

# **The pattern of public investment in children in Uzbekistan: current status and development prospects**

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## Introduction

Uzbekistan's development model can be characterized by high social commitment on the part of the government.<sup>1</sup> The system of social guarantees reflected in public social commitments is an important factor in ensuring social cohesion, the competitiveness of human capital, and the stability of structural reforms. Public social commitments determine the directions of social policy and the amounts of resources allocated by the State for the development of social sectors (health care, education, culture, sports, science, social protection), which exceed 10 per cent of GDP and constitute more than 55 per cent of total public expenditures in Uzbekistan.<sup>2</sup>

Improving the wellbeing of children is part of the state's social commitment. The state invests significant resources in children through the following: a) annual expenditures on development of social sectors and b) mid-term (3-5 years) target programs (child and maternal health, development of children's sports, music education for children, etc.).

Despite the fact that Uzbekistan continues to be a "young" country, the decline in the birth rate coupled with demographic growth over the past 25 years, has led to structural shifts in the age structure of the population. During the period of 1991-2016, the proportion of children and adolescents (under age 19) in the age structure of the population decreased from 51.2 per cent to 36.8 per cent.<sup>3</sup> Shifts in the age structure bring not only demographic, but also economic consequences, directly affecting the quality of life of children. First, they reduce the demographic burden on the able-bodied population. International experience demonstrates that similar shifts in the age structure open up additional opportunities for countries to invest in the younger generation (so called "demographic window of economic opportunities").<sup>4</sup> Secondly, it allows a transition from the *survival strategy* in ensuring children's well-being (satisfaction of basic needs in terms of the accessibility of general "mass" education and healthcare) to a *development strategy* (creating an environment that will promote self-expression, self-development, and self-actualization), enabling the effective *socialization* of the younger generation.

These opportunities are of particular importance for Uzbekistan, which is now beginning to form a new agenda for the development of social sectors. The duration of primary and secondary education has been extended from 9 to 11 years and a new Ministry of Pre-school Education has been established.<sup>5</sup> Technical and vocational fields of education are being reformed to cover not only school graduates, but to also provide opportunities for lifelong learning. Fundamental changes are taking place in public healthcare services aimed at improving the quality of medical treatment, emergency medical care, access to medications, etc.

**The purpose** of this report is to analyze the current pattern of public investment in children in Uzbekistan and to develop recommendations for its improvement based on the world's best practices for assessing the adequacy of public investment in children.

To achieve the purpose of this report, the following tasks have been completed:

- Assessment of the pattern of public investments in children in Uzbekistan;
- Analysis of the world's best practices for assessment of adequacy of public investment in children;

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<sup>1</sup> Social commitments of the government - income received by citizens and other categories of individuals, as well as legal entities in cash or in kind from the budget system other than wages, rent, dividends and entrepreneurial income. Government's social commitments are defined in the Constitution and are fixed in laws.

<sup>2</sup> See Table 1.

<sup>3</sup> Source: State Committee of Uzbekistan on Statistics

<sup>4</sup> This phenomenon is defined as a period in a nation's demographic evolution when there are fewer dependents in comparison with the working-age population, which enables the country to make additional investments to accelerate economic growth and reduce poverty. The countries of Southeast Asia (the "Asian tigers"), China, India, South Korea, Brazil and others have successfully made use of these "demographic window" opportunities, having become rapidly growing economies within one generation.

<sup>5</sup> Source: Decree of the President of the Republic of Uzbekistan "On measures for fundamental improvement of pre-school education management" No. 5198 dd. 30.09.2017.

- Calculations based on advanced methodology for the assessment of adequacy of public investment in children, taking into account the specifics of the budgeting process in Uzbekistan;
- Development of recommendations for improving the model of public investment in children in Uzbekistan.

In this report, the term “children” is used to refer to children and adolescents under age 19.

## 1. Priorities of public investment policy

Active social policy is at the core of the development model of Uzbekistan. The amount of resources allocated by the state to the development of social sectors (education, health care, culture, sports, science, social protection and social benefits) showcases the vital importance of social policy in the country. Investments in the social sector constitute more than 10 per cent of GDP and more than 55 per cent of all public expenditure.

During the period 2014-2016, the structure of public social expenditure has changed. The share of public expenditure on development of education and health care increased, while there was a significant decrease in public expenditure on social protection of families with children (Table 1).

**Table 1. Structure of public social expenditures, 2014-2016.**

	Investment sectors	unit of meas.	2014	2015	2016
1.	Education (public, secondary general, and higher education)	%	59,9	60,1	61,3
2.	Health care	%	25,0	25,8	25,8
3.	Sports and culture	%	1,9	1,9	2,0
4.	Science	%	1,1	1,1	1,1
5.	Social protection (social security of orphanages, boarding schools)	%	0,7	0,7	0,7
6.	Social benefits for families, incl. families with children	%	11,4	10,4	9,1
	<b>Total social expenditures:</b>	%	<b>100</b>	<b>100</b>	<b>100</b>
	Gross domestic product	trln, UZS	145,1	175,5	200,6
	Total public expenditures	trln, UZS	31,6	38,0	42,7
	Social expenditures as % to GDP	%	10,9	10,2	10,1
	Social expenditures as % to total public expenditures	%	59,5	56,4	55,6

Source: Ministry of Finance of the Republic of Uzbekistan

Despite the increase of public expenditure on health care and education, the level of unofficial payments in these fields remains quite high. Thus, according to estimates, informal payments in health care reach 45-50 per cent.<sup>6</sup> This situation is typical for many post-Soviet countries, where there is an imbalance between the declared state commitments to provide free-of-charge medical and education services and the actual available resources to provide them.

Informal payments for healthcare services are: a) the legacy of the Soviet health care system, when patients paid physicians on the side for services that were officially supposed to be provided free-of-charge; b) “failures” in the public health care system that require state intervention. Such failures

<sup>6</sup> Source: S.V. Shishkin, Informal payments in healthcare. Bulletin of Roszdravnadzor, 2009.

include: poor primary health care services,<sup>7</sup> particularly in the regions;<sup>8</sup> poor quality and speed of emergency medical services;<sup>9</sup> weak training of medical staff <sup>10</sup> and insufficient provision of health care institutions with high-quality medicinal products.<sup>11</sup>

The negative consequences of informal payments in the health care system include: *decreased access of low-income population, which includes large families in Uzbekistan, to high-quality services*; low efficiency of public investment planning in development of the social sectors as a whole, and in children in particular.

## 2. Demographic trends

Uzbekistan is a country with a growing population. During the period of 1991-2017, the population of the country grew from 20.6 million to 32.1 million people.<sup>12</sup> At the same time, there have been significant demographic shifts. Although the country still has a relatively high birth rate, one can observe a shift towards a more moderate population growth. Between the period of 1991-2016, the crude birth rate dropped from 34.5 to 22.8 births per 1,000 people,<sup>13</sup> while the total fertility rate - the number of children born per woman of child-bearing age (15-49) declined from 4.2 to 2.5.<sup>14</sup>

Today, the country occupies a middle position among countries with a high birth rate (over 25 births per 1,000 people) and a low birth rate (up to 15 births per 1,000 people). In general, Uzbekistan is currently at the third stage of demographic evolution (demographic transition), when due to the size of the young population, the overall mortality rate remains low and fertility rate continues to decline rapidly. At the same time, population growth is slowing down.

More than 700 thousand children have been born annually in recent years. This can be explained by the significant number of women aged between 20-29 years, who account for the majority of childbirths.

The share of this category in the total number of women of childbearing age (15-49 years) constitutes more than 36 per cent; *however this number is expected to drop to 27 per cent by 2030.*<sup>15</sup> As a result, by 2030: a) the total fertility rate may drop to 16.7 births per 1,000 people; b) the number of births will decrease to 560-580 thousand per year.

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<sup>7</sup> Because primary health care facilities are poorly equipped and staffed, many people are forced to come to large cities or the capital city for quality health care services.

<sup>8</sup> In 2018, the government plans to build the following health care facilities in the regions: 11 specialized centers and 23 branches, 126 polyclinics and 52 district medical associations. Source: outcomes of the meeting devoted to development of health care system under the leadership of the President of the Republic of Uzbekistan (December 2017).

<sup>9</sup> The primary reason is the shortage of transportation, stations and substations of emergency first aid. Their number has already grown by 2.5 times in 2017 - from 806 to 2102, out of which 1269 ambulance vehicles were purchased for regions. Source: meeting devoted to development of health care system under the leadership of the President of the Republic of Uzbekistan (December 2017).

<sup>10</sup> The following reforms have been initiated: a) Uzbekistan encourages its citizens working abroad to return to Uzbekistan; b) reforms are undergoing in training of medical personnel and their attestation; c) licensing procedure is being introduced for medical personnel; d) duration of study for medical students in universities has been reduced for 1 year.

