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Republic of Uzbekistan: Recent Economic Developments

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REPUBLIC OF UZBEKISTAN

Recent Economic Developments

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Approved by the European II Department

January 12, 2000

| Contents | Page |
|--|------|
| Basic Data | 4 |
| I. Introduction | 5 |
| II. Overview | 5 |
| III. External Shocks and Internal Constraints | 9 |
| A. External Shocks | 9 |
| B. Internal Constraints | 11 |
| IV. Policy Responses and Economic Results | 14 |
| A. Exchange Rate Policy | 15 |
| B. Monetary Policy | 19 |
| C. Fiscal Policy | 23 |
| D. Social Protection Policies | 28 |
| E. Balance of Payments and Foreign Borrowing Policies | 28 |
| F. Structural Policies | 31 |
| Tables | |
| 1. Nominal GDP and Real GDP Growth, 1993-99 | 38 |
| 2. Sectoral Composition of Nominal GDP at Current Market Prices, 1993-99 | 39 |
| 3. Output of Selected Industrial Products, 1993-99 | 40 |
| 4. Output of Selected Agricultural Products, 1993-99 | 41 |
| 5. Cotton and Wheat Production Indicators, 1993-99 | 42 |
| 6. Cotton and Wheat Producer Prices, 1994-99 | 43 |
| 7. Saving and Investment Balances, 1995-98 | 44 |

| | | |
|-----|--|----|
| 8. | Sectoral Shares of Investment, 1995-98 | 45 |
| 9. | GDP and Sectoral Deflators, 1993-99 | 46 |
| 10. | Consumer Prices, 1998-99 | 47 |
| 11. | Producer Prices, 1998-99 | 48 |
| 12. | Electricity Consumption and Real GDP Growth, 1993-98 | 49 |
| 13. | Selected Energy Prices, 1995-99 | 50 |
| 14. | Crude Oil and Oil Products Energy Balance, 1993-98 | 51 |
| 15. | Non-Oil Energy Balances, 1993-98 | 52 |
| 16. | Monopoly enterprises and Products, 1996-99 | 53 |
| 17. | Corporatized and Partially Privatized Enterprises, 1992-98 | 54 |
| 18. | Bankruptcy Proceedings, 1997-99 | 55 |
| 19. | Labor Market Indicators, 1993-99 | 56 |
| 20. | Average Monthly Wages in the Public Sector, 1995-99 | 57 |
| 21. | Relative Wages by Sectors, 1995-99 | 58 |
| 22. | Public Sector Employment, 1993-99 | 59 |
| 23. | Reserve Money and Net Assets of the Monetary Authorities, 1997-99 | 60 |
| 24. | Credit Outstanding from the Central Bank of Uzbekistan, 1996-99 | 61 |
| 25. | Broad Money and Net Assets of the Banking System, 1997-99 | 62 |
| 26. | Yield of Government Bonds in the Primary Market, 1996-99 | 63 |
| 27. | Bank Interest Rates on Deposits in Sums, 1996-99 | 64 |
| 28. | Bank Interest Rates on Loans in Sums, 1996-99 | 65 |
| 29. | Financial Sector Indicators, 1997-99 | 66 |
| 30. | Commercial Banks' Prudential Ratios, August 30, 1999 | 67 |
| 31. | Consolidated Budget, 1993-99 | 68 |
| 32. | Consolidated Budget, 1993-99 | 69 |
| 33. | Pattern of Social Security Spending, 1998-99 | 70 |
| 34. | Balance of Payments, 1993-99 | 71 |
| 35. | Total Trade with Traditional Trading Partners by Sectors, 1996-99 | 72 |
| 36. | Total Trade with Nontraditional Trading Partners by Commodities, 1996-99 | 73 |
| 37. | Direction of Trade with Traditional Trading Partners by Country, 1996-99 | 74 |
| 38. | Direction of Trade with Nontraditional Trading Partners by Region, 1996-99 | 75 |
| 39. | Composition of Government and Government-Guaranteed Debt, 1996-99 | 76 |
| 40. | Profile of External Debt and Net Trade by Sector, 1998 | 77 |

Figures

| | | |
|----|--|----|
| 1. | Macroeconomic Indicators, 1996-99 | 6 |
| 2. | The Terms of Trade and Basic Commodity Prices, 1994-99 | 10 |
| 3. | Real Effective Exchange Rates Vis-à-Vis CIS countries, 1996-99 | 12 |
| 4. | Nominal and Real Exchange Rates, 1996-99 | 16 |
| 5. | Foreign Exchange Outflows from the Central Bank of Uzbekistan and the Banking System, 1998-99 | 17 |

| | | |
|-----|--|----|
| 6. | Foreign Exchange Inflows to Commercial Banks and Net International Reserves of the Central Bank of Uzbekistan, 1998-99 | 18 |
| 7. | Monetary Indicators, 1997-99 | 20 |
| 8. | Treasury Bill Rate and Consumer Price Inflation, 1997-99 | 22 |
| 9. | Tax Arrears, 1997-99 | 26 |
| 10. | Crude Oil and Natural Gas Prices, 1994-99 | 35 |

Text Boxes

| | | |
|----|--|----|
| 1. | Assessment of Official Consumer Price and National Accounts Statistics in Uzbekistan | 8 |
| 2. | Monetary Developments in 1998 and 1999 | 19 |
| 3. | Operation of the Treasury Bill Market | 23 |
| 4. | Alternative Measures of the Fiscal Balance | 24 |
| 5. | Revenue and Expenditure Measures in the Budget for 2000 | 27 |
| 6. | Extrabudgetary Funds and Social Protection | 29 |
| 7. | The Mahalla System | 30 |
| 8. | Trends in Cotton Production and Yields | 34 |

Appendices

| | | |
|------|--|----|
| I. | Quasi-Fiscal Operations and Welfare Effects of the Foreign Exchange System During the Period 1997-99 | 78 |
| II. | Trade and Exchange System | 85 |
| III. | Overview of the Tax System of Uzbekistan | 95 |

Appendix Tables

| | | |
|-----|--|----|
| 41. | Implicit Tax and Subsidy Rates in Foreign Trade Transactions | 79 |
| 42. | Implicit Taxes and Subsidies in Foreign Trade Transactions | 80 |
| 43. | Net Welfare Losses on Export Markets | 82 |
| 44. | Net Welfare Losses on Import Markets | 83 |
| 45. | Participants in Foreign Economic Activity | 86 |

Appendix Box

| | | |
|----|----------------------------|----|
| 9. | Import Tariff Regime | 89 |
|----|----------------------------|----|

Uzbekistan: Basic Data, 1994-98

| Social and Economic Indicators | | | | | |
|--|-------|-------|-------|-------|---------|
| Area (square kilometer) | | | | | 447,400 |
| Population (million, 1998) | | | | | 24.1 |
| Urban (percentage, 1998) | | | | | 41.6 |
| Population growth rate (percent, 1998) | | | | | 1.7 |
| Infant mortality rate (per 1,000 live births, 1996) | | | | | 24.2 |
| Life expectancy at birth for females (1997) | | | | | 72.4 |
| Life expectancy at birth for males (1997) | | | | | 66.1 |
| Public expenditure on health (percent of GDP, 1998) | | | | | 3.3 |
| Public expenditure on education (percent of GDP, 1998) | | | | | 7.9 |
| | 1994 | 1995 | 1996 | 1997 | 1998 |
| GDP and prices | | | | | |
| Nominal GDP (billion sums) | 65 | 303 | 559 | 977 | 1,359 |
| Real GDP (percent change) | -4.2 | -0.9 | 1.6 | 2.5 | 4.4 |
| Consumer prices (percent change, end period) | 1,281 | 117 | 64 | 50 | 26 |
| Consumer prices (percent change, average) | 1,568 | 305 | 54 | 71 | 29 |
| GDP at factor cost (percentage shares) | | | | | |
| Agriculture | 38 | 32 | 26 | 32 | 32 |
| Industry | 19 | 20 | 21 | 18 | 17 |
| Construction | 6 | 8 | 10 | 8 | 9 |
| Transport and communications | 8 | 8 | 8 | 7 | 7 |
| Trade | 8 | 6 | 8 | 10 | 10 |
| Other services | 22 | 25 | 27 | 25 | 24 |
| General government finances (percent of GDP) | | | | | |
| Revenue | 29.2 | 34.6 | 34.3 | 30.1 | 32.4 |
| Expenditure, net lending, and extrabudgetary funds | 33.5 | 38.7 | 41.6 | 32.3 | 36.0 |
| Balance | -4.4 | -4.1 | -7.3 | -2.2 | -3.5 |
| Money and credit 1/ | | | | | |
| Broad money | 680 | 144 | 113 | 36 | 28 |
| Net domestic assets | 125 | 72 | 94 | 91 | 12 |
| <i>Of which</i> | | | | | |
| Net credit to government | -155 | -22 | 70 | 11 | 7 |
| Velocity 2/ | 6.8 | 8.5 | 7.0 | 7.3 | 8.2 |
| Balance of payments | | | | | |
| Exports (million U.S. dollars) | 2,940 | 3,475 | 3,534 | 3,695 | 2,888 |
| Imports (million U.S. dollars) | 2,727 | 3,238 | 4,240 | 3,767 | 2,717 |
| Current account balance (million U.S. dollars) | 118 | -21 | -980 | -584 | -39 |
| Current account balance (percent of GDP) | 2.1 | -0.2 | -7.2 | -4.0 | -0.3 |
| Gross official reserves (million U.S. dollars) | 1,330 | 1,867 | 1,901 | 1,167 | 1,168 |
| Gross official reserves (months of imports) | 5.9 | 6.9 | 5.4 | 3.7 | 5.2 |
| Average official exchange rate (sums/U.S. dollar) | 9.9 | 29.8 | 40.2 | 66.4 | 94.7 |

Sources: Ministry of Macroeconomics and Statistics; Ministry of Finance; Central Bank of Uzbekistan; and Fund staff estimates.

1/ Percentage cumulative change during year relative to broad money at the beginning of the year.

2/ Velocity is calculated using end of period broad money.

I. INTRODUCTION

1. This report¹ was prepared as background for the 1999 consultation between the International Monetary Fund and Uzbekistan under the provisions of Article IV of the IMF's Articles of Agreement. The report analyzes economic developments and policies over the past couple of years, with emphasis on the period since mid-1998. In particular, it assesses consequences for the economy of several external shocks. Chapter II provides an overview of recent developments. Chapter III details the nature and extent of the external shocks affecting the economy and the internal constraints that characterize the Uzbek economy. Chapter IV analyses the policy responses to these shocks and the results of these policies. Appendix I analyses the quasi-fiscal operations and welfare effects of the foreign exchange regime during the period 1997-99. Appendix II gives a description of the exchange and trade system, while Appendix III describes in detail the current tax system. A set of tables updates available economic data series.

II. OVERVIEW

2. **The post-independence experience of Uzbekistan stands in marked contrast to that of most other BRO² countries.** Economic policy has been characterized by a cautious approach to structural reforms and reliance on administrative measures and government control and intervention in economic activity. These policies have aimed at maintaining social stability by containing inflation for basic consumer goods and limiting the negative impact of structural reforms on employment and economic growth. Official statistics indicate that the decline in output in Uzbekistan since 1991 has been the lowest of any of the BRO countries. Growth was restored in 1996 and has continued in subsequent years (Figure 1). The main explanation for this performance is found in the set of initial conditions characterizing the Uzbek economy at independence.³ Not only was Uzbekistan comparatively unburdened by over-industrialization, but its endowment with easily marketable primary commodities (i.e., cotton and gold accounted for 60 percent of exports) allowed it to reorient quickly its exports after the collapse of the Soviet Union.

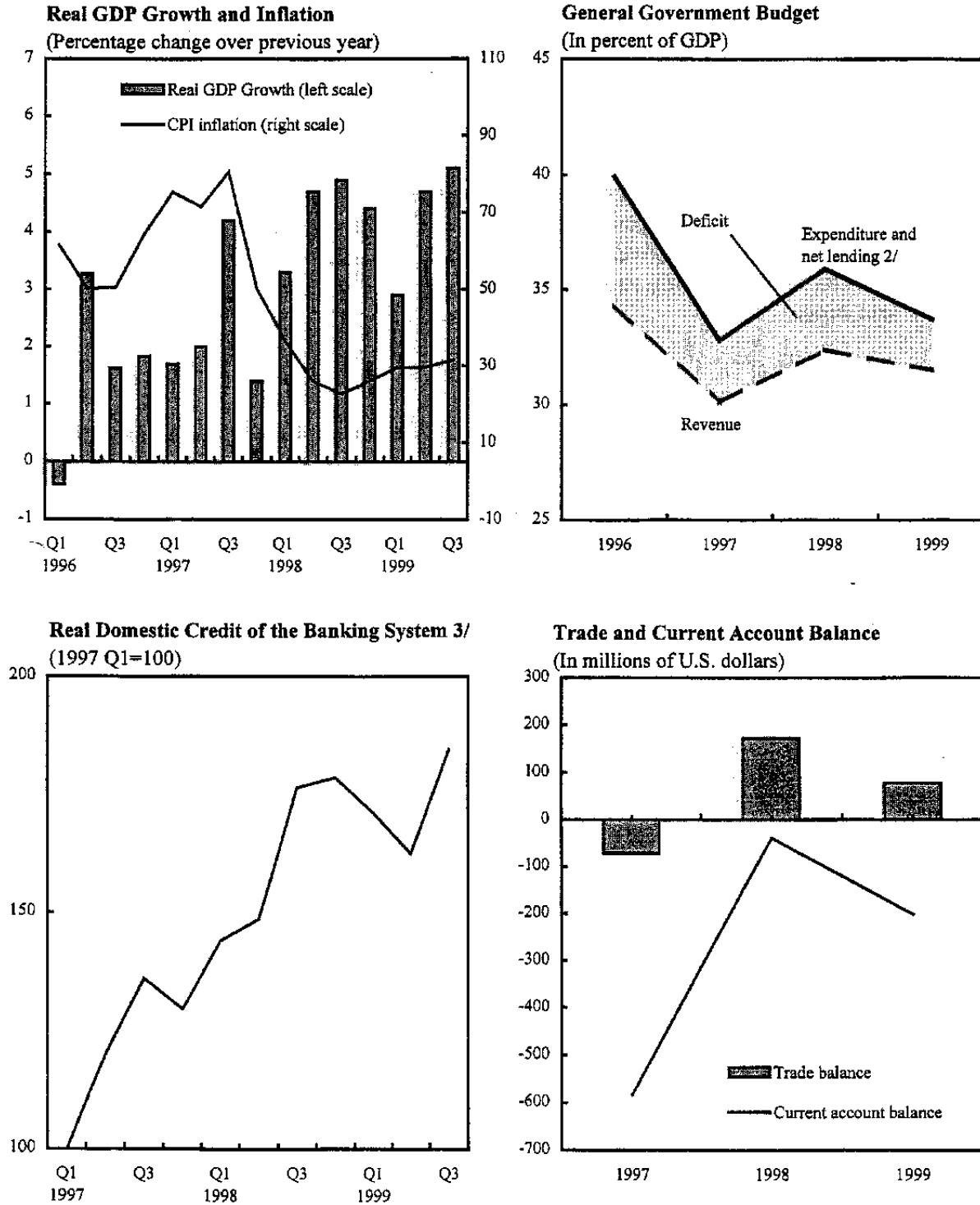
3. **Although economic growth has been maintained, imbalances in the Uzbek economy worsened during the last two years.** Official data indicate that real GDP grew by about 4 ½ percent in 1998 and is expected to increase by 4-4 ½ percent in 1999, while within-

¹ This report updates and expands information made available to the public in 1998 in IMF, 1998, "Republic of Uzbekistan: Recent Economic Developments," IMF Staff Country Report No. 98/212 (Washington, D.C., International Monetary Fund).

² The Baltics, Russia and other countries of the Former Soviet Union.

³ See IMF 1998.

Figure 1. Uzbekistan: Macroeconomic Indicators, 1996-99 1/



Sources: Data provided by the Uzbek authorities; and Fund staff estimates and projections.

1/ Historical numbers up to third quarter of 1999.

2/ Includes balances in extrabudgetary funds.

3/ Domestic credit deflated by GDP deflator.

year inflation is estimated at 26 percent and about 30 percent for the same periods, respectively.⁴ As discussed below, official data tends to underestimate inflation and overestimate real GDP growth. The external current account balance recorded small deficits during 1998 and 1999. However, the small current account deficit in the aftermath of the Russian crisis was due more to an intensification of administrative import controls than to the ability of the economy to adjust to external shocks. Furthermore, the external imbalances manifested themselves in low inflows of foreign direct investment and evidence of capital flight.

4. **The Fund staff and other independent observers have, in the past, raised questions about the reliability of official statistics, especially concerning the measurement of changes in consumer prices and real GDP.**⁵ During the 1999 Article IV consultation mission, additional information was obtained on the methodology used to collect consumer price data. Deficiencies in price collection and recording procedures made it increasingly difficult to record prices accurately as inflation accelerated in 1997 and prices were hiked in 1998-99 for a few key food items due to temporary supply shortages and frequent changes in suppliers. As a consequence, the official CPI for this period tends to understate inflation (Box 1). Because the same price data are used in the computation of the CPI and the GDP deflator, there is also an upward bias in the official estimates of real GDP growth. It is, however, impossible to revise historical CPI data for the deficiencies since they occurred mainly at the price collection stage.

5. **Since late 1996, Uzbekistan has followed a strategy of import substitution.** Beginning in 1997, a multiple exchange rate regime was explicitly introduced that used an overvalued official exchange rate to tax exporting sectors (largely cotton and gold production) in order to subsidize imports of capital and priority consumer goods. In addition, the administration of the numerous trade restrictions was tightened in order to protect domestic producers from external competition. As a result, the illegal curb market for foreign exchange gained in importance and the spread between the curb market exchange rate and the official rate widened significantly, from about 100 percent in 1997 to more than 400 percent in late 1999.

⁴ During 1998 growth was driven largely by construction and trade, which offset the impact of the poor cotton harvest. Growth was maintained in 1999, mainly because of better cotton and grain harvests.

⁵ See IMF 1998.

Box 1: Assessment of Official Consumer Price and National Accounts Statistics in Uzbekistan

Although there has been a significant improvement in the quality of official macroeconomic data in recent years, statistics on consumer prices and national accounts still suffer from problems that to some extent hamper an accurate assessment of economic developments in Uzbekistan.

The methodology for compiling consumer price data and computing a consumer price index was established with technical assistance from the Fund in 1994. Subsequent problems concerning the methodology for recording and imputing the prices for seasonal goods were corrected in February 1998. Nonetheless, there are problems related to recording and imputing prices of non-seasonal goods for which the source of supply frequently changes or for goods that are temporarily unavailable in the market. Prices for these goods are not properly recorded or imputed, thereby preventing direct price comparisons over time. As a result, the official CPI underestimates the extent of price changes, a problem that is exacerbated by market instabilities. The consequence of this shortcoming in the official statistics can be seen by comparing the official food price index for Tashkent and the price index collected by the IMF resident representative's office as well as other independent observers in Tashkent. The increase in the former index is consistently lower than the latter (see table below).

In order to correct this problem, Fund staff has urged the authorities to enforce the instructions provided earlier to price collectors on recording and imputing prices of missing goods and recommended that the instructions be amended as follows:

- Price collectors should obtain a minimum of five comparable prices for each variety of recorded items;
- For a few key commodities prices should be collected once every week instead of once per month;
- Comparable commodities need to be introduced quickly for discontinued items;
- Price collectors should visit an appropriate number of state shops and bazaars; and
- Problems of high turnover among the price collectors mainly due to low pay and insufficient transportation allowances need to be reviewed and solved.

In the area of national accounts statistics, the following problems were identified:

- There is a lack of GDP estimates at constant prices (currently changes in real terms are based on comparable prices of the previous year) and discrete quarterly GDP estimates (currently GDP is compiled on a cumulative basis);
- Improper coverage of the informal sector, particularly in retail trade and services;
- Problems of proper assessment of the retail trade deflator, which suffers from the methodological deficiencies similar to those of the CPI;
- Problems in calculating trade margins for retail trade, which do not reflect properly structural changes and are likely to cause upward biased growth estimates as the share of commodities with low margins increases;
- Problems in calculating subsidies in constant prices;
- Lack of reliable estimates of GDP by expenditure categories; and
- Insufficient use of sampling methods.

Uzbekistan: Alternative Indicators of Inflation

| | Consumer Price Index 1/ | Tashkent Food Price Index 1/ 2/ | Tashkent Food Price Index 3/ | Producer Price Index 1/ | GDP Deflator 1/ | Average Wages 1/ |
|---------|-------------------------|---------------------------------|------------------------------|-------------------------|-----------------|------------------|
| 1998 Q1 | 19.1 | 5.7 | 54.1 | 33.2 | 37.1 | 44.1 |
| 1998 Q2 | 12.6 | 1.5 | 28.5 | 28.0 | 42.9 | 48.0 |
| 1998 Q3 | 16.5 | 16.9 | 29.8 | 54.2 | 33.2 | 49.1 |
| 1998 Q4 | 23.1 | 25.8 | 32.0 | 47.9 | 26.6 | 46.2 |
| 1999 Q1 | 29.1 | 31.0 | 45.7 | 48.7 | 35.8 | 64.0 |
| 1999 Q2 | 30.1 | 30.8 | 52.6 | 51.3 | 41.9 | 65.3 |
| 1999 Q3 | 29.3 | 30.6 | 66.1 | 24.1 | 38.7 | 53.6 |

Sources: Data provided by the Uzbek authorities; and Fund staff estimates.

1/ Official statistics.

2/ The weight of food in the official CPI is 71 ½ percent.

3/ Data on food prices collected in Tashkent by the IMF Resident Representative's office.

6. **Financing for the import substitution strategy came from a drawdown of international reserves in 1997 and increased external borrowing during 1998 and 1999.** The external sources were used mainly to finance imports of capital equipment for modernization of domestic industry. As a result of this policy, the stock of government and government-guaranteed external debt and external debt service have increased significantly over the past two years.

III. EXTERNAL SHOCKS AND INTERNAL CONSTRAINTS

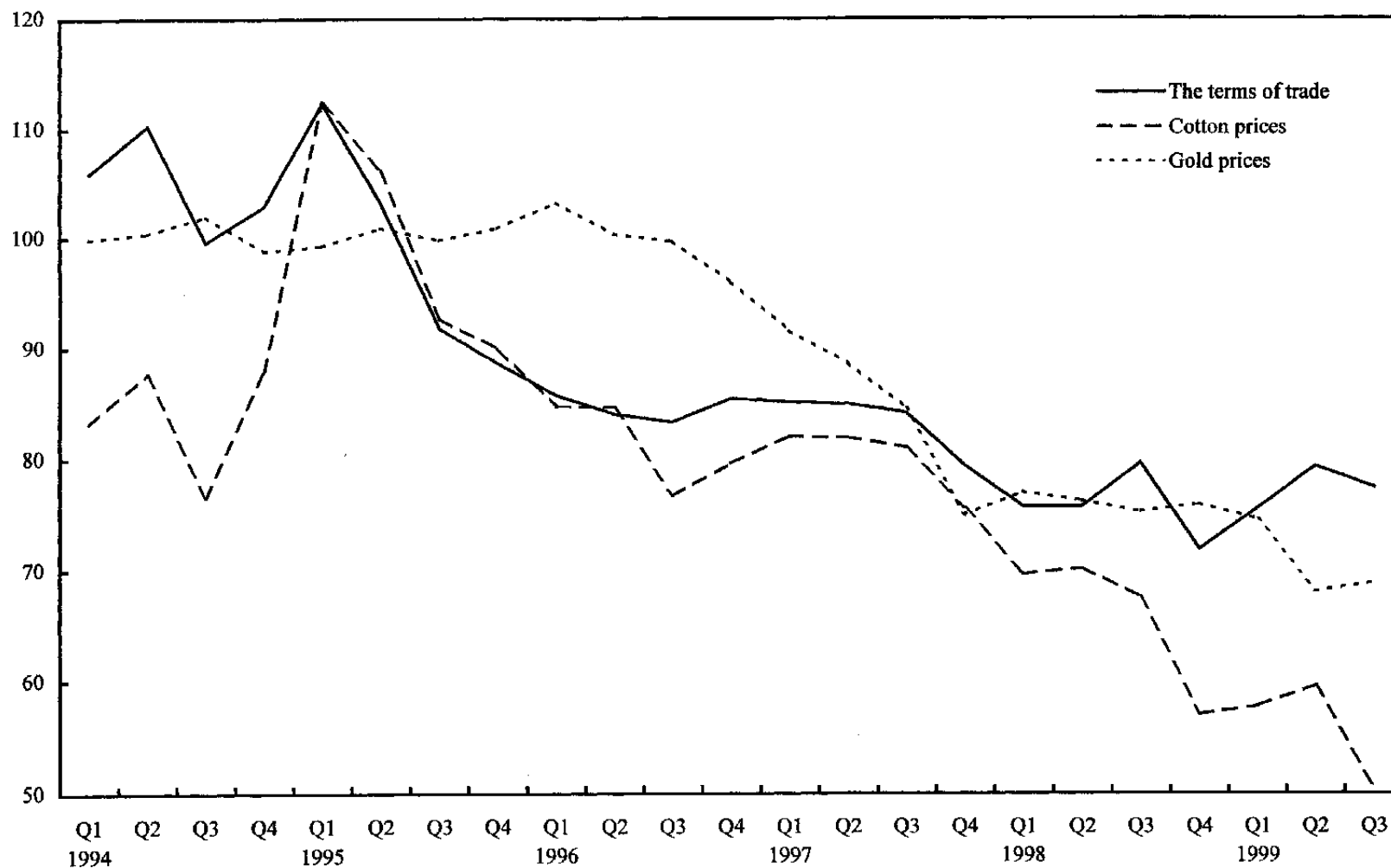
7. **The external shocks faced by Uzbekistan highlighted the weaknesses of the economic strategy followed by the government since 1996.** This strategy had already weakened the balance of payments position before 1998. The overvalued official exchange rate in combination with the export surrender requirements reduced production incentives for traditional exports (cotton and gold) and hindered the development of non-traditional exports. The non-convertibility of the local currency and the difficult business climate discouraged foreign direct investment inflows. All these factors in combination with distortions in the banking system (cash withdrawal restrictions and negative real interest rates) encouraged capital flight.

A. External Shocks

8. **In 1998 and 1999 the Uzbek economy experienced three shocks—the Russian crisis, a poor cotton harvest, and continuing decline in world cotton and gold prices.** As a result, the balance of payments position worsened significantly. Total export earnings in 1998 were 22 percent lower than in 1997. For the first three quarters of 1999, total exports were about 8 percent lower than the same period in 1998. The 1998 cotton harvest was 12 percent lower than the 1997 harvest (Table 4) and the average price for cotton declined by nearly 20 percent. The value of cotton exports from the 1998 harvest was about 44 ½ percent lower than from the 1997 harvest.⁶ Beginning in early 1998 gold prices began a nearly continuous decline through August 1999 (Figure 2). While gold prices staged a brief recovery during the third and fourth quarters of 1999, by the end of 1999 they had fallen back to close to the level at the beginning of the year. As a result of the price decline, the value of gold exports was 11 percent lower in 1998 than in 1997. In the first 9 months of 1999, a further small loss was recorded due to the continued gold price decline. In spite of the large fall in export prices, the terms of trade declined by only 2 ½ percent between January 1998 and September 1999 because of a significant decline in prices for wheat and imports from CIS countries.

⁶ The adverse impact on the balance of payments of the decline in export receipts from cotton was partly mitigated by lower import costs owing to a favorable grain harvest.

Figure 2. Uzbekistan: The Terms of Trade and Basic Commodity Prices, 1994–99
(Index 1995 = 100)



Sources: Ministry of Macroeconomics and Statistics; and Fund staff calculations.

9. **Earnings from the export of manufactured goods also declined because of reduced demand from CIS countries and the erosion of price competitiveness.** The real effective official sum exchange rate vis-à-vis CIS countries appreciated by 42 percent from June 1998 to September 1999 (Figure 3).⁷ Consequently, the competitiveness of manufacturing exports such as automobiles produced by Uz-Daewoo, which are sold mostly in Russia, was seriously eroded in the wake of the Russian crisis. Total exports to CIS countries declined by about 50 percent in 1998 and a further decline has been recorded in 1999. In sharp contrast, the real effective exchange rate in the illegal curb market depreciated significantly—about 35 percent—over the same period, but this rate is of limited importance for most exports.

B. Internal Constraints

10. **Adjustment to the external shocks has been constrained by numerous structural rigidities in the Uzbek economy.** Among the internal constraints that hinder a fuller adjustment to the external shocks are the restrictive foreign exchange and trade regime, government control and intervention in economic activity (including centralized resource allocation particularly in agriculture), the slow pace of privatization, and a restrictive business environment (including governance and corruption problems).⁸

11. **Government intervention remains pervasive in the agricultural sector.** Most of the former state and collective farms have been converted into joint stock companies or cooperatives. However, this transformation is more notional than real as numerous restrictions still apply to farming operations, particularly those pertaining to cotton and wheat production.⁹

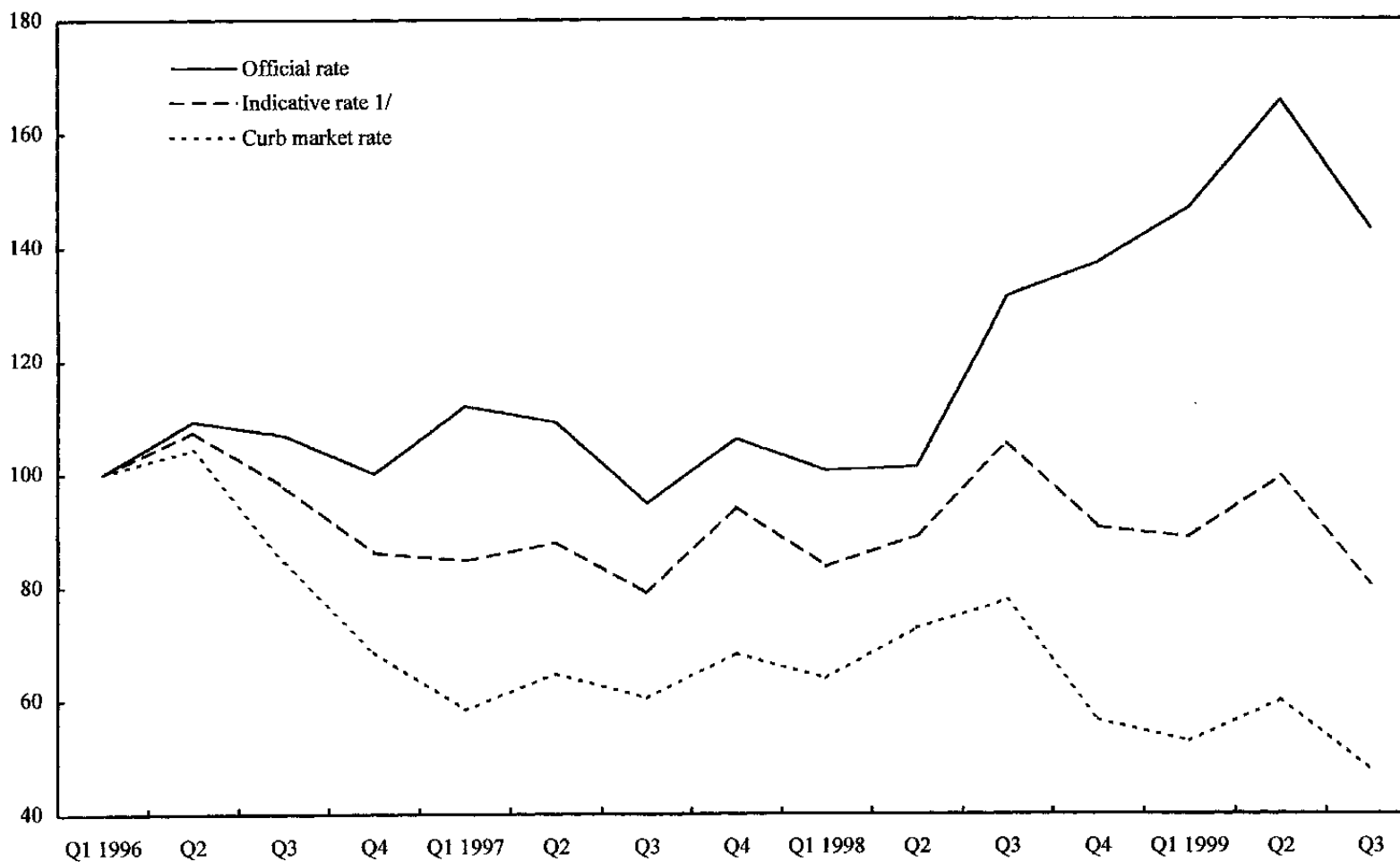
12. **The pricing and marketing arrangements for wheat and cotton are determined by the state order system.** Presently the state order system requires farms to sell 30 percent of the “target” for cotton production and 25 percent of the target for wheat production at

⁷ The real effective exchange rates against all trading partners are shown in Figure 4.

⁸ The economic costs and inefficiencies caused by the current exchange rate regime are discussed in Appendix I.

⁹ A total of 2.9 million hectares—which accounts for about 73 percent of the total cultivated land—were devoted to these two crops in 1998.

Figure 3. Uzbekistan: Real Effective Exchange Rates Vis-à-Vis CIS Countries, 1996–99 1/ 2/
(Index 1996 Q1 = 100)



Sources: Central Bank of Uzbekistan; and Fund staff calculations.

1/ Calculated on the basis of the GDP deflator, using trading partners' exchange rates and CPIs (with INS weights). The indicative exchange rate is calculated as a weighted average of the official rate (30 percent), the commercial bank rate (40 percent), and the curb market rate (30 percent).

2/ A decrease in the indices denotes a depreciation of the real effective exchange rate.

state determined prices.¹⁰ In the case of wheat, an additional 25 percent of targeted output is sold at negotiated prices, which are approximately 40 percent higher than the state order price for wheat.

13. **Production targets are determined by the state and, if farms fail to meet their target, they are required to sell their entire cotton or wheat output at the official price.** Producers who meet the cotton production target can sell the remaining 70 percent to the state marketing board at somewhat higher prices.¹¹ Wheat producers that meet their target are allowed to sell the balance of the output locally at market-determined prices. Since state production targets are usually ambitious, many producers are unable to meet their target. As a result, state procurement of cotton and wheat is typically higher than the officially determined share. In recent years, about 65-75 percent of the cotton and wheat harvests have been sold at official state order prices.

14. **The low producer price for cotton is partially offset through implicit subsidies and preferential credits to producers.** Farmers benefit from nearly free irrigation water as the government bears much of the cost of maintenance and operation of the irrigation system. The VAT exemption for the entire sector and the ability to import agricultural inputs at the official exchange rate are other forms of indirect subsidies. Agricultural enterprises also receive loans on preferential terms including subsidized interest rates and frequent rescheduling. Nonetheless, it is estimated that net taxation of agriculture was the equivalent of 4 ½ percent of GDP in 1998.¹²

15. **The government also exercises extensive control over the enterprise sector.** In 1998, non-state economic entities accounted for 89 percent of total legal entities, with private enterprises accounting for about 45 percent.¹³ The dominance of state enterprises has adversely affected the business environment. Although the number of monopolies has

¹⁰ The 1998 the state order price for cotton was about 51 percent of the average Liverpool price calculated at the official exchange rate, and about 74 percent in 1999. In 1998, the producer price for wheat was about 84 percent of the world wheat price. State order prices are much lower compared with world market prices if calculated on the basis of the underlying market clearing exchange rate.

¹¹ These prices are usually 20 percent higher than the state order prices, but still lower than world market prices.

¹² World Bank, 1999, "Uzbekistan Social and Structural Policy Review", Report No. 19626 (Washington, D.C., International Bank for Reconstruction and Development).

¹³ The non-state sector in Uzbekistan is broadly defined and encompasses private enterprises as well as those with substantial state equity holdings.

decreased in recent years, competition in many sectors remains limited due to the dominance of large state-owned enterprises.

16. **In line with the gradual approach to structural reform, the pace of privatization in Uzbekistan has thus far been rather slow.** Privatization has taken place in three stages. The **first stage** concentrated on housing units and small enterprises mainly in the service sector and was largely completed by 1995, with 90 percent of small enterprises being privatized (Table 17). The **second stage**, which involves the creation of privatization investment funds, began in late 1996 and is still being implemented. These privately owned funds purchase shares in selected medium-and large-scale enterprises. In turn, the public is able to purchase shares in the funds. As of September 1999, 86 investment funds were licensed, of which 68 were actively purchasing enterprise shares. The **third stage**, case-by-case privatization of large enterprises, began in 1998 with support from the World Bank, but with limited results.

17. **The business environment is adversely affected by an excessively bureaucratic process for registering and licensing enterprises.** Numerous documents must be submitted to different ministries for consideration and approval. As a result, the registration process can take 4 to 6 months. Delays in import contract registration and customs clearances also contribute to the increased cost of business operations. The uncertain legal framework and complicated bureaucratic procedures give rise to serious governance and corruption problems.¹⁴

IV. POLICY RESPONSES AND ECONOMIC RESULTS

18. **The policy responses to the external shocks experienced in 1998 and 1999 were dictated in large measure by the continued inward-oriented strategy pursued by the authorities.** In general, there has been a reluctance to expose enterprises to competition from abroad for fear that they are still not sufficiently prepared for such a competitive challenge, and the trade and foreign exchange regime was used extensively to curtail imports¹⁵. At the same time, agriculture continued to be taxed through the foreign exchange system to support modernization in the industrial sector. While fiscal policy (excluding quasi-fiscal activities) was fairly tight, monetary policy sought to cushion the impact of the external shocks by continuing to expand credit to industrial and agricultural enterprises. A large portion of the expansion of domestic credit by the banking system came in the form of on-lending of

¹⁴ Uzbekistan is close to the bottom among 100 countries in the latest Corruption Perception Index produced by the nonprofit group, Transparency International. (Transparency International, 1999, "The Transparency International Perception Index 1999"(Berlin, Germany).)

¹⁵ The operation of the trade and exchange system is described in Appendix II.

government-guaranteed foreign borrowing. Following the Russian crisis, the availability of foreign exchange through official channels decreased and the gap between the official and curb market exchange rates increased significantly.

