

**MINISTRY OF ECONOMY
OF THE REPUBLIC OF UZBEKISTAN**

**HOUSING SECTOR OF UZBEKISTAN
(brief review)**

2014

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Section I. SOCIO-ECONOMIC DEVELOPMENT

Uzbekistan has implemented the Uzbek model of development and reforming the economy, that is based on the following five principles: Government as a main reformer; priority of economy over politics; the rule of law; a strong social policy; consistent and gradual transition to market relations. As a result, Uzbekistan has managed to achieve sustainable socio-economic development.

Since 2005, the country's economy demonstrates high and sustainable economic growth at 7-9% per year as a result of deepening economic reforms aimed at creating a favorable business environment, modernization, technical and technological renewal of industry. Uzbekistan holds leading positions in the world in terms of economic growth (at least 8.0% per year), despite the continuing global financial and economic crisis (Figure 1). GDP has increased by 1.8 times during 2005-2012.

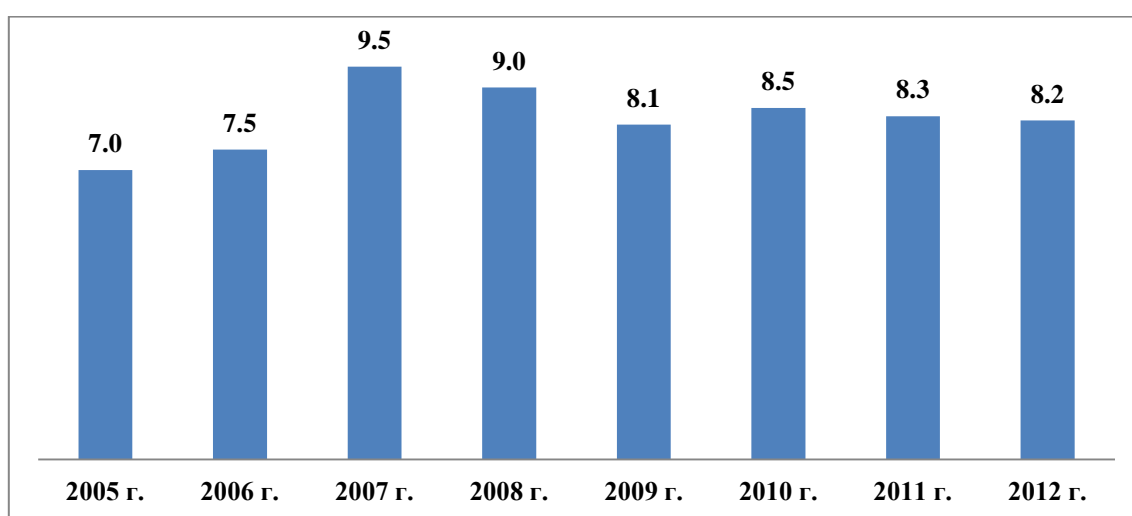


Figure 1. Growth rates of gross domestic product, %

As a result of the current structural policy and economic diversification, the industry share in GDP in 2000-2012 increased from 14.2 to 24.0%, while the share of services – from 37.0 to 52.0%, and the portion of agriculture decreased from 30.1 to 17.5%.

The State budget is being implemented with surplus starting from 2005, that helps to strengthen macroeconomic stability. The State budget remains focused on the social sector. The share of social spending reached 59.2% in 2012 vs. 31.5% in 1990.

The most important result of ongoing tax reform - a gradual reduction of tax burden on economy - became one of the major factors in maintaining high rates of economic growth.

Banking and financial sector is stable and efficient.

There is a steady growth of aggregate capital and assets of 29 commercial banks of the country (as of 01.01.2013).

Measures adopted to industrialize, upgrade, renew both technically and technologically, production, create new industries, such as car making industry, Oil&Gas, railway engineering, ensured the growth of industrial production during 1990-2012 by 3.3 times.

Food security was ensured as well as production of cereal crops, potatoes, melons, fruits and berries, vegetables, meat and milk has significantly increased as a result of targeted efforts to reform agriculture.

Service sector has become most promising and fastest developing sector of economy during 1990-2012. Sales in services increased by more than 2.8 times. Services, information technologies and the Internet services are developing by advanced pace.

