenditures, subventions, subsidies and other budgetary indicators. Within the same period of time, the State Committees for Taxation and Customs are also notified of the estimated amounts of national budget revenues. Within in one week of adopting the local budget, local financial authorities notify local tax bodies of the approved amounts of revenue for the Karakalpak Republic and local budgets. They must also notify any organizations funded through the local budgets of their allocated funding.

Local administrations are not authorized to take steps that reduce revenues or increase the expenditures of the national budget, if the deficit passes over the established limit as a result. During budget implementation, the council may pass a decision bringing about a reduction of specific types of budget revenues only if there is a corresponding increase in other revenues or reduction in expenditures. If council legislation produces decreased expenditures or increased revenues in the local budget, then the council retains the resulting surplus.

The Uzbek Ministry of Finance and local financial bodies are jointly responsible for executing the national and local budgets within the established parameters. While executing control over the implementation of the national budget, the Ministry of Finance and its local divisions review data on budget implementation at different levels, collect information from the tax and customs authorities on the receipt of funds by budgets of different levels, request the recipients of budgetary funds to provide information on the receipt and spending of budgetary allocations and, as prescribed by legislation, obtain information from banks on the movement of budgetary funds. The Cabinet reviews national budget implementation reports from the Ministry of Finance on a quarterly basis.

Recipients of local budget funds report to local financial bodies on the use of those allocations over an accounting period established by the Ministry of Finance. The financial bodies in districts and cities report on local budget implementation of the city and district budgets over the accounting period to the appropriate hokims and higher financial bodies. The Karakalpak Ministry of Finance, Tashkent and regional financial bodies report on the implementation of their budgets over the accounting period to the Karakalpak Cabinet and the appropriate hokimiyats, respectively, as well as to the Uzbek Ministry of Finance. The Karakalpak Cabinet and hokims of regions, Tashkent, districts and cities review and approve of reports on budget implementation and present them to the Karakalpak Parliament and the appropriate local councils, respectively.

The local tax divisions provide monthly reports to the local financial departments on the receipt of taxes, duties and other obligatory payments by the budget over the accounting period. The Uzbek Ministry of Finance reports on the execution of the national budget over the accounting year to the Uzbek Cabinet by 1 May of the following year. The Cabinet subsequently presents a budget execution report to Parliament for review and approval by 15 May of the year following the accounting one.

## 6.5 Tax System, Local Taxes

Uzbekistan has a unified tax system in which the National Parliament has the sole authority to establish taxes. The Tax Code (1 January 1998) is the primary document regulating the taxation of individuals and legal entities. The tax system consists of national and local taxes and duties. Local budget revenues are comprised of fixed and regulated revenue articles. Regulated budget articles include national taxes such as income tax on legal entities; personal income tax; VAT; excise tax; tax on subsoil assets; environmental tax; and the tax on water resources. In 1999, Parliament established a tax rate of fifteen to forty-five percent on income; thirty-three percent on profit; and twenty percent for VAT.

National taxes are distributed among the national and local budgets according to standards reviewed annually by the Cabinet and based on proposals drafted by the Ministry of Finance. The range in regulated rates for local budget taxes is more than wide enough. For instance, the VAT allocated to local governments ranges from 18.6 percent in the region of Tashkent to 21.1 percent in Tashkent itself to one hundred percent in the regions of Karakalpakstan, Djizak, Navoi and Surkhan-Darya. Similarly, revenues from the excise tax in 1999 ranged from ten percent in Ferghana to one hundred percent in Karakalpakstan, Andizhan, Djizak, Navoi, Surkhan-Darya and Syr-Darya. The enterprise profit tax was thirty percent in Tashkent, thirty-five percent in Ferghana, and one hundred percent in others of the above-mentioned regions.

In addition to the regulated revenues articles as described above, the local budget is comprised of fixed revenues such as local taxes and fees. According to current legislation, local taxes include property tax, land tax, advertising tax and motor vehicles sales tax. Local fees include the fees for trading licenses (such as fees for goods-specific licenses), fees to register as a legal entity or individual engaged in entrepreneurial activities, fees for motor transport parking and fees for urban and rural development activities.

Property and land taxes are collected nationally; however, their specific tax rates are defined by local legislation unless otherwise provided by national legislation. Since 1998, a unified land tax has been introduced for agricultural enterprises. This tax is payable on an annual basis according to year-end results at rates defined according to parameters measuring the quality of the land. Thirty percent of this tax goes to the central budget, while the remaining seventy percent goes to the local budget. The remaining local taxes and duties are introduced by local councils. Other tax rates (except for the property tax, whose rate has been fixed at four percent by the tax code) are subject to annual review by the Cabinet of Ministers.

Although local taxes represent a small portion of local budget revenues, their importance is not limited to the role of a revenue source for the budget, as they also serve to control distributional relations. Since taxable items include land plots, property, vehicles and other items, taxation helps account for these items and monitor their purchase and utilization.