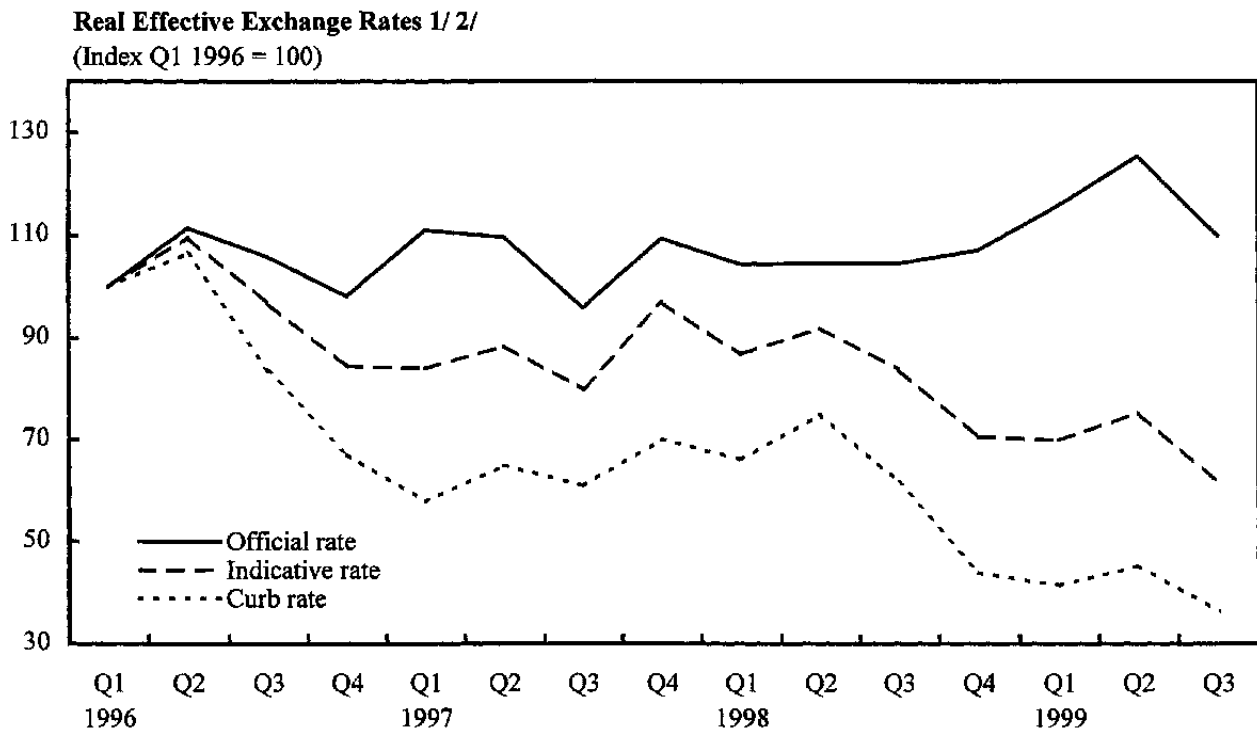
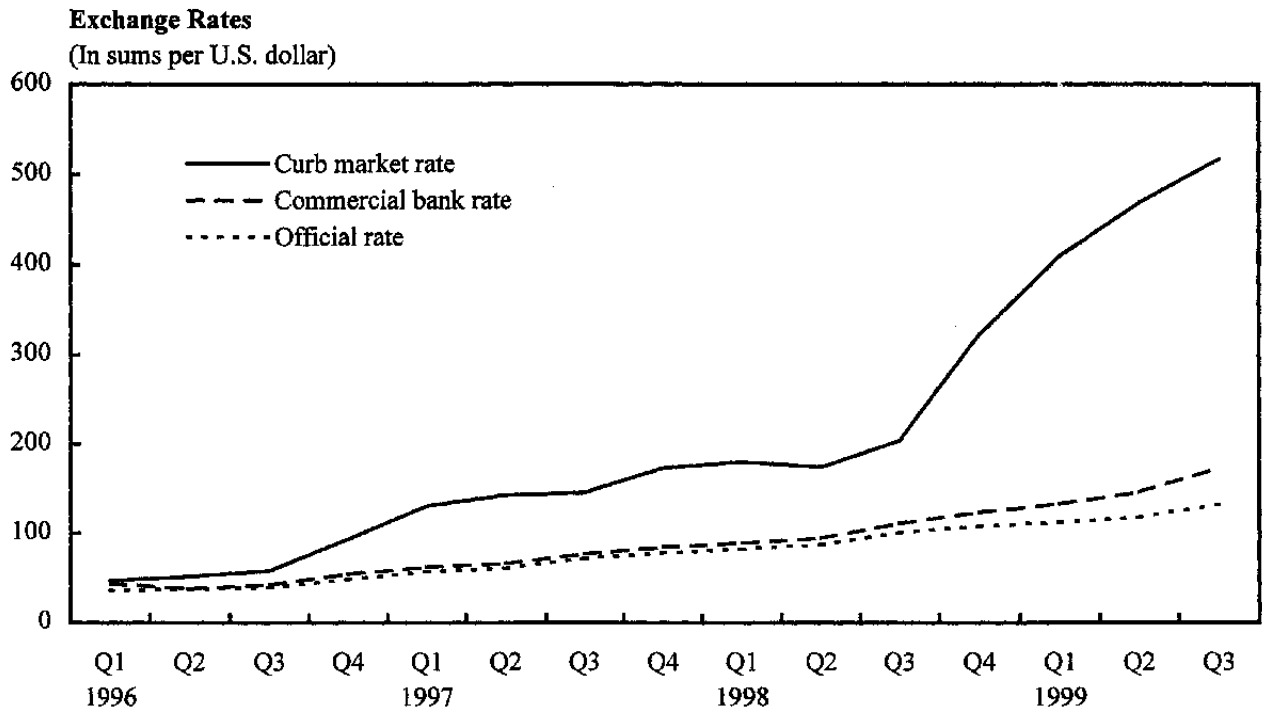
A. Exchange Rate Policy

19. **The authorities have continued to resist major adjustments to either the official or the commercial bank exchange rates in response to the external shocks.** The official exchange rate and the commercial bank exchange rate were allowed to depreciate (against the U.S. dollar) by slightly more than inflation during 1998 (Figure 4). In contrast, the curb market rate depreciated sharply in the wake of the Russian crisis in August 1998. During the first 9 months of 1999, the depreciation of the official rate continued to outpace inflation slightly, while the commercial bank rate was allowed to depreciate by approximately double the official rate. The spread between the curb market rate and the officially controlled rates widened further during this period. While the real effective official exchange rate has appreciated significantly since the middle of 1998, the real effective indicative rate has depreciated by about 33 percent between the second quarter of 1998 and the third quarter of 1999.¹⁶

20. **The present foreign exchange regime allows the authorities to manage foreign exchange flows by controlling the supply, demand and price in the official and commercial bank markets.** Beginning in mid-1998, in response to the increasing balance of payments pressures, the CBU began reducing access to foreign exchange by limiting its sales to commercial banks (Figure 5). At the same time, sales of foreign exchange to commercial banks (via the surrender requirement of non-centralized exports) were curtailed (Figure 6). This contributed to the decision by the authorities to increase the mandatory surrender requirement for non-centralized exports from 30 percent to 50 percent as of January 1999. Nonetheless, sales of foreign exchange by the banking system have decreased since the third quarter of 1998, with the decline in sales by commercial banks becoming especially pronounced during 1999. During this period many enterprises experienced increased delays in obtaining approval of their applications for foreign exchange. In this way, the authorities were able to forestall a decline in gross international reserves between end-1997 and end-1998. By mid-1999, however, the authorities had to draw down reserves to repay cotton advances from 1998 that could not be met due to the poor harvest and to cover other external obligations. Additionally, the authorities borrowed US\$150 million on commercial terms during the second quarter of 1999 to help meet external obligations.

¹⁶ The real effective rate is calculated using the Information Notice System of the IMF (INS) weights and the GDP deflator as a measure of price developments in Uzbekistan. The indicative exchange rate is a weighted average of the official rate (30 percent), the commercial bank rate (40 percent), and the curb market rate (30 percent).

Figure 4. Uzbekistan: Nominal and Real Exchange Rates, 1996–99

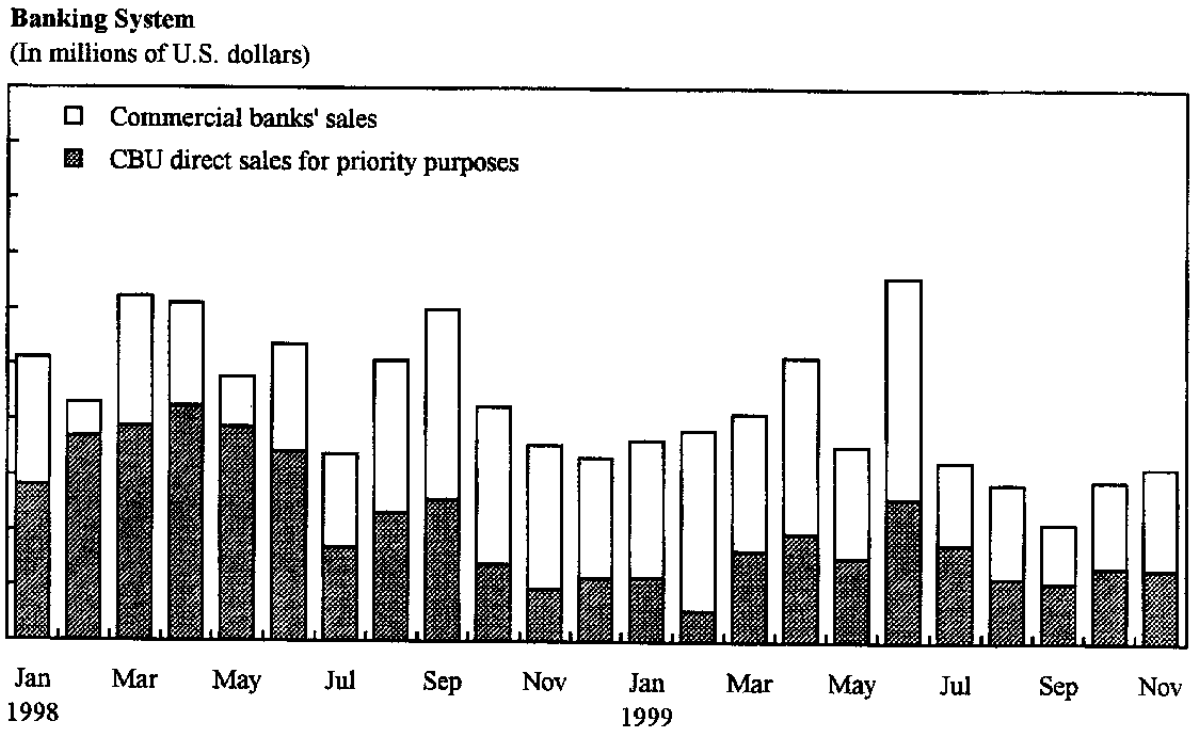
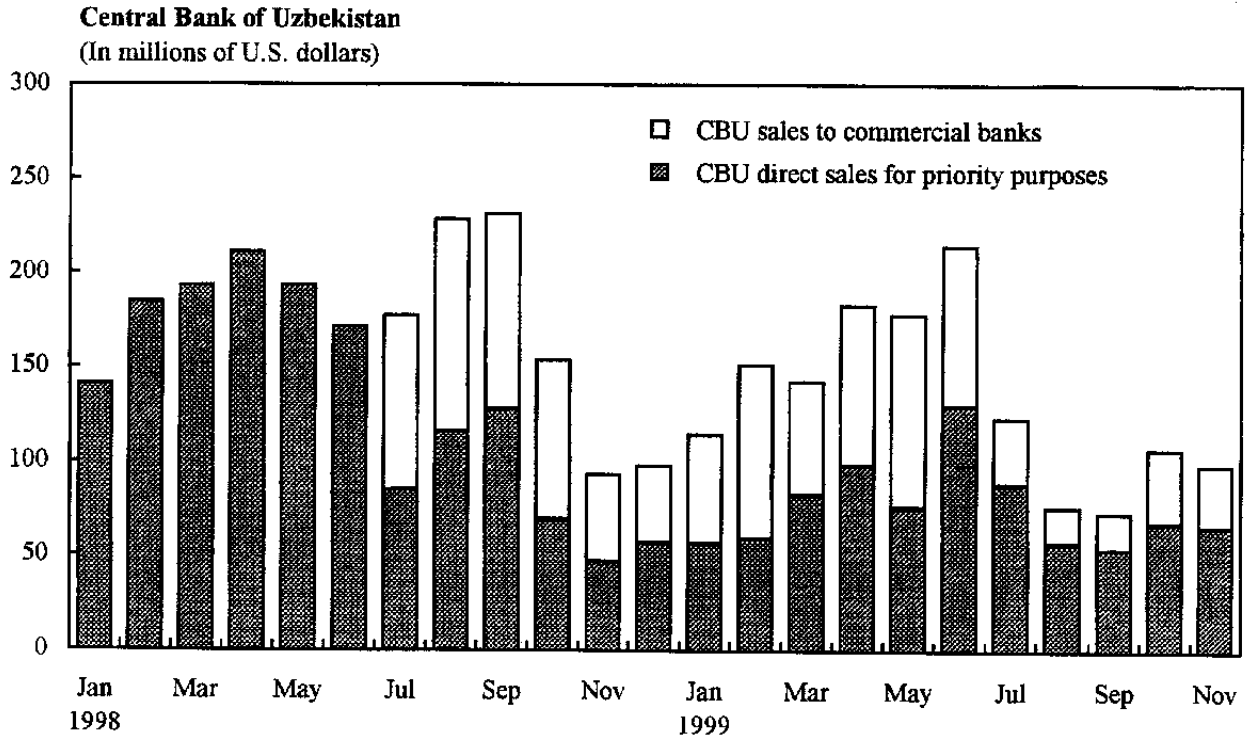


Sources: Central Bank of Uzbekistan; and Fund staff calculations.

1/ Calculated on the basis of the GDP deflator, using trading partners' exchange rates and CPIs (with INS weights). The indicative exchange rate is calculated as a weighted average of the official rate (30 percent), the commercial bank rate (40 percent), and the curb market rate (30 percent).

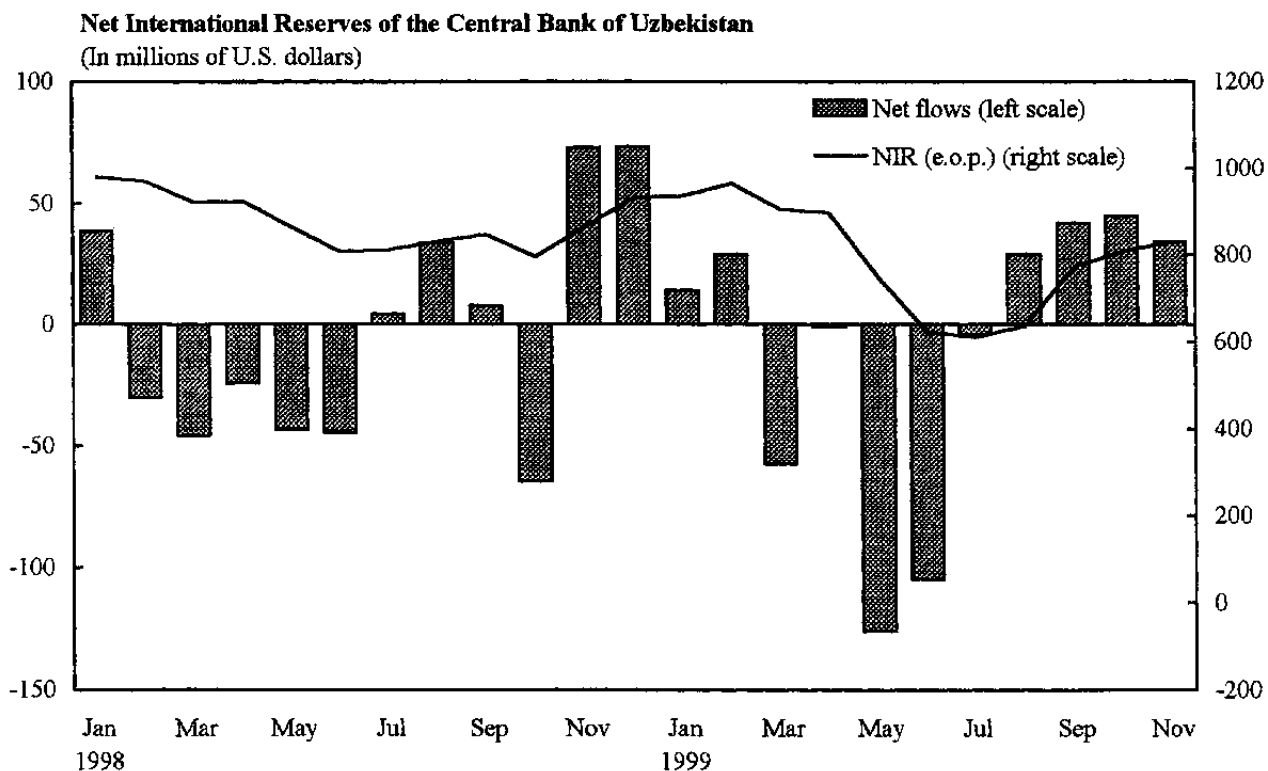
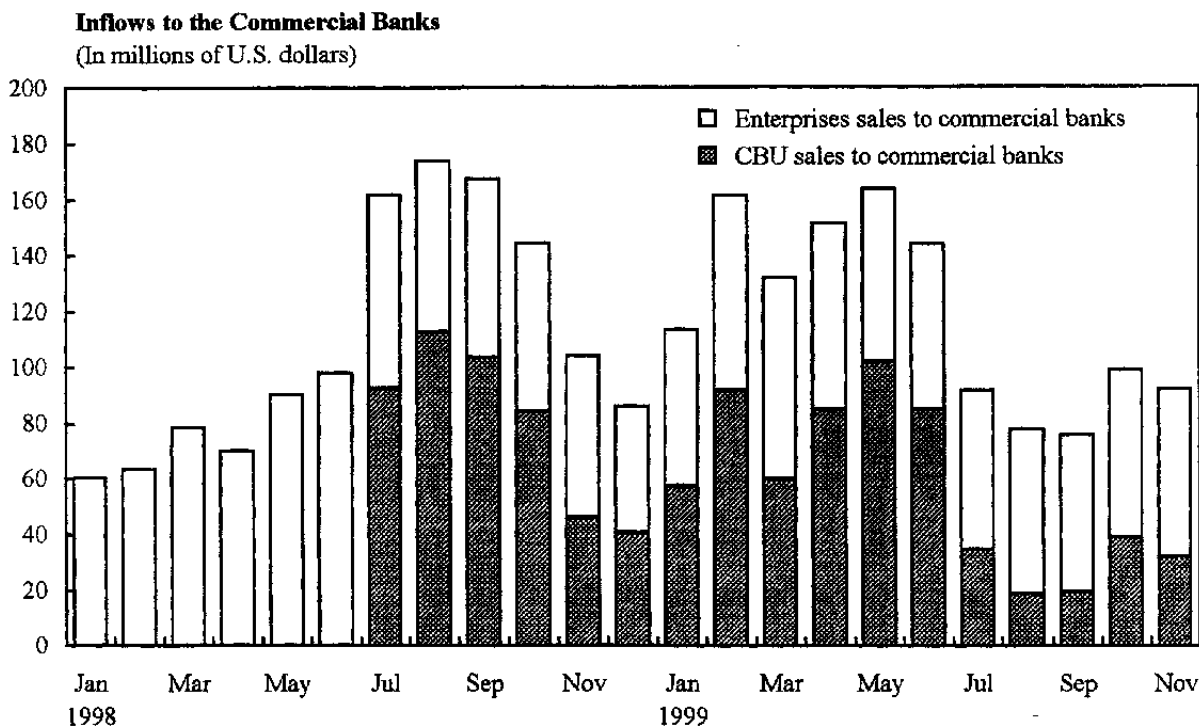
2/ A decrease in the indices denotes a depreciation of the real effective exchange rate.

Figure 5. Uzbekistan: Foreign Exchange Outflows from the Central Bank of Uzbekistan and the Banking System, 1998-99



Sources: Central Bank of Uzbekistan; and Fund staff estimates.

Figure 6. Uzbekistan: Foreign Exchange Inflows to Commercial Banks and Net International Reserves of the Central Bank of Uzbekistan, 1998-99



Sources: Central Bank of Uzbekistan; and Fund staff estimates.

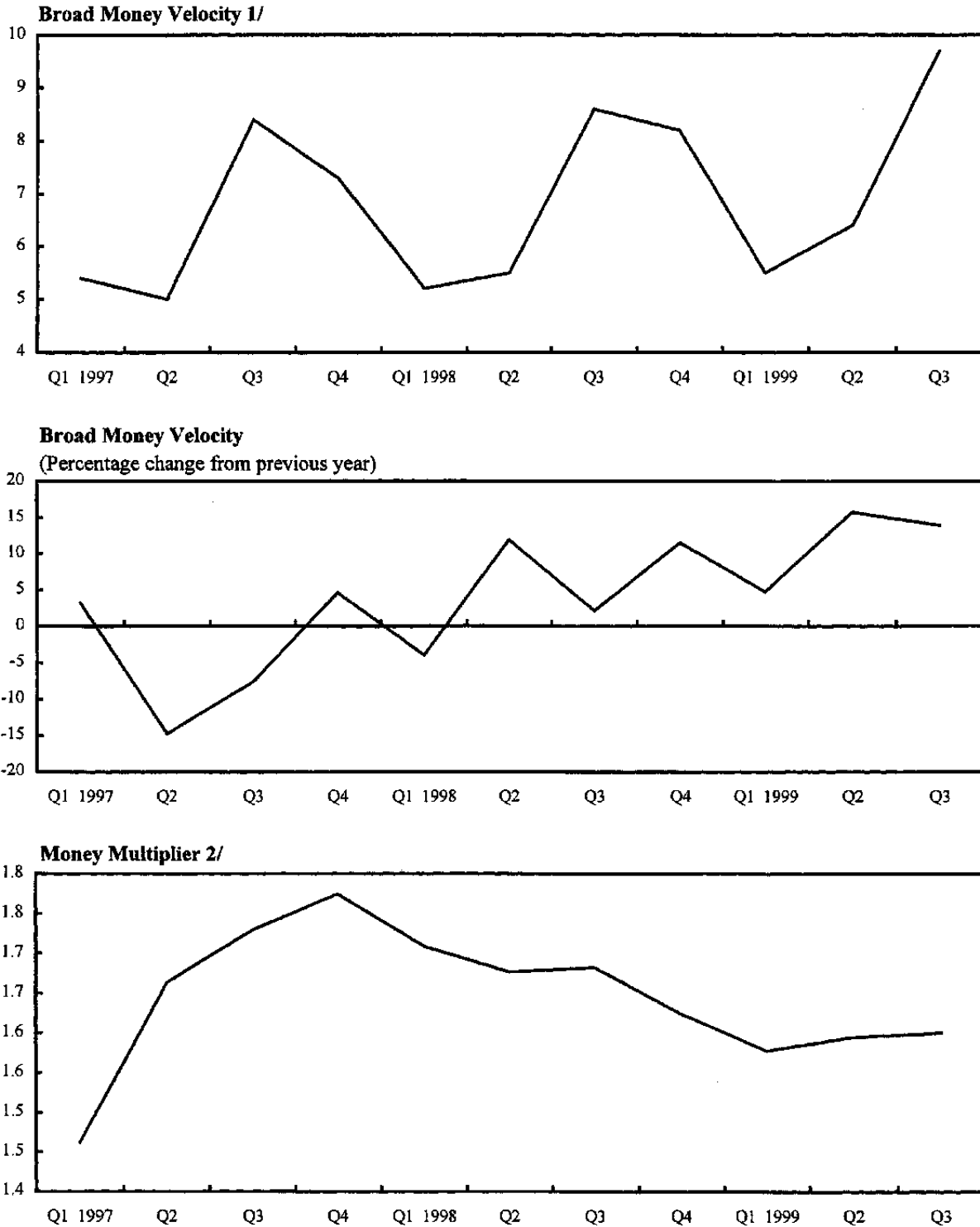
B. Monetary Policy

21. **Monetary policy has mainly aimed at supporting the inward-oriented development strategy, which has limited the ability of the CBU to follow independent policies aimed at promoting macroeconomic stability.** With a large part of bank lending being government guaranteed (and explicitly or implicitly government directed), the CBU has had limited possibilities for conducting an independent monetary policy. Also, according to the approved budgets, the CBU is required to provide financing for the government in an amount equivalent to 1 percent of GDP. Furthermore, the CBU has a limited arsenal of monetary policy instruments at its disposal. The obligatory reserve requirements, the refinance facility, the sale of certificates of deposit and credit auctions have not been used very actively. The most potent instrument in liquidity management has been the sale of foreign exchange by the CBU, but its ability to use this instrument in any significant way in the past two years has been limited by the targets for the level of gross international reserves established by the government.

22. **In line with the general development policy objectives, and partly in response to the Russian crisis, monetary policy became increasingly expansionary during 1998 and remained loose in 1999.** Although there were signs that broad money velocity was increasing in the wake of the Russian crisis (Figure 7), the CBU expanded credit rapidly during the second half of 1998. At the same time, it restricted its sale of foreign exchange in order to meet the government's target of rebuilding reserves, which had declined significantly earlier in the year. As a result reserve money grew rapidly (Box 2). However, the money multiplier

| Box 2. Uzbekistan: Monetary Developments in 1998 and 1999 | | | |
|--|----------------------|---------------------|----------------------|
| | Sept. 1998 Actual | Dec. 1998 Actual | Sept. 1999 Actual |
| (Percent change from end-December of the previous year) | | | |
| Broad money | 18 ½ | 28 | 18 ½ |
| Credit to the economy | 55 | 70 ½ | 27 ½ |
| Reserve money | 25 | 40 | 20 |
| (Percent change in relation to the reserve money stock at end-December of the previous year) | | | |
| NIR 1/ | -8 ½ | 0 | -16 |
| NDA 1/ | 33 ½ | 40 | 36 |
| Net credit to government | 5 ½ | 13 ½ | 12 ½ |
| Sources: Central Bank of Uzbekistan; and Fund staff calculations. | | | |
| 1/ Adjusted for valuation changes. | | | |

Figure 7. Uzbekistan: Monetary Indicators, 1997-99



Sources: Data provided by the Central Bank of Uzbekistan; and Fund staff calculations.

1/ Calculated as annualized quarterly GDP divided by end-period broad money.

2/ Calculated as end-period broad money divided by end-period reserve money.

declined, mainly owing to an increase in the currency to deposit ratio, and broad money expansion was more moderate than the increase in reserve money. The increase in monetary aggregates slowed down somewhat during the first three quarters of 1999 as the authorities offset part of the credit expansion through foreign exchange sales. Nevertheless, monetary conditions remained fairly easy, as evidenced by the continued negative real interest rates (Figure 8) and the large depreciation of the curb market exchange rate (by more than 100 percent against the U.S. dollar during 1999).

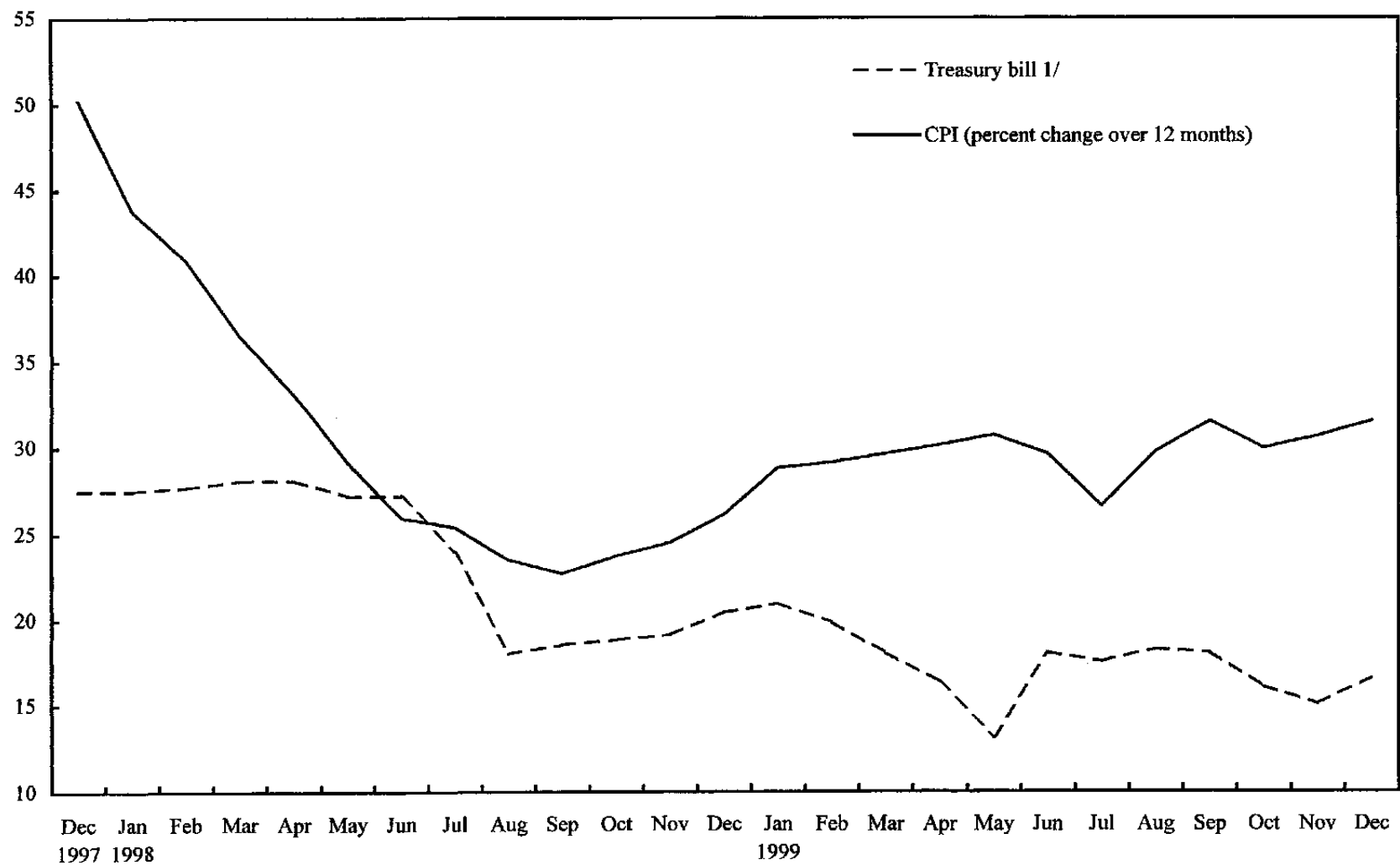
23. **Credit to the economy from the banking system has increased significantly in real terms over the past two years.** While the counterpart to the credit expansion had been a drawdown of official international reserves in 1997, on-lending of government-guaranteed loans accounted for about half of the credit expansion in 1998 and 1999. The authorities sought to avoid a further reduction of international reserves (apart from fluctuations within the calendar year), because the import coverage of gross international reserves had declined to less than 4 months by the end of 1997, considered by the authorities to be the acceptable minimum. As a result of this policy, more than half of the outstanding credits to the economy from the banking system were denominated in foreign currency at the end of the third quarter of 1999. About 93 percent of such credits were government guaranteed. More than one-third of the credits in domestic currency were also extended with a government guarantee.

24. **The growth of net credit to the government from the CBU was slightly less than the one percent of GDP planned for 1998.** The banking system as a whole provided an even smaller share of GDP in net credit to government in 1998 because of an accumulation of deposits in commercial banks by budgetary organizations. Similar results were recorded for the first three quarters of 1999, with the CBU providing the equivalent of 0.8 percent of GDP and the banking system as a whole 0.6 percent of GDP.

25. **One consequence of increased import compression and delays in the approval of applications for foreign exchange has been an involuntary accumulation of sum liquidity by enterprises, which they have partly used to purchase short-term treasury bills.** As a result, the treasury bill auctions (Box 3) have been characterized by declining and negative real interest rates since early 1998 (Figure 8 and Table 26).¹⁷ Interest rates on deposits at commercial banks (Table 27) have generally been negative in real terms during 1998 and 1999, while rates on commercial bank loans have been positive in real terms during the same period (Table 28). Interest rates on directed credits do not necessarily reflect market conditions; instead these rates are set in accordance with the priority of the project.

¹⁷ Another factor influencing the decision to hold treasury bills is that interest earnings are tax-free.

Figure 8. Uzbekistan: Treasury Bill Rate and Consumer Price Inflation, 1997–99



Source: Central Bank of Uzbekistan.

1/ Annualized average simple monthly rate on six-month treasury bills.

Box 3. Uzbekistan: Operation of the Treasury Bill Market

Treasury bill (GKOs) auctions are coordinated by the CBU and held on Wednesdays. Occasionally, there may not be an auction during the last week of the month if the MoF does not need additional funds. The secondary market in GKOs is also coordinated by the CBU and is held on Monday, Tuesday, Thursday and Friday.

About 10 days before a scheduled auction, the MoF notifies the CBU of the amount and maturity of GKOs that will be available. The CBU publishes this information seven days in advance of the auction. There are 22 dealers (21 of which are commercial banks) that are authorized to participate in the auctions either in their own right or as agents. On the day of the auction, bids are accepted between 10:00-10:30 a.m. Each dealer must submit separate applications for their own purchases and those on behalf of the customers they represent. The CBU aggregates the bids by price and forwards the list to the MoF no later than 2:00 p.m. By 4:00 p.m., the MoF indicates the minimum price that it will accept. Up to 20 percent of the total bids that are submitted can be non-competitive, i.e. no price is specified. Applications for non-competitive purchases must pay the weighted average of the day's prices.

C. Fiscal Policy

26. **In response to the shocks during 1998 and 1999, the government maintained a fairly tight fiscal policy stance (excluding quasi-fiscal activities).** Policies aimed at maintaining revenues and keeping priority expenditures intact, while compressing other expenditures. According to official data, the fiscal stance has been fairly tight in 1998 and 1999, with deficits of 1-2 percent of GDP (Tables 31 and 32). However, the official presentation of the budget excludes several quasi-fiscal activities, including directed lending, and the implicit taxation of exports and subsidization of imports through the foreign exchange regime.¹⁸ In addition, the official presentation of the budget does not conform to internationally accepted definitions because interest expenditures on treasury bills and expenditures financed by foreign borrowing are excluded, while amortization of external debt is included above the line as an expenditure item. Adjusting for these factors, the deficits for 1998 and 1999 were significantly larger than indicated by the official data (Box 4).

27. **Tax policy in 1998 and 1999 sought to maintain revenue collection while easing the tax burden on enterprises.** In line with the latter objective, the government reduced the profit tax rate from 36 percent to 35 percent in 1998 and further to 33 percent in 1999.¹⁹ As world cotton prices declined, the authorities eliminated the cotton excise tax from 1998. To

¹⁸ The quasi-fiscal activities emanating from the current foreign exchange regime are discussed in Appendix I.

¹⁹ A description of the current tax system is contained in Appendix III.

| Box 4. Uzbekistan: Alternative Measures of the Fiscal Balance | | | | |
|--|-----------------------|-----------------------|------------------------------------|--------------------------------------|
| (In percent of GDP) | | | | |
| | 1997 <u>Actual</u> | 1998 <u>Actual</u> | 1999 | |
| | | | <u>Jan.-Sept.</u> <u>Actual</u> | <u>Year</u> <u>Staff Estimate</u> |
| 1. Official consolidated balance (deficit-) | -2.2 | -2.0 | -1.1 | -0.9 |
| 2. Adjustment for amortization expenditures | ... | 0.2 | 0.2 | 0.2 |
| 3. Adjustment for interest payments on treasury bills | ... | -0.5 | -0.4 | -0.4 |
| 4. Expenditures financed by foreign borrowing | ... | -1.2 | -1.4 | -1.1 |
| 5. = (1+2+3+4) Deficit (above-the-line) | -2.2 | -3.4 | -2.7 | -2.2 |
| 6. Statistical discrepancy | 0.2 | 0.7 | -0.2 | 0.0 |
| 7. = (5 + 6) Deficit (below-the-line) | -2.0 | -2.7 | -2.9 | -2.2 |
| Memorandum items: | | | | |
| Revenues | 30.3 | 32.5 | 31.6 | 31.5 |
| Expenditures | 32.5 | 35.9 | 34.3 | 33.7 |

Source: Ministry of Finance; and Fund staff estimates.

compensate for the impact on tax revenues of these changes, excise tax rates (in particular on energy products) and VAT rates were increased in 1998 and 1999.²⁰ A 5 percent tax on the purchase of foreign exchange was introduced in January 1999. The combination of these measures and a relatively loose credit policy that provided enterprises with liquidity to meet their tax obligations, contributed to increasing tax revenues slightly compared with 1997, to about 32 ½ percent of GDP in 1998. Total VAT collections were higher than in 1997 because of the increase in the VAT rate, but this was offset by lower profit tax collections due to the reduction in the profit tax rate and the worse economic conditions for many enterprises in the wake of the Russian crisis. Total excise tax revenues were unchanged compared with 1997 since the loss of revenues due to the elimination of the excise tax on cotton was offset by increased revenues from excise taxes on oil products.

28. Revenue collection during the first 9 months of 1999 was comparable to 1998, and better than expected. The reasons for the better-than-expected performance were higher

²⁰ The standard VAT rate was increased from 18 percent in 1997 to 20 percent in 1998 and, in 1999, the preferential rate for food products was increased from 10 percent to 15 percent.

than anticipated inflation²¹, improved tax collection efforts,²² and the impact of the increase in several excise tax rates. The improved collection effort has been reflected in a reduction of arrears on profit taxes (Figure 9), and a significant increase in income tax revenue from the self-employed. In August 1999, the government increased excise tax rates and prices on gasoline and diesel, which boosted excise tax revenues. However, revenues from profit taxes, VAT, and customs duties were lower than the year before, in the case of profit tax revenue mainly because of the lower tax rate. Collection of VAT revenues declined mainly because VAT credits on inputs are now issued in one instead of several installments. The lower revenues from customs duties reflected the decline in recorded imports.²³ For the year as a whole, revenues are expected to be about 31 ½ percent of GDP, lower than in 1998, but higher than in 1997.

29. **Expenditure developments in 1998 and 1999 reflected the authorities' efforts to protect priority expenditures.** During 1998 and 1999 wages increased significantly (by 40 percent and 68 percent, respectively), as did expenditures for social safety net benefits.²⁴ In 1998, total expenditures amounted to about 36 percent of GDP, significantly higher than in 1997 (Tables 31 and 32), mostly because of the increase in expenditures for wages and the social safety net, while centralized investments declined slightly. For the first 9 months of 1999, expenditures fell to about 34 percent of GDP. For the year as a whole, expenditures are expected to be 2 percent of GDP lower than in 1998. The level of spending on nonpriority items is expected to decline by about 15 percent in real terms compared with 1998.

30. **In August 1999, parliament approved a preliminary budget for 2000.** The budget includes provisions to further reduce the tax burden on the enterprise sector, and reflects the authorities' longer term policy aim of reducing the role of government in the economy. The revenue and expenditure measures included in the budget are specified in Box 5.