Existing macroeconomic stability and sustainable economic growth are largely attributed to intensive investing and 14- times growth of investment in the economy in 2012 compared to 1990.

Favorable investment climate, a broad system of legal guarantees and privileges promoted essential increase in foreign investment inflow. Share of foreign investments in 2012 in the overall investments structure amounted to 21.6%, where foreign direct investments accounted for 18.0%.

Major changes underwent in development of private sector of economy. The share of private sector in GDP production in 2012 amounted to - 83.6%, industrial production - 91.0%, agriculture - 99.9%, construction - 93.0%.

Small business and private entrepreneurship developed dynamically as a result of targeted state support and promotion. Their share of GDP in 2012 reached 54.6%. More than 75.6% of employment in the economy are accounted for by small business and private entrepreneurship.

The foreign trade turnover has increased substantially during 1990-2012 and structure of exports and imports has changed. For instance, the export increased by 31.9 times, and foreign trade balance - by more than 26.6 times. Share of non-commodities in the structure of exports in 2012 amounted for more than 70.0% against 30.0% in 1991.

Significant increase in the level and quality of life has become the main result of the economic reforms. Real income per capita increased by 8.6 times during 2000-2012, the average monthly salary - grew by more than 27,4 times and pensions – by 12.7 times. Income from entrepreneurial activity makes half of total income of the population.

Despite steady population growth, per capita food consumption and availability of consumer goods improved significantly. Only in 2000-2012 the amount of household savings grew by 32 times.

Large-scale national staff training program is being implemented in Uzbekistan. Transition to the mandatory 12-year specialized secondary vocational education is completed.

Outpatient and preventive medicine has been considerably enhanced under the program of health care reform and rural medical stations in rural areas are re-created.

Implementation of a national model of reproductive health of mother and child during the years of independence helped to reduce maternal and infant mortality by more than 3.0 times.

More than 96% of families obtained into ownership formerly state-owned housing as a result of privatization in early years of independence.

Access to clean drinking water and natural gas had been achieved through implementing various targeted state programs. Level of drinking water provision during 1990-2012 increased from 64.0% to 82.7%, and natural gas - from 44.6% to 83.5% .

In general, Uzbek socio-economic reforms policy allowed to ensure implementation of projects on modernization of basic industries and infrastructure, to carry out large-scale restructuring of agriculture, to achieve sustainable development of services, high rates of economic growth and welfare of the population.

Section II. LEGISLATIVE BASIS OF HOUSING SECTOR AND LAND USE

According to Constitution of the Republic of Uzbekistan, the State guarantees legal protection of all forms of ownership, including private property (Article 53). Land, its subsoil, water, flora and fauna and other natural resources are considered national wealth (Article 55).

Based on these provisions of the Constitution, the country adopted a number of legislative acts that define legal framework for Housing, Urban and Rural Development.

The most important legal norms that govern development of housing in urban and rural areas are the Housing and Urban Development Codes, Laws of the Republic of Uzbekistan "On mortgage", "On private homeowner cooperatives", "On privatization of public housing resources".

Housing Code of the Republic of Uzbekistan regulates the relationships of citizens, legal entities, government bodies and local public authorities on emergence, implementation, modification and termination of ownership, tenure and use of housing premises, housing stock accounting, conservation, maintenance and repair of housing stock, monitoring of compliance with the housing rights of citizens and the targeted use of housing stock, regulation of relations connected with the construction of residential buildings, premises reconstruction and redevelopment, use of engineering equipment, provision of utility services. It was determined that residential premises may be in the private or public property and change from one form to another property in the procedure established by legislation.

Urban Development Code of the Republic of Uzbekistan defines objects and subjects of urban development, powers of government authorities in the field of urban development activity, urban development documentation and public urban development cadastre, urban development planning of the Republic of Uzbekistan, the use of urban areas and suburban zones.

The law "On Privatization of State Housing Stock" defines the legal, economic and social framework and procedure for privatization public housing stock in the territory of the Republic of Uzbekistan.

Law "On Mortgage" regulates relationships arising from the use of collateral in real estate. Mortgage arises pursuant to mortgage agreement (mortgage on a contractual basis) or under the certain law (mortgage in accordance with law). One party under mortgage agreement - the collateral holder (hereinafter - the mortgagee), being a creditor (lender) of the obligation secured by a mortgage, is entitled to obtain satisfaction of his monetary claims against the debtor under this obligation of the value of the mortgaged real estate of the other side - the collateral provider (hereinafter - the mortgagor) in preference to other creditors of the mortgagor, except for the cases established by the law "On mortgage".