<sup>11</sup> 2.5 times more funds will be allocated for provision of medical institutions with medicinal products in 2018 as compared to 2017. Source: outcomes of the meeting devoted to development of health care system under the leadership of the President of the Republic of Uzbekistan (December 2017).

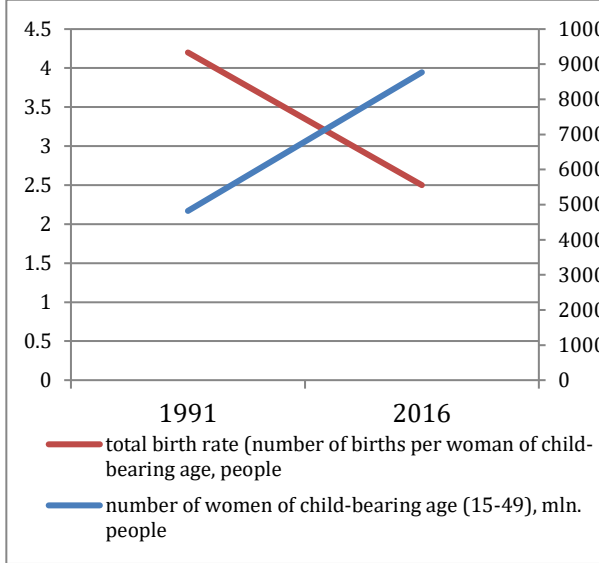
<sup>12</sup> From 20.7 million in 1991 to 32.5 million people as of 1.10.2017. Source: State Committee of Uzbekistan on Statistics

<sup>13</sup> Source: State Committee of Uzbekistan on Statistics

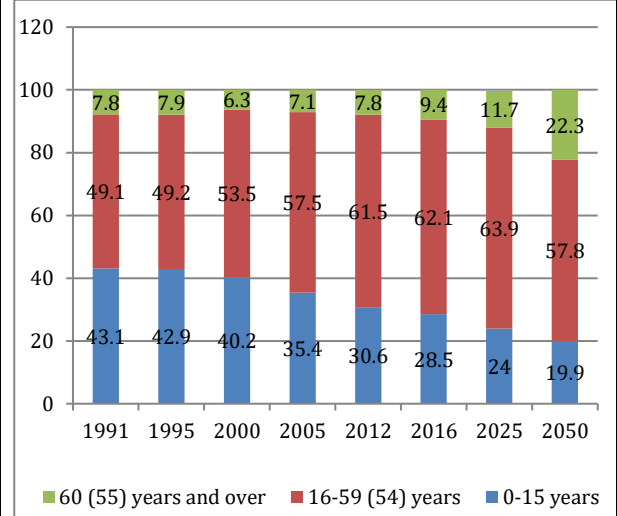
<sup>14</sup> Source: State Committee of Uzbekistan on Statistics

<sup>15</sup> Source: Institute for Forecasting and Macroeconomic Research jointly with experts from ministries and departments, scientists, demographers and urbanists.

**Figure 1. Number of women of child-bearing age (15-49) and total fertility rate in Uzbekistan, 1991-2016**



**Figure 2. Age structure of the population of Uzbekistan, 1991-2016 (%)**

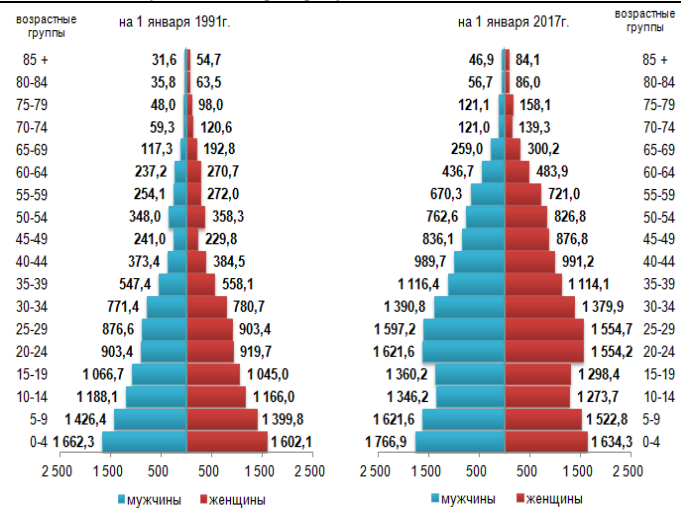


Source: 1991-2016 data - State Committee on Statistics, 2025 and 2050 data - UN, World Population Ageing 1950-2050. UN, NY, 2002.

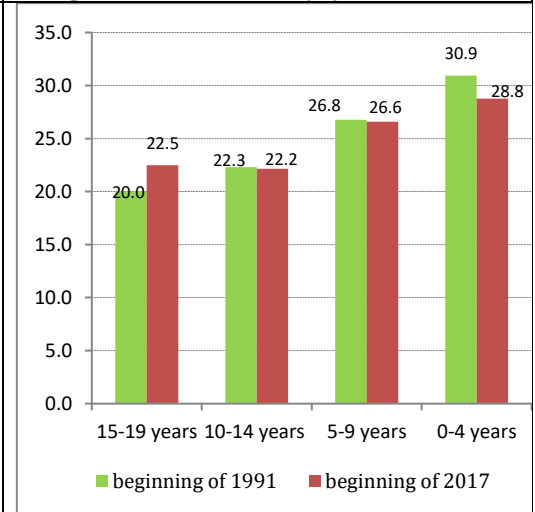
**The decrease of children in the structure of population** happens due to a gradual shift from the tradition of having many children (4-5 in the family) to a moderate number of children (2-3 in the family). Several factors have contributed to the change in people's reproductive attitudes: a) increase in the average age of marriage; b) increased availability and use of modern methods of contraception to control pregnancy; c) wide opportunities for young people in the labor market, particularly in a dynamically growing field of entrepreneurship.

As a result, during 1991-2016, the share of children (under age 19) in the age structure of the population decreased from 51.2 per cent to 36.8 per cent.<sup>16</sup> Moreover, there was a shift in the structure of children categories. Thus, the proportion of young children (under age 4) dropped by 2.1 per cent, while the share of young people (aged 15-19) increased by 2.5 per cent.

**Figure 3. Age structure of the population of Uzbekistan, 1990-2016 (thousand people)**



**Figure 4. Structure of child age categories, 1990-2016, (%)**



Source: State Committee of Uzbekistan on Statistics

<sup>16</sup> 8,101,368 people under age 15. Source: State Committee of Uzbekistan on Statistics.

The relatively high proportion of children in the age structure of the population along with a rise in the share of adolescents will become a *specific demographic feature of Uzbekistan in the next 10-15 years*.

**Drivers of further demographic change.** The weakening of the role of agriculture – the traditional source of employment for the growing rural population, will become a critical driver for change. Over the past 20 years, the share of agriculture in the structure of the GDP has dropped from 32.4 per cent to 17.6 per cent<sup>17</sup>, while the urbanization level has grown from 40 per cent to 51 per cent<sup>18</sup>. In the long term, urbanization is expected to further intensify as a result of accelerated economic liberalization and the integration of the country into the world economy.

This will lead to the following: a) a greater number of children will reside *in cities*; b) the socialization environment will undergo a fundamental change, creating new social, cultural, and technological opportunities, as well as *risks for children, families, and social institutions*. International practice shows that urbanization significantly affects the quality of human capital. Thus, in the Human Development Index ranking, 2/3 of the Top 30 countries with a high level of human capital have urbanization levels of 75 per cent and above.<sup>19</sup>

**Demography and the model of public investment in children.** Demographic trends that affect the age, sex and marriage structure of the population also change the family pyramid. Such changes impact on the structure of child care, primarily within the family, which can be observed in changes *in intergenerational transfers*.<sup>20</sup>

The dynamics of intergenerational transfers are dependent on a number of factors which either lead to a reduction of expenditure on children (in which case the government role increases) or to an increase of expenditure on children (then the government role decreases). Extremely high expenditure at the expense of family resources undermines the financial stability of citizens, while extremely high government expenditure augments the risk of instability in the budgetary system. Therefore, *identifying a balance between public and family investments* in children is crucial when discussing possible pathways for improvement of the pattern of public investment in children.