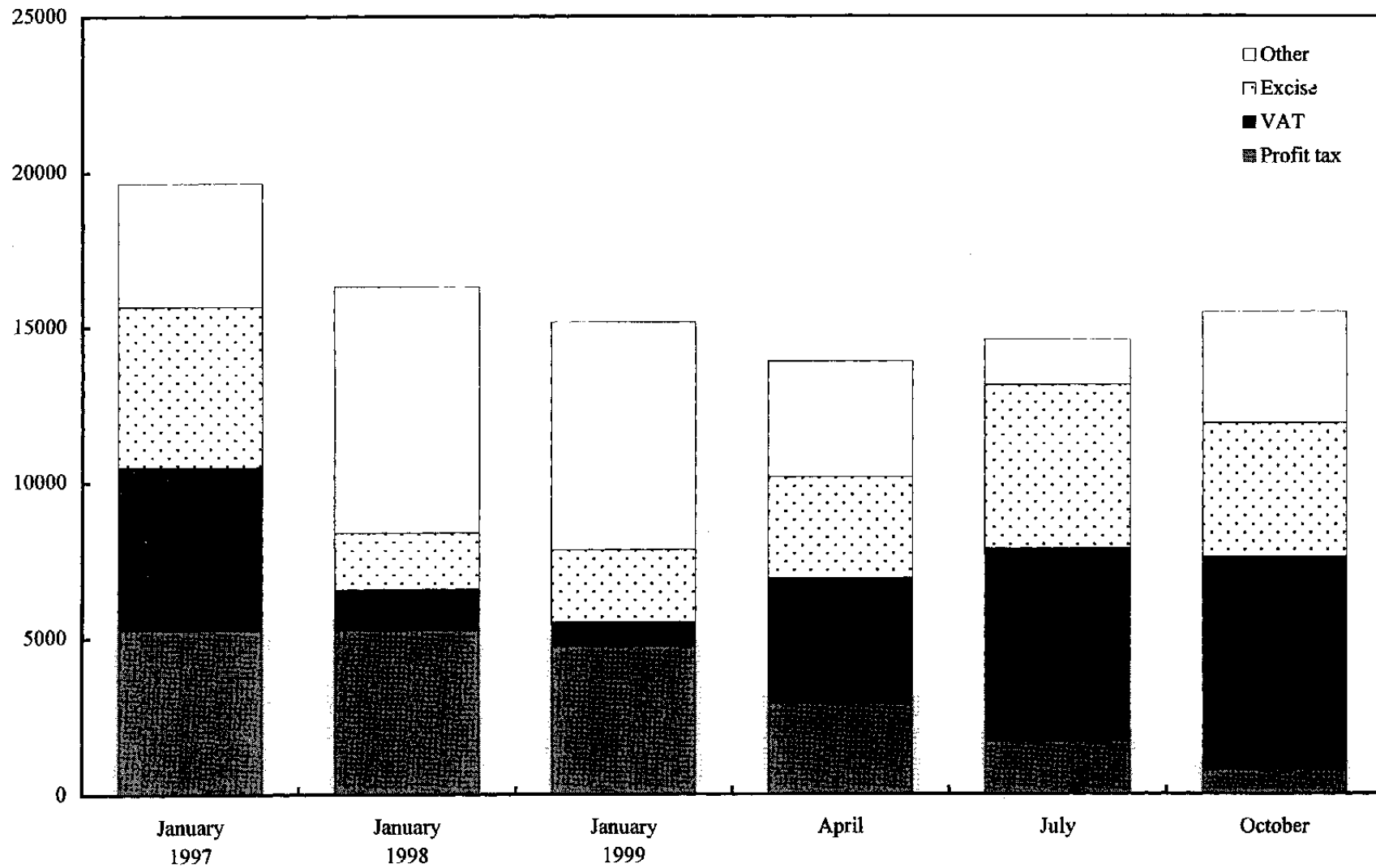
²¹ Annual inflation for 1999 according to official data was close to 30 percent compared to 22 percent used in the preparation of the budget.

²² The Tax Committee has carried out strong disciplinary actions toward corrupt officials, and has improved collections from the informal sector (e.g., it streamlined the collection of fees from traders in bazaars).

²³ The collection of customs duties as a ratio to GDP is exceptionally low (less than 1 percent) in Uzbekistan, given its level of imports and tariff structure. This is mainly due to numerous exemptions and the valuation of imports at the overvalued official exchange rate.

²⁴ Most social safety net benefits are tied to the minimum wage, which rose by a similar amount as wages in budgetary organizations.

Figure 9. Uzbekistan: Tax Arrears, 1997-99 1/
(In billions of sums)



Source: Ministry of Finance.

1/ Beginning of period.

Box 5. Uzbekistan: Revenue and Expenditure Measures in the Budget for 2000

Compared with the 1999 budget, the 2000 budget aims at a lower deficit (2.8 percent versus 3 percent of GDP) and lower revenues and expenditures in relations to GDP according to the government's definitions.

On the **revenue side**, several tax policy changes are planned with the overall goal of reducing the tax burden (total revenues in relation to GDP are budgeted at about 29 percent compared with 31 percent in the original 1999 budget). The major changes are:

- Reductions in the profit tax rate from 33 percent to 31 percent.
- Increase in the preferential VAT rate of 15 percent (applied to milk and dairy products, meat, flour, bread, imported grain, live imported livestock) to a unified VAT rate of 20 percent.
- Reduction in the excise tax rates for gas, crude oil and gas condensate, but introduction of a new excise tax on rice at 33 percent.
- Reduction in the rate for natural resource taxes by 30 percent.
- Increase in the land tax rate for legal and physical persons by 20 percent and in the unified land tax rate for producers by 10 percent.¹
- Increase in the water resource taxes by two times.
- Increase in the property tax rate for personal transport means by 20 percent.
- Introduction of a fee for activities that are harmful for the environment.²
- Increase in the rates for a few local taxes and charges introduced by local governments.

On the **expenditure side**, lower expenditures in relation to GDP (32 percent) are planned compared with the original 1999 budget (34 percent). The main changes are:

- Higher share of spending for social and cultural projects (education, health, etc.) in total spending—40 percent compared with 37 percent in 1999.
- Higher social safety net spending (allowances for low income families and families with children) but lower housing and utility subsidies (in nominal terms).
- Lower centralized investments (in nominal terms).

The budget assumes 5 percent real GDP growth, 1.4 percent average monthly inflation, and nominal GDP of sum 2,225 billion. The budget does not take into account the possible introduction of current account convertibility in 2000.

Source: Ministry of Finance.

^{1/} Rates are levied per hectare.

^{2/} Currently the environment tax is assessed for all enterprises at 1 percent of production costs.

D. Social Protection Policies

31. **The government put a premium on protecting the population from the negative effects of exogenous shocks, in particular against unemployment, devaluation and inflation.** An important instrument of social policy is the use of administered consumer prices and marketing restrictions. Generous wage increases, including in the minimum wage, have also played an important role. In addition, several explicit social protection policies are implemented through the budget and through other means.

32. **Expenditures on the social safety net in 1998 and 1999 increased slightly compared with 1997.** However, expenditures on children's allowances and allowances for low-income families decreased slightly. While the level of benefits has increased in line with minimum wages, this was offset by a decline in the number of families receiving benefits, due to improved targeting and declining birth rates (Box 6 and Table 33). The most important change in the administration of the social safety net has been the increased reliance on the Mahalla (traditional neighborhood) network for screening and distributing many benefits (Box 7). The government also provides benefits through budget subsidies for housing maintenance (about 10 percent of costs in 1999) and public utilities (currently only for heating and hot water). In 1998 and 1999, expenditures on these subsidies increased mainly because of higher energy prices. The government intends to reach full cost recovery for housing maintenance in 2000 and for heating and hot water in 2004.

E. Balance of Payments and Foreign Borrowing Policies

33. **During 1998 and 1999, balance of payments policies have relied mainly on administrative measures, especially for controlling imports.** In response to declining export receipts in recent years, the authorities have instituted a number of foreign exchange and trade restrictions and non-tariff barriers to compress imports.²⁵ As a result, recorded imports have declined dramatically in 1998 and 1999, and the current account deficits have been relatively modest during this period (Table 34). The capital account has been characterized by low direct investment inflows and evidence of capital flight.²⁶ Foreign borrowing by the government directly or through the commercial banks with a government guarantee was significant during this period, and gross official international reserves have remained fairly stable. With the compression of imports, the import coverage of reserves increased significantly to more than 5 months in 1998 and 1999.

²⁵ The exchange and trade restrictions are discussed in Appendix II.

²⁶ It is possible that part of what is characterized as capital outflows constitute unrecorded imports.

Box 6. Uzbekistan: Extrabudgetary Funds and Social Protection

Extrabudgetary Funds

Extrabudgetary funds included in the consolidated budget are the Pension Fund, the Employment Fund, the Privatization Fund, and the Road Fund. Revenues are earmarked to finance the operation of each fund. Except for the transfer of privatization proceeds to finance the central budget, these funds usually keep their resources independent of the central budget.

The **Pension Fund** is the largest of the four with total expenditures of 10.5 percent of GDP. Currently, the Pension Fund is funded by a payroll tax of 37.3 percent paid by employers, 2 percent by the employees, and 0.5 percent of enterprises' gross revenues.

The **Employment Fund** is a small fund that finances unemployment benefits and job creation programs. It is funded mainly by a 1.5 percent payroll tax paid by employers.

The **Privatization Fund** is financed with proceeds from privatization operations, and it transfers a major part of its proceeds to the central budget, and some to off-budget funds of ministries and local governments.

The **Road Fund** is charged with maintaining the national road network and partly the financing of construction of new state roads. It is funded by earmarked revenues which include deductions from enterprises and other organizations, vehicle registration fees, part of the proceeds from sales of gasoline and lubricants, and transit fees for foreign transportation vehicles, etc. In 1999, its projected expenditure is close to 1.5 percent of GDP.

Social Protection

Uzbekistan's social protection system includes pensions, unemployment benefits, allowances for low income families, benefits for families with children under sixteen years of age, benefits for mothers with children under two years of age, and special benefits for veterans and the disabled.

The Ministry of Social Protection is responsible for the Pension Fund which pays pensions to pensioners (including working pensioners). Most pensioners receive the minimum monthly pension. Some pensioners are eligible for additional benefits based on length of service and earnings while employed. Veterans and those who worked in hazardous industries are also eligible for additional benefits. In addition, the Pension Fund pays other benefits such as survivor and disability pensions, childbirth and funeral allowances.

The Ministry of Labor is responsible for administering the Employment Fund, which pays unemployment allowances (up to 6 months of previous wages). The Employment Fund also helps with job training and job search.

Currently three types of **social allowances are provided by the state budget**: (i) assistance to low income families; (ii) assistance to families with children under 16; and (iii) assistance to mothers of children under two years of age. Benefits for the first two are linked to the minimum wage, whereas benefits paid to low income families are determined by the Mahalla system using a number of criteria (Box 7). Currently, the allowance is 50 percent of the minimum wage to families with one child; 100 percent of the minimum wage to families with 2 children; 140 percent of the minimum wage to families with three children; and 175 percent of the minimum wage for families with four or more children; and 150 percent of the minimum wage to mothers with children under two. In 1998, allowances for mothers with children under two years of age were administered through the budget, but now they are administered through the Mahalla system as are the two other types of benefits. In addition to these transfers, the social safety net includes provisions for a number of special benefits such as free public transportation and medicines for the disabled.

Box 7. Uzbekistan: The Mahalla System

The distinguishing feature of Uzbekistan's system of social assistance is the use of *mahalla* (neighborhood) committees in both the **targeted social assistance program** and the administration and targeting of **child allowance benefits**. *Mahalla* committees are a pre-Soviet institution that has been revived with strong government support since independence. They perform a wide range of functions, including administering social assistance. There are about 7,000 local *mahallas* in the country, ranging in size from 150-1,500 households. *Mahalla* chairmen and secretaries are generally paid from local budgets.

The *mahalla targeted social assistance scheme* combines fixed rules and discretionary allocations. In order to qualify for benefits, a committee of respected citizens and representatives of certain state bodies visits the family, assesses its overall needs and decides if it qualifies for benefits and, if so, for what level of benefits. This visitation committee reports to the plenary session of the *mahalla committee* and an open vote is taken on whether the household qualifies. Households must then reapply every 3 months, with benefits set between 1.5 and 3 times the minimum wage.

The *child allowance* scheme is also administered by the *mahallas*. These benefits were universal until 1997, when they also became targeted, and the administration and means testing of them were transferred to *mahalla* committees. The major difference in criteria used compared with the targeted social assistance scheme is that eligibility is determined more narrowly on the basis of average monthly per capita household income during the 12 months preceding the application.

The most recent in-depth assessment of the targeted social transfer scheme was done in 1995 using household survey data. The main findings of the study were that: (i) 20 percent of households had received help; (ii) knowledge of the program was widespread, with over 80 percent of households knowledgeable of the scheme, and apparently little social stigma attached to applying for the benefit; (iii) the probability of receiving benefits was positively affected by household size, and by the household head being a pensioner or a woman, and was negatively affected by the proportion of working members in the family, higher educational status and ownership of durable assets; and (iv) targeting was performed according to a wider vector of welfare indicators than would be done by simple income-based means testing.

Source: Coudouel, Aline, Sheila Marnie, and John Micklewright, 1998, "Targeting Social Assistance in a Transition Economy: The Mahallas in Uzbekistan", Innocenti Occasional Papers, Economic and Social Policy Series, No. 63. Florence, UNICEF International Child Development Center.

34. **Since independence, Uzbekistan has followed a policy of diversifying its pattern of external trade.** By 1995 about half of imports and exports were with nontraditional partners (Tables 35-38). This pattern has continued for imports and was, until 1998, largely unaffected by the external shocks. It reflects the effects of increased domestic food production and a policy of modernizing local industry. For exports, however, the pattern is less clear. In 1996 the share of exports to traditional partners reached a low of 34 percent. For 1997-98, the average share rose to 40 percent. The majority of exports (about 75 percent in 1998) to non-traditional partners consisted of cotton, whereas trade with traditional partners has been less concentrated.

35. **The combination of pressure on the balance of payments and the desire to support selected enterprises in the context of the government's development strategy has forced the government to rely increasingly on foreign borrowing during 1998 and 1999.** Between end-1997 and end-September 1999, the stock of government-guaranteed

external debt increased by US\$1.2 billion to about US\$3.8 billion. Of the total debt stock, US\$1.7 billion (44 percent) was channeled through commercial banks (primarily the National Bank for Foreign Economic Activity). Of the foreign loans onlent by the National Bank for Foreign Economic Activity during 1998 and the first 9 months of 1999, about 60 percent were made to the manufacturing sector; 16 percent for transport; 9 percent to agriculture; and 3 percent for the construction sector. Although a small share of the loans was for the purchase of consumables (e.g., wheat imports) the majority of the loans was for imports of capital goods (e.g., farming equipment, aircraft, vehicles, and manufacturing equipment).

36. **The external borrowing policy followed over the past two years has led to a significant increase in aggregate debt indicators.** The debt service ratio was only 9 percent in 1997 but increased to about 18 percent in the first three quarters of 1999 (Table 34). External debt as a share of GDP (calculated at the official exchange rate) increased from 18 percent at the end of 1997 to about 25 percent at the end of September 1999 (Table 39).

F. Structural Policies

37. **Against the background of the external shocks and recent political constraints in the context of terrorist activity within Uzbekistan and political instability in neighboring countries, the authorities have not found it feasible to pursue a comprehensive program of structural reform.** Instead, they have chosen to deal with emerging problems in an ad hoc manner.

Privatization policies

38. **The authorities launched an ambitious privatization program in 1998/99 in an attempt to attract foreign direct investment, but the results have been disappointing.** In late 1998, the authorities announced that foreign investors would be allowed to own 100 percent of some enterprises and majority shares in others.²⁷ Despite this increased openness to foreign participation, direct investment from abroad has been slow to materialize because of concerns about the business environment in Uzbekistan. Also, for most of 1998 and 1999, international market conditions have not been favorable for the privatization of certain large enterprises, especially in the natural resource or raw materials sectors.²⁸ By the

²⁷ Resolution of the Cabinet of Ministers No. 477 of November 18, 1998. The resolution also proposed 30 large enterprises for case-by-case privatization, including majority shares in 3 companies—Tashkent Local Telephone (55 percent), Tashkent International Telephone (55 percent), Andijan Cable (51 percent)—and minority shares (25-50 percent) in 27 enterprises, including Almalyk Mining, Tashkent Airport, the National Bank for Foreign Economic Activity, and Uzcabel.

²⁸ In reaction to the modest response from investors, the government in December 1999 passed a resolution that cut the number of enterprises on the privatization list significantly and
(continued...)

end of 1998, 23 percent of large enterprises had been transformed into joint stock companies (Table 17).²⁹ During the first three quarters of 1999, 293 enterprises were privatized, mainly in construction, industry, and trade³⁰.

39. **Efforts to privatize commercial banks have also encountered delays.** In October 1998, a presidential decree required that government ownership in commercial banks be reduced to no more than 50 percent in any bank – except for the National Bank for Foreign Economic Activity, where the ceiling was set at 60 percent – by July 1, 1999. However, no state bank was able to meet this deadline. In June 1999, the government and the EBRD signed a memorandum of understanding with the aim of encouraging the privatization of commercial banks. According to this memorandum, the EBRD intends to support pre-privatization activities and to seek out strategic investors.

40. **Revenues from privatization have been modest so far.** While detailed time-series data on privatization revenues are not available, it is estimated that the privatization of 451 enterprises in 1998 yielded sum 8.8 billion (about 0.6 percent of GDP). For the first 9 months of 1999, privatization revenues totaled sum 4.4 billion (0.3 percent of GDP). Privatization proceeds were split between the state budget (Ministry of Finance), municipal authorities, the Business Fund, the State Property Fund (GKI) and privatized enterprises.³¹ During the first 9 months of 1999, the state budget received about one third of total privatization revenues, the municipal authorities 13 percent and the Business Fund 15 percent of total proceeds. About 20 percent of the proceeds were re-invested in the privatized enterprises. The balance was used by the GKI to cover the expenses associated with privatization.

Enterprise restructuring and competition policies

41. **Although some progress with privatization has been achieved, traditional economic structures have been maintained and enterprise restructuring has been delayed in an attempt to avoid social disruptions.** Some progress has been achieved in second generation or post-privatization reforms. Such measures have included a strengthening of the role of the bankruptcy process in facilitating the exit of loss-making enterprises and a

postponed the sale of many companies, which according to the 1998 resolution were to be sold at the end of 2000.

²⁹ The authorities define privatization as including the conversion of state enterprises into joint-stock companies even if the government retains an equity share of up to 100 percent.

³⁰ Detailed information on the outcome of privatization for the first 9 months of 1999 with respect to enterprise size is not available.

³¹ The Business Fund is an off-budget entity that provides credits for small enterprise development.

strengthening of anti-monopoly policies to ensure that non-competitive behavior of enterprises is minimized.

42. **Data on bankruptcy proceedings indicate that the exit mechanism is used sparsely.** Despite a more active use of bankruptcy procedures, there is evidence to suggest that the bankruptcy law is used principally to enhance tax collection from small private enterprises. Between end-1997 and the fourth quarter of 1999 about 1,357 enterprises were declared bankrupt (Table 18). However, only about 8 percent of these enterprises were state-owned. During the same period, about 50 enterprises that were either fully or partially state-owned were liquidated, i.e., about 5 percent of state-owned enterprise. The role of the bankruptcy process in large and medium enterprise restructuring has been very limited (the average number of workers was only 11 in liquidated enterprises).

43. **Progress has been made in competition and antimonopoly policies, but an inadequate legal and regulatory framework hampers the effective implementation of such policies.** The main instruments of the Anti-Monopoly Committee (AMC) are price controls. The definition of monopoly products and geographical market boundaries often does not have economically meaningful measures of market share and dominance but rather relies on a strict quantitative formula.³² According to the official classification, there were 716 enterprises and 1,924 products listed in the AMC's Monopoly Register as of October 1, 1999 (a significant decline compared with previous years), of which the vast majority was registered at the local level (Table 16). In general, the absence of a strong independent regulatory authority (the current Anti-Monopoly Committee is part of the Ministry of Finance) prevents the efficient implementation and enforcement of competition and regulatory policies.

44. **While direct enterprise subsidies from the budget have declined, indirect support for enterprises has been extensive.** Such measures include price controls (e.g. on energy products), subsidized and directed credits, and subsidized access to foreign exchange.

Energy pricing policies

45. **The state still owns the major enterprises in the energy sector and controls all energy prices.** Originally, the justification for maintaining subsidized energy prices was to stimulate domestic industry and to enhance social protection. Present policies aim at ensuring that domestic energy prices are close to world prices, albeit at the highly overvalued official exchange rate. The price for gasoline, which was increased by about 60 percent in 1998, and by an additional 50 percent during the first 9 months of 1999, now exceeds the international

³² An enterprise accounting for 65 percent or more of market share within a specific area is automatically classified as a monopoly. If the share is between 35 and 65 percent, the enterprise may be classified as a monopoly depending on specific conditions.

price when valued at the official exchange rate (Table 13). However, valued at the curb market rate, prices are much lower than world market levels, leading to increased incentives for illegal exports. Wholesale prices for crude oil and natural gas have not been adjusted since July 1998. In September 1999, the domestic price for crude oil was about 52 percent of the world market price, if calculated at the official exchange rate, and 13 percent, if calculated at the curb market exchange rate (Figure 10).

Agricultural policies

46. **The government's strategy in agriculture is to move away from an agriculture-based toward an industrialized economy.** Although the agricultural sector is expected to become more productive, its real contribution is to maintain rural employment and to provide resources (through taxation of cotton exports) for investment in other sectors of the economy. Several steps have been taken to reform the agricultural sector, but so far the authorities have not addressed the state order system for cotton and wheat production which is the main disincentive to increase yields for these products (in particular cotton). The growing differential between the official exchange rate and the curb market rate also increased the incentive for illegal exports (see Box 8).

Box 8. Uzbekistan: Trends in Cotton Production and Yields

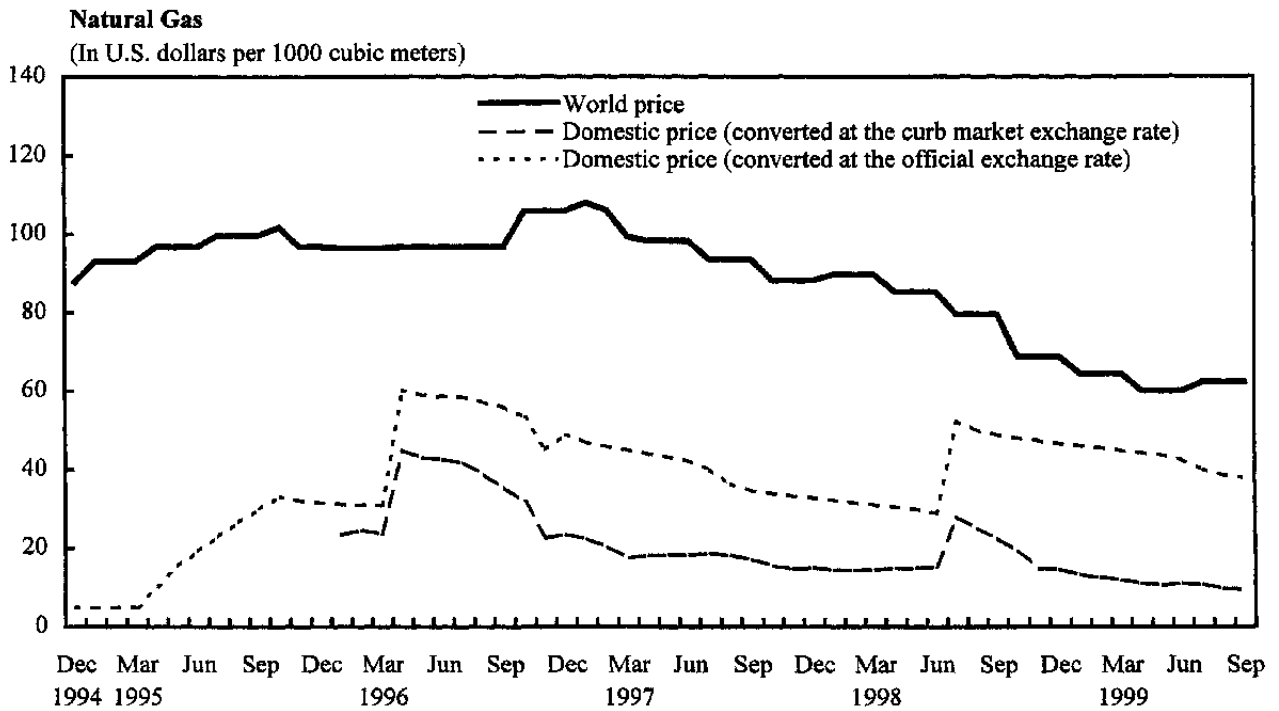
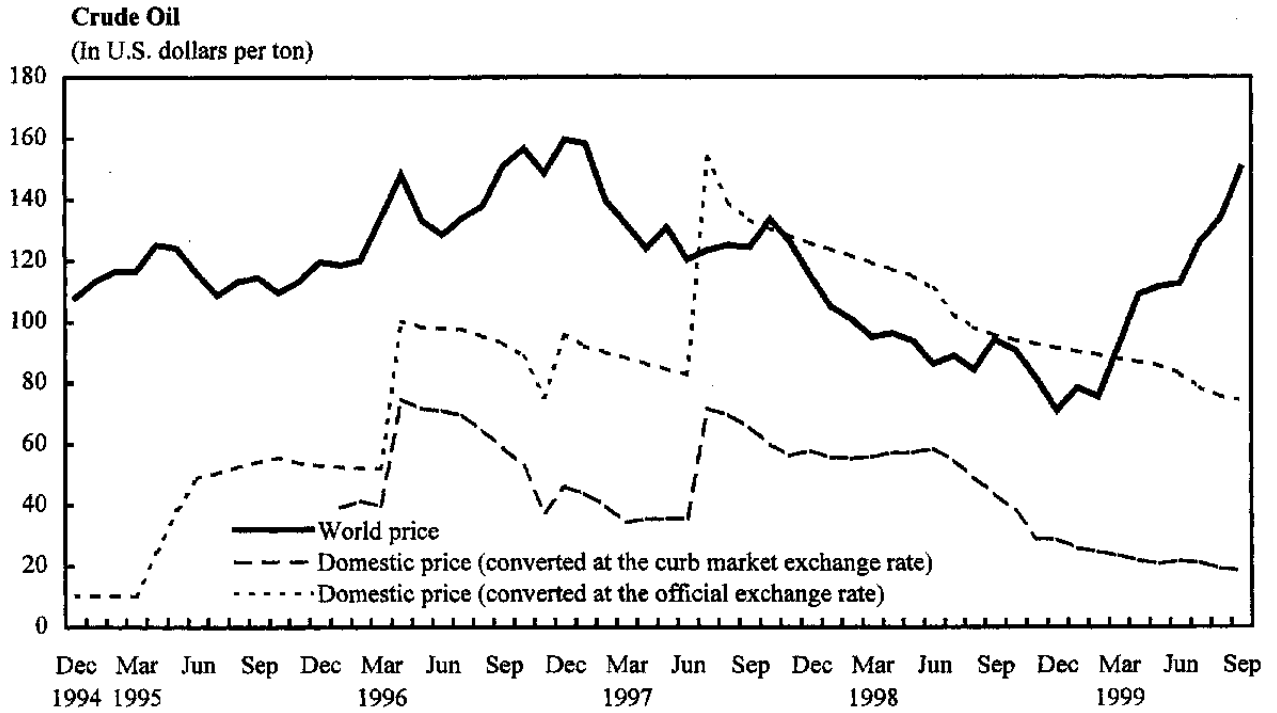
Since 1991 cotton yields have decreased by 13 percent and total output by about 22 percent. One reason for the decline in reported yields and output is the apparent increase in side marketing, i.e., illegal exports. The price differential for cotton is substantial between Uzbekistan and Kazakhstan, giving Uzbek farms located near the border with Kazakhstan an incentive to sell their crops in Kazakhstan. Data on cotton yields by oblasts show that yields in Jizzak and Syrdarya, which border Kazakhstan, are significantly lower than other areas of Uzbekistan despite similar growing conditions.

Cotton Yields in Uzbekistan, 1990-98
(Metric tons per hectare)

| Oblasts | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Karakalpakstan | 2.28 | 1.91 | 1.36 | 2.13 | 1.87 | 1.98 | 1.39 | 1.81 | 1.03 |
| Andijan | 2.89 | 2.87 | 2.74 | 2.78 | 2.89 | 3.08 | 2.87 | 3.01 | 2.43 |
| Bukhara | 3.19 | 3.40 | 3.20 | 3.49 | 3.20 | 3.34 | 2.86 | 2.64 | 2.95 |
| Jizzak | 2.37 | 2.40 | 2.00 | 1.84 | 1.82 | 1.75 | 1.26 | 1.62 | 1.37 |
| Kashkadarya | 2.37 | 2.44 | 2.36 | 2.51 | 2.43 | 2.48 | 2.17 | 2.43 | 2.29 |
| Navoi | ... | 2.82 | 2.49 | 2.81 | 2.74 | 2.83 | 2.30 | 2.47 | 2.53 |
| Namangan | 3.11 | 3.07 | 2.90 | 2.73 | 2.93 | 3.13 | 2.61 | 2.61 | 2.19 |
| Samarkand | 2.64 | 2.56 | 1.90 | 2.19 | 2.46 | 2.51 | 2.22 | 2.58 | 2.58 |
| Surkhandarya | 3.25 | 3.28 | 2.95 | 3.01 | 3.08 | 3.15 | 3.07 | 2.84 | 2.79 |
| Syrdarya | 2.41 | 2.35 | 2.15 | 1.50 | 1.91 | 2.09 | 1.40 | 1.27 | 1.28 |
| Tashkent | 2.81 | 2.70 | 2.53 | 2.08 | 2.48 | 2.61 | 2.39 | 2.29 | 2.00 |
| Fergana | 2.99 | 3.09 | 2.86 | 2.87 | 2.98 | 2.83 | 2.36 | 2.90 | 2.28 |
| Khorezm | 3.15 | 2.63 | 2.60 | 3.17 | 3.03 | 2.98 | 2.87 | 3.23 | 2.16 |

Source: Uzbek authorities.

Figure 10. Uzbekistan: Crude Oil and Natural Gas Prices, 1994-99



Sources: Ministry of Finance; and Fund staff calculations.

47. **Since 1991, a number of changes have been made to the structure and organization of agricultural enterprises in an effort to create a stronger sense of ownership on the part of the work force.** The former state farms have been reorganized into various forms of non-state collective enterprises. In practice, however, most collective farms operate much as they did during the late Soviet period.

48. **The traditional household plots managed independently by rural families in all types of agricultural enterprises have been enlarged.** They now comprise about 3 million holdings and cover about 10 percent of arable land. As a result of enlargement of the household plots and reorganization of state farms as non-state agricultural enterprises, the formal state sector produces only approximately 2 percent of agricultural output. The remainder comes from various forms of reorganized collective enterprises and from the household plots of rural residents. The household sector dominates in production of meat and milk, while the enterprise and household sectors each produce about half of fruits and vegetables. The enterprise sector produces virtually all cotton, and 90 percent of wheat. Since these two crops comprise three quarters of the planted area, official policy with regard to cotton and wheat limits the autonomy of agricultural enterprises that have undergone restructuring.

49. **A new Land Code was passed in 1998.** Although the Code has clarified land tenure rights in certain respects, it does not support changes in farm structure and land tenure consistent with more productive farming units. Among the outstanding issues are that land tenure rights recognized in the Land Code are not tradable and the rights of enterprises are more secure than those of the constituent households of the enterprises, even if the households are allocated a parcel of land under a family contract. Both of these features reduce incentives for households to invest in order to improve productivity, or to shift toward production of higher valued crops and products. Because the tenure rights are not tradable, land mortgage as an instrument of finance is not likely to develop, since a commercial lender would not be able to sell the land in case of default on the loan.

Banking sector policies

50. **The authorities have begun, with assistance from USAID, to strengthen the bank supervision capacity of the CBU.** However, there has not yet been a thorough assessment of the quality of commercial bank loan portfolios nor an analysis of the likely impact of introducing current account convertibility on the ability of enterprises to service external debt. Hence, there is little information on the likelihood that loan guarantees will be called, and the probable impact of this on the budget. According to official data, the health of the banking system appears to be fairly sound. However, this is because commercial banks rely heavily on government guarantees for loans. In total, about two-thirds of the loans currently extended by commercial banks are guaranteed by the government. Because government-guaranteed loans are automatically classified as being of good quality, official statistics indicate that over 95 percent of commercial bank loans are rated as either of "good" or "standard" quality

(Box 9). Therefore, on this basis, there is little apparent evidence that the credit portfolio of the commercial banking sector is vulnerable to default on poor quality loans.

| Box 9. Classification of Commercial Bank Assets in Uzbekistan | | |
|--|--------------------------|--------------------------|
| (In percent of total assets) | | |
| Classification | December 31, 1997 | December 31, 1998 |
| Good | 94.8 | 93.3 |
| Standard | 2.9 | 5.0 |
| Substandard | 1.8 | 1.3 |
| Doubtful | 0.3 | 0.2 |
| Bad | 0.2 | 0.2 |

Source: Central Bank of Uzbekistan.

51. **Many of the government guarantees may have to be called if the sum is devalued in connection with the possible introduction of current account convertibility in 2000.** Data that are available on enterprises with a relatively large stock of external debt are not detailed, but they provide some insight into the circumstances facing these enterprises. Major enterprises account for about US\$1.6 billion (49 percent) of the total stock of Uzbekistan's external debt at the end of 1998 and about 86 percent of the onlending by commercial banks (Table 40). An analysis of the stock of external debt of these enterprises and their exports, imports and estimated annual debt service, provides a rough indication of their vulnerability to exchange rate depreciation.³³ This analysis suggests that enterprises in the industrial, transport, construction and agricultural marketing sectors will face a significant increase in the sum value of debt service costs relative to their apparent overall capacity to earn foreign exchange. By contrast, enterprises in the trade and agricultural sectors (the latter is included in the category "other" in Table 40) would seemingly benefit from currency depreciation. For all sectors, the estimated debt service amounts to approximately 45 percent of net exports for these enterprises.

³³ The estimated value of debt service is calculated by assuming that the annual interest costs are equal to 10 percent and the annual amortization costs are the equivalent of 15 percent of the external debt stock.

Table 1. Uzbekistan: Nominal GDP and Real GDP Growth, 1993-99

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--------------------------------|-------------------------------------|--------|---------|---------|---------|-----------|-----------|
| | (In millions of sums) | | | | | | |
| Agriculture | 1,421 | 22,356 | 85,113 | 125,383 | 276,037 | 358,374 | 521,627 |
| Industry | 1,140 | 11,031 | 51,735 | 99,713 | 152,449 | 204,362 | 283,425 |
| Transport and communication | 281 | 3,768 | 22,053 | 37,646 | 63,962 | 84,687 | 120,125 |
| Construction | 457 | 4,704 | 21,369 | 46,111 | 70,984 | 105,304 | 149,803 |
| Trade | 317 | 4,834 | 15,844 | 39,315 | 82,473 | 114,935 | 169,344 |
| Other services 2/ | 1,016 | 12,845 | 66,878 | 130,243 | 209,991 | 280,285 | 399,882 |
| GDP at current factor costs | 4,632 | 59,538 | 262,990 | 478,410 | 855,895 | 1,147,946 | 1,644,206 |
| Indirect taxes minus subsidies | 481 | 5,340 | 39,798 | 80,662 | 120,932 | 210,835 | 297,903 |
| GDP at market prices | 5,113 | 64,878 | 302,787 | 559,072 | 976,826 | 1,358,781 | 1,942,109 |
| | (Percent change over previous year) | | | | | | |
| Total real GDP | -2.3 | -5.2 | -0.9 | 1.6 | 2.5 | 4.4 | 4.1 |
| Agriculture | 1.5 | -3.4 | 2.0 | -5.7 | 4.2 | 4.0 | 6.0 |
| Industry | -4.2 | -6.6 | -5.6 | 1.8 | 2.2 | 2.3 | 1.0 |
| Transport and communication | -17.0 | -12.7 | -5.0 | -0.4 | -1.0 | 5.0 | 3.3 |
| Construction | -8.3 | -22.0 | -4.1 | 0.6 | 2.6 | 6.0 | 3.6 |
| Trade | -0.2 | -10.9 | -6.2 | 18.7 | 4.7 | 10.3 | 7.3 |
| Other services 2/ | 2.6 | 3.7 | 2.3 | 1.7 | 1.6 | 3.0 | 3.9 |
| Indirect subsidies minus taxes | ... | -2.5 | -0.4 | 12.8 | 1.5 | 4.8 | 2.9 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Fund staff estimates.

2/ Includes the government sector.

Table 2. Uzbekistan: Sectoral Composition of Nominal GDP at Current Market Prices, 1993-99
(In percent of GDP)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--------------------------------|------|------|------|------|------|------|---------|
| Agriculture | 28 | 34 | 28 | 22 | 28 | 26 | 27 |
| Industry | 22 | 17 | 17 | 18 | 16 | 15 | 15 |
| Transport and communication | 6 | 6 | 7 | 7 | 7 | 6 | 6 |
| Construction | 9 | 7 | 7 | 8 | 7 | 8 | 8 |
| Trade | 6 | 7 | 5 | 7 | 8 | 8 | 9 |
| Other services 2/ | 20 | 20 | 22 | 23 | 21 | 21 | 21 |
| GDP at current factor costs | 91 | 92 | 87 | 86 | 88 | 84 | 85 |
| Indirect taxes minus subsidies | 9 | 8 | 13 | 14 | 12 | 16 | 15 |
| GDP at market prices | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Estimates for 1999 provided by the authorities.

2/ Includes the government sector.