General collateral rules, as contained in the Civil Code of the Republic of Uzbekistan and the Law of the Republic of Uzbekistan "On Collateral", apply to mortgage relationships unless this Law established any other rules.

Another Law "On private homeowner cooperatives", adopted in 2006, regulated the relationships in creating and operating of private homeowner cooperatives in apartment buildings as voluntary associations for shared management and maintenance, preservation and repair of housing stock. State support (subsidies) for cooperatives in the Republic of

Uzbekistan is provided by the Law "On private homeowner cooperatives". The state guarantees rights provision and protection of legal interests of cooperatives and their members, and promotes and strengthens cooperatives.

Basic principles of land use in Uzbekistan are regulated by "Land Code" and the Law "On State Land Cadastre". According to the Land Code of the Republic of Uzbekistan, the land is the state property - the national wealth, subject to efficient use that is protected by state and is not subject to purchase/sale, exchange, donation, collateral, except for cases stipulated by legislative acts of the Republic of Uzbekistan. Land privatization in Uzbekistan is mainly partial: State remains the owner of the privatized land, and individuals and legal entities acquire the (lifelong, inheritable) right to possess, use or lease this land for agricultural use or as the site on which the building is located, which is owned by such persons. In accordance with the Land Code legal entities may have land plots on a right of permanent possession, permanent use, term (temporary) use, lease and ownership in accordance with this Code and other legislative acts. In accordance with the Land Code individual persons may have land plots on a right of lifelong inheritable possession, permanent use, term (temporary) use, lease and ownership in accordance with this Code and other legislative acts.

Citizens that have family and live in rural areas, are provided with lifetime inheritable possession of household plot for dekhkan farming up to 0.35 hectares on irrigated land and up to 0.5 hectares in rain-fed (non-irrigated) land, and up to 1 hectare in steppe and desert zone of non-irrigated pastures.

Law "On State Land Cadastre" establishes the legal framework to keep state land cadastre, use cadastral data for economic development, guarantee rights to land plots, and rational use, restoration and protection of land.

In general, Uzbekistan created the necessary legal framework to regulate housing and land relations, which are monitored for their timely improve and refine with a view of ongoing structural reforms.

Existing regulatory framework identified main directions of housing and utility services reform that are associated with the transition to market economic principles. An important step in this direction was the privatization of state housing stock. The 98% of state housing stock in apartment buildings was privatized, and the share of privatized housing in private housing stock has increased from 41% to 98.9%.

The next step in housing sector reform was adoption of Housing Code, which governs relationships of citizens, legal persons, government bodies and local authorities with regard to the rights for possession and use of residential premises, account of housing stock preservation and repair of housing.

In 2000, the decision was made to abolish the Ministry of Utility Services and establish at its base Uzbek Agency "Uzkommunkhizmat". "Uzkommunkhizmat" Agency was granted a specific mandate to coordinate work on reforming utility services, development of regulatory legal acts, forming a unified engineering policy in the housing and utilities sector. Territorial municipal-operating associations are responsible for provision of the full set of housing and utility services.

The country has developed the "Concept of deepening economic reforms in state utilities system". Followings were determined as main tasks in the Concept:

- Sector's gradual transit to self-repayment, breakeven operating regime, overcome costly mechanism in pricing, create a competitive environment;
- Implement institutional transformations aimed at ensuring diversity of ownership forms and market principles of sector functioning;
- Further improve state regulating of relations in utilities services sector;
- Undertake targeted regulatory and technical policy to ensure rational use of resources and energy savings.

An important stage in introducing market management mechanisms was the adoption of the Law "On mortgage", which provides for specific mechanisms and tools of housing sector lending.

The Cabinet of Ministers of the Republic of Uzbekistan exercises development of housing policy in the Republic of Uzbekistan. Legislative and regulatory framework and policy instruments in housing sector are regulated by Land Code, Urban Development Code and Housing Code, and by Law "On Mortgage".