Although the amended Law on Bankruptcy was approved on 28 August 1998, it does not apply to enterprises, institutions and organizations funded from the national budget. In case of a temporary gap between revenues and expenditures of budgets of different levels over the financial year, budgetary loans may be issued out of the relevant budgets. The limits and procedures for allocating budgetary loans are established by the Ministry of Finance. Overall, local budget expenditures account for a larger share than the national budget expenditures in the total volume of the national budget.

*Table 9.4*  
**Relative Size of Local Budget Expenditures and Central Government Expenditures, 1996–1999**

	1996		1997		1998		1999	
	[UZS billion]	[%]	[UZS billion]	[%]	[UZS billion]	[%]	[UZS billion]	[%]
National budget expenditures	94.7	46.6	138.2	43.6	228.6	48.8	301.8	45.9
Local budget expenditures	108.6	53.4	179.0	56.4	240.1	51.2	356.9	54.2
Total national budget	203.3	100.0	307.2	100.0	486.7	100.0	658.7	100.0

Analysis of the current system of local financial and fiscal management reveals the following negative trends:

- There is a failure to comply with the principle of guaranteed minimum per capita budget allocations to regions (see table 9A.1);
- The size of local budgets does not meet the needs for local economic development in those regions with the largest concentration of natural economic potential: Tashkent, Kashka-Darya, Samarkand, Navoi and the densely populated regions of the Ferghana valley;
- The system of determining budget revenues and expenditures does not correspond with the scale and efficiency of manufacturing. Seventy percent of regions cannot balance their budgets, hindering normal economic development and the functioning of the social sphere, particularly health, education and cultural facilities;
- Standards for allocating funds to local budgets are reviewed annually and do not take full account of the regional situation and its peculiarities;
- Long-term standards have not been developed for allocating funds to maintain social facilities, in contradiction to the principles of local self-governance and democratization;
- Subventions are generally determined on a subjective basis and do not develop the structure of regional production. Rather than being targeted, subventions are generally issued to the underdeveloped regions, which then use them inefficiently.

- Since regions are divided into donor and recipient regions, the wealthy regions tend to exert pressure upon the central government, which is illegal in a democratized government;
- The various extra-budgetary funds are used inefficiently by regions; they are structured according to a sectoral approach and lack coordination or control by national and local administrations;
- The low technical level and deteriorated condition of municipal property and facilities necessitates increasing expenditures for maintenance, appreciation and the low quality of goods and services.

## 6.6 Legal Forms of Ownership

In the process of economic reform in Uzbekistan, there was no abrupt transition from public and collective forms of ownership, such as farm cooperatives, to private forms. Rather, it was decided that a solid legal framework and favorable socio-economic conditions for privatization must first be established. The adoption of the Property Law in 1990 marked the first step towards legalizing a diversity of forms of ownership. However, most provisions of this law have since become outdated and require significant revision.

Other legislation regulating property ownership includes the Uzbek Civil Code, which took effect on 1 March 1997. According to article 164 of the Civil Code, the right to ownership is the right of an individual to own, use and dispose of property at his or her own discretion and in his or her interest. Individuals have the right to demand the elimination of any infringement on their right to ownership regardless of who is responsible. Article 213 of the Civil Code outlines a concept of public property which includes both national and municipal property.

In Uzbekistan, the land, subsoil assets, water and air space, animal and vegetable life are the exclusive property of the state, by article 214 of the Civil Code. The purchase or sale of natural assets is not allowed by legislation.

The issue of land ownership is central to the agricultural economy and, since sixty percent of the population is rural, decisive for the entire Uzbek economy. Because of the particular climate conditions in Uzbekistan, most land suitable for cultivation must be irrigated. The nature of precipitation, the soils and the unequal distribution of water resources all render individual farming difficult, calling instead for the organized efforts of large communities. Since the purchase and sale of land would disable the unified irrigation system, it was decided to retain land in public ownership. Market relations in rural areas are based on lifelong, inherited ownership of land plots together with the right to utilize them (article 165 of the Civil Code, article 5 of the Law on Peasants' Enterprises, article 10 of the Law on Land). However, plots with trading facilities may be sold on a competitive basis, according to a presidential decree issued on 21 January 1994.

In addition to natural assets, other property and enterprises are publicly owned due to strategic considerations or their value as institutions of historical and cultural heritage. The Parliamentary

Resolution on Issues of Denationalization and Privatization of Some Enterprises and Property, issued 31 August 1995, lists items that are not subject to denationalization, privatization or buy-out and transfer to private property. It also defines property and enterprises which may be denationalized and privatized by Cabinet decision.

According to article 214 of the Civil Code, national property is managed by Parliament, the president and the Cabinet of Ministers or agencies that they authorize. Presently, the State Committee for Public Property Management and Support for Entrepreneurial Activity has government authority to perform these tasks, as specified in the Cabinet Resolution of 29 March 1994.