Table 3. Uzbekistan: Output of Selected Industrial Products, 1993-99

| | Unit | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--|---------------------------|--------|--------|--------|---------|---------|---------|---------|
| Machinery, raw materials, and intermediate goods | | | | | | | | |
| Paper | thousand tons | 13 | 8 | 9 | 11 | 8 | 7 | 6 |
| Cement | thousand tons | 5,277 | 4,780 | 3,419 | 3,277 | 3,286 | 3,358 | 1,521 |
| Ferrous metal products | thousand tons | 573 | 337 | 322 | 423 | 350 | 322 | 133 |
| Mineral fertilizers | thousand tons | 1,273 | 811 | 943 | 1,029 | 954 | 897 | 455 |
| Plastics and synthetic resins | thousand tons | 53 | 20 | 13 | 11 | 10 | 13 | 6 |
| Fibers and chemical thread | thousand tons | 23 | 13 | 8 | 6 | 7 | 11 | 6 |
| Compressors | units | 3,981 | 1,264 | 784 | 828 | 284 | 111 | 74 |
| Power transformers | thousand kilowatts | 2,590 | 1,106 | 780 | 535 | 398 | 284 | 95 |
| Tractors | thousand | 12 | 2 | 4 | 4 | 3 | 3 | 1 |
| Cotton harvesters | units | 2,155 | 651 | 1,121 | 863 | 1,097 | 351 | 97 |
| Cotton sowing machines | units | 1,350 | 970 | 330 | 470 | 3,906 | 2,185 | ... |
| Steel | thousand tons | 611 | 364 | 367 | 466 | 379 | 360 | 147 |
| Window glass | thousand square meters | 2,807 | 1,122 | 2,130 | 1,499 | 2,649 | 3,995 | 1,243 |
| Cotton fiber | thousand tons | 1,258 | 1,385 | 1,238 | 1,164 | 1,124 | 1,138 | 476 |
| Consumer goods | | | | | | | | |
| Refrigerators and freezers | units | 81,748 | 19,751 | 18,555 | 12,696 | 12,722 | 16,053 | 993 |
| Automobiles | units | 0 | 82 | 300 | 25,358 | 64,908 | 54,456 | 34,500 |
| Television sets | units | 16,378 | 51,795 | 64,893 | 139,590 | 268,450 | 192,468 | 21,248 |
| Video recorders | units | 6,505 | 23,924 | 25,280 | 100,025 | 140,567 | 50,096 | ... |
| Cotton cloth | thousand tons | 482 | 480 | 456 | 445 | 425 | 311 | 166 |
| Tricotage products | million units | 98 | 96 | 34 | 46 | 50 | 45 | 23 |
| Synthetic textiles | thousand tons | 16 | 8 | 7 | 3 | 3 | ... | ... |
| Socks and hosiery | million pairs | 109 | 107 | 66 | 68 | 62 | 25 | 10 |
| Shoes | million pairs | 41 | 28 | 6 | 5 | 5 | 5 | 2 |
| Soap | thousand tons | 8 | 9 | 9 | 7 | 4 | 5 | 1 |
| Detergent | thousand tons | 16 | 8 | 7 | 3 | 3 | 3 | 1 |
| Vegetable oil | thousand tons | 339 | 361 | 341 | 272 | 276 | 280 | 103 |
| Energy products | | | | | | | | |
| Electricity | billion of kilowatt hours | 49 | 48 | 47 | 45 | 46 | 46 | ... |
| Coal | thousand tons | 3,807 | 3,845 | 3,054 | 2,837 | 2,947 | 2,952 | 1,287 |
| Natural gas | billion of cubic meters | 45 | 47 | 49 | 49 | 51 | 55 | 29 |
| Oil and gas condensate | thousand tons | 3,944 | 5,517 | 7,586 | 7,621 | 7,891 | 8,104 | 4,201 |

Source: Ministry of Macroeconomics and Statistics.

1/ Figures are for the first six months of 1999.

Table 4. Uzbekistan: Output of Selected Agricultural Products, 1993-99
(In thousand tons, unless otherwise indicated)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|-------------------------------|-------|-------|-------|-------|-------|-------|---------|
| Raw cotton | 4,235 | 3,938 | 3,934 | 3,350 | 3,641 | 3,206 | 3,750 |
| Grains | 2,142 | 2,467 | 3,215 | 3,549 | 3,788 | 4,148 | 4,813 |
| <i>Of which</i> | | | | | | | |
| Wheat | 876 | 1,363 | 2,347 | 2,737 | 3,073 | 3,556 | 3,740 |
| Rice | 545 | 498 | 328 | 445 | 394 | 373 | 535 |
| Potatoes | 472 | 567 | 440 | 490 | 686 | 692 | 672 |
| Vegetables | 3,039 | 2,975 | 2,713 | 2,481 | 2,348 | 2,403 | 2,485 |
| Fruits | 560 | 555 | 602 | 585 | 546 | 543 | 510 |
| Grapes | 381 | 353 | 621 | 474 | 505 | 336 | 376 |
| Livestock and poultry | 841 | 827 | 853 | 854 | 801 | 809 | 825 |
| Milk | 3,764 | 3,732 | 3,665 | 3,390 | 3,406 | 3,495 | 3,595 |
| Eggs (millions) | 1,788 | 1,574 | 1,232 | 1,057 | 1,075 | 1,165 | 1,304 |
| Wool | 27 | 25 | 20 | 15 | 15 | 15 | 16 |
| Karakul/Sheepskin (thousands) | 1,517 | 1,540 | 1,393 | 1,370 | 1,411 | 803 | 724 |
| Silk cocoons | 30 | 23 | 24 | 22 | 21 | 20 | 19 |
| Tobacco | 9 | 11 | 17 | 12 | 31 | 34 | 34 |

Source: Ministry of Macroeconomics and Statistics.

1/ Estimates for 1999 provided by the authorities.

Table 5. Uzbekistan: Cotton and Wheat Production Indicators, 1993-99

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|---|-------|-------|-------|-------|-------|-------|---------|
| Total cultivated area (million hectares) | 4.2 | 4.2 | 4.2 | 4.0 | 4.1 | 4.0 | 4.0 |
| Cotton | 1.7 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Grains | 1.3 | 1.5 | 1.7 | 1.7 | 1.8 | 1.7 | 1.7 |
| <i>Of which</i> | | | | | | | |
| Wheat | 0.7 | 1.0 | 1.2 | 1.3 | 1.5 | 1.4 | 1.4 |
| Feed crops | 1.0 | 0.9 | 0.7 | 0.5 | 0.5 | 0.5 | 0.4 |
| Other | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Production (million tons) | | | | | | | |
| Raw cotton | 4.2 | 3.9 | 3.9 | 3.4 | 3.6 | 3.2 | 3.8 |
| Wheat | 0.9 | 1.4 | 2.3 | 2.7 | 3.1 | 3.6 | 3.7 |
| Yields (tons/hectare) | | | | | | | |
| Raw cotton | 2.5 | 2.6 | 2.6 | 2.3 | 2.4 | 2.1 | 2.4 |
| Wheat | 1.0 | 1.4 | 2.0 | 2.1 | 2.1 | 2.6 | 2.6 |
| Total exports (million U.S. dollars) | 2,877 | 2,940 | 3,475 | 3,534 | 3,695 | 2,888 | ... |
| Cotton exports (million U.S. dollars) | 1,172 | 1,508 | 1,584 | 1,539 | 1,390 | 1,198 | ... |
| Cotton exports (percent of total exports) | 40.7 | 51.3 | 45.6 | 43.5 | 37.6 | 41.5 | ... |
| Cotton exports (percent of GDP) | 23.0 | 26.5 | 15.8 | 11.3 | 9.7 | 8.5 | ... |
| Average wage in agriculture (U.S. dollars) 2/ 3/ | 24 | 20 | 27 | 31 | 29 | 27 | 26 |
| Average wage in the public sector (U.S. dollars) 2/ 3/ | 29 | 27 | 36 | 54 | 56 | 57 | 65 |
| Average wage in industry (U.S. dollars) 2/ 3/ | 43 | 36 | 50 | 74 | 78 | 88 | 106 |
| Average agricultural wage/average public sector wage (percent) 2/ | 82 | 77 | 73 | 55 | 51 | 47 | 40 |
| Average agricultural wage/average industrial wage (percent) 2/ | 55 | 58 | 50 | 39 | 35 | 30 | 25 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Estimates for 1999 provided by the authorities.

2/ Figures for 1999 are for the first six months.

3/ Converted at the official exchange rate.

Table 6. Uzbekistan: Cotton and Wheat Producer Prices, 1994-99

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--|--------------------|--------|--------|--------|--------|---------|
| Cotton fiber world market price (U.S. dollars/ton) 2/ | 1,743 | 1,979 | 1,687 | 1,685 | 1,275 | 1,268 |
| Cotton fiber Uzbek export price (U.S. dollars/ton) 3/ | 1,600 | 1,755 | 1,593 | 1,582 | 1,089 | 1,082 |
| State order raw cotton producer price (sums/ton) | 1,260 | 6,900 | 12,260 | 19,503 | 21,846 | 32,235 |
| Average non-state order raw cotton producer price (sums/ton) | ... | 8,000 | 14,900 | 23,703 | 26,544 | 39,168 |
| Average cotton producer price (sums/ton) | ... | 7,307 | 13,237 | 21,057 | 23,584 | 34,800 |
| Cotton fiber price (sums/ton) 4/ | 4,014 | 21,983 | 39,060 | 62,136 | 69,600 | 102,700 |
| | (In percent) | | | | | |
| Cotton state order price/world market price 5/ | 11 | 36 | 51 | 50 | 59 | 65 |
| Cotton state order price/world market price 6/ | 9 | 29 | 45 | 45 | 52 | 51 |
| Cotton state order price/world market price 7/ | 8 | 26 | 26 | 23 | 20 | 12 |
| Wheat world market price (U.S. dollars/ton) 8/ | 165 | 206 | 177 | 149 | 128 | 115 |
| State order wheat producer price (sums/ton) | 460 | 1,690 | 4,440 | 7,140 | 10,566 | 15,333 |
| Average non-state order wheat producer price (sums/ton) | ... | 2,074 | 5,450 | 8,000 | 19,409 | 28,167 |
| Average wheat producer price (sums/ton) | ... | 1,786 | 4,693 | 7,355 | 13,219 | 19,825 |
| | (In percent) | | | | | |
| Wheat state order price/world market price 5/ | 12 | 23 | 52 | 61 | 77 | 107 |
| Wheat state order price/world market price 6/ | 10 | 19 | 46 | 55 | 67 | 83 |
| Wheat state order price/world market price 7/ | 9 | 17 | 26 | 28 | 26 | 20 |
| | (Sums/U.S. dollar) | | | | | |
| Memorandum items: | | | | | | |
| Average official exchange rate for the last quarter | 22.7 | 35.0 | 48.3 | 78.1 | 107.8 | 124.9 |
| Average comm. bank exchange rate for the last quarter | 28.1 | 43.4 | 54.9 | 87.4 | 123.6 | 159.8 |
| Average curb market exchange rate for the last quarter | 29.6 | 48.0 | 95.5 | 172.3 | 318.3 | 679.0 |

Sources: Ministry of Macroeconomics and Statistics; Ministry of Agriculture and Water Resources; and Fund staff estimates.

1/ Authorities' estimates for 1999, except for exchange rates which are actual values for the year.

2/ Average price for the fourth quarter (Liverpool Price Index).

3/ F.O.B Uzbek border (world cotton price adjusted for transportation costs and quality).

4/ The cotton fiber price is calculated using the state order price for raw cotton multiplied by a coefficient of 3.186.

5/ At the average official exchange rate for the fourth quarter.

6/ At the commercial bank exchange rate for the fourth quarter.

7/ At the average curb market exchange rate for the fourth quarter.

8/ Average price for the fourth quarter (US No. 1 Hard Red Winter Wheat).

Table 7. Uzbekistan: Saving and Investment Balances, 1995-98

(In percent of GDP, unless otherwise indicated)

| | 1995 | 1996 | 1997 | 1998 |
|--|------|------|------|-------|
| Consumption | 76.0 | 84.0 | 85.1 | 90.1 |
| Government 1/ | 32.0 | 30.8 | 24.9 | 27.7 |
| Non-government | 44.0 | 53.2 | 60.2 | 62.4 |
| Investment | 24.2 | 23.0 | 18.9 | 10.2 |
| Government 2/ | 6.7 | 10.8 | 7.4 | 8.1 |
| Non-government | 17.5 | 12.2 | 11.5 | 2.1 |
| National Saving | 24.0 | 16.0 | 14.9 | 9.9 |
| Government 3/ | 2.6 | 3.4 | 5.2 | 4.7 |
| Non-government | 21.4 | 12.5 | 9.8 | 5.2 |
| Foreign saving 4/ | 0.2 | 7.0 | 4.0 | 0.3 |
| Memorandum items: | | | | |
| GDP (billion sums) | 303 | 559 | 977 | 1,359 |
| Consumer price inflation (percent, end period) | 117 | 64 | 50 | 26 |
| Real GDP growth (percent) | -0.9 | 1.6 | 2.5 | 4.4 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ General government expenditure and net lending minus investments.

2/ Centralized investments plus net lending.

3/ Government revenue minus current expenditure.

4/ Current account deficit valued at official exchange rate.

Table 8. Uzbekistan: Sectoral Shares of Investment, 1995-98
(In percent, unless otherwise indicated)

| | 1995 | 1996 | 1997 | 1998 |
|---|------|------|------|------|
| Total investment | 100 | 100 | 100 | 100 |
| <i>Of which</i> | | | | |
| Agriculture | 7 | 7 | 6 | 6 |
| Industry | 49 | 34 | 31 | 29 |
| <i>Of which</i> | | | | |
| Energy | 11 | 18 | 16 | 10 |
| Other sectors | 44 | 59 | 63 | 65 |
| Memorandum items: | | | | |
| Sectoral shares in GDP at current market prices | | | | |
| Agriculture | 28 | 22 | 28 | 26 |
| Industry | 17 | 18 | 16 | 15 |

Source: Ministry of Macroeconomics and Statistics.

Table 9. Uzbekistan: GDP and Sectoral Deflators, 1993-99
(In percent change over same period of previous year)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--------------------------------|-------|-------|------|------|------|------|---------|
| Total | 1,079 | 1,239 | 371 | 82 | 71 | 33 | 39 |
| Agriculture | 791 | 1,528 | 273 | 56 | 111 | 25 | 33 |
| Industry | 907 | 936 | 397 | 89 | 50 | 31 | 42 |
| Transport and communication | 1,359 | 1,438 | 516 | 71 | 72 | 26 | 36 |
| Construction | 1,081 | 1,219 | 374 | 114 | 50 | 40 | 32 |
| Trade | 1,192 | 1,613 | 249 | 109 | 100 | 26 | 46 |
| Other services 2/ | 1,102 | 1,118 | 409 | 92 | 59 | 30 | 44 |
| Indirect taxes minus subsidies | ... | 1,040 | 648 | 80 | 48 | 66 | 36 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Figures are for the first six months of 1999.

2/ Includes the government sector.

Table 10. Uzbekistan: Consumer Prices, 1998-99
(Percent change over the previous period)

| | 1998 | | | | | 1999 | | |
|-----------------------------------|------|-----|------|------|---------|------|-----|------|
| | Q1 | Q2 | Q3 | Q4 | Year 1/ | Q1 | Q2 | Q3 |
| Total | 6.8 | 4.6 | 1.7 | 8.2 | 26.1 | 12.0 | 5.4 | 1.1 |
| Food, beverages and tobacco | 7.2 | 5.0 | -1.2 | 8.8 | 24.2 | 12.7 | 5.3 | -1.4 |
| Clothing and footwear | 4.3 | 1.9 | 1.6 | 5.4 | 15.6 | 8.2 | 6.1 | 4.2 |
| Rent, water and energy | 4.9 | 6.1 | 32.7 | 11.8 | 68.2 | 5.7 | 5.7 | 7.7 |
| Household goods | 4.9 | 2.2 | 1.2 | 11.3 | 26.8 | 17.8 | 6.8 | 6.4 |
| Medical care | 6.7 | 3.9 | 4.6 | 5.2 | 22.3 | 7.6 | 4.0 | 4.3 |
| Transport and communications | 14.3 | 6.6 | 11.0 | 5.4 | 44.3 | 13.3 | 4.8 | 11.0 |
| Recreation, education and culture | 4.6 | 3.4 | 18.1 | 3.5 | 32.3 | 12.5 | 4.1 | 13.7 |
| Personal care | 5.1 | 3.7 | 3.3 | 11.3 | 31.9 | 16.2 | 8.1 | 7.8 |

Source: Ministry of Macroeconomics and Statistics.

1/ End-period.

Table 11..Uzbekistan: Producer Prices, 1998-99 1/
(Percent change over previous month)

| | Weights | 1998 | | | | | | | | | | | | Weights | 1999 | | | | | | | | | |
|--|---------|------|------|------|------|------|------|------|------|------|------|------|------|---------|------|------|------|------|------|------|------|------|------|------|
| | | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. |
| Total | | 1.8 | 1.5 | 0.6 | 0.7 | 0.7 | 0.8 | 30.2 | 0.7 | 1.6 | 1.9 | 1.5 | 1.4 | | 2.3 | 1.1 | 0.5 | 1.5 | 2.3 | 1.0 | 1.4 | 5.2 | 6.3 | 4.9 |
| Fuel and power | 0.3043 | -1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 85.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2517 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 1.2 | 0.0 |
| <i>Of which</i> | | | | | | | | | | | | | | | | | | | | | | | | |
| Electric power | 0.1440 | -1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1044 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Oil extraction | 0.0059 | -1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0050 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.5 | 0.0 | 0.0 | 0.0 |
| Oil refining | 0.0788 | -1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 86.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0793 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gas industry | 0.0680 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 66.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0559 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Coal industry | 0.0076 | -1.1 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 60.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0071 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 43.5 | 0.0 | 0.0 |
| Ferrous and nonferrous metallurgy | 0.0978 | -2.7 | 3.2 | 4.6 | 1.4 | 0.2 | 1.9 | 10.6 | 1.5 | 6.0 | -1.3 | 0.5 | -5.5 | 0.0930 | 2.3 | 1.4 | -7.1 | 3.6 | 13.7 | 3.5 | 0.6 | 14.8 | 2.7 | 8.9 |
| Chemical and petrochemical industry | 0.0522 | 0.6 | 1.7 | 2.1 | 1.7 | 3.6 | 0.2 | 26.0 | -0.9 | -2.4 | 3.5 | 2.0 | 0.3 | 0.0398 | 0.3 | 3.6 | 5.2 | 14.9 | 0.3 | 1.4 | 12.9 | 1.5 | 0.1 | 4.0 |
| Machine building and metalworking | 0.1058 | 5.6 | 6.7 | 0.4 | 1.1 | 0.6 | 2.2 | -1.6 | 0.7 | 0.3 | 0.2 | 9.2 | 0.2 | 0.1314 | 0.8 | 1.2 | 1.7 | 0.5 | 1.6 | 2.0 | 1.2 | 0.9 | 6.9 | 0.2 |
| Timber, woodworking and pulp industry | 0.0103 | 2.6 | 6.8 | 3.0 | 0 | 4.0 | 0.9 | 0.9 | 0.1 | 3.6 | 0.7 | 0.4 | 2.1 | 0.0095 | 5.2 | 10.7 | 5.9 | 1.6 | 1.4 | 1.6 | 0.2 | 0.8 | 3.4 | 0.9 |
| Construction materials | 0.0706 | 2.1 | 2.8 | 1.3 | 0.7 | 2.4 | 1.1 | 9.2 | 4.8 | 6.9 | 8.7 | 2.2 | 1.9 | 0.0594 | 2.5 | 2.4 | 0.4 | 1.1 | 7.1 | 1.2 | 1.1 | 2.5 | 1.5 | 2.6 |
| Light industry | 0.2019 | 4.2 | 0.2 | 0.5 | 1.0 | 0.4 | 0.2 | 0.7 | 0.8 | 4.1 | 3.7 | 0.3 | 1.1 | 0.1938 | 2.6 | 1.0 | 0.5 | 0.3 | 0.2 | 0.4 | 0.1 | 2.2 | 22.8 | 13.6 |
| Food industry | 0.0781 | 4.0 | 1.0 | -0.8 | 0.4 | 0.6 | 3.4 | 7.1 | 0.1 | 1.5 | 9.0 | 1.9 | 6.4 | 0.1232 | 6.3 | 1.8 | 4.0 | 2.6 | 1.9 | 1.3 | 3.8 | 5.6 | 4.5 | 4.4 |
| Flour and cereals | 0.0670 | -0.3 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 26.5 | 0.0 | 0.0 | 0.0 | 3.9 | 17.8 | 0.0733 | 12.1 | 0.0 | 0.0 | 0.2 | 2.2 | 0.3 | 0.0 | 19.7 | 0.0 | 0.5 |
| Fodder | 0.0014 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 33.7 | 0.0 | 0.0 | 0.0 | 0 | 10.4 | 0.0014 | 8.3 | 4.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.1 | 0.0 | 0.0 |
| Other sectors | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Memorandum item: | | | | | | | | | | | | | | | | | | | | | | | | |
| Producer price index (percent change from previous year) | | 35.9 | 33.2 | 30.6 | 28.7 | 28.2 | 27.2 | 58.0 | 54.9 | 50.2 | 47.8 | 47.3 | 48.4 | | 49.2 | 48.6 | 48.4 | 49.6 | 52.0 | 52.3 | 18.6 | 23.9 | 29.6 | 33.5 |

Source: Ministry of Macroeconomics and Statistics.

1/ Prices are recorded on an accounting basis and do not reflect actual transaction prices.

Table 12. Uzbekistan: Electricity Consumption and Real GDP Growth, 1993-98

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|-------|-------|-------|-------|-------|-------|
| Electricity consumption | | | | | | |
| Consumption (billion Kwh) | 48.9 | 46.4 | 46.2 | 46.5 | 47.0 | 46.1 |
| Index (1991=100) | 90.3 | 85.8 | 86.0 | 86.0 | 86.8 | 85.0 |
| Growth (percent) | -4.3 | -4.7 | -0.5 | 0.8 | 1.0 | -2.0 |
| Cumulative percentage change since 1991 | -9.3 | -13.6 | -13.9 | -13.4 | -12.4 | -14.2 |
| Real GDP | | | | | | |
| Index (1991=100) | 86.9 | 83.3 | 82.5 | 83.8 | 85.8 | 89.6 |
| Growth (percent) | -2.3 | -4.2 | -0.9 | 1.6 | 2.5 | 4.4 |
| Cumulative percentage change since 1991 | -13.1 | -16.7 | -17.5 | -16.2 | -14.1 | -10.3 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

Table 13. Uzbekistan: Selected Energy Prices, 1995-99 1/
(In sum pcr unit)

| Unit | 1995 | | | | 1996 | | | | 1997 | | | | 1998 | | | | 1999 | | | | |
|----------------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jan. 1 | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 | Jul. 1 | Oct. 1 | |
| Electricity | | | | | | | | | | | | | | | | | | | | | |
| Wholesale | kilowatt hours | 0.16 | 0.27 | 1.08 | 1.34 | 1.34 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 |
| Retail | kilowatt hours | 0.10 | 0.10 | 0.30 | 0.70 | 0.70 | 1.25 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 2.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 |
| Coal | | | | | | | | | | | | | | | | | | | | | |
| Wholesale | tons | 413 | 413 | 1,006 | 1,006 | 1,006 | 1,385 | 1,385 | 1,385 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 4,500 |
| Crude oil | | | | | | | | | | | | | | | | | | | | | |
| Wholesale | tons | 260 | 260 | 1,428 | 1,900 | 1,900 | 3,700 | 3,700 | 3,700 | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Natural gas | | | | | | | | | | | | | | | | | | | | | |
| Wholesale | 1000 cubic meters | 125 | 125 | 565 | 1,130 | 1,130 | 2,220 | 2,220 | 2,220 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 |
| Retail | 1000 cubic meters | 15 | 15 | 30 | 75 | 75 | 225 | 225 | 225 | 450 | 450 | 450 | 1,350 | 1,350 | 1,350 | 2,700 | 2,700 | 2,700 | 2,700 | 2,700 | 2,700 |
| Petroleum products | | | | | | | | | | | | | | | | | | | | | |
| Gasoline (A-72, A-76), wholesale | tons | 10,400 | 10,400 | 11,700 | 15,600 | 15,600 | 19,500 | 19,500 | 19,500 | 23,400 | 23,400 | 26,000 | 26,000 | 32,500 | 32,500 | 39,000 | 39,000 | 52,000 | 52,000 | 65,000 | 78,000 |
| Gasoline (A-92, A-93), wholesale | tons | 10,400 | 10,400 | 11,700 | 15,600 | 15,600 | 19,500 | 19,500 | 19,500 | 23,400 | 23,400 | 26,000 | 26,000 | 39,000 | 39,000 | 49,400 | 49,400 | 65,000 | 65,000 | 78,000 | 97,500 |
| Diesel fuel, wholesale | tons | 7,006 | 7,006 | 9,120 | 11,065 | 11,065 | 14,480 | 14,480 | 14,480 | 15,008 | 15,008 | 15,008 | 15,008 | 15,008 | 15,008 | 29,430 | 29,430 | 29,430 | 29,430 | 29,430 | 36,800 |
| Heavy oil (Mazut), wholesale | tons | 1,079 | 1,079 | 1,370 | 1,370 | 1,812 | 2,960 | 2,960 | 2,960 | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 | 6,080 | 6,080 | 6,080 | 6,080 | 6,080 | 6,080 |
| Gasoline (A-72, A-76), retail | liters | 8 | 8 | 10 | 12 | 12 | 15 | 15 | 15 | 18 | 18 | 20 | 20 | 25 | 25 | 30 | 30 | 40 | 40 | 50 | 60 |
| Gasoline (A-92, A-93), retail | liters | 8 | 8 | 10 | 12 | 12 | 15 | 15 | 15 | 18 | 18 | 20 | 20 | 30 | 30 | 38 | 38 | 50 | 50 | 60 | 75 |

Sources: Ministry of Finance; and Fund staff estimates.

1/ Prices include VAT and excise taxes, if applicable.

Table 14. Uzbekistan: Crude Oil and Oil Products Energy Balance, 1993-98
(In thousands of tons, unless otherwise indicated)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|-------|-------|-------|-------|--------|-------|
| Domestic crude oil extraction | 3,944 | 5,517 | 7,586 | 7,621 | 7,891 | 8,104 |
| Oil and oil product imports | 4,762 | 3,153 | 250 | 11 | 0 | 0 |
| Crude oil | 4,106 | 3,019 | 206 | 5 | 0 | 0 |
| Gasoline | 295 | 96 | 20 | 6 | 0 | 0 |
| Diesel oil | 354 | 38 | 24 | 4 | 0 | 0 |
| Heavy oil | 7 | 0 | 0 | 0 | 0 | 0 |
| Oil and oil product exports | 504 | 1,144 | 750 | 950 | 1,190 | 948 |
| Crude oil | 395 | 888 | 581 | 783 | 912 | 573 |
| Gasoline | 31 | 6 | 15 | 42 | 29 | 113 |
| Diesel fuel | 35 | 14 | 13 | 62 | 245 | 219 |
| Heavy oil | 43 | 236 | 141 | 63 | 4 | 43 |
| Refinery losses | ... | 158 | 125 | 136 | 181 | 222 |
| Domestic consumption of oil products | 8,201 | 7,368 | 6,961 | 6,547 | 6,520 | 6,934 |
| Domestic crude oil extraction (percent change over previous year) | 19.8 | 39.9 | 37.5 | 0.5 | 4.0 | 2.7 |
| Domestic oil product consumption (percent change over previous year) | ... | ... | -5.5 | -6.0 | -0.4 | 6.3 |
| Net oil and oil product imports | 4,258 | 2,009 | -500 | -939 | -1,190 | -948 |
| <i>Of which</i> | | | | | | |
| Crude oil | 3,711 | 2,131 | -375 | -772 | -912 | -573 |
| From BRO countries 1/ | 3,996 | 2,131 | -365 | ... | ... | ... |
| From other countries | -285 | ... | -10 | ... | ... | ... |
| Oil products | 547 | -122 | -125 | -157 | -278 | -375 |

Source: Ministry of Macroeconomics and Statistics.

1/ The Baltics, Russia and other countries of the Former Soviet Union.

Table 15. Uzbekistan: Non-Oil Energy Balances, 1993-98

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---------------------------|---------------------------------|--------|--------|--------|--------|--------|
| Natural gas | (In millions of cubic meters) | | | | | |
| Domestic extraction | 45,034 | 47,181 | 48,668 | 48,991 | 51,245 | 54,790 |
| Exports | 7,238 | 4,912 | 5,624 | 9,076 | 9,897 | 5,228 |
| Imports | 5,753 | 2,111 | 1,416 | 4,200 | 2,760 | 1,062 |
| Stock building and losses | 1,317 | 3,518 | 2,417 | 517 | -158 | 3,276 |
| Domestic consumption 1/ | 42,093 | 40,862 | 42,043 | 43,598 | 44,266 | 47,348 |
| Coal | (In thousands of tons) | | | | | |
| Domestic extraction | 3,807 | 3,845 | 3,054 | 2,837 | 2,947 | 2,953 |
| Exports | 137 | 107 | 82 | 8 | 30 | 30 |
| Imports | 638 | 129 | 30 | 51 | 27 | 0 |
| Domestic consumption 1/ | 4,200 | 3,427 | 3,028 | 3,397 | 2,792 | 2,275 |
| Electricity | (In millions of kilowatt hours) | | | | | |
| Domestic production | 49,148 | 47,755 | 47,453 | 45,420 | 46,056 | 45,935 |
| Exports | 15,621 | 16,175 | 14,199 | 12,826 | 11,488 | 10,642 |
| Imports | 15,214 | 14,815 | 12,908 | 13,918 | 12,417 | 10,818 |
| Domestic consumption 1/ | 48,741 | 46,395 | 46,163 | 46,513 | 46,985 | 46,111 |

Source: Ministry of Macroeconomics and Statistics.

1/ Calculated as domestic sources plus imports minus exports minus stock building minus losses.

Table 16. Uzbekistan: Monopoly Enterprises and Products, 1996-99 1/

| | January 1, 1996 | | January 1, 1997 | | January 1, 1998 | | January 1, 1999 | | October 1, 1999 | |
|-------------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Number of Enterprises | Number of Products | Number of Enterprises | Number of Products | Number of Enterprises | Number of Products | Number of Enterprises | Number of Products | Number of Enterprises | Number of Products |
| Total | 945 | 3,096 | 828 | 5,186 | 810 | 3,600 | 660 | 2,619 | 716 | 1,924 |
| National level | 147 | 288 | 144 | 292 | 130 | 270 | 92 | 199 | 91 | 205 |
| Local level 2/ | 798 | 2,808 | 684 | 4,894 | 680 | 3,330 | 568 | 2,420 | 625 | 1,719 |
| By sector | | | | | | | | | | |
| Grain, flour, and bread | 2 | 4 | 37 | 275 | 41 | 145 | 18 | 41 | 18 | 40 |
| Coal | 1 | 1 | 2 | 5 | 4 | 6 | 6 | 8 | 5 | 6 |
| Gas | 3 | 4 | 5 | 6 | 4 | 5 | 6 | 7 | 4 | 5 |
| Foodstuffs | 216 | 951 | 155 | 1,508 | 132 | 909 | 111 | 614 | 97 | 551 |
| Light industry | 89 | 286 | 55 | 225 | 57 | 171 | 32 | 69 | 30 | 62 |
| Local industry | 126 | 309 | 43 | 135 | 29 | 74 | 13 | 28 | 11 | 22 |
| Petrochemical | 50 | 190 | 12 | 52 | 12 | 47 | 28 | 68 | 26 | 73 |
| Machine building | 45 | 72 | 30 | 58 | 30 | 66 | 34 | 72 | 35 | 72 |
| Building materials | 150 | 338 | 97 | 1,624 | 87 | 895 | 69 | 769 | 71 | 199 |
| Services | 188 | 311 | 236 | 825 | 263 | 821 | 244 | 654 | 323 | 690 |
| Others | 75 | 630 | 156 | 473 | 151 | 461 | 99 | 289 | 96 | 204 |

Sources: Ministry of Finance.

1/ Officially defined as enterprises and products with a market share of 35 percent or more at January 1, 1996, and 65 percent or more thereafter.

2/ Monopoly enterprises or products in a local administrative area.

Table 17. Uzbekistan: Corporatized and Partially Privatized Enterprises, 1992-98

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Number of state-owned enterprises existing prior to 1993 | 64,547 | ... | ... | ... | ... | ... | ... |
| <i>Of which</i> | | | | | | | |
| Small | 52,782 | ... | ... | ... | ... | ... | ... |
| Medium | 7,059 | ... | ... | ... | ... | ... | ... |
| Large | 4,706 | ... | ... | ... | ... | ... | ... |
| Number of corporatized and partially privatized enterprises (in each year) | 0 | 33,571 | 9,744 | 7,511 | 1,915 | 1,231 | 451 |
| <i>Of which</i> | | | | | | | |
| Small | 0 | 32,571 | 6,649 | 7,209 | 658 | 775 | 135 |
| Medium | 0 | 600 | 2,725 | 174 | 1,109 | 425 | 315 |
| Large | 0 | 400 | 370 | 128 | 148 | 31 | 1 |
| Number of corporatized and partially privatized enterprises (cumulative) | 0 | 34,577 | 44,321 | 51,832 | 53,747 | 54,978 | 55,429 |
| <i>Of which</i> | | | | | | | |
| Small | 0 | 33,577 | 40,226 | 47,435 | 48,093 | 48,868 | 49,003 |
| Medium | 0 | 600 | 3,325 | 3,499 | 4,608 | 5,033 | 5,348 |
| Large | 0 | 400 | 770 | 898 | 1,046 | 1,077 | 1,078 |
| Share of corporatized and partially privatized enterprises in total (in percent) | 0 | 54 | 69 | 80 | 83 | 85 | 86 |
| <i>Of which</i> | | | | | | | |
| Small | 0 | 64 | 76 | 90 | 91 | 93 | 93 |
| Medium | 0 | 8 | 47 | 50 | 65 | 71 | 76 |
| Large | 0 | 8 | 16 | 19 | 22 | 23 | 23 |

Source: State Property Committee.

Table 18. Uzbekistan: Bankruptcy Proceedings, 1997-99

| | 1997 | 1998 | 1999 1/ |
|--|------|--------------|---------|
| | | (Annually) | |
| Number of enterprises declared bankrupt | 145 | 448 | 764 |
| <i>Of which</i> | | | |
| Number of enterprises with full or partial state ownership | 12 | 52 | 41 |
| In percent of total | 8.3 | 11.6 | 5.4 |
| Number of liquidated enterprises | 145 | 398 | 414 |
| <i>Of which</i> | | | |
| Number of enterprises with full or partial state ownership | 10 | 32 | 8 |
| In percent of total | 6.9 | 8.0 | 1.9 |
| Number of workers in liquidated enterprises | 820 | 3,123 | 4,210 |
| | | (Cumulative) | |
| Number of enterprises declared bankrupt | 145 | 593 | 1,357 |
| <i>Of which</i> | | | |
| Number of enterprises with full or partial state ownership | 12 | 64 | 105 |
| In percent of total | 8.3 | 10.8 | 7.7 |
| Number of liquidated enterprises | 145 | 543 | 957 |
| <i>Of which</i> | | | |
| Number of enterprises with full or partial state ownership | 10 | 42 | 50 |
| In percent of total | 6.9 | 7.7 | 5.2 |
| Number of workers in liquidated enterprises | 820 | 3,943 | 8,153 |

Source: Ministry of Macroeconomics and Statistics.

1/ Figures are for the first three quarters of 1999.

Table 19. Uzbekistan: Labor Market Indicators, 1993-99
(In thousand persons, unless otherwise indicated)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|--|--------|--------|---------|---------|---------|---------|---------|
| Population | 21,853 | 22,282 | 22,690 | 23,130 | 23,561 | 23,954 | 24,270 |
| Population growth rate (percent) | 2.3 | 2.0 | 1.8 | 1.9 | 1.9 | 1.7 | 1.3 |
| Working age population | 10,739 | 10,975 | 11,222 | 11,508 | 11,824 | 12,176 | 12,556 |
| Employment | 8,259 | 8,150 | 8,449 | 8,561 | 8,680 | 8,800 | 8,831 |
| <i>Of which</i> | | | | | | | |
| Industry | 1,167 | 1,067 | 1,087 | 1,107 | 1,109 | 1,114 | 1,126 |
| Agriculture and forestry | 3,688 | 3,622 | 3,485 | 3,505 | 3,515 | 3,467 | 3,091 |
| Transport and communication | 348 | 342 | 348 | 358 | 360 | 362 | 379 |
| Construction | 561 | 520 | 528 | 539 | 550 | 573 | 578 |
| Trade | 456 | 565 | 705 | 713 | 715 | 715 | 716 |
| Other services | 1,909 | 1,871 | 1,897 | 1,940 | 1,970 | 1,975 | 2,003 |
| <i>Of which</i> | | | | | | | |
| Information and computer services | 6 | 3 | 4 | 5 | 5 | 5 | 5 |
| Housing services | 190 | 184 | 214 | 226 | 230 | 235 | 239 |
| Health | 495 | 486 | 487 | 498 | 500 | 502 | 517 |
| Education | 1,083 | 1,080 | 1,054 | 1,066 | 1,070 | 1,073 | 1,082 |
| Credit and insurance | 29 | 34 | 40 | 47 | 48 | 49 | 50 |
| Management services | 105 | 84 | 97 | 98 | 117 | 111 | 110 |
| Official number of unemployed | 29.0 | 29.4 | 31.0 | 33.8 | 35.4 | 40.1 | 55.4 |
| Official unemployment rate (percent) | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 |
| Official number of persons on forced leave | ... | ... | 241.0 | 237.0 | ... | ... | ... |
| Official number of vacancies | ... | 34.6 | 27.4 | 12.6 | ... | ... | ... |
| Memorandum items: | | | | | | | |
| Minimum wage (sums/month) 2/ | 9.0 | 69.6 | 175.0 | 417.0 | 675.0 | 925.0 | 1,374.0 |
| Minimum wage (U.S. dollars/month) 3/ | 9.6 | 7.0 | 5.9 | 10.4 | 10.2 | 9.8 | 11.6 |
| Average wage (sums/month) 2/ | 30.0 | 279.7 | 1,069.7 | 2,166.0 | 3,697.2 | 5,414.0 | 7,833.0 |
| Average wage (U.S. dollars/month) 3/ | 31.5 | 28.1 | 35.9 | 53.9 | 55.7 | 57.1 | 66.0 |

Sources: Ministry of Macroeconomics and Statistics; Ministry of Labor; and Fund staff estimates.

1/ Figures are for the period January-August 1999.

2/ Data represent averages of monthly wages during the period.

3/ Converted at the official exchange rate.

Table 20. Uzbekistan: Average Monthly Wages in the Public Sector, 1995-99
(In sum)

| | 1995 | 1996 | | 1997 | | 1998 | | 1999 | |
|---|----------------|-------|----------------|--------|----------------|--------|----------------|--------|-------------------|
| | Annual average | Dec. | Annual average | Dec. | Annual average | Dec. | Annual average | June | Half year average |
| Overall average 1/ | 1,070 | 3,656 | 2,166 | 5,743 | 3,697 | 8,195 | 5,414 | 8,029 | 7,453 |
| Industry | 1,549 | 4,936 | 3,062 | 8,286 | 5,386 | 13,033 | 8,438 | 13,312 | 12,236 |
| Agriculture | 777 | 1,982 | 1,192 | 3,211 | 1,881 | 3,765 | 2,557 | 3,150 | 3,006 |
| Transport | 1,426 | 5,919 | 2,955 | 7,702 | 5,375 | 11,247 | 8,272 | 10,543 | 10,026 |
| Communications | 1,519 | 6,708 | 3,028 | 10,447 | 4,882 | 15,861 | 7,824 | 11,243 | 10,737 |
| Construction | 1,661 | 6,719 | 3,581 | 10,105 | 6,034 | 13,836 | 8,171 | 12,959 | 10,724 |
| Trade and public catering | 664 | 2,472 | 1,486 | 3,714 | 2,484 | 6,645 | 4,268 | 6,265 | 5,539 |
| Information and computer services | 1,713 | 8,909 | 4,029 | 15,976 | 6,322 | 28,388 | 10,739 | 13,861 | 12,770 |
| Housing and communal services | 1,082 | 4,007 | 2,271 | 7,549 | 4,036 | 10,547 | 5,835 | 7,496 | 7,359 |
| Health care, physical training, social security | 677 | 1,856 | 1,398 | 2,838 | 2,244 | 4,337 | 3,288 | 5,149 | 4,662 |
| Public education | 672 | 2,190 | 1,529 | 3,376 | 2,454 | 4,816 | 3,708 | 7,019 | 5,654 |
| Culture and art | 740 | 2,495 | 1,587 | 3,886 | 2,466 | 5,329 | 3,688 | 5,717 | 5,156 |
| Science and scientific support | 1,246 | 4,349 | 2,479 | 6,527 | 3,779 | 9,962 | 6,269 | 9,652 | 8,684 |
| Financing and insurance | 1,831 | 8,490 | 4,033 | 16,750 | 7,981 | 22,065 | 11,421 | 16,469 | 15,915 |
| Administrative agencies | 1,047 | 3,801 | 2,262 | 5,890 | 3,716 | 8,966 | 5,752 | 9,163 | 8,124 |

Source: Ministry of Macroeconomics and Statistics.