Law of the Republic of Uzbekistan "On Urban Development" guarantees provision of urban and rural settlements population with favorable residing conditions, prevention of harmful effects of economic and other activities on the environment, improvement of environmental situation, development of engineering, transport and social infrastructure of settlements and adjoining territories, conservation of cultural heritage facilities by urban development means.

There is a clear procedure for the development, harmonization and approval of housing projects in the country. Development of master-plans of the regional center (city), designed for 20-25 years with the allocation of the first phase of construction for a period of 5-7 years. Master-plans of cities with population of more than 250,000 people are implemented in two phases, which include the development of feasibility studies of the city master-plan and its suburban area as well as the draft master-plan of the city. Master-plans of cities take into account the continuity of historical development, regional conditions of settlements (area, population, industry, residential and public buildings, transportation, street and road network, utilities, green spaces, planning restrictions, sanitary protection zones, etc.).

In particular, regulatory legal acts of the Republic of Uzbekistan, approved by the Cabinet of Ministers of the Republic of Uzbekistan "Provision on municipal housing stock of the Republic of Uzbekistan" dated 28.06.1994 determine that the norm of living space for the tenants of residential premises in houses of communal housing stock shall be set in accordance with the norm of living space, established by the Housing Code of the Republic of Uzbekistan, but not less than 9 square meters per person. Particular categories of citizens of the Republic of Uzbekistan in excess of the living space shall be provided with extra living space, in the form of a room or in the amount of 10 square meters. In a matter of priority, living space shall be provided to citizens who live in repair houses, basements, barracks, apartments with living space less than 5 square meters per person.

The Housing Code defines that the social norm of living space shall be set by the Council of Ministers of the Republic of Karakalpakstan, khokimiyats of provinces and Tashkent city, but not less than sixteen square meters of space per person, and for disabled people using wheelchairs - not less than twenty-three square meters.

Regulatory legal acts adopted in the country, that regulate housing and utilities sector are constantly improved by the adoption of Presidential Decrees, Resolutions of the Cabinet of Ministers, and implementation of state programs.

Section III. HOUSING SECTOR

3.1. Trends and specific of Housing Construction in Uzbekistan

In Uzbekistan, housing construction is a kind of driver of sustainability and incremental socio-economic development. Under significant potential demand, housing becomes a catalyst for development of a number of industries. Being a labor-intensive industry, it involves a large amount of manpower and stabilizes employment.

Despite the high population growth rate (during the years independence, the increase made up for more than 9.4 million people), there has been steady growth of housing. In 1991, there were 12.4 m² of total living space per one person, in 2012 this figure reached 15.0 m² (Table 3.1.1).

Table 3.1.1

Housing availability for population (Floorage per 1 inhabitant in m²)

	1991	1995	2000	2010	2011	2012
Country Total	12.4	12.9	13.8	15.0	15.0	15.0
Urban area	12.4	12.9	14.6	15.4	16.0	16.0
Rural area	12.1	12.1	13.3	14.5	14.5	14.5

Source: State Statistics Committee of the Republic of Uzbekistan.

Living space per person in urban areas is slightly higher (16.0 m² / person) than in rural areas (14.5 m² / person). Dynamic growth of housing, particularly in rural areas (from 13.3 m² / person in 2000 to 14.5 m² / person in 2012), was associated with successful implementation of the state program of housing construction in rural areas. It is evident, that the rates of commissioning of housing stock and housing availability per resident are slightly behind demographic population growth.

In terms of scale of housing Uzbekistan ranks second among CIS countries after Russia, and rated high enough second place in the number of apartments built during 2005-2012. In terms of housing commissioning per 1,000 people Uzbekistan ranks fourth among the CIS countries.

Commissioning of residential houses in the country in 2012 reached 10.3 million m². The volume of housing construction in recent years, since 2005, shows a strong positive trend and has increased by 1.7 times (Table 3.1.2)

Table 3.1.2

Dynamics of housing commissioning in Uzbekistan (million m²)

	2005	2006	2007	2008	2009	2010	2011	2012
Country Total	6.1	6.5	7.0	7.3	7.7	8.9	9.2	10.4
Urban area	0.7	0.7	0.9	1.1	2.6	2.2	2.3	2.7
Rural area	5.4	5.8	6.1	6.2	5.1	6.7	6.9	7.7

Source: State Statistics Committee of the Republic of Uzbekistan.