### 3. Implementation mechanism of the pattern of public investment in children

The current model of public investment in children was established in the 1990s. It reflects the government's commitment to ensure access for children to: a) general “mass” education and b) basic health care services. The government did its best to provide these *basic* services to a high number of children in difficult financial situations during the transition period. Priorities of the public policy on ensuring children well-being include:

- the provision of universal free 12-year education for children (9 years of general education and 3 years of professional education in colleges and lyceums);<sup>21</sup>
- development of a legal framework for the protection of family, motherhood and childhood interests based on best international practices and legal systems;
- creating better economic conditions to strengthen families and prevent homelessness among children and adolescents;

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<sup>17</sup> Source: State Committee of Uzbekistan on Statistics

<sup>18</sup> Source: "Urbanization in Central Asia: Challenges, problems and prospects. Joint report of the Center for Economic Research and ESCATO, 2013. A significant role was played by the fact that in 2009 in the country, 966 rural settlements with more than 4 million people were transferred to the category of urban settlements, as a result of which the total urbanization rate rose from 35.8 per cent to 51.7 per cent.

<sup>19</sup> Source: Human Development Report, UNDP 2015.

<sup>20</sup> Intergenerational transfers are donations of various resources of one age group or family generation to another without expectation of repayment (financial support of parents by children, inheritance left to children (transfers from parents to children) or assistance to elderly parents (transfer from children to parents)).

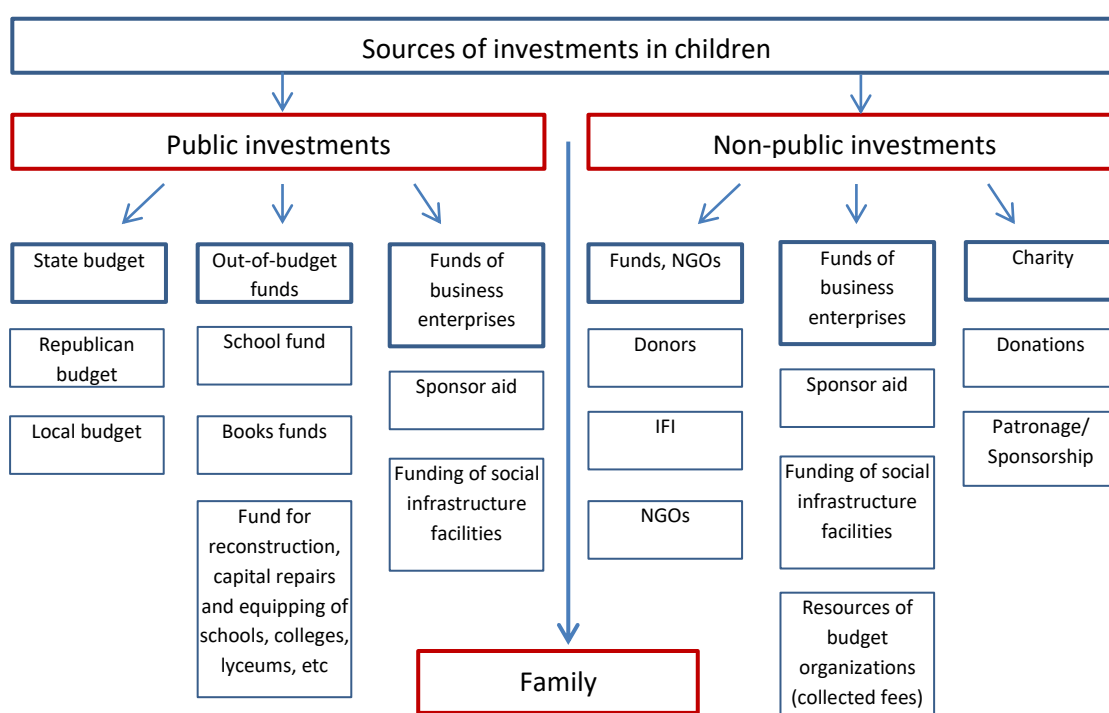
<sup>21</sup> In accordance with President's Decree dd. January 25, 2018 "On Measures for Fundamental Improvement of the System of General Secondary, Secondary Special and Vocational Education", starting from 2018-2019 academic year schools have switched back to 11 years of schooling (previously abolished in 1997).

- development of a system for early detection of congenital and hereditary pathologies in newborns and pregnant women "Screening of mother and child";
- enhancement of physical infrastructure and equipment of child care and obstetrics institutions;
- ensuring the protection of socially vulnerable groups of children – children with disabilities, orphans, children from low-income families.

The mechanism of public investments in children (using *public funding sources*) is a mixed mechanism which consists of two components:

- (I) Public investments in children as part of annual government spending on development of social sectors (current expenditure, administered by the Ministry of Finance);
- (II) Public investments in children through mid-term (3-5 years) target programs (capital expenditure, administered by the Ministry of Economy).

**Figure 5. Sources of investments in children, Uzbekistan**



Sources: authors of the report



### 3.1. Public investments in children as part of annual government spending on development of social sectors

Public investments in children constitute about 78 per cent of the total annual government spending on the development of social sectors, varying from 6.5 per cent in culture to 100 per cent in education.

**Table 2. Share of public investments in children and adolescents in total public investments in social sectors, 2014-2016<sup>22</sup>**

Name of sector	Unit of measure	2016			2015	2014
		Total	on children and adolescents under age 19	%	%	%
Public education	mln. UZS	9 821 879,1	9 821 879,1	100,0	100,0	100,0
Culture	mln. UZS	296 837,7	19 246,4	6,5	5,3	5,2
Health care	mln. UZS	6 002 700,0	2 192 186,0	36,5	32,2	34,9
Sports	mln. UZS	174 399,5	27 555,1	15,8	16,0	18
Secondary special education	mln. UZS	2 863 525,9	2 863 525,9	100,0	100,0	100,0
Social protection (social security of orphanages, boarding schools)	mln. UZS	36 167,7	10 110,6	28,0	27,1	26,9
Social benefits for families, incl. families with children	mln. UZS	1 112 046,0	1 042 394,7	93,7	93,2	93,3
<b>Total</b>	mln. UZS	<b>20 307 555,9</b>	<b>15 976 897,9</b>	<b>78,7</b>	<b>77,7%</b>	<b>78,9%</b>

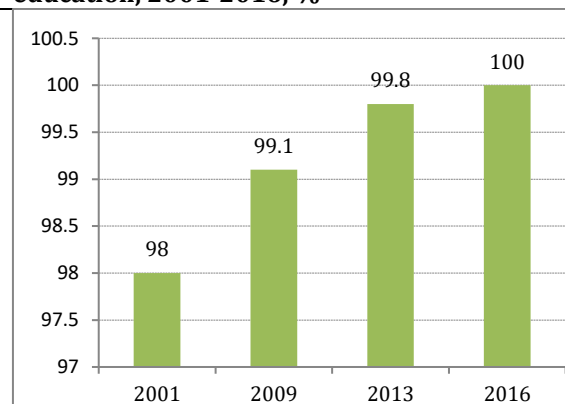
Source: Ministry of Finance of the Republic of Uzbekistan

Note: a complete data table for 2014-2015 is provided in Annex 1.

**The effectiveness of public investments in children within annual funding of social sectors.** If the efficiency of public investment is measured in terms of equal access to *basic* education and healthcare services, then investments in children can be considered effective.

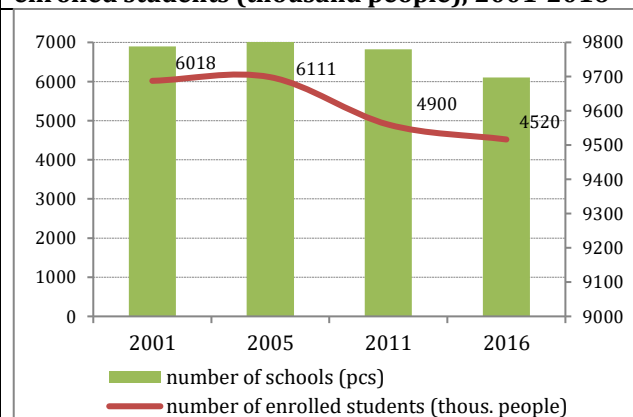
1. *Children in Uzbekistan have 100 per cent access to general secondary education (school), which is one of the best indicators throughout the world.* During the period of 2010-2015, out of 128 countries (where 90 per cent of the world population of school age lives), only in 14 countries (including Uzbekistan) did the percentage of people with completed secondary school education total 90 per cent. Less than 25 per cent of school children completed secondary school in 40 countries and less than 50 per cent in 60 countries.<sup>23</sup>

**Figure 6. Enrollment in general secondary education, 2001-2016, %**



Source: Uzbekistan Millennium Development Goals Report, 2015, World Bank.