1/ Includes state-owned enterprises and budgetary organizations, excluding internal and external security forces.

Table 21. Uzbekistan: Relative Wages By Sectors, 1995-99
(Index with overall average=100)

| | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|---|------|------|------|------|---------|
| Overall average | 100 | 100 | 100 | 100 | 100 |
| Industry | 145 | 141 | 146 | 156 | 164 |
| Agriculture | 73 | 55 | 51 | 47 | 40 |
| Transportation | 133 | 136 | 145 | 153 | 135 |
| Communications | 142 | 140 | 132 | 145 | 144 |
| Construction | 155 | 165 | 163 | 151 | 144 |
| Trade, public catering, material, tech. supplies and sales | 62 | 69 | 67 | 79 | 74 |
| Information and computer services | 160 | 186 | 171 | 198 | 171 |
| Housing and pub. utilities, nonprod. types of pub. services | 101 | 105 | 109 | 108 | 99 |
| Health care, physical training, social security | 63 | 65 | 61 | 61 | 63 |
| Public education | 63 | 71 | 66 | 68 | 76 |
| Culture and art | 69 | 73 | 67 | 68 | 69 |
| Science and scientific support | 117 | 114 | 102 | 116 | 117 |
| Financing, lending, insurance | 171 | 186 | 216 | 211 | 214 |
| Administrative agencies | 98 | 104 | 101 | 106 | 109 |
| Memorandum item: | | | | | |
| Agriculture/financial services (ratio) | 0.42 | 0.30 | 0.24 | 0.22 | 0.19 |

Sources: Ministry of Macroeconomics and Statistics; and Fund staff calculations.

1/ Figures are for the first six months of 1999.

Table 22. Uzbekistan: Public Sector Employment, 1993-99
(In thousands of employees)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|---|-------|-------|-------|-------|-------|-------|---------|
| Total 2/ | 4,647 | 4,338 | 4,109 | 3,897 | 3,835 | 3,693 | 4,992 |
| Industry | 991 | 923 | 851 | 771 | 720 | 640 | 634 |
| Agriculture 3/ | 764 | 617 | 543 | 494 | 518 | 502 | 1,822 |
| Transportation | 269 | 258 | 262 | 257 | 251 | 245 | 230 |
| Communications | 46 | 44 | 43 | 44 | 43 | 39 | 40 |
| Construction | 463 | 429 | 385 | 363 | 339 | 297 | 277 |
| Trade and public catering | 406 | 360 | 308 | 238 | 169 | 192 | 191 |
| Information and computer services | 6 | 5 | 3 | 2 | 2 | 2 | 1 |
| Housing and communal services | 121 | 109 | 116 | 124 | 130 | 136 | 139 |
| Health care, physical training, social security | 471 | 472 | 465 | 456 | 447 | 439 | 439 |
| Public education | 829 | 850 | 857 | 862 | 878 | 886 | 901 |
| Culture and art | 65 | 62 | 63 | 63 | 63 | 62 | 60 |
| Science and scientific support | 52 | 45 | 43 | 37 | 35 | 33 | 32 |
| Financing and insurance | 27 | 34 | 36 | 42 | 48 | 48 | 46 |
| Administrative agencies | 86 | 85 | 86 | 91 | 97 | 110 | 119 |

Source: Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Figures are for the first six months of 1999.

2/ Includes state-owned enterprises and budgetary organizations, excluding internal and external security forces.

3/ Excludes agricultural collectives, except for 1999.

Table 23. Uzbekistan: Reserve Money and Net Assets of the Monetary Authorities, 1997-99

(In millions of sums, end of period)

| | 1997 | 1998 | | | | 1999 | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. |
| Net int'l reserves (million U.S. dollars) | 941 | 922 | 808 | 848 | 933 | 936 | 966 | 906 | 898 | 748 | 623 | 611 | 636 | 772 | 808 |
| Gross int'l reserves (million U.S. dollars) | 1,167 | 1,145 | 1,030 | 1,077 | 1,168 | 1,170 | 1,195 | 1,135 | 1,199 | 1,122 | 997 | 986 | 1,013 | 1,139 | 1,176 |
| Official exchange rate (sums/U.S. dollar) | 80.2 | 84.5 | 93.5 | 105.4 | 110.0 | 111.2 | 112.6 | 114.5 | 115.9 | 117.4 | 123.6 | 130.4 | 133.6 | 135.5 | 137.0 |
| Net foreign assets | 75,417 | 77,889 | 75,503 | 89,347 | 102,663 | 104,119 | 108,823 | 103,765 | 104,075 | 87,773 | 77,021 | 79,700 | 84,973 | 104,695 | 110,740 |
| Gold 1/ | 63,615 | 59,485 | 53,553 | 58,643 | 69,895 | 76,438 | 73,226 | 68,463 | 66,426 | 70,343 | 56,935 | 65,809 | 62,493 | 83,105 | 70,813 |
| Foreign exchange 1/ | 29,919 | 37,300 | 42,756 | 54,829 | 58,602 | 53,671 | 61,395 | 61,412 | 72,488 | 61,351 | 66,269 | 62,768 | 72,829 | 71,244 | 90,313 |
| Net domestic assets | 20,837 | 22,815 | 33,736 | 31,075 | 32,008 | 34,390 | 34,020 | 41,821 | 44,056 | 61,911 | 70,438 | 71,444 | 70,783 | 57,270 | 58,169 |
| Domestic credit | 43,721 | 52,242 | 61,372 | 72,551 | 91,398 | 88,494 | 90,850 | 99,767 | 105,503 | 111,375 | 115,017 | 118,706 | 119,741 | 119,206 | 118,090 |
| Government, net | -1,665 | -1,164 | -3,945 | 3,730 | 11,288 | 11,958 | 14,001 | 19,647 | 22,905 | 26,660 | 27,961 | 29,242 | 29,681 | 28,116 | 26,925 |
| Banks | 45,341 | 53,350 | 65,263 | 68,759 | 80,057 | 76,486 | 76,793 | 80,057 | 82,535 | 84,653 | 87,003 | 89,405 | 90,003 | 91,034 | 91,108 |
| Rest of the economy | 44 | 56 | 54 | 62 | 53 | 50 | 56 | 63 | 63 | 62 | 53 | 59 | 57 | 56 | 57 |
| Other items, net | -15,784 | -22,628 | -20,615 | -34,239 | -47,298 | -46,728 | -48,918 | -49,897 | -53,301 | -41,304 | -38,382 | -39,385 | -40,435 | -52,186 | -49,380 |
| Monetary policy instruments | -7,100 | -6,799 | -7,020 | -7,237 | -7,293 | -7,376 | 7,912 | -8,050 | 8,146 | -8,160 | -6,197 | -7,876 | -8,522 | -9,750 | -10,540 |
| Reserve money | 96,253 | 100,704 | 109,239 | 120,422 | 134,671 | 138,509 | 142,843 | 145,585 | 148,131 | 149,685 | 147,459 | 151,145 | 155,757 | 161,965 | 168,909 |
| Currency in circulation | 74,674 | 76,891 | 85,687 | 96,684 | 106,987 | 110,525 | 113,999 | 115,213 | 117,127 | 118,381 | 118,887 | 120,791 | 123,147 | 125,994 | 131,532 |
| Deposits of commercial banks | 19,283 | 21,978 | 21,757 | 22,461 | 26,943 | 27,175 | 27,282 | 28,317 | 28,706 | 28,379 | 26,758 | 28,643 | 30,940 | 33,903 | 35,394 |
| Required reserves | 7,828 | 8,309 | 7,736 | 11,389 | 11,463 | 14,365 | 12,929 | 13,659 | 13,803 | 14,063 | 14,786 | 15,616 | 15,111 | 16,114 | 16,622 |
| Correspondent accounts, net | 11,454 | 13,669 | 14,021 | 11,072 | 15,480 | 12,810 | 14,353 | 14,658 | 14,903 | 14,315 | 11,972 | 13,027 | 15,829 | 17,789 | 18,771 |
| Other deposits | 2,296 | 1,835 | 1,795 | 1,276 | 740 | 810 | 1,562 | 2,055 | 2,299 | 2,925 | 1,814 | 1,712 | 1,670 | 2,068 | 1,983 |
| Memorandum items: | | | | | | | | | | | | | | | |
| Reserve money 2/ | ... | 4.6 | 13.5 | 25.1 | 39.9 | 2.8 | 6.1 | 8.1 | 10.0 | 11.1 | 9.5 | 12.2 | 15.7 | 20.3 | 25.4 |
| Net foreign assets 2/ | ... | 2.6 | 0.1 | 14.5 | 28.3 | 1.1 | 4.6 | 0.8 | 1.0 | -11.1 | -19.0 | -17.1 | -13.1 | 1.5 | 6.0 |
| Net domestic assets 2/ | ... | 2.1 | 13.4 | 10.6 | 11.6 | 1.8 | 1.5 | 7.3 | 8.9 | 22.2 | 28.5 | 29.3 | 28.8 | 18.8 | 19.4 |

Sources: Central Bank of Uzbekistan; and Fund staff estimates.

1/ Valued at official exchange rates through October 1999.

2/ Cumulative change in percent of reserve money at the beginning of the year.

Table 24. Uzbekistan: Credit Outstanding from the Central Bank of Uzbekistan, 1996-99 1/
(In millions of sums, end period)

| | 1996 | 1997 | | | | 1998 | | | | 1999 | | |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| All banks 1/ | 21,808 | 26,579 | 33,434 | 40,869 | 45,480 | 53,692 | 65,682 | 69,221 | 75,718 | 80,519 | 87,679 | 91,732 |
| Pahtabank | 11,596 | 12,478 | 15,436 | 17,101 | 19,871 | 22,604 | 27,770 | 22,730 | 24,734 | 26,355 | 28,490 | 30,511 |
| Promstroibank | 4,220 | 5,710 | 6,752 | 7,979 | 10,218 | 13,168 | 17,559 | 22,176 | 25,025 | 27,896 | 30,346 | 32,466 |
| Other | 5,992 | 8,391 | 11,246 | 15,789 | 15,391 | 17,920 | 20,353 | 24,315 | 25,959 | 26,268 | 28,843 | 28,755 |
| All sectors 2/ | 21,808 | 26,577 | 33,433 | 40,869 | 45,480 | 53,691 | 65,683 | 69,221 | 75,718 | 80,519 | 87,679 | 91,732 |
| Agriculture | 14,567 | 14,594 | 20,990 | 26,160 | 29,534 | 33,377 | 38,842 | 39,516 | 42,838 | 43,731 | 48,981 | 50,934 |
| Cotton | 8,482 | 7,413 | 9,798 | 10,716 | 13,717 | 16,361 | 17,108 | 11,791 | 12,922 | 14,549 | 16,099 | 18,115 |
| Grain | 5,534 | 4,095 | 6,097 | 8,773 | 8,547 | 9,485 | 11,728 | 16,175 | 16,357 | 13,961 | 15,361 | 15,601 |
| Other | 551 | 3,086 | 5,095 | 6,671 | 7,270 | 7,531 | 10,008 | 11,550 | 13,559 | 15,221 | 17,521 | 17,218 |
| Industry | 7,241 | 11,983 | 12,443 | 14,709 | 15,946 | 20,314 | 26,841 | 29,705 | 32,880 | 36,788 | 38,698 | 40,798 |
| Food | 1,492 | 1,527 | 2,431 | 2,767 | 3,937 | 4,277 | 4,302 | 4,357 | 4,958 | 4,958 | 4,958 | 4,958 |
| Other | 5,749 | 10,456 | 10,012 | 11,942 | 12,009 | 16,037 | 22,539 | 25,348 | 27,922 | 31,830 | 33,740 | 35,840 |

Source: Central Bank of Uzbekistan.

1/ Banks receiving credit from the CBU.

2/ Sectors receiving credit through commercial bank onlending of credits from the CBU.

Table 25. Uzbekistan: Broad Money and Net Assets of the Banking System, 1997-99
(In millions of sums, end of period)

| | 1997 | 1998 | | | | 1999 | | | | | | | | | |
|---|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | Q1 | Q2 | Q3 | Q4 | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. |
| Net int'l reserves (million U.S. dollars) | 842 | 762 | 671 | 820 | 858 | 850 | 878 | 827 | 811 | 723 | 543 | 547 | 564 | 722 | 778 |
| Official exchange rate (sums/U.S. dollar) | 80.2 | 84.5 | 93.5 | 105.4 | 110.0 | 111.2 | 112.6 | 114.5 | 115.9 | 117.4 | 123.6 | 130.4 | 133.6 | 135.5 | 137.0 |
| Net foreign assets | 67,500 | 64,407 | 62,750 | 86,445 | 94,426 | 94,571 | 98,869 | 94,627 | 93,923 | 84,875 | 67,081 | 71,382 | 75,345 | 97,869 | 106,630 |
| Gold 1/ | 63,615 | 59,485 | 53,553 | 58,643 | 69,895 | 76,438 | 73,226 | 68,463 | 66,426 | 70,343 | 56,935 | 65,809 | 62,493 | 83,105 | 70,813 |
| Foreign exchange 1/ | 3,885 | 3,197 | 9,198 | 27,807 | 24,528 | 18,122 | 22,824 | 26,082 | 27,494 | 14,529 | 10,262 | 6,008 | 13,029 | 14,841 | 34,894 |
| Net domestic assets | 103,299 | 107,686 | 120,418 | 116,136 | 124,326 | 127,523 | 127,289 | 135,087 | 140,464 | 153,813 | 168,070 | 171,016 | 172,612 | 161,328 | 167,079 |
| Domestic credit | 208,116 | 234,576 | 274,488 | 326,948 | 363,534 | 369,626 | 388,730 | 388,256 | 402,318 | 409,075 | 426,714 | 444,508 | 454,336 | 468,864 | 481,687 |
| Government, net | 4,456 | -2,244 | -2,630 | 10,847 | 16,150 | 13,618 | 17,793 | 23,625 | 27,900 | 23,210 | 20,925 | 21,064 | 23,082 | 25,886 | 28,528 |
| <i>Of which</i> | | | | | | | | | | | | | | | |
| Treasury bills | 16,149 | 14,586 | 21,192 | 23,201 | 24,378 | 23,480 | 29,368 | 29,314 | 28,913 | 31,125 | 30,187 | 29,036 | 29,115 | 31,553 | 31,762 |
| Rest of economy | 203,660 | 236,820 | 277,118 | 316,101 | 347,384 | 356,008 | 370,937 | 364,631 | 374,418 | 385,865 | 405,789 | 423,444 | 431,254 | 442,978 | 453,159 |
| Loans in domestic currency | 104,887 | 119,328 | 140,267 | 154,997 | 175,828 | 177,989 | 182,800 | 175,975 | 182,647 | 190,222 | 198,998 | 204,001 | 203,105 | 207,099 | 210,095 |
| Loans in foreign currency | 98,773 | 117,493 | 136,851 | 161,104 | 171,556 | 178,019 | 188,137 | 188,656 | 191,770 | 195,643 | 206,791 | 219,443 | 228,149 | 235,879 | 243,064 |
| Other items, net | -97,846 | -117,458 | -134,566 | -177,756 | -209,342 | -208,181 | -226,656 | -218,549 | -224,722 | -217,976 | -226,916 | -239,812 | -247,354 | -270,136 | -276,302 |
| <i>Of which</i> | | | | | | | | | | | | | | | |
| Long-term liabilities | -58,804 | -68,823 | -80,863 | -102,702 | -110,406 | -114,837 | -120,912 | -123,497 | -124,246 | -126,070 | -134,505 | -145,178 | -152,378 | -158,363 | -163,306 |
| Non-budget deposits of budgetary org. | -3,485 | -4,716 | -9,752 | -16,528 | -14,933 | -16,961 | -17,393 | -17,310 | -18,566 | -18,643 | -15,864 | -16,840 | -17,185 | -18,700 | -19,153 |
| Broad Money | 170,800 | 172,093 | 183,168 | 202,581 | 218,752 | 222,094 | 226,158 | 229,714 | 234,387 | 238,688 | 235,152 | 242,397 | 247,956 | 259,197 | 273,709 |
| Currency outside banks | 71,639 | 72,711 | 79,117 | 91,029 | 102,659 | 104,199 | 107,637 | 107,287 | 109,766 | 110,028 | 110,404 | 110,768 | 112,955 | 114,731 | 120,809 |
| Demand deposits | 58,488 | 53,220 | 64,094 | 63,496 | 69,092 | 70,478 | 71,889 | 74,852 | 78,556 | 72,486 | 68,777 | 76,937 | 87,029 | 93,121 | 100,568 |
| Quasi-money | 29,479 | 37,415 | 29,378 | 39,589 | 41,315 | 41,599 | 40,791 | 42,790 | 40,583 | 49,021 | 48,153 | 44,810 | 39,631 | 42,235 | 40,921 |
| <i>Of which</i> | | | | | | | | | | | | | | | |
| Foreign currency deposits | 13,727 | 20,618 | 12,649 | 18,479 | 15,074 | 14,565 | 12,511 | 13,757 | 12,146 | 15,791 | 15,110 | 14,320 | 13,772 | 17,726 | 11,411 |
| Other deposits | 11,234 | 8,748 | 10,579 | 8,466 | 5,686 | 5,819 | 5,841 | 4,785 | 5,483 | 7,153 | 7,818 | 9,882 | 8,340 | 9,110 | 11,411 |
| Memorandum items: | | | | | | | | | | | | | | | |
| Broad money 2/ | ... | 0.8 | 7.2 | 18.6 | 28.1 | 1.5 | 3.4 | 5.0 | 7.1 | 9.1 | 7.5 | 10.8 | 13.4 | 18.5 | 25.1 |
| Net domestic assets 2/ | ... | 2.6 | 10.0 | 7.5 | 12.3 | 1.5 | 1.4 | 4.9 | 7.4 | 13.5 | 20.0 | 21.3 | 22.1 | 16.9 | 19.5 |
| Net foreign assets 2/ | ... | -1.8 | -2.8 | 11.1 | 15.8 | 0.1 | 2.0 | 0.1 | -0.2 | -4.4 | -12.5 | -10.5 | -8.7 | 1.6 | 5.6 |

Sources: Central Bank of Uzbekistan; and Fund staff estimates.

1/ Valued at official exchange rates through October 1999.

2/ Cumulative change in percent of broad money at the beginning of the year.

Table 26. Uzbekistan: Yield of Government Bonds in the Primary Market, 1996-99

(Annualized average simple interest rates, unless otherwise indicated)

| | 1996 | 1997 | 1998 | | | | 1999 | | | | | | | | | | | |
|---------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | | | Q1 | Q2 | Q3 | Q4 | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | |
| Primary market 1/ | | | | | | | | | | | | | | | | | | |
| 91-day treasury bills 2/ | 36.0 | 26.0 | 26.7 | 25.1 | 17.0 | 16.6 | 16.6 | 16.1 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 182-day treasury bills | ... | 27.5 | 28.1 | 27.2 | 18.5 | 20.4 | 20.9 | 19.8 | 18.0 | 16.3 | 13.1 | 18.0 | 17.5 | 18.2 | 18.0 | 16.0 | 15.0 | 15.0 |
| 273-day treasury bills 3/ | ... | ... | ... | ... | 24.9 | 23.8 | 23.8 | 21.9 | 19.0 | 15.5 | 15.0 | 18.9 | 19.0 | 19.2 | 19.3 | 15.5 | 17.0 | 17.0 |
| 364-day treasury bills 4/ | ... | ... | ... | ... | ... | ... | ... | ... | 20.0 | 16.8 | 16.3 | 20.0 | 20.0 | 20.5 | ... | 16.5 | 17.5 | 17.5 |
| Memorandum item: | | | | | | | | | | | | | | | | | | |
| CBU refinance rate | 60.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 | 42.6 |

(In millions of sums)

| | | | | | | | | | | | | | | | | | |
|----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Treasury bills outstanding | 4,140 | 19,455 | 24,143 | 34,390 | 40,658 | 42,112 | 42,817 | 44,359 | 52,001 | 53,348 | 53,552 | 56,891 | 57,336 | 58,394 | 59,304 | 62,743 | 62,524 |
| Held by commercial banks | 3,082 | 15,852 | 19,169 | 27,748 | 30,190 | 34,540 | 35,428 | 35,040 | 42,050 | 42,693 | 42,848 | 45,895 | 45,399 | 44,474 | 45,383 | 48,522 | 49,186 |
| Held by rest of economy | 1,058 | 3,603 | 4,974 | 7,642 | 10,468 | 7,572 | 7,389 | 9,319 | 9,951 | 10,655 | 10,704 | 10,996 | 11,937 | 13,920 | 13,921 | 14,221 | 13,338 |

Source: Central Bank of Uzbekistan.

1/ Annualized average simple interest rates for the last month in the period.

2/ The 91-day treasury bill was discontinued in March 1999.

3/ Introduced in September, 1998.

4/ Introduced in March, 1999.

Table 27. Uzbekistan: Bank Interest Rates on Deposits in Sums, 1996-99
(Annualized average simple monthly interest rates)

| Type and maturity | 1996 | | 1997 | | 1998 | | | | | | | | | | 1999 | | | | | | | | | | |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-----|
| | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | | | |
| Household deposits | 28.0 | 14.8 | 10.8 | 13.3 | 18.8 | 15.5 | 12.9 | 11.5 | 11.5 | 12.6 | 11.9 | 12.4 | 12.5 | 13.4 | 11.7 | 12.3 | 20.8 | 16.1 | 12.9 | 11.8 | 13.4 | 13.3 | 12.2 | 11.7 | |
| Demand deposits | 17.0 | 10.8 | 5.0 | 5.0 | 4.5 | 4.7 | 4.0 | 3.9 | 4.5 | 5.1 | 4.2 | 3.2 | 4.1 | 3.9 | 4.0 | 4.0 | 4.0 | 4.2 | 4.0 | 4.1 | 7.8 | 6.1 | 6.3 | 6.4 | |
| Savings deposits 1/ | ... | 16.6 | 13.8 | 14.2 | 16.8 | 16.6 | 14.9 | 14.8 | 13.3 | 12.7 | 12.7 | 12.6 | 12.5 | 15.7 | 13.8 | 15.5 | 13.2 | 16.1 | 16.8 | 16.1 | 15.0 | 14.6 | 13.3 | 15.4 | |
| 1 to 30 days | ... | 8.9 | 8.8 | 9.6 | 17.0 | 12.8 | 11.7 | 10.5 | 11.4 | 11.1 | 10.9 | 11.1 | 10.5 | 15.7 | 13.3 | 13.8 | 10.0 | 14.9 | 15.9 | 13.9 | 13.7 | 13.5 | 12.6 | 14.8 | |
| 31 to 120 days | ... | 19.5 | 17.9 | 15.6 | 17.0 | 16.6 | 15.1 | 16.4 | 16.0 | 16.7 | 14.6 | 14.5 | 15.6 | 16.0 | 13.3 | 10.0 | 16.3 | 15.7 | 10.8 | 13.8 | 12.3 | 13.4 | 12.2 | 10.4 | |
| 121 to 365 days | ... | 25.0 | 20.0 | 17.6 | 14.6 | 26.8 | 22.8 | 27.9 | 19.4 | 15.9 | 18.4 | 19.8 | 19.9 | 23.5 | 19.0 | 26.2 | 27.3 | 26.3 | 26.3 | 26.6 | 23.6 | 23.0 | 27.9 | 27.2 | |
| Over 1 year | ... | 27.9 | 36.8 | 37.9 | 32.7 | 15.5 | 30.3 | 27.3 | 28.9 | 35.8 | 35.3 | 33.5 | 39.0 | 36.4 | 37.0 | 13.1 | 27.8 | 9.9 | 28.1 | 30.1 | 19.1 | 13.2 | 7.1 | 13.4 | |
| Time deposits 2/ | ... | 22.2 | 20.7 | 25.6 | 18.0 | 32.5 | 26.1 | 25.7 | 24.4 | 25.6 | 25.5 | 25.7 | 26.1 | 26.5 | 23.2 | 25.6 | 24.9 | 30.9 | 23.6 | 21.5 | 30.8 | 24.4 | 22.1 | 18.4 | |
| 1 to 30 days | ... | 20.6 | 2.5 | 58.3 | 56.6 | 60.5 | 24.7 | 12.1 | 11.3 | 21.4 | 8.5 | 17.2 | 11.4 | 7.8 | 11.5 | 33.3 | 22.4 | 48.3 | 37.6 | 23.1 | 22.4 | 57.9 | 32.2 | 11.5 | |
| 31 to 120 days | ... | 20.5 | 22.6 | 22.4 | 22.2 | 22.2 | 22.4 | 22.4 | 22.6 | 22.5 | 22.5 | 22.5 | 22.5 | 24.5 | 18.5 | 23.5 | 17.9 | 23.8 | 19.1 | 18.4 | 29.8 | 18.8 | 23.0 | 19.8 | |
| 121 to 365 days | ... | 21.0 | 26.4 | 23.4 | 29.0 | 27.9 | 32.5 | 31.7 | 28.2 | 33.8 | 36.1 | 36.1 | 36.3 | 33.3 | 35.7 | 35.7 | 29.3 | 31.9 | 27.6 | 27.2 | 31.8 | 21.3 | 20.6 | 22.2 | |
| Over 1 year | ... | 32.7 | 17.7 | 17.7 | 21.5 | 18.1 | 21.4 | 26.2 | 23.7 | 19.9 | 32.1 | 32.4 | 33.7 | 28.6 | 28.6 | 20.2 | 30.0 | 25.7 | 26.7 | 25.8 | 33.3 | 19.7 | 19.6 | 11.5 | |
| Legal entities | 10.9 | 7.2 | 5.8 | 5.4 | 4.7 | 5.0 | 4.3 | 4.9 | 6.9 | 5.8 | 4.6 | 6.4 | 3.9 | 6.0 | 5.5 | 4.1 | 4.1 | 7.0 | 7.0 | 7.7 | 7.2 | 5.8 | 5.3 | 5.4 | |
| Demand deposits | 10.4 | 2.9 | 2.5 | 2.9 | 2.7 | 2.5 | 2.6 | 2.5 | 2.5 | 2.6 | 2.5 | 2.5 | 3.0 | 3.1 | 2.7 | 2.6 | 3.1 | 2.5 | 2.5 | 2.5 | 2.5 | 5.0 | 5.0 | 5.0 | |
| Savings deposits 1/ | ... | 6.5 | 6.7 | 7.0 | 6.7 | 9.0 | 9.1 | 9.5 | 9.3 | 9.5 | 9.6 | 9.7 | 9.4 | 9.4 | 5.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.9 | 5.1 | 5.3 | 5.1 |
| 1 to 30 days | ... | 6.0 | 7.2 | 7.2 | 7.2 | 7.1 | 7.6 | 7.1 | 8.6 | 6.7 | 6.4 | 7.5 | 8.0 | 8.1 | 6.0 | 2.5 | 2.5 | 2.6 | 2.6 | 2.5 | 2.8 | 5.0 | 5.0 | 5.1 | |
| 31 to 120 days | ... | 10.7 | 8.2 | 14.4 | 9.8 | 7.6 | 9.0 | 8.1 | 8.7 | 6.7 | 7.4 | 8.1 | 8.7 | 10.6 | 7.7 | 16.7 | 11.7 | 3.1 | 2.5 | 3.1 | 2.5 | 22.5 | 8.2 | 5.0 | |
| 121 to 365 days | ... | 5.0 | 2.5 | 2.6 | 2.5 | 12.6 | 12.5 | 12.4 | 12.4 | 12.3 | 12.3 | 12.5 | 13.1 | 12.5 | 2.8 | 2.9 | 2.6 | 2.6 | 2.5 | 2.5 | 2.6 | 5.0 | 6.0 | 5.0 | |
| Over 1 year | ... | 17.5 | 2.5 | 2.5 | 2.5 | 12.7 | 13.0 | 12.5 | 12.5 | 12.5 | 12.5 | 13.0 | 14.0 | 17.0 | ... | ... | ... | 12.5 | 8.1 | 17.5 | 12.2 | 7.5 | 9.6 | 17.5 | |
| Time deposits 2/ | ... | 10.3 | 10.3 | 8.4 | 8.2 | 10.0 | 9.8 | 10.7 | 10.9 | 10.3 | 10.7 | 10.7 | 9.6 | 10.6 | 10.9 | 9.4 | 9.2 | 12.1 | 7.9 | 10.1 | 8.8 | 11.3 | 5.6 | 5.7 | |
| 1 to 30 days | ... | 14.5 | 8.3 | 7.4 | 8.3 | 5.8 | 8.4 | 6.4 | 9.8 | 7.6 | 6.6 | 10.2 | 6.9 | 8.8 | 8.3 | 7.0 | 6.3 | 6.4 | 7.7 | 8.6 | 6.5 | 8.6 | 9.1 | 8.3 | |
| 31 to 120 days | ... | 7.3 | 7.5 | 9.6 | 9.2 | 10.6 | 6.4 | 12.0 | 11.3 | 8.4 | 7.3 | 11.3 | 7.3 | 7.7 | 13.0 | 10.7 | 8.1 | 11.3 | 7.6 | 10.5 | 9.7 | 11.1 | 8.1 | 9.7 | |
| 121 to 365 days | ... | 8.9 | 13.5 | 13.8 | 7.0 | 11.4 | 7.3 | 18.3 | 11.3 | 15.5 | 17.3 | 12.7 | 13.9 | 13.7 | 12.9 | 19.8 | 10.5 | 16.8 | 14.0 | 17.2 | 17.6 | 13.9 | 5.2 | 5.3 | |
| Over 1 year | ... | 13.8 | 7.9 | 8.6 | 8.1 | 14.0 | 15.2 | 14.9 | 14.6 | 15.6 | 15.8 | 15.0 | 14.9 | 14.7 | 10.4 | 10.4 | 9.8 | 10.2 | 7.9 | 13.6 | 9.6 | 12.3 | 10.6 | 9.4 | |

Source: Central Bank of Uzbekistan.

1/ Weighted average of savings deposit rates.

2/ Weighted average of time deposit rates.

Table 28. Uzbekistan: Bank Interest Rates on Loans in Sums, 1996-99
(Annualized average simple monthly interest rates)

| Type and maturity | 1996 1997 | | 1998 | | | | | | | | | | | | 1999 | | | | | | | | | |
|--------------------|-----------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | | |
| Short-term 1/ | 38.5 | 29.3 | 34.3 | 33.8 | 38.0 | 36.6 | 38.8 | 37.4 | 34.7 | 35.8 | 32.9 | 33.8 | 32.9 | 34.7 | 36.8 | 38.0 | 32.9 | 35.0 | 33.6 | 32.3 | 30.1 | 35.0 | 34.0 | 31.4 |
| Up to 30 days | 32.4 | 34.8 | 37.6 | 39.0 | 40.5 | 41.4 | 42.5 | 42.4 | 41.8 | 40.9 | 40.9 | 31.4 | 36.1 | 34.5 | 41.4 | 38.4 | 37.5 | 36.6 | 35.4 | 32.7 | 33.2 | 37.0 | 30.3 | 37.1 |
| 31 to 60 days | ... | 35.5 | 33.5 | 36.2 | 37.9 | 40.7 | 38.7 | 40.0 | 40.9 | 36.4 | 34.3 | 36.4 | 39.7 | 38.0 | 38.8 | 39.0 | 39.9 | 36.6 | 38.4 | 38.4 | 31.5 | 37.5 | 36.4 | 37.1 |
| 61 to 90 days | ... | 31.6 | 32.9 | 37.3 | 38.5 | 37.6 | 36.6 | 39.9 | 41.8 | 34.6 | 29.6 | 30.9 | 33.5 | 36.0 | 35.1 | 37.0 | 33.4 | 35.9 | 32.9 | 29.5 | 38.9 | 36.6 | 38.1 | 38.3 |
| 91 to 180 days | 43.4 | 27.5 | 38.4 | 30.1 | 39.3 | 38.6 | 39.5 | 40.2 | 31.8 | 35.0 | 37.7 | 36.4 | 33.7 | 36.0 | 37.2 | 38.6 | 33.5 | 34.6 | 34.0 | 34.0 | 25.9 | 29.7 | 37.3 | 37.4 |
| 181 to 365 days | 49.7 | 28.0 | 33.3 | 31.9 | 35.5 | 32.2 | 37.9 | 32.1 | 32.1 | 35.3 | 30.0 | 36.2 | 27.8 | 32.9 | 35.1 | 37.1 | 29.1 | 33.7 | 32.0 | 31.8 | 31.0 | 36.3 | 31.6 | 25.5 |
| Medium-term 2/ | ... | 17.7 | 15.6 | 28.6 | 20.0 | 22.0 | 19.2 | 22.3 | 22.0 | 31.2 | 20.9 | 20.4 | 21.6 | 29.0 | 29.0 | 24.8 | 27.7 | 28.4 | 23.9 | 25.1 | 24.5 | 22.4 | 19.0 | 20.6 |
| 1 to 2 years | ... | 33.4 | 33.2 | 29.6 | 20.6 | 18.8 | 31.6 | 22.4 | 25.1 | 14.0 | 23.2 | 20.2 | 16.6 | 32.6 | 32.5 | 31.3 | 27.8 | 29.1 | 26.2 | 26.3 | 22.2 | 19.9 | 22.5 | 24.1 |
| 2 to 3 years | ... | 12.5 | 7.6 | 21.6 | 14.5 | 24.3 | 7.5 | 16.4 | 17.7 | 18.9 | 18.7 | 14.1 | 26.2 | 19.1 | 11.7 | 22.3 | 25.3 | 17.7 | 22.7 | 25.2 | 24.0 | 24.4 | 15.5 | 16.9 |
| 3 to 4 years | ... | 15.3 | ... | 28.8 | 27.5 | 27.5 | 17.5 | 17.2 | 17.8 | 20.0 | 24.7 | 17.5 | 25.4 | 14.7 | 15.4 | 13.8 | 19.0 | 28.5 | 16.0 | 15.9 | 13.9 | 13.1 | 16.8 | 19.4 |
| 4 to 5 years | ... | 17.7 | 21.8 | 28.3 | 24.5 | 16.4 | 15.6 | 25.8 | 31.3 | 33.6 | 17.9 | 23.3 | 16.2 | 19.5 | 31.6 | 19.8 | 17.2 | 19.2 | 14.2 | 18.0 | 30.7 | 22.8 | 17.7 | 22.3 |
| Long-term 3/ | ... | 13.4 | 11.2 | 17.6 | 21.9 | 19.5 | 15.9 | 19.2 | 21.6 | 11.4 | 17.6 | 18.3 | 21.6 | 15.9 | 10.0 | 10.2 | 16.5 | 23.4 | 18.5 | 16.9 | 18.4 | 13.7 | 11.8 | 17.1 |
| 5 to 10 years | ... | 13.6 | 22.7 | 17.6 | 21.9 | 19.5 | 15.9 | 19.2 | 21.7 | 11.4 | 17.6 | 18.3 | 21.6 | 15.9 | 10.0 | 10.2 | 16.5 | 23.4 | 18.6 | 16.9 | 18.4 | 13.7 | 9.9 | 17.1 |
| More than 10 years | ... | 5.8 | 17.5 | 12.5 | 12.5 | 17.5 | 7.5 | 17.5 | 7.5 | 17.5 | 14.1 | ... | ... | 8.2 | ... | ... | ... | 12.5 | 12.5 | 12.5 | 12.5 | 12.5 | 17.5 | ... |

Source: Central Bank of Uzbekistan.

1/ Weighted average of short-term rates.

2/ Weighted average of medium-term rates.

3/ Weighted average of long-term rates.

Table 29. Uzbekistan: Financial Sector Indicators, 1997-99

| | 1997 | 1998 | | | | 1999 | | |
|--|-------|-------|-------|-------|-------|-------|-----|-------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Central Bank of Uzbekistan | | | | | | | | |
| Gross international reserves (million U.S. dollars) | 1,167 | 1,145 | 1,030 | 1,077 | 1,168 | 1,135 | 997 | 1,139 |
| <i>Of which</i> | | | | | | | | |
| Foreign currency 1/ | 373 | 441 | 457 | 520 | 533 | 536 | 536 | 526 |
| Gross reserves as percent of reserve money | 97 | 96 | 88 | 94 | 95 | 89 | 84 | 95 |
| Gross reserves as percent of broad money | 55 | 56 | 53 | 56 | 59 | 57 | 52 | 60 |
| Net international reserves (million U.S. dollars) | 941 | 922 | 808 | 848 | 933 | 906 | 623 | 772 |
| Foreign exchange market operations (million U.S. dollars) 2/ | ... | 519 | 576 | 329 | 174 | 168 | 304 | 200 |
| Commercial banks | | | | | | | | |
| Net international reserves (million U.S. dollars) | -99 | -160 | -136 | -28 | -75 | -80 | -80 | -50 |
| Commercial bank reserves as percent of total deposits | 25 | 28 | 29 | 26 | 28 | 31 | 30 | 33 |
| Credit to the economy as percent of GDP 3/ | 21 | 26 | 27 | 19 | 20 | 31 | 28 | 19 |
| Non-performing loans as percent of total loans | 0.23 | ... | ... | ... | 0.13 | ... | ... | 0.08 |
| <i>For four major banks:</i> | | | | | | | | |
| NBFEA | 0.00 | ... | ... | ... | 0.00 | ... | ... | 0.00 |
| Asaka | 0.00 | ... | ... | ... | 0.02 | ... | ... | 0.01 |
| Pahtabank | 0.01 | ... | ... | ... | 0.01 | ... | ... | 0.02 |
| Promstroibank | 0.03 | ... | ... | ... | 0.02 | ... | ... | 0.01 |
| Capital adequacy (percent) 4/ | | | | | | | | |
| <i>For four major banks:</i> | | | | | | | | |
| NBFEA | 37.0 | ... | ... | ... | 22.3 | ... | ... | 20.2 |
| Asaka | 50.0 | ... | ... | ... | 45.7 | ... | ... | 32.3 |
| Pahtabank | 27.0 | ... | ... | ... | 36.8 | ... | ... | 14.2 |
| Promstroibank | 26.0 | ... | ... | ... | 31.5 | ... | ... | 31.5 |
| Debt | | | | | | | | |
| Short-term external debt (million U.S. dollars) 5/ | 250 | 200 | 151 | 162 | 241 | 426 | 353 | 270 |
| <i>Of which</i> | | | | | | | | |
| Government | 29 | 29 | 29 | 24 | 36 | 70 | 69 | 57 |
| Government guaranteed | 220 | 171 | 122 | 138 | 205 | 356 | 284 | 214 |
| Short term debt as percent of gross reserves | 21 | 18 | 15 | 15 | 21 | 38 | 35 | 24 |
| Memorandum items: | | | | | | | | |
| Yield on six-month government securities 6/ | 28 | 28 | 27 | 19 | 20 | 18 | 18 | 18 |
| Nominal interest rate on commercial bank deposits 7/ | 33 | 22 | 26 | 32 | 29 | 30 | 26 | 20 |

Source: Central Bank of Uzbekistan.