According to article 215 of the Civil Code, municipal property includes assets belonging to the local administrations, local budget funds, municipal housing stock, communal service enterprises and facilities for education, culture and health care. Regional property may also consist of local engineering infrastructure; enterprises and organizations established or purchased from regional funds (including sharing arrangements) or transferred from other sources; and securities and financial assets. District and city property includes assets of the respective local council, budget funds, extra-budgetary funds and earmarked funds.

The Law on Local Public Administration, among other legislation, regulates management of local property as well as assets of higher-level governments that have been transferred to the management of local authorities. Assets in the ownership of regions, cities and districts are managed by the appropriate local councils and hokims. Legal entities may also be licensed to manage nationally or municipally owned assets. City or district hokims have the authority, following established procedures and local standards, to lease or allot land plots for the use of citizens or public enterprises as well as to terminate the right of these entities to hold these plots and confiscate the land. The decisions are subject to approval by the appropriate local council.

Consequently, municipal property is legally recognized as the wealth, or share in national assets, belonging to the local population and should serve its interests. Local governments have authority over the establishment, acquisition, utilization and lease of municipal assets. The particular municipal assets of a specific territorial unit are determined by the characteristics of its socio-economic development, its size and other factors. Due to the lack of reliable statistics, it is not possible to detail here the number of assets in municipal ownership or enterprises controlled by the local governments.

Although the creation of municipal property is closely related to the process of privatization, local government bodies, particularly in cities of district jurisdiction, have no significant influence upon privatization processes and are therefore deprived of the opportunity to protect local interests in this field. Local governments have the right to pursue small scale local privatization programs, but this is relatively insignificant and pertains only to a short list of assets including distribution, public catering and service facilities.

## 7. Relationship between the State Administration and Local Government

Uzbekistan has an established presidential form of administration, with all central power concentrated in the hands of the president. The Office of the President and the Cabinet of Ministers exercise control over compliance with presidential decrees and cabinet resolutions. Local administrative powers are exercised by local representative and executive bodies. Local councils and hokimiyats are responsible for ensuring social and economic development in their territories and compliance with the Constitution, laws, acts of Oliy Majlis, the president and government of Uzbekistan.

The nature of relationships between different tiers of government varies between the executive and representative branches. The executive branch is characterized by a centralized hierarchy and strict vertical subordination. District and city hokims represent the regional hokim, who in turn represents the president. Hence, regional hokimiyats have authority over district ones and district hokimiyats over rural and city governments.

Local representative bodies are not so closely related to the national legislative body, the Oliy Majlis. Nor is there subordination between councils; for instance, city and district councils are independent of regional ones. Representative bodies operate through sessions and standing and provisional commissions and may organize public hearings. They have the right to question council members, whereas executive bodies are based on the principle of undivided authority.

There is a recognized need for the phased decentralization of administrative authority in Uzbekistan. Some central government authorities are gradually being transferred to regions and local governments. At the same time, the central government is attempting to preserve efficiency of government operations in general. In addition, local divisions of central government are to increase the role of local governments by delegating additional competencies and functions.

Current Uzbek legislation specifies the accountability of hokims on issues related to local council jurisdiction. Local councils and hokims have the right to demand that decisions of the other be annulled if they contradict legislation. However, such cases are quite rare in practice. Mutual understanding between the local councils and hokims is considered to be decisive and their cooperation the basis of efficiency and stability. Forms of cooperation include informing each other about their activities, on the current situation and on the progress of implementing decisions.

It is essential to analyze the status of relations between branches of power in different districts and cities and their joint response to the misunderstandings which occasionally occur. Once again, this requires clear legal regulation of the relationships between the branches and tiers of power. Inspectorates and committees of constitutional supervision at the regional level currently exercise control over the appropriateness of local government decisions.

Despite their ever increasing role, in practice local governments are only able to manage their daily administration and economic functions partially from their allocated funds. Their responsibility to support comprehensive local development is not backed by real ownership rights over regional property or actual management of funds or material, technical and natural resources. Their hands are tied by their lack of authority to solve strategic development issues, such as establishing an efficient branch structure and determining the direction and priorities of local social development.

The imperfect territorial administration of the economy is mainly the result of centralized government. Territorial administration is characterized by direct influence in the form of centralized capital investments from the national budget or ministerial funds. Rarely are these investments effective for the transformation of territories. Budget funds are nominally distributed by regions, but are in fact distributed among ministries. Since local taxes form a small share of revenues, local budgets are dependent on central decisions.

The most important task facing the government is the improvement of the middle tier of local government. Regional governments technically possess the necessary instruments by law to influence social and economic processes while taking into consideration their specific conditions. However, this distribution of authorities is not reflected by current realities. Local divisions of different ministries and state committees function based on sectoral subordination and their central offices do not always coordinate with local governments. Though most local government functions are legally established, they are not clearly specified for different tiers.