**Figure 7. Number of schools (pcs) and number of enrolled students (thousand people), 2001-2016**

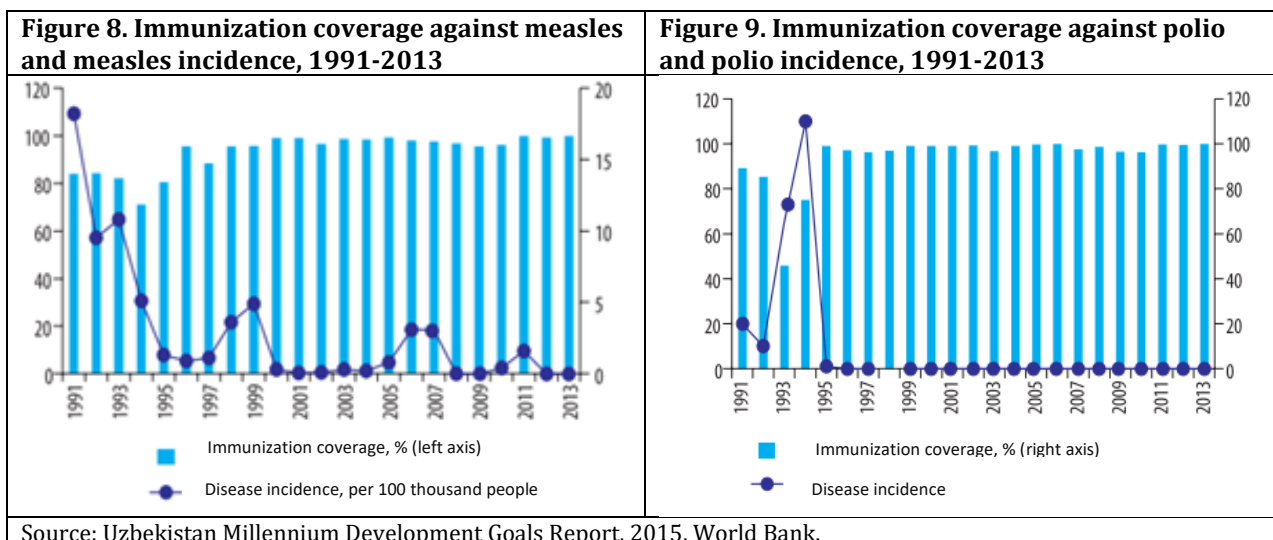


Source: Data provided by State Committee of Uzbekistan on Statistics

<sup>22</sup> Data provided by the Ministry of Finance of the Republic of Uzbekistan.

<sup>23</sup> Source: UNESCO, Global Education Monitoring Report 2017/2018. "Accountability in education: meeting our commitments".

2. *90 per cent of children in Uzbekistan have access to basic health care services.* During 1991-2016, the government made significant investments in the protection of maternal and child health. Thus, according to official statistics, the maternal mortality rate decreased from 65.3 to 17.4 ppm (per 100,000 live births). The infant mortality rate (children under age 1) dropped from 35.5 to 10.7 ppm (per 1,000 live births), and child mortality rate (children under age 5) – from 48.2 to 14.1 ppm per 1000 live births.<sup>24</sup>



In 2017, the World Health Organization (WHO) included Uzbekistan in the list of countries which eliminated measles and rubella. The country was added to this list if the disease incidence had not been observed for 3 consequent years (for Uzbekistan this was between 2014-2016).

**Adequacy of investments.** During 2014-2015, public investments in children as part of annual spending on the development of social sectors declined from 8.6 per cent of GDP to 6.5 per cent of GDP. At the same time, these investments are:

1. *Insufficient.* Per-child public expenditures constitute less than 1.4 million UZS per year, moreover, between 2014-2016, there was a decreasing tendency (in comparable prices) (Figure 11).<sup>25</sup>
2. *Incomplete,* as they do not take into account investments in *public goods* that can also benefit children. Investments in social protection of the population are aimed not only at the direct support of children (orphanages, boarding schools) but also at assistance to low-income families with children. Due to the lack of proper methodology, it is difficult to assess the direct impact of investments on children, as they are not allocated directly to children, but to families with children.<sup>26</sup> Another example is the state's investment in infrastructure development, where it is also difficult to assess the direct impact on children.
3. *Not inclusive.* There are more than 780,000 people with disabilities in the country (out of which about 100 thousand people or 13.3 per cent are children under age 16).<sup>27</sup> Annually people with disabilities receive 2.5 trillion UZS from the state budget in the form of pensions and social benefits.<sup>28</sup>

<sup>24</sup> State Committee of Uzbekistan on Statistics (<https://stat.uz/ru/433-analiticheskie-materialy-ru/2055-demograficheskaya-situatsiya-v-respublike-uzbekistan>). Last accessed on 02.05.2018

<sup>25</sup> The calculation is made by dividing public expenditures on children (Table 2) by the number of children and adolescents (under age 19, Figure 3). Source of data on the number of children under age 19 for 2014-2015: <https://www.populationpyramid.net/ru>

<sup>26</sup> The structure and types of social benefits for families with children in Uzbekistan are discussed in detail in "Social budgeting aimed at improving the well-being of children in Uzbekistan", UNICEF, 2009.

<sup>27</sup> <https://ru.sputnik-tj.com/asia/20170927/1023438526/vlasti-uzbekistana-predlagayut-vvesti-ponyatie-lico-s-invalidnostyu.html>

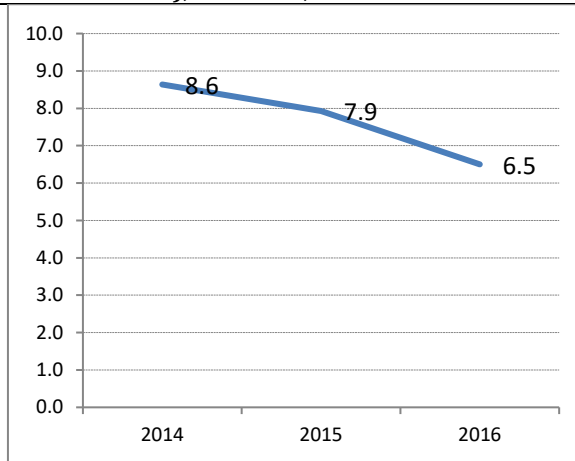
<sup>28</sup> Source: State Committee of Uzbekistan on Statistics

Despite the state's commitment to ensure the integration of people with disabilities into the society<sup>29</sup> and to pilot inclusive education projects<sup>30</sup>, the educational interests of children with disabilities are primarily realized within the framework of a policy of segregated education. Thus, out of the total number of children with disabilities, only 38 per cent are enrolled in general education schools, while the remaining 62 per cent study in specialized schools, do home-schooling or attend specialized pre-school educational institutions.<sup>31</sup>

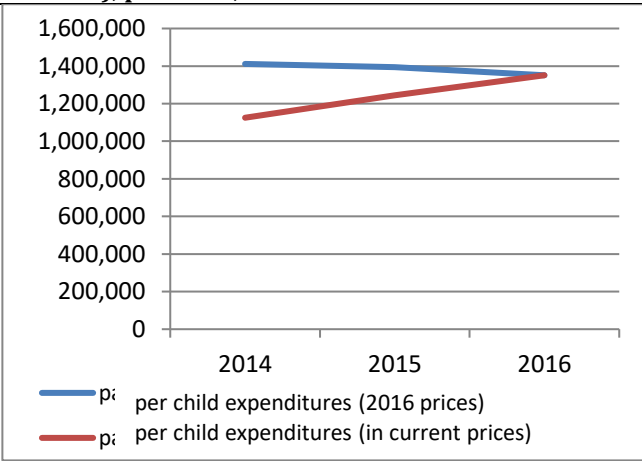
There are special boarding schools and 4 specialized vocational schools for people with disabilities in the country with about 17 thousand students-children with disabilities. No regulatory framework on inclusive education exists in Uzbekistan.

According to official statistics, 60 per cent of pregnant women do not undergo routine screenings tests.<sup>32</sup> Perinatal examinations of newborns include only two types of examinations, and are insufficient for timely detection of congenital abnormalities and prevention of disability. This means that the state's investment in annual medical prophylaxis of all children, prevention of childhood disability, as well as medical and social rehabilitation of children with disabilities are not as effective as they could be.

**Figure 10. Public expenditures on children (as part of annual spending on development of social sectors), % of GDP, 2014-2016**



**Figure 11. Public expenditures on children (as part of annual spending on development of social sectors), per child, 2014-2016**



Source: calculated by authors based on data of the Ministry of Finance. 12% GDP deflator was used to adjust prices for inflation.

### 3.2. Public investments in children as part of mid-term target programs

The first results-oriented and mid-term expenditure planning tools in Uzbekistan were introduced into the budgetary process in 2004. To transition to mid-term planning of the state budget, the government has introduced new forms of budget requests for enterprises and organizations, which were extended to include information on the achieved and expected outcomes.