1/ Excludes CIS currencies.

2/ Sale of foreign exchange by the CBU to commercial banks.

3/ Outstanding stock of credit in percent of annualized quarterly GDP.

4/ The CBU defines the capital adequacy ratio as total capital divided by risk weighted assets. The minimum ratio was increased from 8 percent to 10 percent in 1999. The weighted average capital adequacy ratio for 31 banks at end-September 1999 was 29

5/ Short-term external debt by remaining maturity includes short-term debt on an original maturity basis plus amortization due on other debt during the next 12 months.

6/ Annualized simple average interest rate for the last month of the period.

7/ Annualized simple average interest rate for the last month of the period on time deposits of more than one year held by households.

Table 30. Uzbekistan: Commercial Banks' Prudential Ratios, August 30, 1999

| Bank | Ratio | K1 >0.10 | K2 >0.05 | K3 >0.06 | K4 >0.3 | K5 >0.15 | K6 <0.5 | K7 <8.0 | K8 <0.15 | K9 <0.25 | K10 <0.5 | K11 <0.15 | K12 <0.05 | K13 <1.0 |
|--------------------|----------|-------------|-------------|-------------|------------|-------------|------------|------------|-------------|-------------|-------------|--------------|--------------|-------------|
| | Standard | | | | | | | | | | | | | |
| 1 National Bank | | 0.20 | 0.18 | 0.05 | 0.75 | 0.00 | 0.00 | 0.00 | 0.01 | 0.03 | 0.18 | 0.00 | 0.00 | 0.00 |
| 2 Promstroibank | | 0.25 | 0.21 | 0.09 | 0.72 | 0.00 | 0.00 | 7.78 | 0.01 | 0.01 | 0.03 | 0.00 | 0.00 | 0.00 |
| 3 Pahtabank | | 0.12 | 0.12 | 0.09 | 0.76 | 0.00 | 0.00 | 5.61 | 0.02 | 0.09 | 0.09 | 0.00 | 0.00 | 0.00 |
| 4 Tadbirkorbank | | 0.15 | 0.14 | 0.15 | 0.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.13 | 0.00 | 0.00 | 0.00 |
| 5 Mevasabzavotbank | | 0.35 | 0.30 | 0.21 | 0.68 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 | 0.08 | 0.00 | 0.00 | 0.00 |
| 6 Savdogarbank | | 0.26 | 0.26 | 0.24 | 0.70 | 0.06 | 0.00 | 0.00 | 0.01 | 0.01 | 0.06 | 0.00 | 0.00 | 0.00 |
| 7 Gallabank | | 0.07 | 0.05 | 0.04 | 5.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.00 | 0.00 | 0.00 |
| 8 Zaminbank | | 0.54 | 0.60 | 0.45 | 45.56 | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 | 0.14 | 0.00 | 0.00 | 0.00 |
| 9 Turan Bank | | 0.21 | 0.24 | 0.21 | 0.73 | 0.00 | 0.00 | 0.00 | 0.00 | 0.11 | 0.25 | 0.00 | 0.00 | 0.00 |
| 10 Andijanbank | | 0.31 | 0.27 | 0.24 | 75.40 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.01 | 0.04 | 0.02 | 0.08 |
| 11 Asakabank | | 0.34 | 0.30 | 0.16 | 1.05 | 0.00 | 0.00 | 0.00 | 0.04 | 0.02 | 0.09 | 0.00 | 0.00 | 0.00 |
| 12 Ipak-Yuli Bank | | 0.78 | 0.81 | 0.28 | 116.13 | 0.12 | 0.04 | 0.12 | 0.04 | 0.06 | 0.14 | 0.12 | 0.00 | 0.12 |
| 13 Namanganbank | | 0.43 | 0.42 | 0.40 | 0.40 | 0.15 | 0.03 | 0.29 | 0.00 | 0.00 | 0.00 | 0.08 | 0.00 | 0.08 |
| 14 ABN AMRO | | 0.11 | 0.10 | 0.02 | 0.90 | 0.00 | 6.94 | 7.47 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 15 Umar-bank | | 0.30 | 0.26 | 0.22 | 0.78 | 0.00 | 0.00 | 0.00 | 0.00 | 0.11 | 0.11 | 0.13 | 0.00 | 0.66 |
| 16 Parvina-bank | | 0.13 | 0.14 | 0.10 | 1.16 | 0.30 | 0.03 | 2.12 | 0.08 | 0.22 | 0.61 | 0.00 | 0.00 | 0.93 |
| 17 Olimbank | | 0.78 | 0.76 | 0.87 | 0.92 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 |
| 18 UT-bank | | 1.59 | 1.34 | 0.25 | 1.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 19 Aviabank | | 0.96 | 0.97 | 0.44 | 0.53 | 0.00 | 0.00 | 0.00 | 0.04 | 0.00 | 0.05 | 0.00 | 0.00 | 0.00 |
| 20 Uzinvestbank | | 0.28 | 0.48 | 0.34 | 0.48 | 0.21 | 0.14 | 0.60 | 0.02 | 0.10 | 0.56 | 0.00 | 0.00 | 0.00 |
| 21 Trastbank | | 0.43 | 0.52 | 0.18 | 0.87 | 0.14 | 0.02 | 0.14 | 0.06 | 0.09 | 0.36 | 0.00 | 0.00 | 0.01 |
| 22 Alokabank | | 1.20 | 1.48 | 0.32 | 0.92 | 0.11 | 0.00 | 0.31 | 0.00 | 0.00 | 0.26 | 0.00 | 0.00 | 0.00 |
| 23 Privatbank | | 0.86 | 0.73 | 0.15 | 0.79 | 0.00 | 0.00 | 0.00 | 0.06 | 0.13 | 0.07 | 0.00 | 0.00 | 0.00 |
| 24 Uzzhilsberbank | | 0.30 | 0.29 | 0.18 | 0.55 | 0.14 | 0.05 | 1.14 | 0.04 | 0.05 | 0.09 | 0.01 | 0.00 | 0.01 |
| 25 UzDaewoo Bank | | 0.54 | 0.46 | 0.10 | 3.03 | 0.31 | 0.00 | 0.31 | 0.00 | 0.93 | 0.99 | 0.00 | 0.00 | 0.00 |
| 26 TSAB | | 0.93 | 0.90 | 0.38 | 19.19 | 0.24 | 0.00 | 0.46 | 0.00 | 0.04 | 0.00 | 0.00 | 0.00 | 0.00 |
| 27 Alp Jamol | | 0.20 | 0.23 | 0.15 | 0.68 | 0.19 | 0.12 | 2.01 | 0.19 | 0.05 | 0.57 | 0.00 | 0.00 | 0.00 |
| 28 HIF | | 0.48 | 0.58 | 0.29 | 98.00 | 0.00 | 0.00 | 0.00 | 0.11 | 0.14 | 0.33 | 0.00 | 0.00 | 0.00 |
| 29 Turkiston bank | | 0.45 | 0.45 | 0.30 | 0.51 | 0.00 | 0.00 | 0.43 | 0.00 | 0.13 | 0.13 | 0.00 | 0.00 | 0.00 |
| 30 Istikbol banks | | 0.37 | 0.36 | 0.35 | 0.36 | 0.00 | 0.00 | 0.93 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31 Uctam | | 0.93 | 0.92 | 0.57 | 0.98 | 0.23 | 0.00 | 0.22 | 0.00 | 0.00 | 0.00 | 0.15 | 0.00 | 0.15 |

Source: Central Bank of Uzbekistan.

- K1 Total capital adequacy ratio (total capital/risk-weighted assets).
- K2 Ratio of bank capital to liabilities.
- K3 Instant liquidity ratio (cash/current deposits).
- K4 Current liquidity ratio (assets up to 30 days/liabilities up to 30 days).
- K5 Short term liquidity ratio (assets 30 days to one year/liabilities 30 days to one year).
- K6 Lending limit per borrower (ratio to total capital).
- K7 Large exposure limit (ratio to total capital).
- K8 Lending limit per depositor (ratio to deposits).
- K9 Limit for investment in marketable securities (ratio to common stock).
- K10 Limit for investment other than marketable securities (ratio to common stock).
- K11 Limit on credits to one connected person (ratio to common stock).
- K12 Limit on credits to all connected persons (ratio to common stock).
- K13 Loans to insiders.

Table 31. Uzbekistan: Consolidated Budget, 1993-99
(In millions of sums)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | | | | |
|--|-------|--------|---------|---------|---------|-----------|---------|---------|---------|---------|---------------|
| | | | | | | | Q1 | Q2 | Q3 | Q4 | Year |
| | | | | | | | Actual | | | | Projection 1/ |
| Total revenues | 1,837 | 18,936 | 104,812 | 191,551 | 293,676 | 440,140 | 113,525 | 154,575 | 149,800 | 193,997 | 611,897 |
| Taxes on incomes and profits | 523 | 5,629 | 34,210 | 75,384 | 109,142 | 138,674 | 36,678 | 44,636 | 45,317 | 60,098 | 186,729 |
| Enterprise profit tax | 382 | 3,971 | 25,809 | 55,495 | 70,177 | 83,001 | 18,940 | 23,516 | 23,908 | 32,750 | 99,114 |
| Individual income tax | 141 | 1,659 | 8,401 | 19,889 | 38,965 | 50,569 | 15,846 | 18,573 | 19,085 | 24,006 | 77,511 |
| Individual income tax for self-employed | 0 | 0 | 0 | 0 | 0 | 5,104 | 1,892 | 2,547 | 2,324 | 3,342 | 10,105 |
| Social security contributions | 73 | 529 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes on domestic goods and services | 761 | 7,980 | 42,360 | 92,373 | 132,289 | 216,205 | 56,339 | 82,313 | 75,278 | 92,998 | 306,928 |
| Value added tax | 473 | 3,219 | 17,273 | 35,981 | 73,339 | 133,076 | 30,387 | 42,104 | 36,569 | 58,273 | 167,334 |
| Excises | 289 | 4,761 | 25,087 | 56,392 | 58,950 | 83,128 | 25,952 | 40,209 | 38,709 | 34,724 | 139,595 |
| Cotton | 244 | 3,209 | 13,023 | 12,060 | 5,612 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oil products | 0 | 673 | 9,621 | 37,607 | 36,071 | 54,910 | 14,093 | 21,245 | 18,853 | 20,000 | 74,191 |
| Other | 45 | 879 | 2,442 | 6,725 | 17,267 | 28,218 | 11,859 | 18,964 | 19,856 | 14,724 | 65,403 |
| Property, land, and resource taxes | 11 | 230 | 4,482 | 9,558 | 23,528 | 52,558 | 11,865 | 16,726 | 16,790 | 28,458 | 73,838 |
| Property tax | 11 | 100 | 1,984 | 2,816 | 7,610 | 13,236 | 3,303 | 4,619 | 4,082 | 6,134 | 18,138 |
| Land tax | 0 | 129 | 2,257 | 5,661 | 10,521 | 19,417 | 3,867 | 5,576 | 6,934 | 14,318 | 30,694 |
| Mining tax | 0 | 0 | 241 | 1,081 | 5,397 | 6,977 | 1,275 | 2,644 | 1,983 | 2,852 | 8,754 |
| Water use tax | 0 | 0 | 0 | 0 | 0 | 2,337 | 551 | 570 | 659 | 767 | 2,547 |
| Ecological tax | 0 | 0 | 0 | 0 | 0 | 10,591 | 2,869 | 3,317 | 3,133 | 4,387 | 13,705 |
| Customs duties | 78 | 764 | 2,808 | 3,104 | 5,519 | 8,917 | 1,445 | 1,822 | 2,178 | 2,045 | 7,489 |
| Social infrastructure development tax | 0 | 0 | 0 | 0 | 0 | 0 | 1,660 | 1,374 | 1,501 | 1,576 | 6,112 |
| Other tax and non-tax revenues | 391 | 3,804 | 20,652 | 10,832 | 21,398 | 23,225 | 5,538 | 7,705 | 8,736 | 7,823 | 29,802 |
| Profits from the Central Bank | 0 | 0 | 300 | 300 | 1,800 | 562 | 0 | 0 | 0 | 1,000 | 1,000 |
| Total expenditures and net lending | 2,729 | 21,620 | 115,299 | 222,940 | 317,350 | 488,297 | 122,340 | 175,793 | 155,293 | 200,832 | 654,259 |
| Total expenditures | 1,975 | 21,620 | 113,722 | 202,558 | 317,350 | 472,244 | 118,369 | 167,767 | 149,415 | 197,535 | 633,085 |
| Socio-cultural expenditure | 728 | 9,388 | 36,385 | 69,119 | 111,180 | 167,100 | 46,539 | 62,371 | 49,128 | 82,377 | 240,416 |
| Education | 476 | 5,390 | 22,408 | 41,241 | 69,267 | 107,484 | 31,732 | 43,525 | 32,842 | 63,277 | 171,376 |
| Health and sports | 208 | 2,256 | 10,785 | 20,727 | 31,907 | 44,649 | 11,797 | 14,841 | 12,872 | 14,000 | 53,510 |
| Culture, mass media and science | 38 | 442 | 2,462 | 5,285 | 0 | 9,746 | 2,251 | 3,185 | 2,309 | 4,000 | 11,744 |
| Social security and welfare | 7 | 1,300 | 730 | 1,865 | 10,007 | 2,555 | 780 | 821 | 1,106 | 1,100 | 3,806 |
| Social safety net | 387 | 1,723 | 10,402 | 22,254 | 31,064 | 44,990 | 12,022 | 18,186 | 12,462 | 25,830 | 68,500 |
| Public utility subsidy | 104 | 516 | 3,433 | 7,190 | 6,121 | 15,003 | 4,630 | 6,723 | 2,118 | 3,936 | 19,345 |
| Family and children allowances | 29 | 595 | 4,304 | 14,103 | 23,354 | 26,887 | 6,727 | 10,651 | 9,698 | 17,842 | 42,240 |
| Low income family allowances | 37 | 105 | 2,664 | 961 | 1,590 | 3,100 | 666 | 812 | 646 | 2,957 | 4,916 |
| Foodstuff consumer subsidies | 193 | 467 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-food subsidies | 24 | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Economy | 137 | 1,585 | 13,079 | 26,209 | 39,898 | 54,700 | 10,951 | 20,184 | 17,365 | 19,334 | 67,834 |
| State authorities and administration | 51 | 576 | 2,930 | 5,902 | 7,951 | 11,000 | 3,117 | 3,349 | 3,898 | 4,094 | 14,457 |
| Centralized investments | 113 | 2,239 | 18,600 | 39,861 | 72,170 | 94,600 | 22,734 | 34,866 | 35,383 | 29,364 | 122,347 |
| Interest expenditure | 0 | 0 | 300 | 0 | 0 | 9,586 | 2,561 | 2,524 | 3,699 | 3,683 | 12,466 |
| External debt | 0 | 0 | 0 | 0 | 0 | 2,944 | 956 | 765 | 1,265 | 1,083 | 4,069 |
| Domestic debt | 0 | 0 | 0 | 0 | 0 | 6,643 | 1,604 | 1,759 | 2,434 | 2,600 | 8,397 |
| Other expenditures | 560 | 6,109 | 32,027 | 39,214 | 55,087 | 90,268 | 20,445 | 26,287 | 27,480 | 32,854 | 107,065 |
| Lending minus repayments | 754 | 0 | 1,577 | 20,382 | 0 | 16,052 | 3,971 | 8,027 | 5,879 | 3,297 | 21,173 |
| Balance | -893 | -2,684 | -10,487 | -31,389 | -23,675 | -48,157 | -8,815 | -21,218 | -5,493 | -6,835 | -42,361 |
| Extrabudgetary funds | -43 | -144 | -1,811 | -9,666 | 1,990 | 1,700 | 3,251 | 906 | -4,902 | 953 | 208 |
| Consolidated balance | -936 | -2,828 | -12,298 | -41,055 | -21,685 | -46,457 | -5,565 | -20,312 | -10,395 | -5,882 | -42,153 |
| Financing | 936 | 2,828 | 12,298 | 41,055 | 21,685 | 46,457 | 5,565 | 20,312 | 10,395 | 5,882 | 42,153 |
| Domestic | 857 | 3,638 | 6,717 | 43,975 | 19,453 | 23,927 | 12,242 | -32 | 9,239 | 3,994 | 25,442 |
| Domestic banking system | 850 | 3,126 | 4,250 | 38,362 | 12,536 | 11,664 | 7,475 | -2,700 | 4,961 | 3,614 | 13,350 |
| Monetary authorities (CBU) | 0 | 0 | 0 | 0 | 0 | 12,953 | 8,359 | 8,314 | 155 | 932 | 17,760 |
| Treasury bills outside banks | 7 | 29 | 0 | 1,058 | 1,935 | 8,115 | 4,475 | 2,134 | 3,626 | 380 | 10,615 |
| Privatization proceeds | 0 | 483 | 2,467 | 4,556 | 4,982 | 748 | 292 | 534 | 652 | 0 | 1,477 |
| Other | 0 | 0 | 0 | 0 | 0 | 3,400 | 0 | 0 | 0 | 0 | 0 |
| External | -94 | 0 | 4,918 | 0 | 0 | 12,954 | 3,732 | 7,839 | 4,260 | 881 | 16,711 |
| New borrowing | 560 | 0 | 0 | 0 | 0 | 16,052 | 3,971 | 8,027 | 5,879 | 3,297 | 21,173 |
| Amortization | 653 | 0 | 0 | 0 | 0 | 3,098 | 240 | 188 | 1,619 | 2,416 | 4,462 |
| Unidentified | 173 | -810 | 663 | -2,920 | 2,232 | 9,575 | -10,408 | 12,505 | -3,103 | 1,006 | 0 |
| Memorandum items: | | | | | | | | | | | |
| GDP | 5,095 | 64,878 | 302,787 | 559,072 | 976,826 | 1,358,781 | 313,414 | 376,854 | 631,182 | 620,659 | 1,942,109 |
| Budget deficit (authorities' definition) | -139 | -2,684 | -8,911 | -11,007 | -23,675 | -26,860 | -3,479 | -11,621 | 1,200 | -3,754 | -17,654 |

Sources: Ministry of Finance; and Fund staff estimates.

1/ Projections for the fourth quarter of 1999 and for the year as a whole are based on Fund staff estimates.

Table 32. Uzbekistan: Consolidated Budget, 1993-99
(In percent of GDP)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | | | | |
|--|-------|------|------|------|------|------|--------|------|------|---------------|------|
| | | | | | | | Q1 | Q2 | Q3 | Q4 | |
| | | | | | | | Actual | | | Projection 1/ | |
| Total revenues | 36.0 | 29.2 | 34.6 | 34.3 | 30.1 | 32.4 | 36.2 | 41.0 | 23.7 | 31.3 | 31.5 |
| Taxes on incomes and profits | 10.3 | 8.7 | 11.3 | 13.5 | 11.2 | 10.2 | 11.7 | 11.8 | 7.2 | 9.7 | 9.6 |
| Enterprise profit tax | 7.5 | 6.1 | 8.5 | 9.9 | 7.2 | 6.1 | 6.0 | 6.2 | 3.8 | 5.3 | 5.1 |
| Individual income tax | 2.8 | 2.6 | 2.8 | 3.6 | 4.0 | 3.7 | 5.1 | 4.9 | 3.0 | 3.9 | 4.0 |
| Individual income tax for self-employed | 0 | 0 | 0 | 0 | 0 | 0.4 | 0.6 | 0.7 | 0.4 | 0.5 | 0.5 |
| Social security contributions | 1.4 | 0.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes on domestic goods and services | 14.9 | 12.3 | 14.0 | 16.5 | 13.5 | 15.9 | 18.0 | 21.8 | 11.9 | 15.0 | 15.8 |
| Value added tax | 9.3 | 5.0 | 5.7 | 6.4 | 7.5 | 9.8 | 9.7 | 11.2 | 5.8 | 9.4 | 8.6 |
| Excises | 5.7 | 7.3 | 8.3 | 10.1 | 6.0 | 6.1 | 8.3 | 10.7 | 6.1 | 5.6 | 7.2 |
| Cotton | 4.8 | 4.9 | 4.3 | 2.2 | 0.6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oil products | 0.0 | 1.0 | 3.2 | 6.7 | 3.7 | 4.0 | 4.5 | 5.6 | 3.0 | 3.2 | 3.8 |
| Other | 0.9 | 1.4 | 0.8 | 1.2 | 1.8 | 2.1 | 3.8 | 5.0 | 3.1 | 2.4 | 3.4 |
| Property, land, and resource taxes | 0.2 | 0.4 | 1.5 | 1.7 | 2.4 | 3.9 | 3.8 | 4.4 | 2.7 | 4.6 | 3.8 |
| Property tax | 0.2 | 0.2 | 0.7 | 0.5 | 0.8 | 1.0 | 1.1 | 1.2 | 0.6 | 1.0 | 0.9 |
| Land tax | 0 | 0.2 | 0.7 | 1.0 | 1.1 | 1.4 | 1.2 | 1.5 | 1.1 | 2.3 | 1.6 |
| Mining tax | 0 | 0 | 0.1 | 0.2 | 0.6 | 0.5 | 0.4 | 0.7 | 0.3 | 0.5 | 0.5 |
| Water use tax | 0 | 0 | 0 | 0 | 0 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Ecological tax | 0 | 0 | 0 | 0 | 0 | 0.8 | 0.9 | 0.9 | 0.5 | 0.7 | 0.7 |
| Customs duties | 1.5 | 1.2 | 0.9 | 0.6 | 0.6 | 0.7 | 0.5 | 0.5 | 0.3 | 0.3 | 0.4 |
| Social infrastructure development tax | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.4 | 0.2 | 0.3 | 0.3 |
| Other tax and non-tax revenues | 7.7 | 5.9 | 6.8 | 1.9 | 2.2 | 1.7 | 1.8 | 2.0 | 1.4 | 1.3 | 1.5 |
| Profits from the Central Bank | 0 | 0 | 0.1 | 0.1 | 0.2 | 0 | 0 | 0 | 0 | 0.2 | 0.1 |
| Total expenditures and net lending | 53.6 | 33.3 | 38.1 | 39.9 | 32.5 | 35.9 | 39.0 | 46.6 | 24.6 | 32.4 | 33.7 |
| Total expenditures | 38.8 | 33.3 | 37.6 | 36.2 | 32.5 | 34.8 | 37.8 | 44.5 | 23.7 | 31.8 | 32.6 |
| Socio-cultural expenditure | 14.3 | 14.5 | 12.0 | 12.4 | 11.4 | 12.3 | 14.8 | 16.6 | 7.8 | 13.3 | 12.4 |
| Education | 9.3 | 8.3 | 7.4 | 7.4 | 7.1 | 7.9 | 10.1 | 11.5 | 5.2 | 10.2 | 8.8 |
| Health and sports | 4.1 | 3.5 | 3.6 | 3.7 | 3.3 | 3.3 | 3.8 | 3.9 | 2.0 | 2.3 | 2.8 |
| Culture, mass media and science | 0.7 | 0.7 | 0.8 | 0.9 | 0 | 0.7 | 0.7 | 0.8 | 0.4 | 0.6 | 0.6 |
| Social security and welfare | 0.1 | 2.0 | 0.2 | 0.3 | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Social safety net | 7.6 | 2.7 | 3.4 | 4.0 | 3.2 | 3.3 | 3.8 | 4.8 | 2.0 | 4.2 | 3.5 |
| Public utility subsidy | 2.0 | 0.8 | 1.1 | 1.3 | 0.6 | 1.1 | 1.5 | 1.8 | 0.3 | 0.6 | 1.0 |
| Family and children allowances | 0.6 | 0.9 | 1.4 | 2.5 | 2.4 | 2.0 | 2.1 | 2.8 | 1.5 | 2.9 | 2.2 |
| Low income family allowances | 0.7 | 0.2 | 0.9 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.5 | 0.3 |
| Foodstuff consumer subsidies | 3.8 | 0.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-food subsidies | 0.5 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Economy | 2.7 | 2.4 | 4.3 | 4.7 | 4.1 | 4.0 | 3.5 | 5.4 | 2.8 | 3.1 | 3.5 |
| State authorities and administration | 1.0 | 0.9 | 1.0 | 1.1 | 0.8 | 0.8 | 1.0 | 0.9 | 0.6 | 0.7 | 0.7 |
| Centralized investments | 2.2 | 3.5 | 6.1 | 7.1 | 7.4 | 7.0 | 7.3 | 9.3 | 5.6 | 4.7 | 6.3 |
| Interest expenditure | 0 | 0 | 0.1 | 0 | 0 | 0.7 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 |
| External debt | 0 | 0 | 0 | 0 | 0 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Domestic debt | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Other expenditures | 11.0 | 9.4 | 10.6 | 7.0 | 5.6 | 6.6 | 6.5 | 7.0 | 4.4 | 5.3 | 5.5 |
| Lending minus repayments | 14.8 | 0 | 0.5 | 3.6 | 0 | 1.2 | 1.3 | 2.1 | 0.9 | 0.5 | 1.1 |
| Balance | -17.5 | -4.1 | -3.5 | -5.6 | -2.4 | -3.5 | -2.8 | -5.6 | -0.9 | -1.1 | -2.2 |
| Extrabudgetary funds | -0.8 | -0.2 | -0.6 | -1.7 | 0.2 | 0.1 | 1.0 | 0.2 | -0.8 | 0.2 | 0 |
| Consolidated balance | -18.4 | -4.4 | -4.1 | -7.3 | -2.2 | -3.4 | -1.8 | -5.4 | -1.6 | -0.9 | -2.2 |
| Financing | 18.4 | 4.4 | 4.1 | 7.3 | 2.2 | 3.4 | 1.8 | 5.4 | 1.6 | 0.9 | 2.2 |
| Domestic | 16.8 | 5.6 | 2.2 | 7.9 | 2.0 | 1.8 | 3.9 | 0 | 1.5 | 0.6 | 1.3 |
| Domestic banking system | 16.7 | 4.8 | 1.4 | 6.9 | 1.3 | 0.9 | 2.4 | -0.7 | 0.8 | 0.6 | 0.7 |
| Monetary authorities (CBU) | 0 | 0 | 0 | 0 | 0 | 1.0 | 2.7 | 2.2 | 0.0 | 0.2 | 0.9 |
| Treasury bills outside banks | 0.1 | 0 | 0 | 0.2 | 0.2 | 0.6 | 1.4 | 0.6 | 0.6 | 0.1 | 0.5 |
| Privatization proceeds | 0 | 0.7 | 0.8 | 0.8 | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 | 0 | 0.1 |
| Other | 0 | 0 | 0 | 0 | 0 | 0.3 | 0 | 0 | 0.0 | 0 | 0 |
| External | -1.8 | 0.0 | 1.6 | 0 | 0 | 1.0 | 1.2 | 2.1 | 0.7 | 0.1 | 0.9 |
| New borrowing | 11.0 | 0 | 0 | 0 | 0 | 1.2 | 1.3 | 2.1 | 0.9 | 0.5 | 1.1 |
| Amortization | 12.8 | 0 | 0 | 0 | 0 | 0.2 | 0.1 | 0 | 0.3 | 0.4 | 0.2 |
| Unidentified | 3.4 | -1.2 | 0.2 | -0.5 | 0.2 | 0.7 | -3.3 | 3.3 | -0.5 | 0.2 | 0 |
| Memorandum item: | | | | | | | | | | | |
| Budget deficit (authorities' definition) | -2.7 | -4.1 | -2.9 | -2.0 | -2.4 | -2.0 | -1.1 | -3.1 | 0.2 | -0.6 | -0.9 |

Sources: Ministry of Finance; and Fund staff estimates.

1/ Projections for the fourth quarter of 1999 and for the year as a whole are based on Fund staff estimates.

Table 33. Uzbekistan: Pattern of Social Security Spending, 1998-99

| | 1998 | 1999 1/ |
|--|--------|---------|
| Total allowances allocated (million sums) | 29,039 | 44,101 |
| Number of families (thousands) | 2,351 | ... |
| Allowances for families with children less than 16 years old | | |
| with 1 child | | |
| Number of families (thousands) | 88 | 83 |
| Allocated allowance (million sums) | 1,224 | 917 |
| with 2 children | | |
| Number of families (thousands) | 297 | 272 |
| Allocated allowance (million sums) | 3,243 | 4,544 |
| with 3 children | | |
| Number of families (thousands) | 376 | 347 |
| Allocated allowance (million sums) | 4,910 | 8,121 |
| with 4 and more children | | |
| Number of families (thousands) | 399 | 420 |
| Allocated allowance (million sums) | 6,305 | 12,285 |
| Sub-total | | |
| Number of families (thousands) | 1,160 | 1,123 |
| Allocated allowance (million sums) | 15,682 | 25,866 |
| Allowance for the newborn (less than 2 years old) | | |
| Number of families (thousands) | 521 | 555 |
| Allocated allowance (million sums) | 10,406 | 15,089 |
| Allowance for low income family through the Mahalla system | | |
| Number of families (thousands) | 670 | n.a. |
| Allocated allowances (million sums) | 2,952 | 3,145 |

Source: Ministry of Finance.

1/ Figures for 1999 are estimates provided by the Ministry of Finance.

Table 34. Uzbekistan: Balance of Payments, 1993-1999
(In millions of U.S. dollars)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 1/ |
|---|--------|--------|--------|--------|--------|--------|---------|
| Current account balance | -429 | 119 | -21 | -980 | -584 | -39 | -265 |
| Merchandise trade balance | -378 | 214 | 237 | -706 | -72 | 171 | -12 |
| Exports | 2,877 | 2,940 | 3,475 | 3,534 | 3,695 | 2,888 | 1,843 |
| Cotton fiber | 1,172 | 1,508 | 1,584 | 1,539 | 1,390 | 1,198 | 462 |
| Gold | 559 | 375 | 611 | 906 | 738 | 277 | 192 |
| Energy | ... | ... | 436 | 277 | 528 | 655 | 538 |
| Other | 1,147 | 1,057 | 844 | 813 | 1,039 | 758 | 651 |
| Imports | -3,255 | -2,726 | -3,238 | -4,240 | -3,767 | -2,717 | -1,855 |
| Foodstuff | -625 | -861 | -618 | -1,252 | -786 | -446 | -279 |
| Energy products | -658 | -674 | -53 | -45 | -23 | -16 | -14 |
| Machinery | ... | ... | -1,151 | -1,542 | -1,868 | -1,352 | -910 |
| Other | -1,973 | -1,190 | -1,415 | -1,402 | -1,091 | -903 | -653 |
| Services, net | -63 | -107 | -277 | -272 | -540 | -252 | -284 |
| Shipment and transportation | -49 | -62 | -218 | -165 | -348 | -113 | -103 |
| Travel | 1 | -2 | 8 | 0 | 26 | 7 | 24 |
| Interest | -19 | -22 | -26 | -73 | -175 | -101 | -140 |
| Other | 4 | -21 | -41 | -33 | -44 | -45 | -66 |
| Transfers | 12 | 13 | 19 | -2 | 29 | 43 | 31 |
| Capital account | 858 | -64 | 255 | 634 | 103 | 40 | 250 |
| Direct investment, net 2/ | 48 | 73 | -24 | 90 | 167 | 176 | 138 |
| Loans | | | | | | 666 | 531 |
| Drawings | 548 | 326 | 1,054 | 679 | 558 | 915 | 748 |
| Repayments | -166 | -276 | -563 | -214 | -362 | -249 | -217 |
| Commercial banks | -53 | -91 | -3 | -1 | 432 | 0 | 21 |
| Other capital | 9 | -70 | -209 | 80 | -507 | -802 | -561 |
| Errors and omissions | 58 | 244 | 197 | 296 | -185 | 0 | 0 |
| Overall balance | 487 | 299 | 431 | -50 | -480 | 1 | -15 |
| Financing | -487 | -298 | -431 | 50 | 480 | -1 | 15 |
| Gross official reserves (increase-) | -492 | -309 | -578 | -33 | 480 | -1 | 29 |
| IMF transactions | 0 | 0 | 158 | 83 | 0 | 0 | -14 |
| Arrears | 5 | 11 | -11 | 0 | 0 | 0 | 0 |
| Memorandum items: | | | | | | | |
| Current account balance | | | | | | | |
| In percent of GDP | -7.8 | 2.1 | -0.2 | -7.2 | -4.0 | -0.3 | -2.5 |
| Gross official reserves | 1,022 | 1,330 | 1,867 | 1,901 | 1,167 | 1,168 | 1,139 |
| In months of imports | 3.8 | 5.9 | 6.9 | 5.4 | 3.7 | 5.2 | ... |
| Debt service (percent of exports of goods and services) | ... | ... | 17.2 | 8.7 | 9.0 | 13.0 | 18.7 |

Sources: Ministry of Finance; Ministry of Macroeconomics and Statistics; and Fund staff estimates.

1/ Figures are for the first three quarters of 1999.

2/ FDI in 1995 is negative due to a one time large investment of an Uzbek insurance company abroad.

Table 35. Uzbekistan: Total Trade with Traditional Trading Partners by Sectors, 1996-99 1/
(In millions of U.S. dollars)

| | Exports | | | | Imports | | | |
|-------------------------------------|---------|---------|-------|---------|---------|---------|-------|---------|
| | 1996 | 1997 | 1998 | 1999 2/ | 1996 | 1997 | 1998 | 1999 2/ |
| Total trade 3/ | 1,050.6 | 1,508.6 | 917.1 | 608.9 | 1,517.7 | 1,268.2 | 915.5 | 549.3 |
| Industry | 884.6 | 1,333.6 | 387.0 | 114.8 | 1,405.4 | 1,032.6 | 422.3 | 208.6 |
| <i>Of which</i> | | | | | | | | |
| Electric power | 232.0 | 482.6 | ... | ... | 20.5 | 12.6 | 4.6 | 1.4 |
| Oil and gas industry | ... | ... | 87.3 | 1.8 | ... | ... | 4.7 | 0.2 |
| Coal industry | ... | ... | 0.0 | 0.0 | ... | ... | 1.1 | 0.8 |
| Ferrous metallurgy | 13.8 | 7.2 | 4.1 | 2.1 | 219.8 | 223.5 | 12.7 | 7.2 |
| Nonferrous metallurgy | 25.0 | 47.5 | 26.0 | 12.9 | 63.8 | 13.2 | 202.5 | 108.0 |
| Chemical and petrochemical industry | 68.1 | 76.3 | 16.4 | 9.0 | 246.0 | 222.6 | 44.4 | 29.7 |
| Machine building and metal working | 46.6 | 184.5 | 131.4 | 35.3 | 446.8 | 318.3 | 57.1 | 19.7 |
| Forestry, paper and pulp industry | 1.2 | 0.8 | 0.7 | 1.3 | 81.4 | 43.1 | 6.2 | 5.0 |
| Construction materials industry | 13.5 | 17.6 | 6.9 | 3.8 | 52.1 | 23.6 | 15.0 | 10.3 |
| Light industry | 228.5 | 335.4 | 44.8 | 15.5 | 29.0 | 18.0 | 13.6 | 10.9 |
| Food industry | 198.5 | 154.9 | 19.4 | 30.8 | 116.4 | 62.7 | 7.6 | 8.8 |
| Other branches of industry | 57.4 | 26.8 | 50.0 | 2.3 | 129.6 | 95.0 | 52.8 | 6.6 |
| Agriculture | 5.6 | 4.1 | 20.2 | 1.5 | 111.1 | 106.0 | 3.4 | 1.3 |
| Other activities 4/ | 160.4 | 170.9 | 509.9 | 492.6 | 0.8 | 129.6 | 489.8 | 339.4 |

Source: Ministry of Macroeconomics and Statistics.

1/ Traditional trading partners are defined by the authorities as including Russia and other countries of the former U.S.S.R., excluding the Baltic countries.

2/ Figures are for the first three quarters of 1999.

3/ Export and import figures do not reflect adjustments for service transactions, and for exports and imports not included in trade data, as well as other adjustments.

4/ Includes unclassified items. Derived residually.

Table 36. Uzbekistan: Total Trade with Nontraditional Trading Partners by Commodities, 1996-99 1/
(In millions of U.S. dollars)

| | Exports | | | | Imports | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | 1996 | 1997 | 1998 | 1999 2/ | 1996 | 1997 | 1998 | 1999 2/ |
| Total trade 3/ | 2,039.9 | 1,933.0 | 1,650.4 | 870.1 | 3,106.2 | 2,954.9 | 2,208.2 | 1,541.1 |
| Machinery, equipment, and transport facilities | 66.4 | 72.7 | 10.3 | 22.3 | 1,184.0 | 1,689.6 | 1,309.5 | 868.7 |
| Fuel, mineral raw materials, and metals | 146.1 | 162.3 | 154.3 | 79.5 | 136.1 | 119.5 | 112.1 | 86.6 |
| Chemical products, fertilizers, and rubber | 67.1 | 31.2 | 17.2 | 47.2 | 349.9 | 348.6 | 275.2 | 179.7 |
| Raw materials and processed industrial products (cotton included) | 1,636.9 | 1,379.5 | 1,282.8 | 469.0 | 41.5 | 25.8 | 43.4 | 30.3 |
| Foodstuffs | 5.9 | 7.0 | 6.5 | 8.4 | 1,132.0 | 704.9 | 382.4 | 252.7 |
| Industrial consumer goods | 0.6 | 2.3 | 1.6 | 1.4 | 227.7 | 53.0 | 63.0 | 49.5 |
| Other products | 116.9 | 278.0 | 177.7 | 242.3 | 35.0 | 13.5 | 22.6 | 73.6 |

Source: Ministry of Macroeconomics and Statistics.

1/ Excludes the Baltic countries.

2/ Figures for 1999 are for the first three quarters.

3/ Total trade data exclude gold and service transactions.

