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NEW URBANIZATION POLICY OF UZBEKISTAN

Starting June 1, 2019, the Regulation on the Agency for Urbanization under the Ministry of Economy and Industry, approved by a decree of the Cabinet of Ministers, came into effect in Uzbekistan. The agency is tasked with assisting the government in the implementation of state policy of urbanization such as making projections on demographic trends in urban areas in the context of industrialization, economic and social policy, labor resource management, urban planning, etc. The presidential edict "On Measures to Fundamentally Improve Processes of Urbanization" was adopted in January 2019, providing for the main directions and a set of measures for targeted state regulation of urbanization and integrated development of cities in the country. Besides, the document establishes the Foundation for the Development of Urbanization under the Ministry of Economy and Industry, which is intended to regulate financial issues related to urban policy. These include the accumulation of funds received from the privatization of land parcels, assistance to the nascent mortgage market, financing of projects aimed at developing urban and suburban areas, as well as necessary infrastructural projects, facilities, etc.

Urbanization is understood by the Uzbek government as one of the most important factors that will shape the socio-economic development of Uzbekistan. Currently, about 50.6% of the population of Uzbekistan live in urban areas, and this percentage is rather low compared to other neighboring countries. However, Uzbekistan is a country with a rapid urbanization rate and, according to the UN projections, by 2030, some 60% of the country's population will live in cities, which is compatible with global trends. In many countries, urbanization was accompanied with rapid economic growth. For instance, an increase in urbanization in China from 16% to 39% throughout 1960-2004 led to more than tenfold increase in the GDP per capita. In Brazil, the urbanization increment from 45% to 83% during 1960-2003 was accompanied by an almost threefold GDP per capita growth. Hence, the economic reasoning of fostering urbanization is to stimulate economic growth through the effect of economies of scale and the effect of concentration. Labor productivity tends to increase when it moves from rural areas to cities, where the capital to labor ratio is higher. Since 1991, the share of the urban population of Uzbekistan increased rather rapidly from 40.3% in 1991 to 50.6% in 2018, which makes it the second urbanized country in Central Asia after Kazakhstan (57.4%). Interestingly, there has been practically no further growth of urbanization after 2010. Moreover, from 2009 to 2018, the urbanization level even decreased slightly in

10 out of 13 regions and from 51.7% to 50.6% nationwide. One of the reasons explaining this reverse trend is that the previous urbanization was mainly achieved not due to the movement of the population from rural areas to cities but rather through the transformation of settlements into cities, while after 2010 the total number of cities has not changed significantly. However, according to the UN projections, the urbanization will accelerate again after 2030, and it is expected that the share of urban population in Uzbekistan will reach 61.5% by 2050.

In Uzbekistan, 119 settlements are classified as cities. However, 82 of these cities are small towns with less than 50,000 inhabitants, while 21 have 50,000-100,000 residents. 11 cities have 100,000-250,000 inhabitants, and only four have a number of residents ranging from 250,000 to 500,000. The capital city of Tashkent is by far the largest city of Uzbekistan with 2.4 million residents accounting for over 7.4% of the total population of the country and for almost a quarter of its total urban population. Tashkent is, therefore, a dominant city not only in terms of demographics but also in terms of economic power contributing more than 13% of the national GDP. It is very common for many developing countries to have one dominant city in terms of demography, which grows at significantly faster rates than other cities, including those that stand next to it in the population ranking. However, this is not the case for Uzbekistan. Despite the fact that the population of Tashkent rose from 2.14 million to 2.48 million throughout 2005-2018, its population grew slower than the total population of Uzbekistan. Therefore, the share of Tashkent in the country's population even decreased from 8.1% to 7.5%, while its share in the urban population decreased from 16.6% to 15.5%. On the other hand, throughout 2005-2014, there has been a rapid population growth in other large cities such as Fergana (43.6%), Samarkand (40.9%) and Margilan (30.5%). Other cities with the population above 200,000 grew moderately but still faster than the capital city during 2005-2014. These are Namangan (16.5%), Kokand (14.7%), Bukhara (14.6%), Andijan (14.6%) and Nukus (14.4%). Thus, we can observe that during the past 10-15 years practically all Uzbek cities with the population of over 200,000 grew faster demographically than Tashkent. The economic sense of fostering urbanization in the case of Uzbekistan is quite clear. As we can see from the statistics of urbanization in Uzbekistan, the country's population went through the process of urbanization over the past two decades. There have been two main channels of the process. The first one is the transformation of large rural

settlements into towns. The second one is the population's movement from rural areas to cities, as indicated by the population growth in large cities with more than 200,000 residents, which was higher than nationwide.