<sup>29</sup> Laws "On Education" and "On the Social Protection of Persons with Disabilities in the Republic of Uzbekistan" (Articles 5 and 6). On 27.02.2009 Uzbekistan signed the UN Convention on the Rights of Persons with Disabilities.

<sup>30</sup> Within 12 years the Ministry of Education has piloted projects on inclusive education in cooperation with UNICEF, UNESCO, ADB, the World Bank, the Republican Center for Social Adaptation of Children, and the Social Initiatives Support Fund. Significant amount of work has been done to provide methodological support on inclusive education to teachers in general education institutions.

<sup>31</sup> Alternative report prepared by the Society of Persons with Disabilities in Uzbekistan for the UN Committee on Economic, Social and Cultural Rights, 2014.

<sup>32</sup> Source: Decree of the President of the Republic of Uzbekistan "On measures to further improve the public support system for people with disabilities" dd. August 1, 2017.

Today, the mid-term targeted programs carry out investments into the protection of maternal and child health<sup>33</sup>, development of children's sports<sup>34</sup>, music education<sup>35</sup> and other areas of children's development. Target programs implement not only public investments but also investments from non-public sources (donor funds, etc.).

**Effectiveness of mid-term target programs.** A complete list of the target programs currently running is not available in the public domain. Analysis of individual programs available in the public domain revealed a number of issues related to assessment of the efficiency of program planning and implementation:

- 1) *equating the notions of 'efficiency' and 'effectiveness'*. When assessing program implementation, respective authorities primarily assess disbursement of funds;
- 2) *development, implementation and assessment functions are performed by implementing agencies*. Oftentimes, the same agency can simultaneously be responsible for development, execution and assessment of programs, making monitoring of programs' efficiency irrelevant. In such a situation, it is challenging to ensure independent assessment of public programs, because public agencies are interested in the assessment outcomes;
- 3) *frequent adjustments of program budgets*. Program implementation is closely linked with revenue forecast of implementing agencies, which may not always be justified. Most of the time, the funding and, consequently, program target outcomes change downwards. Program budgets can be reconsidered several times a year. Thus, implementing agencies adjust target indicators depending on the situation, justifying respective decreases / increases by budget fluctuations (to reinforce positive outcomes). In fact, in such circumstances, programs become a formal tool for target management. As the amount of funding can be repeatedly adjusted during a year, it reduces the quality of program planning and does not encourage implementing agencies to improve efficiency of resource use;
- 4) *neither annually planned target indicators nor intermediate outcomes are fixed*. This leads to the fact that: a) planned target indicators vary throughout the program duration; b) program monitoring is not implemented, as nobody is interested in its implementation;

These limitations complicate the assessment of: a) the scale of *total* public investments in children; b) the *actual* efficiency of mid-term target programs; c) the *sufficiency* of public investments in children in terms of realization of all child rights. The aforementioned limitations and consequences lead to the fact that the rights of children and public investments in children within mid-term target programs are not adequately linked. At the same time, assessment of efficiency and the full scale of public investment in children is required to make informed decisions about program adjustments, timing, and funding.

### 3.3. Budgeting of public investments in children

**Budgeting of public investments as part of annual government spending on development of social sectors.** Investments in children as part of government spending on the development of social sectors are carried out using a *baseline method (cost estimate model)*. The model estimates the costs based on available central resources<sup>36</sup>, rather than expected final outcomes. The baseline method analyzes the detailed structure of expenditures by their economic classification (salary costs, capital repairs, etc.).

The cost estimate budget planning approach is focused on cost management. When applying this approach, the state budget is formed by indexing the existing expenditure with a detailed breakdown by budget items. Planning of expenditure for a given year is done by indexation (adjustment for

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<sup>33</sup> For example, the Program aimed at strengthening reproductive health of the population, the health of mothers, children and adolescents 2014-2018.

<sup>34</sup> Program aimed at further development of physical culture and mass sports 2017-2021.

<sup>35</sup> Program for improvement of children's music and art schools activities 2016-2020.

<sup>36</sup> Institutions are guided solely by standards defined by relevant government bodies. Therefore, they are not interested in expanding the scope of activities and improving the quality of services.

inflation) of the same amount of expenditure in the preceding year. Budget requests of organizations and institutions are also prepared by indexing expenditure of previous years.

Expenditure on salaries and unified social contributions (USC), as well as costs arising from the adoption of new state and sectoral programs, are planned based on legally stipulated norms<sup>37</sup> and gross indicators.<sup>38</sup> Planning takes into account increased enrollment in kindergartens and other educational institutions, as well as the introduction of additional educational capacities (educational buildings and other facilities).

When considering budget requests submitted by organizations and institutions, basic current expenditure is being increased by the amount of funds allocated for development programs, while funds previously allocated for activities (programs) that have been already implemented/ lost relevance are excluded.

Under strict budget constraints, the cost-estimate model ensures the balance of the state budget. However, execution of the state budget *is not result-oriented*, and budget management is *limited to solely monitoring compliance with actual and planned indicators*. Investment efficiency in the case of cost-estimate budget planning is measured by a rule: the more funds allocated for the needs of children, the better (i.e. more efficient).

**Budgeting of public investments as part of mid-term target programs.** Expenditure is planned based on *budget ceilings* set by the Ministry of Finance. The Ministry of Finance sets a limit on expenditure, while the Ministry of Economics defines an investment program within the set budget ceiling – comprising of priority public programs.

Thus, *program and non-program budget planning, as well as planning of capital and current expenditures, is not linked methodologically and in terms of timing*. The state budget is planned on an annual basis, while targeted mid-term programs focused on the comprehensive development of certain industries (including social sector) are adopted for a 3-5 year period. As a consequence, during the approval of the annual state budget, uncertainties arise about reliable sources of funding for mid-term programs in subsequent years.

Starting from 2018, the government has introduced a new budgeting and financing procedure for development programs in the Republic of Uzbekistan.<sup>39</sup> According to the new procedure, the Ministry of Finance and the State non-budgetary funds must submit their forecasted budgets for a *three-year period* annually before August 1st to the State Development Fund of the Republic of Uzbekistan, the State Committee for Investments and the Ministry of Economics, in order to allow budgeting and funding of public development programs.

Even with this practice of annual budget planning in place, it is quite challenging to achieve consistency in the development of mid-term target programs and planning of the annual state budget. Experience shows that the potential of annual planning is limited in terms of implementation of economic and social development programs and the predictability of fiscal policy. The administrators and recipients of budget funds fail to forecast their activities beyond the planned year.

To link the state budget with the priorities in children's wellbeing, a *transition to mid-term budget planning and program-based budgeting* is needed. Proper implementation of program budgeting will

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<sup>37</sup> The cost norms are fixed in legal acts or by-laws and determine the amounts of financial resources to be spent on specific types of expenditures. For example, salary scales for employees in the public sector. In the public education – norms for teacher workload, salary scales. In social protection, expenditures are calculated based on poverty criteria. For more information, see UNICEF Report "Social budgeting aimed at improving the well-being of children in Uzbekistan", Tashkent, 2009.

<sup>38</sup> Gross indicators are data on the number of kindergartens, general education schools, hospitals and other budget institutions funded from the state budget. For schools, gross indicators are the number of classes and the number of enrolled students; for kindergartens - the number of enrolled children, the number of groups. Along with spending norms, gross indicators serve as a basis for determining the total amount of allocations for maintenance of budget organizations or implementation of activities from the state budget.

<sup>39</sup> Resolution of the President of the Republic of Uzbekistan "On introduction of a new budgeting and financing procedure of public development programs in the Republic of Uzbekistan" No. 3437 dd. December 18, 2017.

allow the following questions to be answered: What do we want to achieve? What is needed to achieve this? How much is it going to cost?

In program-based planning of budget expenditures, funds are allocated not by types of expenditure (like in cost-estimate budgeting) but by programs, which have clear goals in line with public policy priorities. Here, decision-making does not include budgeting costs per expenditure items (salaries, utilities, repair works, etc.) or per certain areas of public commitment (education, healthcare, infrastructure works, etc.), but rather per result-oriented programs.

Program-based budgeting changes not only the manner in which budget expenditure is allocated but also monitoring objectives and procedures, shifting from *monitoring compliance of actual costs with planned ones* to *assessment of program performance*.

Introduction of new approaches to budget planning was envisaged by the Public Finance Management Reform Strategy for 2007-2018. Thus, the mid-term budget planning process was intended to be used during the preparation of the State budget for 2008, bringing it to the level of a full-fledged project in 2011. However, subsequent steps for mid-term budget planning were not supported. The reason for this is the greater flexibility that annual budget planning allows in managing public finances.