Table 37. Uzbekistan: Direction of Trade with Traditional Trading Partners by Country, 1996-99 1/

| | Exports | | | | Imports | | | |
|-------------------------|-------------------------------|--------|-------|---------|---------|--------|-------|---------|
| | 1996 | 1997 | 1998 | 1999 2/ | 1996 | 1997 | 1998 | 1999 2/ |
| | (In millions of U.S. dollars) | | | | | | | |
| All countries 3/ | 1050.6 | 1508.6 | 917.1 | 608.9 | 1517.7 | 1268.3 | 915.5 | 549.3 |
| Russian Federation | 531.3 | 836.4 | 526.2 | 249.1 | 992.4 | 771.2 | 527.2 | 313.0 |
| Ukraine | 35.9 | 199.9 | 33.3 | 71.2 | 166.2 | 121.8 | 148.8 | 95.4 |
| Belarus | 31.4 | 15.3 | 12.6 | 9.4 | 70.4 | 29.0 | 12.6 | 21.1 |
| Armenia | 0 | 0.2 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 0.3 |
| Azerbaijan | 3.5 | 3.1 | 2.2 | 2.0 | 4.3 | 20.4 | 3.0 | 1.6 |
| Kazakhstan | 119.9 | 197.7 | 122.0 | 89.9 | 222.3 | 196.3 | 162.6 | 85.1 |
| Georgia | 0.4 | 1.4 | 5.7 | 4.0 | 2.5 | 14.9 | 9.5 | 1.3 |
| Moldova | 2.4 | 1.2 | 0.3 | 0.3 | 2.8 | 7.6 | 5.5 | 2.9 |
| Kyrgyz Republic | 83.8 | 54.4 | 51.2 | 22.3 | 17.6 | 19.2 | 20.2 | 9.6 |
| Tajikistan | 67.9 | 106.4 | 122.2 | 73.0 | 22.5 | 63.6 | 15.8 | 12.5 |
| Turkmenistan | 174.1 | 92.7 | 41.3 | 57.8 | 16.6 | 24.0 | 10.2 | 6.4 |
| | (In percent of total) | | | | | | | |
| Russian Federation | 50.6 | 55.4 | 57.4 | 40.9 | 65.4 | 60.8 | 57.6 | 57.0 |
| Ukraine | 3.4 | 13.2 | 3.6 | 11.7 | 10.9 | 9.6 | 16.3 | 17.4 |
| Belarus | 3.0 | 1.0 | 1.4 | 1.5 | 4.6 | 2.3 | 1.4 | 3.8 |
| Armenia | 0 | 0.0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.1 |
| Azerbaijan | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 1.6 | 0.3 | 0.3 |
| Kazakhstan | 11.4 | 13.1 | 13.3 | 14.8 | 14.6 | 15.5 | 17.8 | 15.5 |
| Georgia | 0 | 0.1 | 0.6 | 0.6 | 0.2 | 1.2 | 1.0 | 0.2 |
| Moldova | 0.2 | 0.1 | 0.0 | 0.0 | 0.2 | 0.6 | 0.6 | 0.5 |
| Kyrgyz Republic | 8.0 | 3.6 | 5.6 | 3.7 | 1.2 | 1.5 | 2.2 | 1.8 |
| Tajikistan | 6.5 | 7.1 | 13.3 | 12.0 | 1.5 | 5.0 | 1.7 | 2.3 |
| Turkmenistan | 16.6 | 6.1 | 4.5 | 9.5 | 1.1 | 1.9 | 1.1 | 1.2 |
| Memorandum items: | | | | | | | | |
| Russia and Ukraine | 54.0 | 68.7 | 61.0 | 52.6 | 76.3 | 70.4 | 73.8 | 74.4 |
| Central Asian countries | 42.5 | 29.9 | 36.7 | 39.9 | 18.4 | 23.9 | 22.8 | 20.7 |
| Other countries | 3.5 | 1.4 | 2.3 | 2.6 | 5.3 | 5.7 | 3.4 | 5.0 |

Source: Ministry of Macroeconomics and Statistics.

1/ Traditional trading partners are defined by the authorities as including Russia and other countries of the former U.S.S.R., excluding the Baltic countries.

2/ Figures are for the first three quarters of 1999.

3/ Export and import figures reflect adjustments for service transactions.

Table 38. Uzbekistan: Direction of Trade with Nontraditional Trading Partners by Region, 1996-99 1/

| | Exports | | | | Imports | | | |
|---|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | 1996 | 1997 | 1998 | 1999 2/ | 1996 | 1997 | 1998 | 1999 2/ |
| | (In millions of U.S. dollars) | | | | | | | |
| Total trade 3/ | 3,539.6 | 2,878.9 | 2,611.1 | 1,668.7 | 3,115.6 | 3,254.8 | 2,373.2 | 1,717.0 |
| Current and former socialist countries 4/ | 196.9 | 135.0 | 94.9 | 47.6 | 172.0 | 309.2 | 184.9 | 174.3 |
| <i>Of which</i> | | | | | | | | |
| Asia | 133.1 | 91.1 | 38.3 | 24.0 | 49.0 | 82.9 | 53.6 | 42.8 |
| Europe | 63.8 | 43.9 | 56.6 | 23.6 | 210.8 | 226.3 | 131.3 | 131.5 |
| Industrial countries | 1,564.1 | 1,319.0 | 1,281.3 | 708.9 | 1,677.9 | 1,452.7 | 1,188.2 | 924.6 |
| <i>Of which</i> | | | | | | | | |
| Asia | 8.6 | 6.4 | 3.4 | 4.0 | 55.2 | 33.9 | 92.8 | 87.9 |
| Europe | 1,272.4 | 1,273.3 | 1,214.0 | 676.6 | 1,167.4 | 1,067.9 | 842.5 | 638.1 |
| Western Hemisphere | 283.1 | 39.3 | 63.9 | 28.3 | 455.3 | 350.9 | 252.9 | 198.6 |
| Developing countries | 1,751.6 | 1,382.3 | 1,214.4 | 904.7 | 1,245.5 | 1,425.5 | 961.1 | 597.2 |
| <i>Of which</i> | | | | | | | | |
| Asia | 335.5 | 406.0 | 347.0 | 148.5 | 484.6 | 1,002.2 | 454.5 | 392.1 |
| Europe | 1,348.3 | 926.3 | 795.7 | 698.3 | 95.9 | 2.5 | 215.0 | 6.0 |
| Middle East | 64.1 | 49.2 | 65.2 | 55.8 | 618.3 | 396.6 | 264.3 | 170.9 |
| Western Hemisphere | 3.7 | 0.8 | 6.5 | 2.1 | 46.7 | 24.2 | 27.3 | 28.2 |
| Other countries 5/ | 27.0 | 42.6 | 20.5 | 7.5 | 20.2 | 67.4 | 39.0 | 20.9 |
| | (In percent of total) | | | | | | | |
| Current and former socialist countries 4/ | 5.6 | 4.7 | 3.6 | 2.9 | 5.5 | 9.5 | 7.8 | 10.2 |
| <i>Of which</i> | | | | | | | | |
| Asia | 3.8 | 3.2 | 1.3 | 0.8 | 1.7 | 2.9 | 1.9 | 1.5 |
| Europe | 1.8 | 1.5 | 2.0 | 0.8 | 7.3 | 7.9 | 4.6 | 4.6 |
| Industrial countries | 44.2 | 45.8 | 44.5 | 24.6 | 58.3 | 50.5 | 41.3 | 32.1 |
| <i>Of which</i> | | | | | | | | |
| Asia | 0.2 | 0.2 | 0.1 | 0.1 | 1.9 | 1.2 | 3.2 | 3.1 |
| Europe | 35.9 | 44.2 | 42.2 | 23.5 | 40.6 | 37.1 | 29.3 | 22.2 |
| Western Hemisphere | 8.0 | 1.4 | 2.2 | 1.0 | 15.8 | 12.2 | 8.8 | 6.9 |
| Developing countries | 49.5 | 48.0 | 42.2 | 31.4 | 43.3 | 49.5 | 33.4 | 20.7 |
| <i>Of which</i> | | | | | | | | |
| Asia | 9.5 | 14.1 | 12.1 | 5.2 | 16.8 | 34.8 | 15.8 | 13.6 |
| Europe | 38.1 | 32.2 | 27.6 | 24.3 | 3.3 | 0.1 | 7.5 | 0.2 |
| Middle East | 1.8 | 1.7 | 2.3 | 1.9 | 21.5 | 13.8 | 9.2 | 5.9 |
| Western Hemisphere | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other countries 5/ | 0.8 | 1.5 | 0.7 | 0.3 | 0.7 | 2.3 | 1.4 | 0.7 |

Source: Ministry of Macroeconomics and Statistics.

1/ Nontraditional trading partners are defined by the authorities as all countries, other than Russia and other countries of the former U.S.S.R. The Baltic countries are included with nontraditional trading partners.

2/ Figures are for the first three quarters of 1999.

3/ Trade data include service transactions and exclude special exports and imports.

4/ Bulgaria, China, the Czech Republic, Slovakia, Hungary, North Korea, Mongolia, Poland, Romania, Vietnam, Macedonia, Croatia, Bosnia, Slovenia, and Yugoslavia.

5/ Countries not included elsewhere.

Table 39. Uzbekistan: Composition of Government and Government-Guaranteed Debt, 1996-99
(In millions of U.S. dollars)

| | 1996 | 1997 | 1998 | 1999 1/ |
|--|-------|-------|-------|---------|
| Total government and government-guaranteed debt | | | | |
| New disbursement | 711 | 578 | 915 | 748 |
| Amortization | -226 | -387 | -249 | -231 |
| Debt stock, end-period | 2,376 | 2,568 | 3,236 | 3,752 |
| Government debt, total | | | | |
| New disbursement | 162 | 149 | 166 | 145 |
| Amortization | -87 | -149 | -29 | -16 |
| Debt stock, end-period | 1,158 | 1,158 | 1,294 | 1,424 |
| <i>Of which</i> | | | | |
| Multilateral debt 2/ | | | | |
| New disbursement | 93 | 13 | 19 | 38 |
| Amortization | 0 | -77 | 0 | -15 |
| Debt stock, end-period | 486 | 422 | 441 | 464 |
| Official bilateral debt | | | | |
| New disbursement | 55 | 112 | 133 | 106 |
| Amortization | -87 | -72 | -29 | 0 |
| Debt stock, end-period | 614 | 654 | 758 | 863 |
| Commercial bank debt | | | | |
| New disbursement | 14 | 24 | 13 | 1 |
| Amortization | 0 | 0 | 0 | 0 |
| Debt stock, end-period | 58 | 82 | 95 | 96 |
| Government-guaranteed debt, total | | | | |
| New disbursement | 549 | 429 | 750 | 603 |
| Amortization | -140 | -238 | -220 | -215 |
| Debt stock, end-period | 1,218 | 1,409 | 1,941 | 2,328 |
| <i>Of which</i> | | | | |
| Multilateral debt 2/ | | | | |
| New disbursement | 17 | 9 | 45 | 53 |
| Amortization | -9 | -41 | -41 | -18 |
| Debt stock, end-period | 175 | 142 | 146 | 181 |
| Official bilateral debt | | | | |
| New disbursement | 0 | 28 | 43 | 2 |
| Amortization | 0 | 0 | -5 | -6 |
| Debt stock, end-period | 0 | 28 | 66 | 61 |
| Commercial bank debt | | | | |
| New disbursement | 511 | 376 | 641 | 526 |
| Amortization | -106 | -106 | -150 | -154 |
| Debt stock, end-period | 703 | 973 | 1,464 | 1,836 |
| Other debt | | | | |
| New disbursement | 21 | 16 | 21 | 22 |
| Amortization | -26 | -90 | -23 | -37 |
| Debt stock, end-period | 341 | 266 | 266 | 251 |
| (In percent of GDP) | | | | |
| Memorandum items: | | | | |
| Total debt | 17.5 | 17.9 | 23.0 | 25.3 |
| Multilateral | 4.9 | 3.9 | 4.2 | 4.2 |
| Official bilateral | 4.5 | 4.7 | 5.9 | 6.0 |
| Commercial bank | 5.6 | 7.3 | 11.1 | 12.6 |
| Other | 2.5 | 1.9 | 1.9 | 1.6 |

Source: Ministry of Finance.

1/ Figures are for the first three quarters of the 1999.

2/ Multilateral debts are to the IMF, the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development.

Table 40. Uzbekistan: Profile of External Debt and Net Trade by Sector, 1998
(In millions of U.S. dollars)

| | Total | | Major enterprises | | | |
|--|---------------------|------------------|-------------------|---------|----------------|--------------------|
| | external debt 1/ | External debt | Exports | Imports | Net exports | Debt service 2/ |
| Industrial sector | 803 | 835 | 217 | 400 | -183 | 209 |
| Transport sector | 174 | 101 | 27 | 39 | -12 | 25 |
| Construction sector | 95 | 34 | 0 | 8 | -8 | 9 |
| Trade and food sector | 225 | 188 | 486 | 21 | 465 | 47 |
| Agricultural inputs and marketing sector | 221 | 221 | 0 | 2 | -2 | 55 |
| Other sectors | 321 | 202 | 690 | 70 | 620 | 51 |
| Total | 1,840 | 1,582 | 1,420 | 540 | 880 | 396 |

Source: Central Bank of Uzbekistan.

1/ Commercial bank onlending of foreign currency loans.

2/ Debt service is estimated by assuming that annual interest costs are equal to 10 percent of the external debt stock and amortization costs are 15 percent of the external debt stock.

**QUASI-FISCAL OPERATIONS AND THE WELFARE EFFECTS OF THE
FOREIGN EXCHANGE SYSTEM DURING THE PERIOD 1997-99.¹**

I. OVERVIEW

1. The operation of a multiple exchange rate regime in Uzbekistan gives rise to sizeable quasi-fiscal operations that are not captured in the fiscal or monetary accounts. The forced surrender of all or part of foreign exchange receipts at an artificially appreciated official exchange rate implies an implicit taxation of the export sector. On the other hand, those enterprises that are granted access to foreign exchange at the official exchange rate receive an implicit subsidy. As the difference between the official exchange rates and the market clearing exchange rate has increased during the last three years, the size of the transfer of resources between exporters and selected importers has grown. The distortion of relative export and import prices also implies welfare losses which, inter alia, depend on the elasticities of export supply and import demand. Using a partial static equilibrium model, it is possible to estimate the size of these efficiency losses. While the implicit tax and subsidy rates associated with the foreign exchange regime have more than doubled since 1997, the welfare losses have increased by a factor of 5-10.

II. IMPLICIT TAXES AND SUBSIDIES ON FOREIGN TRADE

2. Uzbekistan operates a system of three exchange rates. The *official exchange rate* is applied to all foreign exchange earnings from centralized exports (mainly gold and cotton) and centralized imports (for high priority capital investments and debt servicing of government and government-guaranteed loans). The slightly more depreciated *commercial bank exchange rate* is used for the obligatory surrender of foreign exchange earnings from all other exports; this exchange rate is also applied to low-priority imports for which the government has issued a foreign exchange quota and license. All other foreign trade operations, in particular imports outside the foreign exchange quota and licensing system, take place at the illegal *curb market exchange rate*. The shares of these three markets have changed during the last three years, as the authorities after July 1998 started to shift more transactions to the commercial bank market. At the same time, the curb market has grown with the tightening of the foreign exchange restrictions.

3. Implicit tax and subsidy rates can be estimated by comparing the official exchange rates applying to different kinds of foreign trade operations with the market clearing

¹ The estimates of the quasi-fiscal operations and the welfare effects of the foreign exchange rate regime during 1997-99 are based on a forthcoming IMF Working Paper by Christoph Rosenberg and Marten de Zeeuw "Welfare Effects of Uzbekistan's Foreign Exchange Regime".

exchange rate.² However, the estimation of such a rate goes beyond the scope of this appendix. For illustrative purposes, an *indicative exchange rate*, calculated as the weighted average of the three exchange rates, is used as a rough approximation of the market clearing rate (Table 41).

Table 41. Uzbekistan: Implicit Tax and Subsidy Rates in Foreign Trade Transactions

(In percent, unless indicated otherwise)

| | 1997 | 1998 | 1999 Jan.-Sept. |
|--|------|------|--------------------|
| Implicit tax rates | | | |
| Centralized exports | 26 | 37 | 52 |
| Other exports | 5 | 9 | 20 |
| Implicit subsidy rates | | | |
| Centralized imports | 26 | 37 | 52 |
| Other imports | 17 | 30 | 40 |
| Memorandum items: | | | |
| Surrender requirement on non-centralized exports | 30 | 30 | 50 |
| Official exchange rate | | | |
| Sums/U.S. dollar, average | 67 | 95 | 121 |
| Estimated market share | 55 | 39 | 25 |
| Commercial bank exchange rate | | | |
| Sums/U.S. dollar, average | 75 | 105 | 150 |
| Estimated market share | 19 | 31 | 41 |
| Curb market exchange rate | | | |
| Sums/U.S. dollar, average | 150 | 270 | 462 |
| Estimated market share | 26 | 30 | 35 |
| Indicative exchange rate^{1/} | | | |
| Sums/U.S. dollar, average | 90 | 151 | 252 |

Sources: Central Bank of Uzbekistan; and Fund staff calculations.

1/ The indicative exchange rate is a weighted average of the official exchange rate (30 percent), the commercial bank rate (40 percent), and the curb market rate (30 percent).

² These implicit tax and subsidy rates only take into account the direct effect of the exchange rate regime, i.e., they disregard the additional distortions created by administered prices and subsidized credits.

4. As shown in Table 41, implicit tax and subsidy rates applying to foreign trade operations have increased significantly since the increase of the curb market rate premium which started in the summer of 1998 following the Russian crisis. It should be noted that the implicit tax rate on non-centralized exports is much lower than that on centralized exports both because only a part of foreign exchange receipts need to be surrendered and the more depreciated commercial bank exchange rate applies to such exports.

5. The size of the quasi-fiscal transfers between exporters and importers can be calculated by comparing the domestic currency equivalent of foreign exchange flows at the actually applied exchange rates and the indicative exchange rate, respectively (Table 42). As shown in Table 42, producers of centralized exports are the main losers, paying an implicit tax of 10 percent of GDP in 1999, while the recipients of foreign exchange at the official exchange rate were subsidized by about 15 percent of GDP. Both the implicit tax burden and subsidies have increased over the last three years, despite the fact that the foreign exchange denominated value of foreign trade declined significantly. In 1997, the subsidy for imports was higher than the tax on exports because the Central Bank of Uzbekistan (CBU) drew down reserves. After the changes to the foreign exchange regime in July 1998, the CBU moved from being a net loser to becoming a net gainer from the exchange system.

Table 42. Uzbekistan: Implicit Taxes and Subsidies in Foreign Trade Transactions

(In percent of GDP)

| | 1997 | 1998 | 1999 Jan.-Sept. |
|---------------------------|------|------|--------------------|
| Foreign exchange inflows | 6.0 | 11.2 | 14.7 |
| Centralized exports | 5.2 | 8.4 | 10.4 |
| Cotton | 3.4 | 5.6 | 5.5 |
| Gold | 1.8 | 2.8 | 4.9 |
| Other exports | 0.9 | 2.7 | 4.3 |
| Foreign exchange outflows | 8.5 | 10.8 | 15.0 |
| Centralized imports | 7.0 | 6.5 | 6.7 |
| Other imports | 1.5 | 4.3 | 8.4 |

Sources: Central Bank of Uzbekistan; and Fund staff calculations.

6. In principle, the government could achieve the same redistribution of resources as currently effected through the multiple exchange rate regime through an explicit system of taxes and subsidies, and allowing the exchange rates to unify at the market clearing rate. An explicit fiscal regime would have a number of advantages over the present system. First, it would be more transparent. Second, the administrative burden would be less than under the

present system which promotes corruption and rent seeking. Finally, there would be much less uncertainty among economic agents about the availability of foreign exchange, thus reducing dollarization and its associated problems.

III. THE WELFARE COSTS OF A MULTIPLE EXCHANGE RATE SYSTEM

7. Quasi-fiscal operations through the foreign exchange regime not only redistribute resources between sectors but, as is the case with any government intervention distorting relative prices, also cause efficiency losses. In principle, the welfare effects correspond to an equivalent explicit system of taxes and subsidies. Nevertheless, direct government interventions as applied by the Uzbek authorities (such as price regulation and outright rationing) cause larger microeconomic distortions than market-based interventions such as explicit taxes.

8. Theoretically, the welfare effects can be best examined by using the concept of consumer and producer surpluses, the so-called Harberger triangles.³ First, consider the welfare effects on the export side. If Uzbekistan is modeled as a small open economy (i.e., it is a price taker for all of its exports), it faces a horizontal excess demand curve from the rest of the world. While gaining some implicit revenue from the taxation of exports, the decrease of the producer surplus would outweigh the increase in the consumer surplus and the overall economic welfare of the country would on balance be reduced compared with a situation without taxation.⁴

9. As regards the implicit subsidy granted to those importers who have access to foreign exchange at the preferential exchange rates, Uzbekistan loses welfare if it is modeled as a

³ For a graphical analysis of the welfare effects of Uzbekistan's foreign exchange regime see Rosenberg, Christoph, Anna Ruocco and Wolfgang Wiegard: "Explicit and Implicit Taxation in Uzbekistan," in: Nübler, Irmgard and Harald Trabold (eds.), *Herausforderungen an die Wirtschaftspolitik an der Schwelle zum 21. Jahrhundert, Festschrift für Lutz Hoffman zum 65. Geburtstag*, Berlin: Duncker und Humboldt, 1999.

⁴ This result may change if Uzbekistan is modeled as a sufficiently large exporter, with some market power. In the 1997/98 harvest year, Uzbekistan's share in world exports of cotton fiber was about 15 percent (second after the United States) while the share in the world production was about 6 percent. Uzbekistan may therefore have some limited monopolistic power in the world cotton market and by imposing an optimal implicit export tax and restricting export supply could affect the terms of trade in its favor. If this is the case, the country faces an upward sloping rather than horizontal excess world demand function. The final impact on welfare will depend on the elasticities of demand and supply. However, even if the aggregate effect is indeterminate *a priori*, the overall net welfare effect is most likely negative.

small, price taking country for imports.⁵ Thus, even if Uzbekistan could gain some welfare on export markets for cotton, it will definitely lose on imports.

10. The net welfare effects of implicit taxation and subsidization can be quantified by using a standard partial equilibrium model.⁶ For simplicity, the more realistic case of Uzbekistan as a small open economy, both for exports and imports, is considered. Also, a constant elasticity export supply function is assumed. Through a number of manipulations it is possible to express net welfare losses as a function of implicit tax revenues as well as elasticities. Table 43 shows the net welfare losses during the period 1997-99 for alternative export elasticities. Overall, the welfare losses increase with higher export elasticities. Most importantly, the calculations show that the welfare losses have increased more than proportionally with the implicit taxation during the past three years. As the difference between the administered exchange rates and the indicative exchange rate has widened, Uzbekistan's foreign trade has become increasingly distorted.

Table 43. Uzbekistan: Net Welfare Losses on Export Markets

| | 1997 | 1998 | 1999 Jan.-Sept. |
|----------------------------|--------------------------------------|------|--------------------|
| Centralized exports | Implicit tax rate (in percent) | | |
| | 26 | 37 | 52 |
| Elasticity | Net welfare loss (in percent of GDP) | | |
| 0.5 | 0.42 | 1.13 | 2.45 |
| 1.0 | 0.88 | 2.43 | 5.58 |
| 1.5 | 1.42 | 4.02 | 9.86 |
| Other exports | Implicit tax rate (in percent) | | |
| | 5 | 9 | 20 |
| Elasticity | Net welfare loss (in percent of GDP) | | |
| 0.5 | 0.01 | 0.07 | 0.26 |
| 1.0 | 0.02 | 0.13 | 0.54 |
| 1.5 | 0.04 | 0.21 | 0.85 |

Source: Fund staff calculations.

⁵ In the unlikely event that Uzbekistan can be considered a "large country" (maybe for imports of specialized capital goods, such as cotton harvesting machines) the standard model leads to the conclusion that it unequivocally loses net welfare. This is because in this case, it would be optimal to restrict (not promote) imports by imposing an (implicit) import tariff.

⁶ For the exact mathematical derivation of the net welfare effects, see the appendix of the forthcoming IMF Working Paper by Christoph Rosenberg and Maarten de Zeeuw, "Welfare Effects of Uzbekistan's Foreign Exchange Regime."

11. The sensitivity analysis shows that for a plausible range of parameter values the welfare loss for centralized exports is much larger than for other exports which face a lower implicit tax burden. This is the case even if it is assumed that the elasticity for centralized exports is less than unity, which seems likely, at least in the short term.

12. The calculations of the welfare effects of subsidizing imports are analogous to the calculations for exports. Table 44 shows the results for a range of plausible parameter values. As with exports, the net welfare losses increase more than proportionally with the implicit subsidization. While in 1997 the welfare loss from the subsidies was less than 2 percent of GDP, it was in the range of 2 to 7 percent of GDP in 1999.

Table 44. Uzbekistan: Net Welfare Losses on Import Markets

| | 1997 | 1998 | 1999 Jan.-Sept. |
|----------------------------|----------------------------------|------|--------------------|
| Centralized imports | Implicit tax rate (in percent) | | |
| | 26 | 37 | 52 |
| Elasticity | Welfare loss (in percent of GDP) | | |
| 0.5 | 0.52 | 1.13 | 1.22 |
| 1.0 | 0.98 | 2.43 | 2.15 |
| 2.0 | 1.79 | 4.02 | 3.49 |
| Other imports | Implicit tax rate (in percent) | | |
| | 17 | 30 | 41 |
| Elasticity | Welfare loss (in percent of GDP) | | |
| 0.5 | 0.07 | 0.39 | 1.08 |
| 1.0 | 0.13 | 0.72 | 1.98 |
| 2.0 | 0.25 | 1.30 | 3.40 |

Source: Fund staff calculations.

13. It should be noted that in general one cannot simply add up the welfare losses calculated in Table 43 and those calculated in Table 44, not even if the losses were expressed in monetary terms. The reason is that the calculated losses partly overlap each other, for instance when the subsidization of imports used for exports partly compensates for the implicit tax imposed on exports. Some other caveats need to be kept in mind when drawing conclusions from these calculations: export and import markets are not independent from one another; numerous other distortions are in effect, both due to implicit and explicit fiscal operations; consumer and producer surpluses are of limited importance in the case of

multiple price changes; and results may change if Uzbekistan is modeled as a large open economy, especially on the export market for cotton.

IV. CONCLUSIONS AND POLICY IMPLICATIONS

14. Several policy conclusions can be drawn from the analysis. First, even if the welfare effects of explicit and implicit taxes and subsidies are the same, there are a number of reasons why an explicit fiscal system would be preferable. These include considerations of transparency and accountability, the administrative costs, uncertainty, and equity.

15. Second, the analysis shows that the welfare losses rise more than proportionally with the implicit taxation or subsidization, approximated by the ratio between the curb market and the official exchange rates. Thus, the rise of the curb market premium from about 100 percent in mid-1998 to more than 400 percent currently inflicts growing efficiency losses on the Uzbek economy, severely undermining the country's ability to utilize its growth potential. The finding that the welfare losses increase more than proportionally in response to an increase in the tax or subsidy rates supports the conclusion that even a gradual dismantling of the distortions would have positive economic results. If two distortions work in the same direction, the whole is larger than the sum of the parts, i.e., the welfare loss of the two distortions together is larger than the sum of the two welfare losses when each distortion is considered separately. This means that if only one of several cumulated distortions is removed, the beneficial effect on consumer or producer welfare will be more than proportional.

16. Finally, any reform of the existing foreign exchange regime will also need to take into account the fact that distortions arising from explicit and implicit fiscal operations often work in directions opposite to each other. For example, Uzbekistan, on the one hand, grants no value added tax-credit for the purchase of capital goods, adding 20 percent to their price; on the other hand, there is an implicit subsidy for imported capital goods of about 50 percent for centralized imports and 20 percent for other legal imports. The consequences of reform in this situation is not clear *a priori*. Removing the smallest distortion while leaving the biggest in place would exacerbate, not improve, the welfare losses. Removing the biggest while leaving the smallest in place would turn net taxation into net subsidization and vice versa, with an increase in welfare costs if the smallest price distortion was larger than half of the biggest. Therefore, it is essential for fiscal reform in Uzbekistan to identify distortions which work in opposite directions and to abolish them simultaneously. Such reform packages would be superior to step-by-step reform or the elimination of the multiple exchange rate regime alone.

TRADE AND EXCHANGE SYSTEM

I. INSTITUTIONAL BACKGROUND

1. Uzbekistan's trade and exchange system is regulated by various government institutions with different, sometimes overlapping, responsibilities. The Central Bank of Uzbekistan (CBU) is responsible for foreign exchange regulations. The Ministry of Foreign Economic Relations (MFER) is responsible for negotiating trade agreements with nontraditional trading partners as well as agreements denominated in hard currency with traditional trading partners. The MFER is also in charge of implementing foreign trade agreements and developing external trade policies. The Cabinet of Ministers is responsible for preparatory and coordination work with the WTO. The Ministry of Justice approves any direct foreign investment in the form of joint ventures. The Republican Monetary Policy Commission, an inter-agency committee, is responsible for implementing measures to strengthen control over cash in circulation and the payments system.¹ It is also charged with ensuring compliance with the procedures for conducting foreign currency transactions and for utilization of directed credits extended to priority activities.

2. Government controls over the trade and exchange system are extensive even by the standards of transition economies.² A large part of international trade (about 41 percent in 1998), including cotton and gold exports and imports of wheat and grain, continues to take place through government channels.

3. Although there have been no major regulatory changes in the trade and exchange system during 1998 and 1999, the worsening balance of payments situation caused the government to tighten the administration of existing regulations.³ This explains the significant

¹ The Republican Monetary Policy Commission is chaired by the Chairman of the CBU and its membership includes senior officials from the Ministry of Finance, the CBU, the National Bank for Foreign Economic Activity, and other government institutions.

² The steps for obtaining approval to import particular commodities vary depending on the item to be imported. For consumer goods, it can take up to four months to obtain the necessary approval.

³ For example, a Presidential Decree (December 25, 1998) sought to strengthen enforcement of existing provisions regarding the illegal trade of consumer goods. The decree required the State Customs Committee to "take strict measures to put an end to the instances of illegal exportation of goods which are banned for export." It also required "introducing stricter penalties for legal entities and individuals illegally exporting consumer goods beyond the customs territory of the Republic of Uzbekistan, as well as violating the procedures established for distributing imported goods." In addition, the "State Committee for Standards, the Ministry of Health, and the Ministry of Agriculture and Water Management of the

(continued...)

compression of imports, intensified restrictions on exports, and increased segmentation of foreign exchange markets that have been observed during the period.

II. TRADE AND PAYMENTS SYSTEM

4. Companies wishing to conduct foreign trade in Uzbekistan either as importer or exporter must register with the MFER as "participants in foreign economic activity." The registration procedures at the MFER were significantly shortened in July 1997 and usually take no more than three days. Data provided by the MFER indicate that for the past three years, 1996-98, none of the applicants for registration were rejected by the MFER (Table 45).⁴ The number of applicants has, however, decreased in recent years.

Table 45. Uzbekistan: Participants in Foreign Economic Activity

| | 1996 | 1997 | 1998 |
|---|-------|-------|-------|
| Number of participants | 6,033 | 5,990 | 5,187 |
| Number of participants (companies) with foreign capital (i.e. joint ventures) | 739 | 1,085 | 1,056 |
| Share in total, in percent | 12 | 18 | 20 |
| Number of participants that are domestic entities | 5,294 | 4,905 | 4,131 |
| Of which | | | |
| Private companies | 3,456 | 3,614 | 3,013 |
| Share in total, in percent | 57 | 60 | 58 |
| Number of applications | 5,814 | 2,958 | 2,048 |
| Number of applications approved | 5,814 | 2,958 | 2,048 |

Source: Ministry of Foreign Economic Relations.

A. Imports

5. There are numerous administrative controls on imports, which result in a lengthy approval process. A requirement that import contracts be registered *ex-ante* at the MFER was introduced in October 1996. Without registration, importers are not eligible to purchase

Republic of Uzbekistan shall closely monitor the quality of imported consumer goods, ensuring timely issuance of the requisite certificates and authorizations."

⁴ Guidelines for the registration process are to be in compliance with Cabinet of Ministers Resolution No. 137 dated March 31, 1998 and are contained in Instruction No. 424 of the Ministry of Foreign Economic Relations, the Ministry of Finance and the State Customs Committee.

foreign exchange from official sources and imports are unable to clear customs.⁵ Since February 1998, the requirement of ex-ante registration was abolished for imports financed by importers' own foreign exchange. Nonetheless, the customs authorities will occasionally request a registration certificate even for imports that are financed using the importers' own foreign exchange. In October 1997, pre-shipment inspection (for a fee) was introduced to facilitate the registration process.⁶ Importers are not allowed to make prepayments for their imports.

6. Import contracts also need price verification, which is performed by the Center for Study of Commodity Markets in the Ministry of Macroeconomics and Statistics or by one of several authorized private trading firms.⁷ These agencies provide international price comparisons and complete the necessary forms for importers. The recommendations issued by these agencies are usually regarded as permission to import at the prices specified in the contract. The MFER generally accepts the recommendations, but may examine contracts recommended by the commercial trading firms at its discretion.⁸

7. A Presidential Decree issued in October 1997 banned imports of printed matters, manuscripts, and other items aimed at purposes such as disruption of the political system or religious hatred.⁹ Since May 1998, import or transit of ethyl alcohol has been prohibited.¹⁰

8. Tenders for food imports for state procurement (mainly wheat and sugar) are organized by a state agency. The firms that are allowed to bid for these tenders are selected by the state agency that organizes the procurement. There are no explicit import quotas in

⁵ Among the reasons that can be used for rejecting an application for registration of a contract are the following: inadequate foreign exchange resources; lack of a foreign exchange conversion license; a contract price that is higher than the world market price; the value of the contract exceeds the importers' own funds; and/or the contract is for imports of equipment judged to be economically inefficient or obsolete.

⁶ Once an independent inspection agency approves a contract, registration is generally granted by the MFER. Typically the review process checks on the quantity, quality, and the price of imported goods, and other contract provisions.

⁷ The Center was established by the government in August 1996.

⁸ Cabinet of Ministers Resolution No. 534 "On Measures on Carrying out Independent Expert Evaluation of Contracts and Preshipment Inspection of Imported Goods," dated December 3, 1997.

⁹ Presidential Decree No. 1871, Attachment No. 5, dated October 10, 1997.

¹⁰ Cabinet of Ministers Resolution No. 213, dated May 15, 1998.

Uzbekistan. However, the restrictions on access to foreign exchange serve as a limit on imports.

9. Uzbekistan currently has 11 bands of customs duties ranging from 3 percent to 30 percent which are applied to goods from countries that are classified as Most Favored Nations (MFN).¹¹ Customs duties for imports from non-MFN countries are double those for MFN countries. As of April 1998, a total of 35 countries were registered with the Ministry of Justice as having been granted MFN status. At the end of 1998, three more countries (Israel, Bulgaria, and Bangladesh) were granted MFN status.

10. Numerous exemptions to customs duties have been granted. A Cabinet of Ministers Resolution approved in March 1998 (No. 137) permitted the following specific exemptions to customs duties:

- goods imported under intergovernmental and loan agreements signed or guaranteed by the Uzbek Government;
- imports funded from the consolidated budget in accordance with resolutions of the Uzbek Government;
- goods imported by foreign legal entities making foreign direct investments in the Uzbek economy totaling more than US\$50 million provided that the importer produced the imported goods;
- raw materials supplied by customer, materials and accessories brought in/out for industrial processing and producing of goods subject to import/export; and
- imports originating from countries in the Free Trade Zone, which consists of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Ukraine, and Tajikistan.

11. Under the Customs Code of Uzbekistan adopted by parliament (August 29, 1997), the following fees are levied by the State Customs Committee: (i) a customs handling fee; (ii) a customs services fee; and (iii) a customs certificate issuance fee. The revenues from such fees are transferred to the accounts of the State Customs Committee and are used for its development needs. The following goods are exempt from these fees:

- goods whose value does not exceed ten minimum wages;
- humanitarian aid;

¹¹ Presidential Decree No. 80, dated February 1998.

- military equipment brought into and taken out of Uzbekistan by the Ministry of Defense, the National Security Service and the Interior Ministry; and
- goods intended for official use by diplomatic missions of foreign states, international organizations and associations enjoying customs privileges in Uzbekistan.

12. Revisions to the foreign trade regime were made by a Presidential Decree that took effect January 1, 1999.¹² Among the changes was a provision to reduce tariffs on 15 items (e.g., livestock, poultry, meat and meat products, fish and seafood, milk and dairy products) by moving them from the 30 percent tariff band to the minimum tariff (3 percent) band. As a result, effective January 1, 1999, the average (unweighted) import duty was reduced slightly to 26 percent excluding cars and commodities to which the minimum tariff is applied (Box 9).

| Box 9. Uzbekistan: Import Tariff Regime | | | | | | |
|--|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | <u>Jul. 95</u> | <u>Mar. 96</u> | <u>Oct. 96</u> | <u>Oct. 97</u> | <u>Feb. 98</u> | <u>Jan. 99</u> |
| Import duties in percent of dutiable value | | | | | | |
| Tariff rate | Number of items within each band 1/ | | | | | |
| 1 (minimum tariff) | ... | ... | All other | -- | -- | -- |
| 3 (minimum tariff) | ... | ... | -- | All other | All other | -- |
| 5 | 17 (0) | 17 (0) | 12 (1) | 4 (0) | 4 (0) | 4 (0) |
| 10 | 20 (2) | 25 (2) | 25 (2) | 4 (0) | 4 (0) | 4 (0) |
| 15 | 3 (0) | 0 (0) | 0 (0) | 1 (0) | 1 (0) | 1 (0) |
| 20 | 10 (0) | 8 (1) | 20 (1) | 6 (0) | 10 (0) | 10 (0) |
| 30 | 2 (2) | 2 (2) | 28 (2) | 81 (6) | 82 (6) | 67 (6) |
| 40 | 2 (1) | 2 (1) | 1 (1) | 1 (1) | 1 (1) | 1 (1) |
| 45 | 1 (1) | 1 (1) | 1 (1) | 1 (1) | 1 (1) | 1 (1) |
| 50 | 4 (2) | 2 (2) | 2 (2) | 1 (1) | 1 (1) | 1 (1) |
| 60 | 2 (2) | 1 (1) | 1 (1) | 2 (2) | 2 (2) | 2 (2) |
| 100 | 1 (1) | 1 (1) | 1 (1) | 1 (1) | 1 (1) | 1 (1) |
| Total | 62 (11) | 59 (11) | 91 (12) | 102 (12) | 107 (12) | 92 (12) |
| Average rate (excl. cars)2/ | 14 | 12 | 17 | 28 | 27 | 26 |
| Average rate (incl. cars)2/ | 18 | 16 | 21 | 29 | 29 | 29 |
| Maximum rate (excl. cars) | 50 | 40 | 30 | 30 | 30 | 30 |
| Maximum rate (incl. cars) | 100 | 100 | 100 | 100 | 100 | 100 |
| Number of bands (excl. cars) | 6 | 4 | 5 | 6 | 6 | 6 |
| Number of bands (incl. cars) | 10 | 9 | 10 | 11 | 11 | 11 |

Source: Ministry of Foreign Economic Relations; and Fund staff calculations.