The main declared purpose of the policy of urbanization in Uzbekistan is to stimulate economic growth through the concentration of labor resources in relatively capital abundant urban areas. The statistical data shows that since 2005 there has been a faster population growth in cities of Uzbekistan with over 200,000 residents than in Tashkent, which can be explained by the fact that large metropolitan areas like Tashkent are less affordable to newcomers from rural areas. Uzbekistan has the highest speed of urbanization in relative terms in Central Asia. From 2005 to 2015, the urban population of Uzbekistan increased by 2.8 million people, which is twice as higher than Kazakhstan and more than half of the total urban population growth in the five Central Asian states combined. About half of the Uzbek population still live in rural areas, and therefore there is a vast reserve for further urbanization in the near future. In addition, other factors give reasons to project a higher urbanization rate in Uzbekistan compared to the neighboring Central Asian states. Apart from having a rapidly growing economy (5.1% in 2018) and the largest population in Central Asia, Uzbekistan also has the younger population in comparison to its neighbors on average, including rural young population (around 16 million people) who have more propensity to move to cities than elderly people. Another factor that plays a great role in stimulating urbanization is the high overall density of population, which is 73.3 people per sq. km for Uzbekistan. In addition, over 90% of the country's rural population live at a distance less than 200 km from nearby cities with more than 200,000 residents. Hence, rural residents have small relocation costs and have more propensity to move to cities.

Thus, Uzbekistan has necessary socio-economic and geographic conditions for rapid urbanization. The experience of other countries shows that urbanization can bring qualitative changes since it provides a supplementary economic growth, as well as quantitative changes, as additional labor will gradually switch from the less productive primary sector to more capital-intensive manufacturing or service sectors. However, the success of activities of the Agency for Urbanization in Uzbekistan will depend on the effective implementation of the program, while improper management of fostered urbanization may lead to adverse effects.

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Politics, Foreign Affairs, and Security

- During his official visit to the United States, Foreign Minister of Kazakhstan Beibut Atamkulov met with U.S. National Security Adviser John Bolton and Secretary of State Michael Pompeo to discuss key issues of the bilateral agenda and the development of an expanded strategic partnership between the two countries. Minister Atamkulov also met with members of the U.S.-Kazakhstan Business Association and CEOs of major U.S. companies.
- A regular meeting of the joint Kazakhstan-Uzbekistan demarcation commission was held in Almaty. During the negotiations, the parties continued work on the preparation of the draft final documents on the demarcation of their interstate border and agreed on specific dates for beginning field demarcation activities in certain areas of the border.
- Representatives of the foreign ministries of Azerbaijan and Russia held bilateral consultations on the Caspian Sea issues in Moscow. The parties discussed issues on the agenda of the next meeting of the High-Level Working Group on the Caspian Sea and exchanged views on open issues of the draft agreement on the methodology for determining direct baselines in the Caspian Sea.
- During her visit to Ashgabat, EU High Representative for Foreign Affairs and Security Policy Federica Mogherini held talks with Foreign Minister of Turkmenistan Rashid Meredov. The parties discussed achievements of the bilateral political dialogue and key vectors of mutual cooperation and signed the agreement on the establishment of the EU delegation in Turkmenistan.
- The foreign ministers of the five Central Asian states and EU High Representative for Foreign Affairs and Security Policy Federica Mogherini attended the 15th EU-Central Asia Ministerial Meeting held in Bishkek. The participants welcomed the new EU Strategy on Central Asia and reaffirmed their joint commitment to forge a strong, diversified and forward-looking partnership that builds upon the region's current positive dynamics.
- Tajik and Russian diplomats held consultations in Dushanbe to discuss bilateral cooperation on Afghanistan. The meeting focused on issues related to ensuring regional security, the current situation in Afghanistan, the fight against international terrorism and extremism, as well as further expansion of interaction between Tajikistan and Russia within the framework of international and regional organizations.
- The third international Ukraine Reform Conference was held in Toronto, Canada, to discuss Ukraine's reform process and its path to Euro-Atlantic integration. More than 800 participants, including foreign ministers, heads of international institutions, parliamentarians, and representatives of the private sector, civil society and think tanks attended the event organized by the Ukrainian government.