Starting from 2014, new program budgeting elements have begun to be introduced into the Budget Code. In particular, a new format of budget request (Budget Code, Article 85) has been adopted, which includes: an analytical report, a register of expenditure commitments, a program for development of budget recipient organization, and a budget application. All components of the budget request, in addition to the analytical report, are prepared for a 3 year period. As a result, information on the needs of budget organizations for the next three years is formally collected. However, in practice, it is not incorporated and reflected in local and state budgets.

Difficulties in the implementation of program-based budgeting are related to the transition from "cost management" to "performance management", which requires a drastic change in decision-making mechanisms and financial management. This also requires expanding the powers of budget administrators and behavioral changes (changes in the way of thinking) within the public administration system, which imply broad (and complex) institutional transformations.

At the same time, transferring controlling functions to line ministries will allow the Ministry to pay closer attention to public policy issues and assessment of the efficiency of budget expenditure.

The introduction of program budgeting also implies fundamental changes in the powers of local authorities, i.e. deepening the level of decentralization. Moreover, decentralization should take place not only in the delivery of social services but also in resolving problems related to their provision. An indispensable condition for introducing program budgeting is the establishment of feedback channels with the public (consumers of services), which are crucial to organizing monitoring and public control of service delivery and program implementation.

## 4. Improving the public investments in children: recommendations

The analysis conducted demonstrates that:

- the mixed model of funding public investments in children complicates the following: a) the analysis and calculation of total public investment in children; b) the definition of a single approach to the assessment of investment efficiency.
- the currently employed model primarily ensures the right of children to survive (survival strategy). This strategy: a) is not sufficiently funded; b) is not sufficiently inclusive.

In view of this, UNICEF recommends the following:

- 1) develop a methodology for assessment of the entire amount of public investments in children;
- 2) increase public investments in order to ensure the right of all children to survive and enhance inclusiveness of services;
- 3) diversify sources of public investments to accelerate children's socialization (the right to protection and participation);
- 4) improve the quality of public investment management in social sectors.

### 4.1. Developing a methodology for assessment of total public investment in children to analyze whether investments are sufficient to cover all children and all needs of children

For this, we propose to use *the methodology developed by UNICEF Regional Office in Mexico*<sup>40</sup> for Latin America, where public investments in children are also significant due to the large share of children in the age structure of the population.<sup>41</sup> In this methodology:

- a) the *total amount of investments is calculated* by grouping them according to investment types: *direct and indirect investments* (agency, expanded, public goods expenditures);
- b) the adequacy of investments is assessed by grouping investments into 4 thematic categories which reflect the entire gamut of children's rights covered by the CRC (the rights to life (survival), development, protection, and participation).
  - *direct investments* (expenditures on programs that deliver benefits directly for children);
  - *agency investments* (expenditures on programs aimed at people or institutions representing the interests of children);
  - *expanded investments* (expenditures on programs/parts of programs aimed at groups of people where children prevail or where children are affected to some extent);
  - *expenditure on public goods* (programs/parts of programs) that provide public services (e.g. parks) and are designed to meet public needs, including those of children.

Thus, public investment in children in Mexico is predominantly direct (63.92 per cent), supplemented by agency investments (27.25 per cent) and public goods investments (7.94 per cent). Expanded investment comprises only 0.89 per cent. This means that 91 cents from every peso invested by the state in children in Mexico is invested directly in children, or in people/institutions representing the interests of children. Indirect investments (investments in public goods) do not carry much significance in the context of Mexico.

b) The *adequacy of public investments in realization of all children rights* is assessed by grouping investments into 4 thematic categories which reflect the entire gamut of children's rights covered by

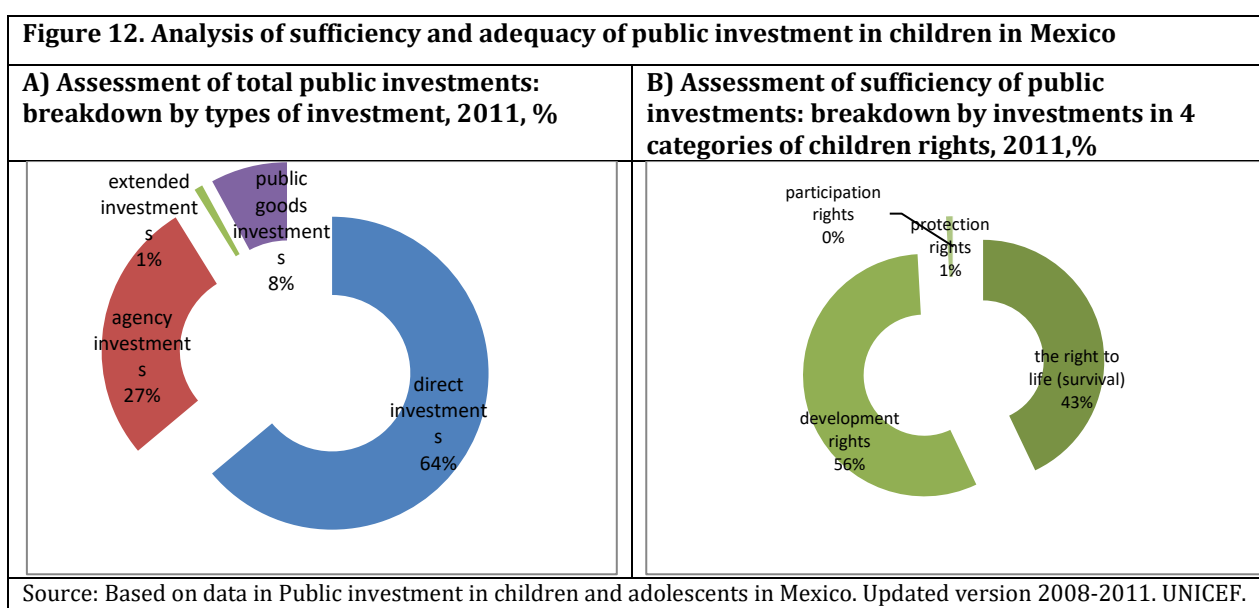
<sup>40</sup> Source: Public investment in children and adolescents in Mexico. Updated version 2008-2011. UNICEF.

<sup>41</sup> Investing in children and adolescents. Arguments and approaches for advocacy, UNICEF Regional Office for Latin America and the Caribbean, 2005. The share of children under age 15 in the population (2016): Mexico - 28.2 per cent, Bolivia - 34 per cent, Argentina - 25.4 per cent. Source: Department of Economic and Social Affairs of the United Nations.

the CRC (the rights to life (survival), development, protection, and participation).<sup>42</sup> The Convention was signed by 193 countries. Investments are grouped as follows:

- 1) *the right to survival* – starts from the right to have a name and citizenship to the right to have access to health care and education. This includes nutrition, health care, housing and infrastructure, and social protection of children;
- 2) *the right to development* – include investments in education, sports, leisure, cultural activities, urban and regional development;
- 3) *the right to protection* – include investments in the protection of children from all forms of abuse, violence, exploitation, and discrimination;
- 4) *the right to participation* – the right to have a say in matters affecting the child’s life (freedom to express an opinion, freedom of worship, the right to social protection, etc.). This includes investments in information resources, mass media, and civil initiatives.

Assessment of public investment in children in Mexico in the four categories of children's rights showed that investments aimed at protection of the right to survival and the right to development accounted for 99 per cent of the total investment in children. Investments in programs promoting children’s rights to protection and participation amounted to only 1 per cent. Meanwhile, it is these particular areas that reflect: 1) the risks associated with incomplete protection of children rights against violence, abuse, all forms of exploitation and discrimination; 2) the growing need for programs aimed at socialization of children in a rapidly changing world.



Consolidated assessment of sufficiency and adequacy of public investment in children has been done by putting together the total investments (by types of investments) and investments carried out in the 4 categories of children's rights. This comprehensive approach makes it possible to immediately *identify the gaps between the official recognition of children's rights and their actual realization*.

<sup>42</sup> Investing in children and adolescents. Arguments and approaches for advocacy, UNICEF Regional Office for Latin America and the Caribbean, 2005. The share of children under age 15 in the population (2016): Mexico - 28.2 per cent, Bolivia - 34 per cent, Argentina - 25.4 per cent. Source: Department of Economic and Social Affairs of the United Nations.