Currently, interaction between different levels of government follows long established rules, both unwritten and official, which dictate strict vertical subordination. The regulatory role of the state is only increasing, not diminishing, with the development of democracy. It is necessary to clarify the legal relationships between hokimiyats and local councils, between administrations of different tiers and between local governments and enterprises. Direct interference in the activities of local governments would consequently be replaced with a legal framework for cooperation.

## 8. Local Government Employees

The Constitution of Uzbekistan proclaims the right of each citizen to work, equal employment opportunity and just labor conditions. Currently there is no special law regarding the public service system and status of government employees. Labor relations are regulated by the Labor Code of Uzbekistan, adopted on 21 December 1995, and other legislation. The legal basis for the activities of local government officials is established in the Law on Local Public Administration. According to this law, the hokim, deputy hokims and other local government officials are prohibited from occupying any other paid position while in office.

A model hokimiyat organizational chart is shown in figure 9A.1. The first deputy and other deputy hokims in districts and cities are appointed by the hokim in coordination with higher government

bodies. As a rule, they are selected from the members of the local council. Hokim and hokimiyat departments are responsible for the employment and training of local government staff. Employees are hired through open competition. Government employee salaries are based on norms established by the government for budget organizations. The government periodically establishes a minimum salary, which is used as the baseline for salary calculation. Factors that determine monthly salary include the staff list, the professional grade and the category of employee, all of which depend on the level of education, experience and other qualifications. Full-time employees have the right to paid vacation. The length of working hours, paid vacation and other social guarantees are established by law. Political considerations do not prevail with regard to government officials. The office of regional, district or city hokimiyat provides organizational, technical and other support to the activities of a respective local council.

Government employees are assessed every three to five years. Additional assessments may be conducted in certain circumstances, such as the need to restructure or downsize staff. For purposes of assessment, the employees must complete official forms, which are currently under development. In addition, an assessment commission established by a higher level of government may question the employees on politics, the economy, legislation and other subjects. At the conclusion of this process, the commission may assign one of three grades: positive, negative or conditional. If positive, the employee continues work as usual; if negative, the commission may request his or her dismissal; if conditional, the employee undergoes a probation period, typically three to six months, at the end of which a final performance review is conducted. Government employees are expected to upgrade their qualifications regularly. They may receive training at the Academy of Public Administration, under the auspices of the Office of the President, as well as at a number of other educational institutions.

## 9. Legal Guarantees for Local Autonomy

According to article 7 of the Constitution, the authority of the state is exercised exclusively by the bodies authorized in legislation. Appropriation of unauthorized powers, the establishment or termination of government body activities in contradiction to constitutional procedures or the creation of new or parallel structures all violate the Constitution and are subject to legal accountability. The consent of Parliament is required for creating or dissolving regions, districts or cities and for any amendment to the boundaries of the Republic of Karakalpakstan, regions or the city of Tashkent.

The Constitution of Karakalpakstan contains special features pertinent to local autonomy. According to article 73 of the Uzbek Constitution, the Republic of Karakalpakstan independently decides on issues of its internal administrative-territorial composition. It also has the right to secede from the Republic of Uzbekistan through a general referendum of Karakalpak citizens. Mutual relations between Uzbekistan and Karakalpakstan are regulated by memoranda and bilateral agreements, while disputes between the two are to be resolved through arbitration.

According to article 93 of the Constitution of Uzbekistan, the president is the guarantor of human rights and freedoms and the laws of Uzbekistan. Other legal guarantees and mechanisms to protect local autonomy have not been established. According to the Constitution, regional, district or city hokims exercise their authorities on the principle of undivided authority for a five-year term. However, this mandate may be extended or prematurely terminated based on performance. Hokims bear personal responsibility for the decisions and activities of the bodies which they head.

In times of crisis due to the poor performance or abuse of power by the regional government, such as a decline in regional social and economic indices or a shortage of food or services, the central government can suspend local administration activities. In this case, the local council convenes in an extraordinary session at which the president of Uzbekistan proposes the dismissal of the current hokim and nominates a replacement for the council's approval. Recently such sessions have been held in the regions of Ferghana, Kashka-Darya and Surkhan-Darya. Typically, the hokim is said to be leaving "due to the transfer to another position." The president also has the right to dismiss district and city hokims from office if they violate the Constitution or national legislation or if their acts discredit the honor and dignity of their position. Thus far there have been no cases of presidential dismissal, although some district and city hokims have been dismissed by higher levels of government.

The activities of the hokim may be appealed in the court by citizens, institutions or organizations. The Attorney General of Uzbekistan, appointed by the president, is responsible for control over clear and uniform compliance to legislation nationwide. The Attorney General appoints regional, district and city attorneys to monitor the legality of activities in all government structures, including hokimiyats. Hokim decisions which contradict the Constitution, legislation, presidential and government decrees, or which are otherwise appealed by the attorney shall be reviewed by the hokim or annulled by either the superior hokim or the Cabinet of Ministers.