Economy, Finance, and Energy

- The 9th Meeting of Ministers in charge of Economy of the Turkic Council was held at the Astana International Financial Center in Nur-Sultan. The delegations reviewed the implementation of mutual memorandums of understanding on economic cooperation, discussed the draft agreement on the establishment and statute of the Turkic Investment Fund and issues related to the newly established Turkic Chambers of Commerce and Industry.
- Energy officials and heads of state-owned energy companies of the Central Asian states and Afghanistan attended the Second Central Asian Conference on Energy Reforms organized in Istanbul by the Asian Development Bank and the Turkish Ministry of Energy and Natural Resources. At the event, participants adopted a joint declaration on regional cooperation in the field of energy reforms and the creation of a single electricity market.
- Azerbaijan's SOCAR state oil company resumed oil transportation via the Baku-Novorossiysk pipeline after halting the Azerbaijani section of the pipeline for scheduled repairs in March 2019. It is expected that the volume of oil to be transported via this route in 2019 will remain unchanged at 1.3 million tons.
- Russia's Gazprom signed a contract to purchase natural gas from Turkmenistan's Turkmenгаз national company for a period of five years until June 30, 2024. According to the contract, which is the extension of the short-term contract covering the period from April 15 to June 30, 2019, the annual volume of Turkmen gas supplies to Gazprom will amount to 5.5 billion cubic meters.
- The Tajik-Afghan commission for trade and economic cooperation held a two-day session in Dushanbe. Officials of the two countries discussed opportunities for bilateral cooperation in the areas of trade, tourism, health care, science, and education. The parties also discussed issues related to environmental protection and mitigation of effects of natural disasters.
- Prime Minister of Uzbekistan Abdulla Aripov met with Chief Executive of Afghanistan Abdullah Abdullah in the Afghan city of Mazar-e-Sharif to discuss issues of bilateral economic cooperation. In particular, the Uzbek side pledged to provide \$45 million for the construction of a power transmission line from Sarkhan in Uzbekistan's Bukhara oblast to Puli Khumri, the center of Afghanistan's Baghlan Province.
- The presentation of Uzbek Ravon Nexia R3 cars assembled for the first time in Kazakhstan was held in Almaty. The company plans to release 16,000 Ravon R3 cars in 2019 in Kazakhstan, of which 6,000 will be supplied to the local market, while 10,000 will be exported, mainly to Russia.

Society and Culture

- The State Commission on Religious Affairs of Kyrgyzstan and the UN Office on Drugs and Crime held a regional meeting of the Central Asian network on countering and preventing violent extremism. Network members from the Central Asian states discussed prospects for further strengthening its activities and the importance of enhanced partnerships with communities and interagency cooperation.
- The launch of the European Union's SWITCH-Asia program in Central Asia was held in Bishkek. The program that supports sustainable consumption and production (SCP) and the transition to green economy in Asia will support pilot projects testing new approaches to SCP in the region through the provision of expert assistance and grants.
- OSCE organized two consecutive training seminars on enhancing dialogue and cooperation between courts and media in Almaty. The seminars covered topics such as effective communication strategies, and best practices in interaction with journalists and the general public through various channels. The events also included a session dedicated to the use of new media tools and social networks.
- The World Bank's Board of Executive Directors approved a \$50 million credit for the Strengthening the Social Protection System project aimed at ensuring that Uzbekistan's social safety net programs will reach and support the poorest and most vulnerable groups. In particular, the project will enhance the capacity of employment support centers across the country and provide vocational or entrepreneurship skills trainings to unemployed people.
- Speaking at the 8th International Students' Graduation Ceremony in Ankara, Turkish President Recep Tayyip Erdogan stated that Turkey aims to increase the number of foreign nationals studying in the country from the current 150,000 students to 200,000 until 2023. Erdogan also called on Turkey's education sector representatives to start working on a possible launch of women's universities, following the example of Japan.
- At its 43rd session in Baku, the UNESCO World Heritage Committee decided to keep the historical center of the Uzbek city of Shahrisabz in the list of world heritage sites, despite its concern with the demolition of medieval neighborhoods in the city. The committee welcomed the measures taken by the Uzbek government, including the adoption of a decree on the suspension of all construction works in historic cities.
- The National Dombra Day was celebrated in Kazakhstan on the first Sunday of July for the second time after being introduced in 2018. In Nur-Sultan, the celebration featured performances of Kazak melodies by hundreds of dombra players who accompanied singers and dancers, as well as the exhibition of Kazak musical instruments.