**Table 3. Consolidated assessment of public investments in Mexico, combining assessment of total public investments (by types) and adequacy of investments in 4 categories of children's rights, 2011, %**

Child rights	Sectors	Types of public investments				Total
		Direct expenditures	Agency expenditures	Expanded expenditures	Public goods expenditures	
		% to sector investments	% to sector investments	% to sector investments	% to sector investments	
Right to life (survival)	Health care	31,81	60,42	0,00	1,76	100
	Housing and infrastructure	100	0,00	0,00	0,00	100
	Nutrition	43,91	53,72	2,37	0,00	100
	Social protection	59,86	38,89	0,08	1,17	100
	<b>Total</b>	<b>40,66</b>	<b>57,57</b>	<b>0,26</b>	<b>1,51</b>	<b>100</b>
Right to development	Education	97,35	2,34	0,16	0,15	100
	Sports, cultural activities, leisure	26,7	1,34	0,00	71,96	100
	Urban and regional development	1,28	16,27	4,16	78,28	100
	<b>Total</b>	<b>81,82</b>	<b>4,46</b>	<b>0,77</b>	<b>12,95</b>	<b>100</b>
Right to protection	Protection from abuse, exploitation, and discrimination	56,23	4,02	39,75	0,00	100
	<b>Total</b>	<b>56,23</b>	<b>4,02</b>	<b>39,75</b>	<b>0,00</b>	<b>100</b>
Right to participation	Information resources	0,00	0,00	0,00	0,00	0,00
	Mass media	27,81	8,5	0,00	63,69	100
	Civil initiatives	0,00	0,00	0,00	0,00	0,00
	<b>Total</b>	<b>27,81</b>	<b>8,5</b>	<b>0,00</b>	<b>63,69</b>	<b>100</b>
<b>Total</b>		<b>63,92</b>	<b>27,25</b>	<b>0,89</b>	<b>7,94</b>	<b>100</b>

Source: Public investment in children and adolescents in Mexico. Updated version 2008-2011. UNICEF.

In Uzbekistan, such calculations will be more complicated, as they would need to be done: a) for the estimated part and the program part; b) by taking into account features of the unitary budgeting system<sup>43</sup> (as opposed to Mexico with a federal budgeting system).<sup>44</sup>

**Assessment of public investment in children by types of investments within the currently used baseline budgeting approach.** Assessment of public investment within the current budgeting approach requires a detailed cost structure for all social sectors. Due to lack of access to the aforementioned data, calculations have been done based on the example of additional public health care expenditure planned for 2018 (Table 4).

Given that children account for 28.5 per cent of the population of Uzbekistan, one third of the additional funds allocated for public health care development in 2018 (31.7 per cent) is targeted at children. At the same time, the predominant part (77.2 per cent) consists of agency investments (in people or institutions that represent the interests of children). In our case, this is expenditure on technical equipment for medical institutions, construction of rural family clinics, etc. The remaining part (22.8 per cent) is the expanded investment, i.e. investment in programs (or parts of programs) aimed at groups of people where children prevail or are affected to some extent. This is expenditure on women, screening centers, and programs promoting maternal and child health.

Allocation of additional funds primarily in the form of agency investments can be explained by the following. In previous years, the funds allocated from the state budget as part of priority public investment (protection of motherhood and childhood, the year of a healthy generation, etc.) were

<sup>43</sup> A comparative analysis of budget systems, budget cycles, and legal frameworks governing budgeting processes in Uzbekistan and throughout the world is provided in Appendix 3. Literature used: How to Engage in Budget Cycles and Processes to Leverage Government Budgets for Children». Public Finance for Children (PF4C) Technical Guidance Note Series, No. 1 February 2016.

<sup>44</sup> The main difference between the two models is the degree of dependence of local governments (local budgets) on central government (state budget) in terms of financing social expenditures, most of which are direct investments in children (social protection, pre-school education, schools, primary health care).

aimed directly at children. They were subject to full (maximum) funding and were implemented against the underfunding of capital expenditure, which provides only basic medical services for the population, including children. Therefore, the major part of the additional investments in health care in 2018 is allocated for repair and equipment of rural medical centers, ambulance teams, rural polyclinics, as well as the purchase of medicines for medical and preventive care, i.e. agency expenses.

**The assessment of public investment in children by types of investments within program-based budgeting approach.** To be able to carry out this assessment one would need a complete list of mid-term target programs. Such a list is not available in the public domain. Therefore, calculations have been done based on the example of the Public Program on Further Strengthening of Public Reproductive Health, Protection of Maternal, Child and Adolescent Health in Uzbekistan 2014-2018 (Table 4).<sup>45</sup> The program targets one of the major areas of child investment in Uzbekistan - the healthcare sector.

Public investments (State budget and out-of-budget funds) are aimed at financing two Program components:

- *Ensuring equal access to quality healthcare services* to strengthen the reproductive health of the population, protect the health of mothers, children and adolescents, improve the quality of medical and social rehabilitation of children with developmental disabilities, improve the health of children and adolescents with disabilities, as well as ensure reasonable accommodation for their needs to allow full participation of people with disabilities in a society;
- *Developing modern infrastructure* to allow the provision of qualified, specialized, and technology-intensive medical care for mothers, children and adolescents.

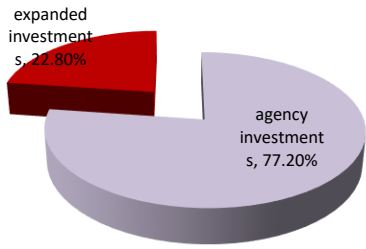
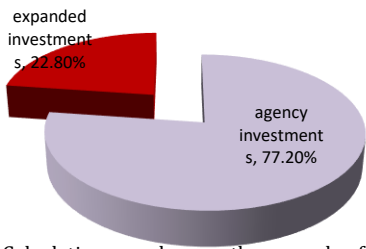
The analysis has revealed that the investments within the Program are predominantly direct (66.0 per cent), supplemented by the agency (22.8 per cent) and expanded investments (11.3 per cent). The program does not invest in public goods. Thus, 88.8 per cent of the Program funding is invested by the state directly in children, or in people representing their interests (women).

It's evident that an example of one program is not representative to make conclusions about the overall structure of public investment in children by types of investment. However, calculations demonstrate how public investments in children can be analyzed and assessed having the relevant data.

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<sup>45</sup> Adopted according to the Resolution of the President of the Republic of Uzbekistan dd. August 1, 2014 No. 2221.

**Table 4. Adapting Mexico's methodology for assessment of sufficiency and adequacy of public investment in children in Uzbekistan**

	Public investments in children, breakdown by investment types	Public investments in children, breakdown by 4 categories of children rights
<p><b>Public investments in children in the total government spending on development of social sectors</b></p> <p><i>Baseline budgeting approach</i></p>	 <p><b>Source:</b> Calculations are done on the example of additional public health care expenditures planned for 2018</p>	<p>No access to a detailed cost breakdown by articles of functional or economic classifications for all social sectors</p>
<p><b>Public investments in children as part of mid-term target programs</b></p> <p><i>Program-based budgeting approach</i></p>	 <p><b>Source:</b> Calculations are done on the example of Public Program on Further Strengthening of Public Reproductive Health, Protection of Maternal, Child and Adolescent Health in Uzbekistan 2014-2018</p>	<p>No access to a complete list of target mid-term programs and their budgets</p>

*The model of intergovernmental transfers should also be taken into consideration during calculations. The main type of intergovernmental transfer in Uzbekistan is subventions.<sup>46</sup> On the one hand, they aim at providing equal guaranteed services to all children in all regions. On the other hand, they discourage local authorities from building up their financial capacity, which could have also been directed at children.*

At the moment, the ideology of intergovernmental relations is undergoing reformation. Amendments have been made to the Law "On Local Authorities" with regard to the expansion of the powers of local authorities. Also, under discussion are changes regarding the allocation of expenditure (specifically related to children) from the national to local budgets.

Such a comprehensive project could be carried out jointly by UNICEF, the Ministry of Finance and the Ministry of Economy. It would aim at developing *a methodology for assessment of public investment in children*, taking into account all the features of the budget system and regional development of Uzbekistan. The methodology developed would allow *assessment of the gaps between the official recognition of children's rights and their actual realization*. The result of such an assessment would be a road map for future targeted public investment interventions in children.


<sup>46</sup> Comparative analysis of the intergovernmental transfers throughout the world and in Uzbekistan are provided in Annex 2.

## 4.2. Expanding public investments to ensure the full realization of the rights of all children to survival and inclusive education

The demographic decline should be treated as a situational reserve for maneuvering public resources in order to: a) *expand investments* to better ensure children's survival rights; b) *strengthen inclusive services*, primarily in education.

a) *expand investments in the development of sectors that ensure implementation of children's right to survival*. In order to estimate the additional investment needed, it is important to set certain benchmarks, which would allow the comparison of current expenditures in Uzbekistan with in "model countries". In this respect, it is interesting to refer to UNICEF's report on "Child Well-being in Rich Countries: A comparative overview", which measures the level of child well-being achieved in 29 developed countries (2013).