The housing dynamics is mostly influenced by the construction of housing in rural areas. Primary focus in housing policy is made on rural housing construction based on model projects that meet highest standards of architectural and planning development and is equal in quality and comfortability to housing in cities. Only in 2012, 8,510 buildings were built on a "turnkey" basis in 276 pre-selected settlements with total area of 1,371 hectares.

Growth dynamics in total housing stock area in both urban and rural areas during years of country's independent development is also noted. Dynamic growth in the number of houses / apartments to meet the needs of the population is observed. Systematic work is conducted to supply utility services to dwellings, including electricity, heating, drinking water, sanitation, etc..

The existing housing stock has a relatively high level of provision with centralized water supply (82.7%), gas supply (83.5%), heat supply (45.0%) and sewerage (37.6%).

Feature of Uzbekistan is that the bulk of housing construction (87.0%) falls on individual housing. Survey of households showed that 97.7% of households in the country have their own house or apartment, including in rural areas 99.5%. 80.1% of total families and 98.4% of families in rural areas have their own plot of land. The main type of housing therewith is a separate house (77.1%).

Population of the country at all times has traditionally focused on possession of their own housing. The family and parents above all, provide direct support to create favorable housing conditions and provide housing for adult children.

Uzbekistan has developed necessary legislative and regulatory framework, institutional basis, the system of benefits and preferences that create most favorable conditions for housing development, particularly in rural areas.

In general, a national model of housing construction in Uzbekistan is characterized by following features:

- Faster growth of housing construction in rural areas serves as a long-term strategic priority;
- focusing of housing construction on regional traditions and mentality of the population to have predominantly own housing;
- high share in housing stock and volume of housing for individual housing construction;
- housing conditions characterize by predominance of housing in own property (98.0%) and houses with household plots (80.1%);
- demand making for housing is substantially influenced by demographic factor (growth of population and young families, composition and structure of households);
- large-scale system of benefits and preferences for sustainable housing construction development, primarily in rural areas.

3.2. Evaluation of Available Housing Resources

Total housing stock area in Uzbekistan in 2012 amounted to 446.4 million m², and the number of apartments / houses - 5.6 million units. The country's housing stock increased by 1.7 times over the years of independence (Table 3.2.1).

Table 3.2.1

Housing Resources Dynamics of the Republic of Uzbekistan

Indicators	1991	1995	2000	2005	2010	2011	2012
Total area of housing resources, million m ²	258.4	291.8	339.9	379.3	427.7	439.5	446.4
Including in rural areas, million m ² .	150.7	169.4	205.8	236.3	201.7	207.6	210.6
Total availability of apartments / houses, thousand units	4286.5	4648.6	4944.1	5194.3	5512.0	5571.0	5629.3
Including in rural areas, thousand units	2317.2	2560.9	2773.3	2943.9	2358.9	2385.5	2408.6

Source: State Statistics Committee

There are 34.1 thousand units of high-rise buildings in the country, mainly of reinforced concrete, monolithic and brick construction. Four and five-storey buildings predominate in high-rise buildings given the high seismicity (58.4 %).

Share of multi-family residential houses (apartment buildings) built before 1991 account for 83.2% of residential stock. According to the Program on capital repairs of multi-family residential houses built before 1991, the State provided support in 2002-2010 for capital repairs of multi-family residential houses (heating, water supply, sewerage and roofs of residential houses).

Condition of housing stock, primarily of multi-family houses is relatively unscathed. Houses with wear degree from 50% to 80% make 3.3%, and with wear degree with more than 80% is less than 1%.

Structure of providing with living space for one family member is shared as follows: up to 12 m² - 32.7%, from 12 to 20 m² - 35.9%, and more than 20 m² - 31.4%.

52.2% of total multi-family houses is provided with centralized heat supply, 87.4% - with water supply, 77% - with sewerage, and 89% - with natural gas. Given the high rate of families, the structure of apartments is dominated by houses with four or more rooms (63.5 %).

In general, the current state of the housing stock is not a point of concern. Targeted efforts are being taken to perform capital repairs of existing housing stock and development of a new individual housing construction.

Section IV. URBAN DEVELOPMENT AND PLANNING

4.1. Urban Development State