Disputes between organizations or enterprises of different forms of ownership arising over economic or management-related issues shall be resolved by the Supreme Economic Court and other economic courts. However, no such court proceedings between the administrations of different levels have yet taken place in Uzbekistan.

## 10. Next Steps in the Transition Process

The establishment of efficient central and local government bodies in Uzbekistan is still in progress. Problems remaining to be addressed in the existing structure of local administration include the following:

- There is no systematic approach or clear differentiation of central and local government functions;
- There is no clear coordination between central and local governments in addressing urgent social and economic regional issues;

- Due to limited financial and material resources, local administrations lack the ability to influence the social and economic situation or make independent decisions about their activities in international markets or on broadening their export potential;
- The organizational mechanism for the integration of regions has not yet been established;
- There is no system for the rational placement of industrial enterprises at the national or regional levels;
- The system of dual subordination and the organizational structure of territorial governments need to be reviewed in light of new goals such as administrative decentralization and liberalization.

Local government functions must be expanded and sufficient local autonomy granted before further reforms can be fully implemented. Broader rights and opportunities correspondingly mean more responsibility to the state and society for decision making and implementation in all spheres of regional life. In order to provide adequate authority and opportunities for local governments to actively influence the process of market transformation, the following steps should be taken:

- to develop a concept for gradually transferring certain central government authorities to local self-governments and NGOs;
- to formulate an action program to implement the concept “from a strong state to a strong civil society;”
- to implement budgetary reform that clearly differentiates budget authorities between the center and the regions;
- to adopt a Law on Budget Composition which establishes democratic procedures for developing national and local budgets;
- to significantly increase the role of local budgets in the consolidated national budget so that it corresponds to the distribution of functions between the two.

Improving government activities at every tier is one of the most important and comprehensive issues facing Uzbekistan. This will determine the character of citizen-state relations, the successful performance of government functions and the fulfillment of urgent tasks of social and economic development throughout the country. In addition, serious legislative efforts are required to restore the balance of powers between different branches. The current balance of power is heavily weighted in favor of the executive branch, which negates the principle of equilibrium and mutual control. It is necessary to improve legislation on local government to strengthen the role of local councils and expand their control functions. Although local government should undoubtedly be based on a strong local executive branch, this does not require that local representative bodies be weak. A strong, united local government is needed, one which utilizes both branches.

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## Glossary of Uzbek Terms

- Aul* — The equivalent of kishlak, or rural settlement, in Kazakh, Karakalpak or Tatar.
- Aqsaqal* — Chairman of the mahalla self-government.
- Hokim* — The chairman of the local council and head of local administration.
- Hokimiyat* — The executive branch of local governments.
- Kengash* — Committee elected to head the mahalla self-government.
- Kishlak* — A rural settlement which may include many neighboring localities and is represented by an assembly of its citizens.
- Kotib* — Secretary of the mahalla self-government.

- Mahalla* — A community of people residing in a localized area; these may range from 150 to 1,500 families.
- Makan-kenes'es* — City mahallas in the Republic of Karakalpakstan.
- Muovin* — Deputy chairman of the mahalla self-government.
- Oliy Majlis* — “Supreme Council,” or Parliament, the highest legislative body in Uzbekistan.
- Zhokargy Kenes* — The Supreme Council of the Republic of Karakalpakstan.

## Annex 9.1

### Major General Indicators

Size of territory	448,900 square kilometers
Population (1 January 2000)	24,487,700
Pensioners	1,735,000
School-age children	9,714,000
Population density	54.5 people per square kilometer
Major ethnic divisions:	
Uzbeks	77 percent
Russians	6 percent
Tajiks	5 percent
Kazakhs	4 percent
Karakalpaks	2 percent
Per capita GDP (1998)	USD 2,053
Public debt as a percentage of GDP (1999)	0.6 percent
Unemployment rate (registered)	0.5 percent
Average monthly average inflation (according to Consumer Price Index)	1.9 percent
Exchange rate (19 January 1999)	1USD = 110.95 Uzbek sums [UZS]

## Annex 9.2

## Population, Settlements and Administrative Tiers

*Table 9A.1*  
**Per Capita Social and Economic Indicators by Region, 1999 [thousand UZS]**