1/ Number of tariffs on cars is indicated with parentheses.
2/ Excludes all commodities to which minimum tariff is applied.

¹² Presidential Decree No. 2160, dated December 25, 1998.

13. In addition to customs duties, a VAT of 20 percent is applied to all goods and services imported into Uzbekistan and collected by customs officials.¹³ Technological equipment imported into Uzbekistan is exempt from the VAT if it is used:

- to equip priority facilities included in the investment program;
- for investment projects financed from foreign loans guaranteed by the government;
- for newly built and rehabilitated enterprises manufacturing consumer goods; and
- by foreign investors as their contribution to the capital of joint ventures (see Appendix III for details on the VAT).¹⁴

14. For certain imports, an excise tax ranging from 10 percent to 40 percent (price inclusive) is applied to the customs value and must be paid before or during the customs clearance process.¹⁵ Shuttle trade and personal goods shipped from abroad are subject to a 50 percent tax.

15. Article 9 of the law "On Customs Tariff" (August 29, 1997) allows the imposition of anti-dumping duties. Dumping is defined as occurring when "goods are imported into the territory of Uzbekistan at a price that is lower than the production cost of the exporter in the exporting country, if such import can cause material damage or have the threat of material damage to local producers of similar or competitive goods, or interferes with the establishment or expansion of production of similar goods in the Republic of Uzbekistan." Anti-dumping duties have not yet been introduced in Uzbekistan. The authorities are currently preparing revisions to this legislation as part of the planned WTO accession process.¹⁶

16. Article 8 of the law "On Customs Tariff" allows the imposition of special duties (protection measures). These special duties can be imposed when goods and commodities are imported in such quantities and on such terms that they can cause damage or bear the threat of material damage to local producers of similar or competitive goods, as well as in response to discrimination and other actions detrimental to the interests of Uzbekistan undertaken by other countries or their alliances. The authorities are currently preparing revisions to this legislation as part of the planned WTO accession process.

¹³ A preferential VAT rate of 15 percent is applied on four food items (flour, bread, meat and milk).

¹⁴ Article 71 of the Tax Code lists VAT-exempt goods.

¹⁵ Article 82 of the Tax Code lists the goods that are subject to excise tax and the relevant rates.

¹⁶ Uzbekistan submitted its memorandum to the WTO secretariat in September 1998.

B. Exports

17. Export licenses were abolished as of November 1997, except for goods such as armaments and military equipment, precious metals, and uranium and other radioactive substances. Approximately 30 licenses are issued each year by the MFER. Exports of sugar, alcohol, vegetable oil, wheat and flour products, livestock and poultry, meat, powdered milk, tea, antiques, and raw hides are banned.¹⁷

18. Export contracts for raw materials (such as cotton, precious and non-ferrous metals) are subject to review by price experts at the MFER. The purpose of this review is to ascertain that the prices contained in the contract correspond to world market prices.

19. Export tariffs were eliminated in January 1998. However, excise taxes continue to be applied to selected exports such as domestic appliances, construction materials, alcoholic and non-alcoholic beverages, etc. Excise tax rates are currently 50 percent, except for re-exports (25 percent) and UzDaewoo auto cars (3 Euros per cubic liter of engine size).

20. Regulations require a 100 percent prepayment or a letter of credit or a bank guarantee for export transactions and do not allow advance delivery of exports exchanged under barter contracts. For imports the maximum prepayment that is permitted is 15 percent and advance delivery is required for imports under a barter contract.¹⁸

III. EXCHANGE SYSTEM

21. There are two legal exchange markets—auction and commercial bank—where different exchange rates prevail. The government intervenes in each market by controlling the supply and demand for foreign exchange and by setting the exchange rate. In addition, there are illegal curb markets for cash and non-cash transactions.¹⁹

¹⁷ See Presidential Decree No. 1871, dated October 10, 1997.

¹⁸ Barter trade has been restricted and is permitted for only a few commodities in limited quantities (Cabinet of Ministers Resolution No. 280, dated August 13, 1996). A list of goods that are completely excluded from barter trade include foodstuffs, raw and intermediate materials, and energy products. Other documents dealing with barter trade include Presidential Decree No. 1096, dated April 11, 1995, and Cabinet of Ministers Resolution No. 520, dated October 25, 1993.

¹⁹ Uzbekistan currently maintains the following exchange restrictions and multiple currency practices subject to Fund approval under Article VIII: (i) foreign exchange rationing implemented through the identification of low priority goods, not eligible to receive foreign exchange from either one of the two official markets, the identification of eligible goods and importers and assignment of foreign exchange quotas, and delays in central bank approval of applications for foreign exchange; (ii) a multiple currency practice arising from the

(continued...)

22. Since March 1997, auctions have been held on a near-daily basis at the Republican Foreign Currency Exchange. Currently 29 of the 36 commercial banks in the country participate in these auctions. The official exchange rate for the U.S. dollar is set as the weighted average of auction rates from the previous week plus a discretionary adjustment. In practice, the official exchange rate deviates only slightly from the auction rate. The official rate is used for surrendering the proceeds from centralized exports, imports of certain capital goods and consumers goods, government purchases, and servicing of government and government-guaranteed debt. The official exchange rates for the sum vis-à-vis other currencies and the SDR are established through U.S. dollar cross rates.

23. Authorized commercial banks are allowed to buy and sell foreign exchange in the commercial bank market and through exchange bureaus at the cash and non-cash commercial bank rate. The administrative limit of 12 percent for the spread between the official and commercial rates was removed as of July 1, 1998.²⁰ Foreign exchange is supplied to the commercial bank market mainly through CBU sales and the mandatory surrender of proceeds from decentralized exports. Commercial banks are allowed to sell foreign exchange to their customers within a quota²¹ established by the Republican Monetary Policy Commission and only for imports of certain priority capital and consumer goods and services. Effective January 1, 1999, a 5 percent tax on foreign exchange purchases in the commercial bank market was introduced.

24. Surrender requirements are applied to both centralized and decentralized exports. All export proceeds from centralized exports (including cotton, gold, electrical power and other energy products) must be surrendered to the CBU at the official exchange rate. Effective January 1, 1999, 50 percent (previously 30 percent) of export proceeds from decentralized

contemporaneous application of the official exchange rate; (iii) a multiple currency practice arising from the segmentation of the exchange market, resulting in deviations in commercial bank rates vis-à-vis the official rate; and (iv) a multiple currency practice arising from the imposition (since January 1999) of a 5 percent tax on the purchase of foreign exchange.

²⁰ The spread between the official rate and the commercial bank rate had widened to 40 percent by end-1999.

²¹ Importers of consumer goods are obliged, since November 1996, to obtain a convertibility license from the CBU. Importers of machinery and capital equipment obtain the necessary foreign exchange quota from the Ministry of Macroeconomics and Statistics (MMS) instead of the CBU. This quota is usually set for three-months with a monthly schedule of using it, and is subject to extension after expiration. Neither the MMS nor the authorised bank is required to provide companies with written or official notification about their quota.

exports, which includes all exports that are not classified as centralized, must be surrendered to commercial banks at the commercial bank exchange rate.²²

25. Legal entities are not permitted to import and export foreign bank notes, and banks can do so only with the permission of the CBU. Residents and nonresidents can import any amount of foreign currency bank notes and coins, provided that they are declared upon entry into the territory of Uzbekistan. Since April 1, 1998, a 1 percent fee has been imposed on amounts of currency imported in excess of US\$10,000 or its equivalent.²³ Export of foreign bank notes in excess of US\$1,500 by residents is prohibited, unless official permission is obtained.²⁴

26. Nonresidents are permitted to export any of foreign bank notes that were legally imported into the country. Since October 1, 1996, if the amount of foreign currency to be exported by a non-resident is below the previously declared imported amount by more than US\$2,000, a 30 percent fee is levied on that portion which is not accounted for by receipts of sale to exchange offices or by other documents confirming the legality of their use.

27. Since January 1, 1997, all commercial banks have been granted permission to extend credits in foreign currency from their own resources and to determine freely the interest rate on such credits. Credits granted in foreign exchange remain concentrated in the National Bank for Foreign Economic Activity, the largest commercial bank in Uzbekistan, which is government owned.

28. The previous restriction that required residents and nonresidents to maintain only one sum and one foreign currency account at commercial banks in Uzbekistan is currently being phased out. With effect from June 1, 1999 enterprises with more than 1,000 employees were granted the right to open accounts at several banks.²⁵ Residents cannot, however, open foreign currency accounts abroad, unless they have a permit issued by the CBU.²⁶ Residents' sum and foreign currency accounts may be credited with any sum or foreign currency amounts, and both types of accounts are convertible.

²² Cabinet of Ministers Resolution No. 538, dated December 26, 1998.

²³ Prior to March 31, 1998, a 2 percent fee was charged for the import in excess of US\$5,000.

²⁴ The limit was raised from US\$500 to US\$1,500 as of April 1, 1998.

²⁵ Presidential Decree "On Measures for Further Reform of the Banking System," dated January 15, 1999. The restriction is scheduled to be eliminated for all enterprises with effect from June 1, 2000.

²⁶ For instance, such a permit can be issued in the event that a resident individual is to stay abroad for an extended period of time or a representative office is opened abroad.

29. Nonresidents' sum accounts may be credited with any amount brought into, or legally transferred to or acquired in, Uzbekistan. Balances in those accounts may be transferred to other sum accounts in Uzbekistan, withdrawn for sum bank notes, or transferred abroad upon presentation of documents showing the bona fide character of the proceeds. Foreign currency accounts may also be opened by nonresidents, on the presentation of an identification document and a customs declaration showing the amount of foreign currency imported into Uzbekistan. Since October 1, 1998, residents have been allowed to open anonymous foreign exchange accounts at domestic commercial banks.²⁷

²⁷ As of August 1999, total deposits in these accounts were less than US\$1 million.

Overview of the Tax System of Uzbekistan
(as of November 1, 1999)

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|---------------------|---|---|--|
| 1. | Income (profit) tax | All enterprises, with the exception of trade and food service enterprises, payers of the unified tax and unified land tax | <p>The object of taxation is income (profit) calculated as the difference between gross income and deductions determined in accordance with the Tax Code. For enterprises that export goods (work, services) of their own production for freely convertible currency at prices that are below those on the domestic market, the tax base is calculated on the basis of the actual sale price of the exported products. This provision does not extend to commercial intermediary organizations, or to production enterprises that export raw materials appearing on an established list. Contributions, shares, and other earmarked financial investments in the statutory fund (authorized capital) that are pooled for the purpose of performing common tasks are not considered income of a legal entity created specifically to perform these tasks, and are not an object of taxation.</p> <p><u>The following are exempt from the income (profit) tax:</u></p> <ul style="list-style-type: none"> - newly created peasant (owner-operated) farms and private enterprises, on income (profit) earned from the production and processing of agricultural products, the output of consumer goods, and the production of building materials, for a period of two years from the date of their registration; - newly created enterprises engaged in tourist activities in the cities of Samarkand, Bukhara, Khiva, and Tashkent, for the period extending from the date of their creation until they post their first profits, not to exceed three years from the date of their registration. In the first year that they post a profit legal entities engaged in tourist activities in the cities of Samarkand, Bukhara, Khiva, and Tashkent pay 50 percent of the tax, in the second year they pay 75 percent of the tax, and starting in the third year, they pay 100 percent; - newly created production enterprises with foreign | <p>Maximum rate – 35%</p> <p>Established rate for 1999 – 33%</p> <ul style="list-style-type: none"> - Enterprises specializing in the production of goods for children, feminine hygiene products, arts and crafts products, and toys – 10%; - Enterprises at which the production of goods for children, arts and crafts products, and toys accounts for at least 20 percent of output – 25%; - Production enterprises with foreign investments: <ul style="list-style-type: none"> a) in which foreign capital accounts for 30 percent or more of authorized capital – 25%; b) in which foreign capital accounts for 50 percent or more of authorized capital and the authorized capital is equivalent to: <ul style="list-style-type: none"> - between US\$300,000 and US\$1.0 million – 20%; - US\$1.0 million and more – 16%. - For exporter-enterprises whose exported goods (work, services) of their own production account for: <ul style="list-style-type: none"> - between 15 and 30 percent of output—the established rate is reduced by 30%; - 30 percent or more of output—the established rate is reduced by half. |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|--|-------|
| | | | <p>investments that produce goods aimed at the export market and goods intended to replace imports:</p> <ul style="list-style-type: none"> - for a period of five years from the time they begin production, if goods for children account for more than 25 percent of their production output. In subsequent years the tax is collected at a rate that is half the current rate; - for a period of two years from the time they begin production if foreign capital accounts for 50 percent or more of their authorized capital; - production enterprises with foreign investments, in which the foreign capital accounts for 50 percent or more of their authorized capital – on income (profit) earmarked for the development and expansion of production; - production enterprises with foreign investments making capital investments in projects included in the Republic of Uzbekistan investment program, for the first seven years from the date of their registration; - enterprises with foreign investments, in which the foreign capital accounts for more than 30 percent of their authorized capital, specializing in the production and processing of agricultural products (except grape and fruit and berry wines, and spirits); consumer goods and building materials; medical equipment; machinery and equipment for agriculture, light industry, and the food industry; procurement; and the processing of recycled materials and household waste – for two years from the date of their registration; - enterprises for the processing of agricultural products and the production of consumer goods newly created on the territory of villages and small rural and mountain communities, for a period of three years from the time they start production. In subsequent years the tax is collected at a rate equal to half the current rate; - newly created enterprises (except those engaged in commercial, intermediary, sales and distribution, and procurement activity) pay the tax in the first year following their creation (registration) in an amount equal to 25 percent of the established rate, and in the second year | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|---|-------|
| | | | <p>in an amount equal to 50 percent of the established rate. In subsequent years the income (profit) tax is paid in full at the established rate;</p> <ul style="list-style-type: none"> - Based on the results for the reporting year, an amount equivalent to earnings in freely convertible currency obtained by enterprises from an increase in the volume of exported goods (work, services) is exempt from the income (profit) tax. This concession does not extend to intermediary organizations, or to enterprises producing raw materials for export: cotton fiber; lint; petroleum; petroleum products; electricity; gas condensate; natural gas; precious, nonferrous, and ferrous metals; and cotton yarn. <p><u>Taxable income (profit) of legal entities is reduced by the amount of:</u></p> <ul style="list-style-type: none"> - contributions to environmental, health promotion, and charitable funds; cultural, educational, health care, social security, physical education, and sports institutions, not to exceed 1 percent of taxable income (profit); - expenditures earmarked for investments (development, expansion, and reconstruction of basic production facilities), and also for the repayment of credits received for investments, on the condition that the depreciation charge is used in full, not to exceed 50 percent of taxable income (profit); - deductions from the income (profit) of enterprises that are owned by religious and social organizations (except for trade unions, political parties and movements), and charitable foundations, earmarked for the performance of the chartered activities of these associations and foundations; - 30 percent of expenditures on resource conservation measures; - funds earmarked to promote the development of soccer, to strengthen the material and technical base of soccer clubs and schools, not to exceed 5 percent of taxable income (profit); <p>With regard to the income of enterprises with foreign</p> | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates | | | | | | | | | | | | | | | | | | | | | | | |
|---------------|---------------------|---|---|--|---------------------|---------------------|--|-----------|--|--|--------------------|--------------|------|-------|---------------------|-------|----|----|----|----|----|------|----|----|-----|-----|-----|
| | | | investments, the tax base is reduced by the amount of contributions to the reserve fund, up to 20 percent of income (profit), until this fund reaches 25 percent of authorized capital. | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Unified tax | Small enterprises applying the simplified taxation system | <p><u>The object of taxation</u> of the unified tax (taxable turnover) is: for trade enterprises (purchasing, intermediary, wholesale sales, distribution enterprises) – gross income; for enterprises in other sectors of the economy it is gross earnings.</p> <p><u>Exemptions:</u> Small enterprises applying the simplified taxation system pay the unified tax instead of paying the entire set of national taxes, as well as local taxes and fees introduced by local government authorities, with the exception of: the commercial licensing fee, including licensing fees for trade in certain types of goods; the fee for the registration of legal entities; and motor vehicle parking fees. Enterprises eligible for the simplified taxation system at which disabled persons account for at least 50 percent of the work force are exempt from payment of the unified tax.</p> | Trade enterprises (purchasing, intermediary, wholesale sales, distribution enterprises) – 25% of gross income; Agricultural enterprises – 5%; Enterprises in other sectors of the economy – 10 %. | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Gross income tax | Trade and food service enterprises | <p><u>The object of taxation</u> of the gross income tax is an enterprise's gross income. Gross income includes: the difference between the purchase and sale value of goods sold; operating income, revenues; income and expenditures on financial activity (balance); windfall profits.</p> <p>Trade and food service enterprises pay the following instead of the entire set of national taxes, as well as local taxes and fees:</p> <ul style="list-style-type: none"> - gross income tax; - property tax. | <p>The gross income tax is paid at differentiated rates established by the Republic of Uzbekistan Cabinet of Ministers depending on: the enterprise's type of activity (wholesale trade, retail trade, food service); the enterprise's location (city, village, remote and mountainous regions); the enterprise's profitability level, defined as the ratio of gross income to goods turnover. Basic rates are applied to gross income that corresponds to the established profitability level.</p> <table border="1"> <thead> <tr> <th rowspan="2">Profitability</th> <th colspan="2">Profitability level</th> <th colspan="3">Tax rates</th> </tr> <tr> <th>whls./retail trade</th> <th>Food service</th> <th>city</th> <th>vill.</th> <th>rem. & mtn. regions</th> </tr> </thead> <tbody> <tr> <td>up to</td> <td>18</td> <td>40</td> <td>22</td> <td>17</td> <td>15</td> </tr> <tr> <td>over</td> <td>18</td> <td>40</td> <td>50*</td> <td>50*</td> <td>50*</td> </tr> </tbody> </table> <p>*Rate applies to income in excess of the established profitability level</p> | Profitability | Profitability level | | Tax rates | | | whls./retail trade | Food service | city | vill. | rem. & mtn. regions | up to | 18 | 40 | 22 | 17 | 15 | over | 18 | 40 | 50* | 50* | 50* |
| Profitability | Profitability level | | Tax rates | | | | | | | | | | | | | | | | | | | | | | | | |
| | whls./retail trade | Food service | city | vill. | rem. & mtn. regions | | | | | | | | | | | | | | | | | | | | | | |
| up to | 18 | 40 | 22 | 17 | 15 | | | | | | | | | | | | | | | | | | | | | | |
| over | 18 | 40 | 50* | 50* | 50* | | | | | | | | | | | | | | | | | | | | | | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates | |
|-----|---------------------|--|---|--|--|
| | | | | Amount of taxable income | Amount of tax |
| 4. | Personal income tax | Individual residents of the Republic of Uzbekistan are subject to the tax on income earned from sources in the Republic of Uzbekistan, and also outside its borders. Individuals who are not residents of the Republic of Uzbekistan are subject to the tax on income earned from activity on the territory of Uzbekistan. | <p><u>The object of taxation</u> is taxable income, calculated as the difference between gross annual income and deductions determined in accordance with the Tax Code.</p> <p><u>The following are not included in taxable income of individuals:</u></p> <ul style="list-style-type: none"> - money earned from the sale of property privately owned by individuals, except for income from the sale of property effected as part of entrepreneurial activity; - money received as compensation for losses related to serious injury or other disability, and also in connection with the death of a family's breadwinner; - the value of valuable gifts received from legal entities, up to six times the minimum wage over the course of one year, as well as the value of prizes received at international and republic competitions and contests; - money and the value of property received through an inheritance or a gift, with the exception of author's royalties received by heirs (legal successors) of authors of scientific, literary, or artistic works; - winnings from government lottery bond issues and lotteries, as well as interest on government securities of the Republic of Uzbekistan; - money received by citizens from insurance settlements; - interest and income on bank deposits and on government treasury bonds; - material assistance provided over the course of one year: - in connection with natural disasters and other emergencies – the entire amount; - to family members of a deceased employee or to an employee in connection with the death of family members – up to 10 times the minimum wage; - in other cases – up to 12 times the minimum wage. | up to 3 times the minimum wage | 15 percent of income |
| | | | | between 3 times (+ 1 sum) and 5 times the minimum wage | the tax on 3 times the minimum wage + 25 percent on the amount in excess of 3 times the minimum wage |
| | | | | between 5 times (+ 1 sum) and 10 times the minimum wage | the tax on 5 times the minimum wage + 35 percent on the amount in excess of 5 times the minimum wage |
| | | | | between 10 times (+ 1 sum) and 15 times the minimum wage | the tax on 10 times the minimum wage + 40 percent on the amount in excess of 10 times the minimum wage |
| | | | | 15 times the minimum wage (+ 1 sum) and above | the tax on 15 times the minimum wage + 45 percent on the amount in excess of 15 times the minimum wage |
| | | | | | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|--|-------|
| | | | <p>family members residing with them, if they are not citizens of the Republic of Uzbekistan – on all income except income earned from sources in the Republic of Uzbekistan not related to diplomatic and consular service;</p> <ul style="list-style-type: none"> - administrative and technical personnel employed by diplomatic missions and consular institutions of foreign states and their family members residing with them, if they are not citizens or permanent residents of the Republic of Uzbekistan – on all income except income from sources in the Republic of Uzbekistan not related to diplomatic and consular service; - service personnel employed by diplomatic missions and consular institutions of foreign states and their family members residing with them, if they are not citizens or permanent residents of the Republic of Uzbekistan – on all income earned by them from this employment; - household employees of staff of diplomatic missions and consular institutions of foreign states and their family members residing with them, if they are not citizens or permanent residents of the Republic of Uzbekistan – on all income earned by them from this employment; - officials of international nongovernmental organizations – on income earned by them from these organizations, if they are not citizens of the Republic of Uzbekistan; <u>in part</u>, in an amount equal to four times the minimum wage for each full month: - disabled persons with congenital disabilities, as well as persons with Group I and II disabilities; - heroine-mothers, women with 10 or more children; - victims of the Chernobyl Nuclear Power Plant accident; - single mothers with 2 or more children under the age of 16; - widows and widowers with 2 or more children, who are not receiving a pension for loss of the family's breadwinner; - one parent raising a child with congenital disabilities who lives with the parent and requires constant care. | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates | |
|-----|--|---|---|--|---|
| | | | | Amount of monthly turnover | Fixed rates per month |
| 5. | Income tax on unincorporated individuals engaged in entrepreneurial activity | Unincorporated individuals engaged in entrepreneurial activity | The object of taxation is the monthly turnover (work, services). | up to 40 times the minimum wage | 2 times the minimum wage |
| | | | | between 40 and 80 times the minimum wage | 3.5 times the minimum wage |
| | | | | more than 80 times the minimum wage | 5 times the minimum wage |
| | | | | | |
| 6. | Value-added tax | The payers of the value-added tax are legal entities engaged in entrepreneurial activity. The payers of the value-added tax on imported goods (work, services) are legal entities and individuals importing these goods (work, services). | <p>The object of taxation of the value-added tax is sales turnover and imports of goods (work, services). Turnover from the sale of goods (work, services) is taxable, with the exception of those exempt from the value-added tax and used for internal production needs.</p> <p><u>Exemptions:</u></p> <ul style="list-style-type: none"> - insurance and reinsurance operations, including services related to these operations performed by insurance brokers and agents; - the granting and transfer of loans; - operations involving money deposits, current accounts, payments, transfers, checks, and other securities; - operations involving the circulation of foreign currency and money that is legal tender, with the exception of those used for numismatic purposes; - operations involving the circulation of securities, with the exception of operations involving their printing and storage; - goods imported by individuals within the limits of duty-free imports as established by customs legislation; - the sale of agricultural products of one's own production; - scientific research and innovation work performed under government contracts as part of scientific and technical programs of the Republic of Uzbekistan State Committee on Science and Technology; - building materials produced in the republic and sold to individual builders; - services involving the shipping, loading, unloading, and | 20% | For certain types of socially significant goods (milk and dairy products, meat, flour, bread, imported grain, live imported livestock), the VAT rate is set at 15%. |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|---|---|--|
| | | | <p>transshipment of exported goods, as well as foreign freight across the territory of the Republic of Uzbekistan (transit shipments);</p> <ul style="list-style-type: none"> - legal entities at which disabled persons account for at least 50 percent of the total work force, except for those engaged in trade, intermediary, sales and distribution, and procurement activities; - property imported to provide assistance in connection with natural disasters, armed conflicts, and accidents, as well as goods imported as humanitarian aid; - equipment, materials (work and services) imported by legal entities, including nonresidents of the Republic of Uzbekistan, at the expense of loans and grants provided by international and foreign governmental financial and economic organizations under contracts (agreements) concluded by the Republic of Uzbekistan. <p><u>The following are taxed at a zero rate:</u></p> <ul style="list-style-type: none"> - exports of goods (work, services) for freely convertible currency, including deliveries to countries in the Commonwealth of Independent States, unless otherwise specified by intergovernmental agreements that have been concluded; - mineral fertilizers and fuels and lubricants supplied to agricultural enterprises for agricultural production needs; - goods (work, services) sold for official use to foreign diplomatic missions and equivalent representative offices, and also for personal use by diplomatic and administrative and technical personnel of these missions, including their family members residing with them, if they are not citizens or permanent residents of the Republic of Uzbekistan, on the condition that the foreign side adheres to the principle of reciprocity. | |
| 7. | Excise tax | Legal entities and individuals producing excisable goods in the Republic of Uzbekistan or importing excisable | <p>Excisable goods that are produced in the Republic of Uzbekistan and imported <u>are subject to the excise tax.</u></p> <p><u>Exemptions:</u></p> <p>The delivery of excisable goods for export is not subject to the excise tax, except in those cases in which the goods</p> | A list of excisable goods and excise tax rates are established by the Republic of Uzbekistan Cabinet of Ministers. |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|--------------|--|---|---|
| | | goods. | (work, services) are sold to states that impose taxes on goods (work, services) exported to the Republic of Uzbekistan. | |
| 8. | Property tax | Legal entities and individuals with taxable property | <p>The object of taxation for legal entities is the average annual value of fixed capital and intangible assets, with the exception of the value of land purchased in accordance with the legislation.</p> <p><u>The object of taxation for individuals is:</u></p> <ul style="list-style-type: none"> - the value of houses, apartments, summer and garden cottages, garages, and other structures, premises, and buildings under their ownership; - the engine capacity of motor vehicles, motor boats, helicopters, airplanes, and other vehicles under their ownership. <p>1. <u>When calculating the property tax for legal entities, the tax base is reduced by the value of:</u></p> <ul style="list-style-type: none"> - facilities in the housing, municipal services, social, and cultural spheres that appear on the taxpayer's balance sheet; - facilities used for resource conservation, sanitation and waste treatment purposes, and for fire safety; - equipment acquired at the expense of foreign credit for the duration of the credit, not to exceed 5 years. <p><u>The property of the following types of legal entities is not subject to taxation:</u></p> <ul style="list-style-type: none"> - nonprofit organizations, except for property used for entrepreneurial activity; - production enterprises in which foreign capital accounts for at least US\$500,000 of fixed capital; - newly created enterprises engaged in tourist activities in the cities of Samarkand, Bukhara, Khiva, and Tashkent, for the period extending from the date of their creation until they post their first profits, not to exceed three years from the date of their registration. In the event that these legal entities are liquidated within one year of the expiration of the period during which the concession is in effect, the full amount of tax for the entire period of their | <p>For legal entities the rate is set at 4 percent of the average annual value of fixed capital and intangible assets.</p> <p>For individuals:</p> <ul style="list-style-type: none"> - for houses, buildings, and structures: 0.2 % of reappraised value; 3 % of value that has not been reappraised; - for vehicles the rates are differentiated based on the engine capacity (for motor vehicles the rate is sum 63.5 per horsepower) |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--|--|--|
| | | | <p>operation is collected;</p> <ul style="list-style-type: none"> - legal entities at which disabled persons account for at least 50 percent of the total work force, except for those engaged in trade, intermediary, sales and distribution, and procurement activities; - newly created legal entities for a period of two years from the date of their registration. <p><u>2. Buildings, premises, and structures of the following types of individuals are not subject to taxation:</u></p> <ul style="list-style-type: none"> - heroine-mothers, as well as women with 10 or more children; - citizens (including those on temporary assignment or sent by their employers) who receive concessions for participating in the clean-up of the accident at the Chernobyl Nuclear Power Plant; - pensioners, as well as persons with Group I and II disabilities. | |
| 9. | Land tax | Legal entities and individuals who own, are tenants of, or use parcels of land | <p><u>The object of taxation for legal entities</u> is parcels of land:</p> <ul style="list-style-type: none"> - ownership of which has been acquired following the procedure established by the legislation; - tenancy of which has been granted for agricultural or forestry purposes; - use of which has been granted for the construction of enterprises, buildings, and structures or for other non-agricultural purposes; - the rights of tenancy and use of which have been transferred together with ownership rights to enterprises, buildings, or structures. <p><u>The object of taxation for individuals</u> is parcels of land:</p> <ul style="list-style-type: none"> - lifetime ownership of which has been granted with hereditary succession, for personal auxiliary farming, both adjacent to a dwelling and on publicly-owned lands; - lifetime ownership of which has been granted with hereditary succession, for individual housing construction; - granted for collective fruit and vegetable farming and viticulture; - granted in accordance with the legislation as an allotment | <p>The rates are differentiated by zones and the enterprise's location, taking into account the land's score on the quality index.</p> <p>The land tax rates are established by the Republic of Uzbekistan Cabinet of Ministers and taxpayers are informed of the rates by the Republic of Uzbekistan Ministry of Finance and the State Tax Committee in accordance with the generally established procedure.</p> <p>In the event of a decline in the quality of agricultural lands (a drop in the quality index) for which the owner, tenant, or user of the land is to blame, the land tax is collected at the rates established prior to the decline in the land's quality.</p> <p>The land tax on arable land located within the administrative boundaries of cities and urban-type settlements is paid at twice the rate established for agricultural lands.</p> <p>Individuals who do not use land allotted to</p> |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|---|---|
| | | | <p>that goes with an official job;</p> <ul style="list-style-type: none"> - ownership rights to which have been transferred together with a dwelling or garden cottage, through inheritance, as a gift, or through a purchase; - ownership of which has been acquired following the procedure established by the legislation; - permanent use of which has been granted or which have been leased for the purpose of entrepreneurial activity. <p><u>Parcels of land not subject to taxation</u> include land:</p> <ul style="list-style-type: none"> - designated for public access in cities, urban-type settlements, and rural population centers (public squares, streets, thoroughfares, roads, embankments, irrigation canals, cemeteries, etc.); - designated for public access for collective fruit and vegetable farming and viticulture, and for collective garages; - intended for resource conservation purposes (state preserves, national parks and arboretums, botanical gardens, wildlife reserves, except those used for hunting, and natural monuments), and land covered by protective forest plantations; - designated as historical and cultural sites (land occupied by historical and cultural preserves, memorial parks, burial grounds, archeological monuments, historical and cultural monuments); - associated with water resources (land occupied by rivers, lakes, reservoirs, canals, seas, glaciers, wetlands, hydraulic engineering and other water management structures, as well as rights of way along the shoreline of bodies of water allocated in accordance with the established procedure to enterprises, institutions, and organizations for water management needs); - occupied by electric power transmission lines, substations, and national communications lines and associated structures; - occupied by common carrier roads, public railway lines, common carrier electric urban transport, and subway lines (including land occupied by subway stations) and | <p>them for a period of two years are required to pay the land tax at three times the regular rate.</p> |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|--|-------|
| | | | <p>associated structures;</p> <ul style="list-style-type: none"> - occupied by sports facilities, stadiums, playing fields, swimming pools, facilities for technical types of sports, and other physical education and health promotion complexes, recreation and recuperation facilities for mothers and children, sanatorium and health spa institutions and resort hotels, and instructional and training centers; - occupied by water mains, oil and gas pipelines, heating lines, main sewer drains and associated structures, water intake and purification structures, as well as other water supply and sewer installations; - occupied by airport runways, including taxiways and airplane parking areas, radio navigation and electric illumination equipment at civil aviation airports; - set aside for the construction of facilities included in the Republic of Uzbekistan Investment Program, for the standard construction period, as well as land occupied by facilities mothballed by a decision of the Republic of Uzbekistan Cabinet of Ministers; - occupied by hydrometeorological and hydrogeological stations and posts; - for agricultural purposes and forestland owned by scientific organizations and testing, experimental, and teaching and experimental farms operated by scientific research organizations and educational institutions specializing in agriculture and forestry, used directly for scientific and educational purposes; - that is being developed for the first time and that is already under irrigation, land in the reclamation process, for the time period specified by the project, not to exceed 5 years from the time work begins; - placed in reserve; - for recreational use (land allocated to the respective institutions for the organization of public recreation and tourism: forest parks, parks, boulevards, plazas, beaches, etc.); - for health promotion purposes (land that possesses | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|------------------|--|--|--|
| | | | <p>natural factors favorable for the organization of disease prevention and therapeutic activities);</p> <ul style="list-style-type: none"> - occupied by civil defense and mobilization installations that appear on the taxpayer's balance sheet and are not used in entrepreneurial activity; - granted for individual housing construction and private subsidiary farming within the limits of norms established by the legislation, for a period of two years from the date the parcels of land are granted. | |
| 10. | Unified land tax | Agricultural cooperatives (companies), owner-operated farms, agricultural firms, and other producers of agricultural products, with the exception of peasant farms | <p><u>Exemptions:</u> Agricultural commodity producers pay the unified land tax instead of paying the entire set of national taxes (except the excise tax on alcohol products) and local taxes and fees.</p> <p><u>The object of taxation</u> of the unified land tax is the area of a parcel of land, the tenancy, use, or leasing of which has been granted for agricultural purposes.</p> <p><u>Parcels of land not subject to taxation</u> include land:</p> <ul style="list-style-type: none"> - designated for public use in rural population centers; - occupied by protective forest plantations; - occupied by sports facilities, stadiums, playing fields, swimming pools, facilities for technical types of sports, and other physical education and health promotion complexes; - that is being developed for the first time and that is already under irrigation, land in the reclamation process, for the time period specified by the project, not to exceed 5 years from the time work begins; - occupied by educational, cultural, and health care facilities; - occupied by new orchards and vineyards up until they begin to produce fruit; - on which new mulberry trees have been planted, for a period of 3 years; - owned by farms, allocated to branches of the Andizhan Grain Research Institute within the framework of existing crop rotation and strain replacement plans, for a period of 3 years starting in 1999; | The amount of the unified land tax is established as a fixed payment per unit of land area, determined by applying the base rate and correction coefficients that take into account the location and quality (quality index) of the parcel of land and water availability. The amount of the unified land tax does not depend on the economic performance of agricultural commodity producers. |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------------------------------|--|--|---|
| | | | <p>- other land not subject to taxation in accordance with the current legislation of the Republic of Uzbekistan.</p> <p><u>The following are exempt from payment of the unified land tax:</u></p> <ul style="list-style-type: none"> - newly created agricultural commodity producers, including owner-operated farms, for a period of 2 years from the date of their state registration; - karakul sheep breeding, production, and feeding farms for a period of 3 years starting in 1999; - other agricultural commodity producers exempt from payment of the income (profit) tax and land tax. | |
| 11. | Tax on the use of mineral resources | Legal entities and individuals engaged in the extraction of minerals on the territory of the Republic of Uzbekistan, as well as the construction and operation of underground structures not related to the extraction of minerals | <p><u>The objects of taxation</u> for the use of mineral resources are:</p> <ul style="list-style-type: none"> - the volume of minerals extracted (including incidental minerals and valuable components); - the volume of industrial waste generated (waste products from the extraction and processing of mineral raw materials); - the volume of underground structures not related to the extraction of minerals; - the area of a mineral deposit site allotted for the collection of samples of raw gemstones, paleontological remains, and other geological specimens. <p><u>The following are exempt from payment of the tax on the use of mineral resources:</u></p> <ul style="list-style-type: none"> - persons engaged in geological research; - persons engaged in scientific work at geological, mineralogical, and other specially protected natural sites; - institutions and organizations supported by the budget for the construction and operation of underground structures; - owners and users of land who are engaged in the extraction of commonly occurring minerals and the construction of underground structures in accordance with the established procedure, within the boundaries of the parcels of land allotted to them for their own economic and domestic needs; subway systems for the use of underground structures. | <p>The rates for the tax on the use of mineral resources are set by the Republic of Uzbekistan Cabinet of Ministers.</p> <p>The tax rates are differentiated depending on the type of minerals and the minimum rate is 1.2% and the maximum rate is 1.4%.</p> |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates | | |
|--|-----------------------------------|---|---|---|--|--|
| | | | Civil defense and mobilization facilities that appear on the balance sheets of legal entities and are not used by them in entrepreneurial activity are not subject to the tax on the use of mineral resources. | | | |
| 12. | Environmental tax | Legal entities producing goods, performing work, providing services | The object of taxation is the production cost (distribution cost) of goods (work, services). Legal entities at which disabled persons account for at least 50 percent of the total work force, except those engaged in commercial, intermediary, sales and distribution, and procurement activity, <u>are exempt from payment of the environmental tax.</u> | 1% | | |
| 13. | Tax on the use of water resources | Legal entities using water in their operations | <p>The object of taxation is the volume of water resources used from surface and underground sources for production and industrial needs.</p> <p>The following legal entities <u>are exempt from payment of the tax on the use of water resources:</u></p> <ul style="list-style-type: none"> - nonprofit enterprises, except those using water resources for entrepreneurial activity; - health care institutions using mineral water from underground sources for therapeutic purposes, with the exception of cases in which they extract mineral water for sale in the trade network; - enterprises engaged in pharmaceutical activity that use water in the production of medicines; - enterprises that use ground water extracted for the purpose of preventing harmful environmental impacts, with the exception of volumes of water used for production and industrial needs; - consumers that have received water from legal entities that have already paid the tax on the water to the budget; - enterprises that have extracted ground water along with the extraction of minerals and for pumping out mines, with the exception of volumes of water used for production and industrial needs; - hydroelectric power plants for the use of water to drive generators; | Rates for the tax on the use of water resources are established by the Republic of Uzbekistan Cabinet of Ministers. | | |
| | | | | | Rate (in sum) per cubic meter | |
| | | | | | Volume of water resources from surface sources | Volume of water resources from underground sources |
| | | | | 1. Industrial enterprises | 94.6 | 121.6 |
| | | | | 2. Electric power plants | 27.0 | 40.6 |
| 3. Municipal services enterprises | 52.2 | 67.6 | | | | |
| 4. Enterprises in other sectors of the economy | 94.6 | 121.6 | | | | |

| No. | Type of tax | Payers | Object of taxation, exemptions, and reduction in tax base | Rates |
|-----|-------------|--------|--|-------|
| | | | <ul style="list-style-type: none"> - enterprises that recycle water, when a fee has been paid for the initial use of the water; - enterprises that produce agricultural products as their principal type of activity, for the use of water to flush saline soils; - enterprises at which disabled persons account for at least 50 percent of the total work force, except for those engaged in trade, intermediary, sales and distribution, and procurement activities. | |