Regions	Share of National Budget	GDP Production	Industrial Production	Production of Consumer Goods	Agri-cultural Production	Retail Trade Turnover	Service Industry
Republic of Karakalpakstan	9.3	51.9	18.2	14.3	18.1	24.2	3.4
Andizhan	9.6	71.9	59.5	43.9	39.8	54.2	6.4
Bukhara	16.4	99.3	54.9	33.7	47.3	36.1	7.4
Djizak	6.6	60.1	13.1	6.8	44.2	19.7	4.0
Kashka-Darya	10.4	63.2	45.0	15.2	31.7	30.9	3.6
Navoi	23.3	100.8	157.4	16.4	37.3	37.5	6.0
Namangan	8.0	50.7	22.7	16.6	28.9	31.8	3.6
Samarkand	8.3	63.6	33.8	36.2	36.7	39.8	5.2
Surkhan-Darya	7.6	57.1	19.8	12.5	37.0	25.5	3.9
Syr-Darya	13.2	77.0	26.4	19.7	47.0	33.0	3.0
Tashkent	13.3	81.4	64.1	25.7	41.6	45.0	6.2
Ferghana	14.7	79.9	57.0	27.0	32.5	60.9	4.7
Khoresm	12.5	80.9	32.6	24.8	55.0	32.9	6.5
City of Tashkent	34.8	142.6	86.8	51.4	—	136.6	25.8
<b>National average</b>	13.3	84.2	53.6	26.9	34.2	47.2	7.9
Standard deviation	5.3	2.8	12.0	7.6	3.0	6.9	8.6

Table 9A.2

**Urban Settlements by Population Size Categories in Uzbekistan (1 January 2000)**

Population Size Category	Number of Settlements	Percentage of Settlements	Number of Inhabitants	Percentage of Total Population
0–3,000	11	4.7	21,200	0.2
3,000–5,000	18	7.7	75,500	0.8
5,000–10,000	47	20.2	349,500	3.8
10,000–20,000	72	30.9	1,000,400	10.9
20,000–50,000	54	23.2	1,540,200	16.8
50,000–100,000	14	6.0	866,400	9.5
100,000–250,000	13	5.6	2,095,200	22.9
250,000–500,000	3	1.3	1,081,600	11.8
1,000,000+	1	0.4	2,135,500	23.3
<b>Total</b>	<b>233</b>	<b>100.0</b>	<b>9,165,500</b>	<b>100.0</b>

Table 9A.3

**Rural Settlements by Population Size Categories in Uzbekistan (1 January 2000)**

Population Size Category	Number of Rural Districts	[%]	Population Size	[%]
0–3,000	—	—	—	—
3,000–5,000	1	0.6	3,800	0.0
5,000–10,000	1	0.6	6,300	0.0
10,000–20,000	4	2.4	63,500	0.4
20,000–50,000	28	17.1	952,500	6.3
50,000–100,000	59	36.0	4,594,600	30.5
100,000–250,000	71	43.3	9,455,500	62.7
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>15,076,200</b>	<b>100.0</b>

*Table 9A.4*  
**Administrative-territorial Structure in Uzbekistan**

Local and Regional Governments	Average Number of Inhabitants per Unit	Average Number of Settlements per Unit
First tier (cities, towns and village)	39,500	1
Second tier (districts)	148,800	10.3
Third tier (regions and the Republic of Karakalpakstan)	1,743,400	120.6

Figure 9A.1  
Sample Structure of a Rural Hokimiyat

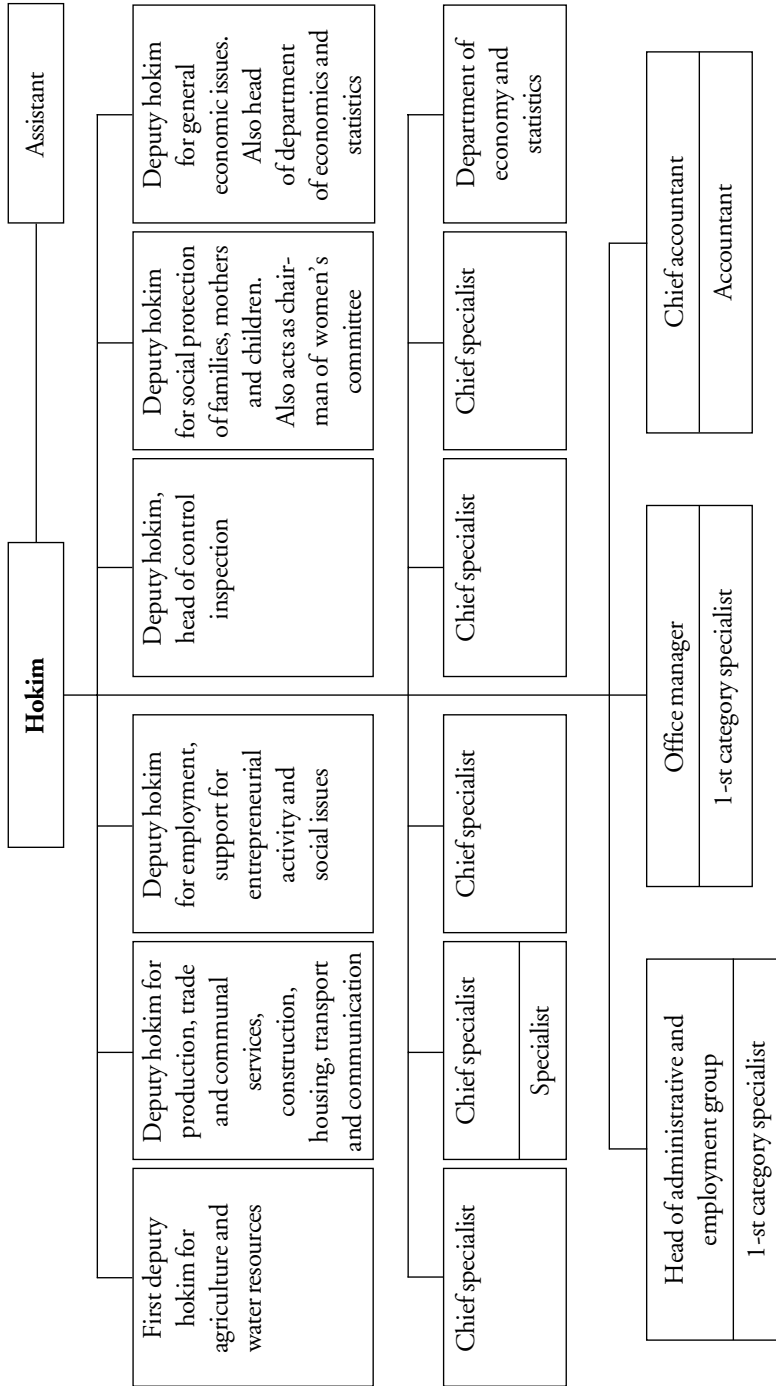
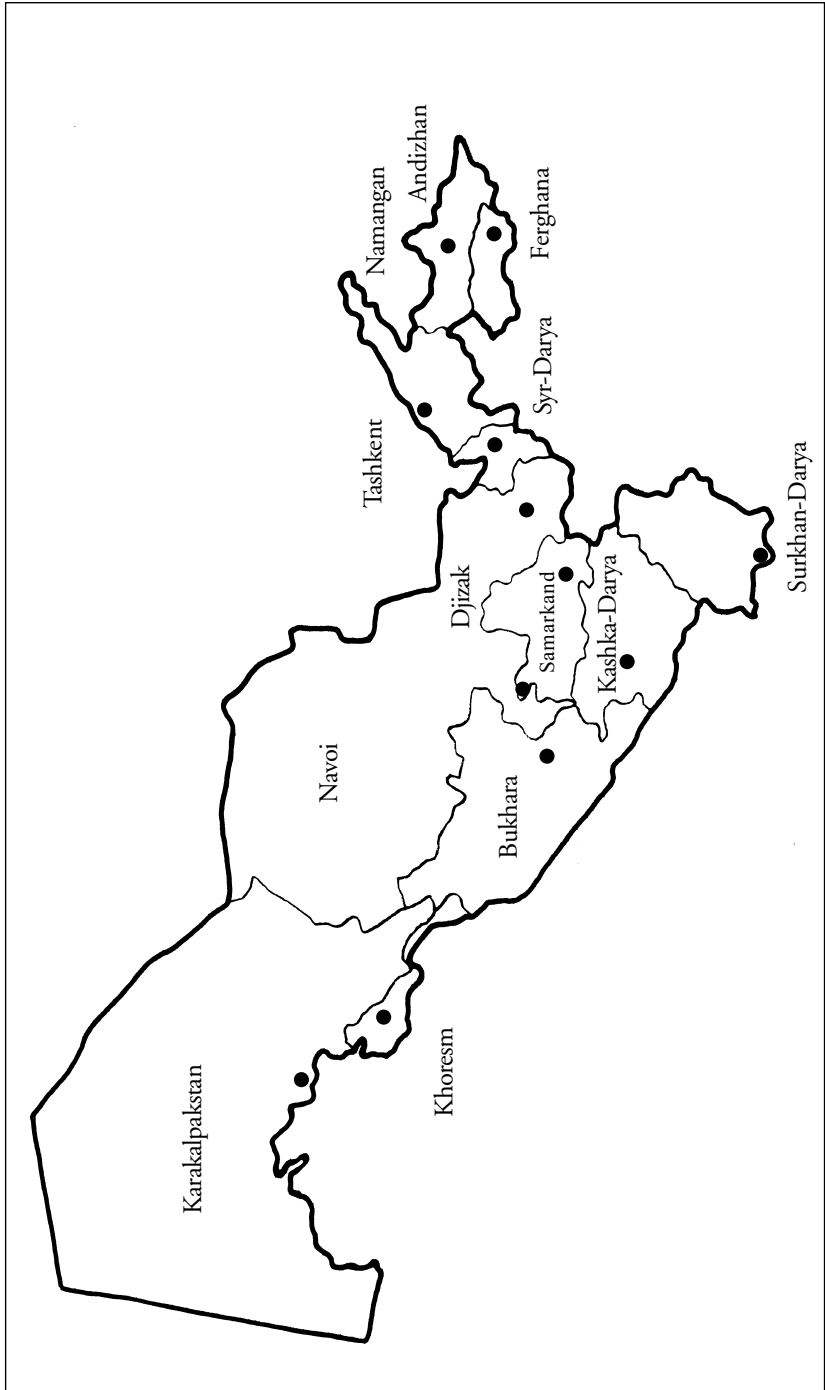


Figure 9A.2  
Administrative Map of Uzbekistan



## Annex 9.3

### Major Laws on Public Administration and Local Government

The following laws are listed in the order of adoption:

- Constitution of the Republic of Uzbekistan (8 December 1992). Tashkent, Uzbekistan, 1992: p. 48.
- Constitution of the Republic of Karakalpakstan (adopted 9 April 1993, amended in 1995 and 1997). Nukus, Karakalpakstan, 1998: p. 63.
- Law on the Cabinet of Ministers of Uzbekistan (May 6, 1993), *Vedomosti* (bulletin) of the Supreme Council of Uzbekistan No. 5, 1993: p. 202.
- Law on Ownership in Uzbekistan (7 May 7 1993), *Vedomosti* of the Supreme Council of Uzbekistan No. 8, 1993: p. 235.
- Law on Local Taxes and Duties (7 May 1993), *Vedomosti* of the Supreme Council of Uzbekistan No. 5: p. 227.
- Law on Local Public Administration (2 September 1993), *Vedomosti* of the Supreme Council of Uzbekistan No. 9, 1993: p. 320.
- Provision on Mahalla Committees in the Cities, Towns and Kishlaks of Uzbekistan. Tashkent, 1993.
- Civil Code of Uzbekistan (effective 1 March 1997)
- Law on Presidential Elections (amended by subsequent laws passed on 26 December 1997 and 19 August 1999)
- Law on Elections to the Oliy Majlis of Uzbekistan (amended by subsequent laws passed on 26 December 1997 and 19 August 1999)
- Law on Elections to Regional, District and City Councils (amended by subsequent laws passed on 26 December 1997 and 19 August 1999)
- Law of the Republic of Karakalpakstan on the Council of Ministers of Karakalpakstan (29 January 1998)
- Law on Community Self-governments (14 April 1999)

## Annex 9.4

## Responsibilities of Administrative Tiers

*Table 9A.5*  
**Specific Functions of Government Tiers in Uzbekistan**

Functions	District and City Administration	Regional Administration	Central Administration	Remarks
<b>I. EDUCATION</b>				
1. Pre-school				
2. Elementary	X			
3. Secondary	X			
4. Technical		X	X	
5. Refresher courses for teachers		X	X	
<b>II. SOCIAL WELFARE</b>				
1. Nurseries	X			
2. Kindergartens	X			
3. Welfare homes	X	X		
4. Services for elder and disables people	X	X		Also self-governments
5. Special services (for families in crisis, homeless, etc.)	X			Also self-governments
6. State housing			X	
<b>III. HEALTH SERVICES</b>				
1. Primary health care	X	X		
2. Health protection	X	X	X	Also privately
3. Hospitals	X	X	X	Special hospitals
4. Public health system			X	

*Table 9A.5 (continued)*  
**Specific Functions of Government Tiers in Uzbekistan**

Functions	District and City Administration	Regional Administration	Central Administration	Remarks
<b>IV. CULTURE, LEISURE, SPORTS</b>				
1. Theaters	X	X	X	State theaters
2. Museums	X	X	X	State museums
3. Libraries	X	X	X	State libraries
4. Parks	X			
5. Sports, leisure	X	X	X	
6. Maintaining buildings for cultural events		X		Also by self- governments
7. Monuments protection	X	X	X	
<b>V. ECONOMIC SERVICES</b>				
1. Water supply	X	X		
2. Sewage	X	X		
3. Electricity	X	X		
4. Gas	X	X		
5. District heating	X			
<b>VI. ENVIRONMENT, PUBLIC SANITATION</b>				
1. Waste collection	X			
2. Waste disposal	X			
3. Streets cleaning	X			
4. Cemeteries	X			
5. Environment protection	X	X	X	Particularly relevant in the Aral Sea region

*Table 9A.5 (continued)*  
**Specific Functions of Government Tiers in Uzbekistan**

Functions	District and City Administration	Regional Administration	Central Administration	Remarks
<b>VII. URBAN DEVELOPMENT</b>				
1. Town planning	X	X		
2. Regional/spatial planning		X	X	
3. Local economic development	X	X		Also self-governments
4. Tourism	X	X	X	
5. Roads	X	X	X	Of state importance
<b>VIII. GENERAL ADMINISTRATION</b>				
1. Authoritative functions	X	X	X	
2. Other state administrative matters	X	X	X	
3. Local police	X	X	X	
4. Fire brigades	X	X		
5. Civil defense	X	X	X	
6. Consumer rights protection		X	X	