Within the framework of this report, the assessment of the well-being of children and young people under age 20 is based on indicators that characterize the situation in five areas: 1) material well-being, 2) *health and safety*, 3) *education*, 4) behavior and risks, 5) housing and environment. The aggregate index of well-being was calculated as the average of five ratings. *The second and the third areas* just reflect the basic needs of children, necessary to ensure the right to survival.

<b>Fig. 5 Rating of children well-being in 29 developed countries in 2 dimensions:</b> <b>1) health and safety;</b> <b>2) educational well-being</b> <b>2013</b>	<b>Table. 5 The gap between Uzbekistan and the countries, which have created the best conditions for child well-being, 2014.</b>																						
	<table border="1"> <thead> <tr> <th>Countries</th> <th>Health care expenditures ( % to GNP) (2014)</th> <th>Per capita health care expenditures (intl. dollars, 2014)</th> </tr> </thead> <tbody> <tr> <td>Sweden</td> <td>11,9</td> <td>5202</td> </tr> <tr> <td>Netherlands</td> <td>10,9</td> <td>5202</td> </tr> <tr> <td>Belgium</td> <td>10,6</td> <td>4392</td> </tr> <tr> <td>Iceland</td> <td>8,9</td> <td>3882</td> </tr> <tr> <td>Finland</td> <td>9,7</td> <td>3701</td> </tr> <tr> <td>Uzbekistan</td> <td>5,8</td> <td>340</td> </tr> </tbody> </table>	Countries	Health care expenditures ( % to GNP) (2014)	Per capita health care expenditures (intl. dollars, 2014)	Sweden	11,9	5202	Netherlands	10,9	5202	Belgium	10,6	4392	Iceland	8,9	3882	Finland	9,7	3701	Uzbekistan	5,8	340	
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The "Health and safety" dimension was assessed by such indicators as: infant mortality; the share of newborn babies with low body weight (less than 2500 g); the immunization level of children; child mortality rates (aged 1-19).

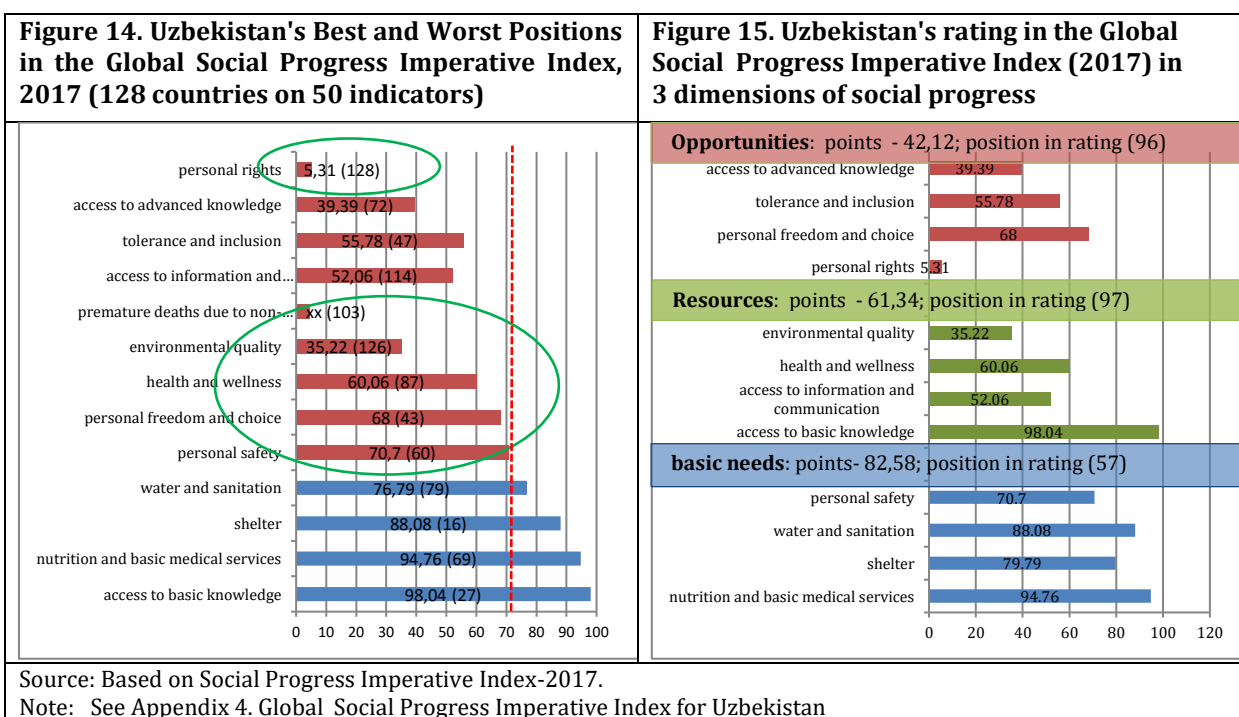
The "Education" dimension was assessed by indicators, such as coverage of children by preschool education (from 4 years to school); education coverage of adolescents aged 15-19; the proportion of adolescents aged 15-19 who are neither enrolled in educational institutions nor employed; quality of instruction (test results for three subjects).

The best conditions for the health and education of children have been established in five northern countries: the Netherlands (in all five dimensions), Iceland, Sweden, Finland and Belgium. Such rich countries as the United States, Canada, Austria, and Denmark, are in the worst situation, in particular, due to the low coverage of children with immunization. Calculations show that, for example, the gap

between Uzbekistan and the countries which established the best conditions for their children's health exceeds the level of health expenditures per capita by 11-15 times.

Another resource that provides a benchmark for assessment of the amount of additional investment in these areas is the Social Progress Imperative Index. This is a new global index compiled by the non-governmental organization "Social Progress Imperative" with the support of Deloitte. This index has been specifically created for an integrated assessment of social development in countries *regardless of their economic context* and consists of indicators that are *combined into three areas of social progress*: basic human needs, wellbeing, and opportunities. Reflecting the quality of social development, the Index reflects the quality of life of the entire population, including children.

Uzbekistan was on the 85th position out of 128 countries in the global Social Progress Imperative Index 2017. While Uzbekistan has a high level of access to basic knowledge and is rated at the 27th position of the Index, a lot needs to be done for the rest of components that ensure the right to survival (personal rights, health and wellness, personal freedom and choice). In general, the high rate of GDP growth - the result of high rates of economic growth in Uzbekistan over the past 10-15 years, created relatively good conditions for the realization of basic human needs (57th position in the rating). However, it has not yet provided guarantees for improving indicators in such areas as ecology, health (97th position) and social opportunities (96th position).



b) *enhance inclusive education*. Along with the adoption of the President's Decree "On measures to further improve the system of public support for people with disabilities",<sup>47</sup> strengthening the provision of inclusive social services will become a *long-term priority*. Measures aimed at shifting to international standards for determining a disability will lead to an increase in the number of people with disabilities. Today, the number of people with disabilities in the country does not exceed 1-2 per cent of the total population, which is significantly lower than international indices (10-12 per cent).

<sup>47</sup> Decree of the President of the Republic of Uzbekistan dd. August 1, 2017.

This will require an increase in investments aimed at ensuring the social integration of people with disabilities. Primarily, this concerns education, which is the leading condition for integration of people with disabilities into society and a real social tool to overcome social barriers.<sup>48</sup>

The current funding system does not include incentives (mechanisms) for the development of inclusive education. This is due to the fact that the financing of specialized schools and boarding schools, as well as mass general education, is carried out based on enrollment indicators. However, the costs of a school that has undertaken the mission to teach children with special educational needs do not fit into this standard. Thus, together with the promotion of inclusive education, *the need to review the funding mechanisms for such schools will become more acute*. The Ministry of Finance jointly with the Ministry of Public Education and the Ministry of Health will *need to revise per capita funding requirements for schools*, taking into account the needs of educational institutions associated with accommodation of the requirements of children with disabilities. A possible approach may include the calculation of *special correction factors to per capita standards* that take into account the needs of children with disabilities.

**For reference:** Secondary schools are financed based on basic cost norms (BCN) per student and correction factors that take into account the specificity of individual schools (schools with three languages of instruction with low occupancy rate, school scale, heating system). BCN per student does not include capital expenditures, which are allocated based on the needs of schools from the fund for out-of-budget development of infrastructure and facilities of educational and medical institutions.

In exceptional cases, during the preparation of budget estimates, territorial financial authorities are allowed to adjust the budgets of individual schools within 10 per cent of the total amount of funds calculated based on legally stipulated norms.

For specialized schools with an in-depth study of individual subjects, as well as those located in areas where the legislation provides for the correction of wages due to climatic conditions, additional funds in excess of the amount determined by basic cost standards are available.

Schools for children with special educational needs do not use per capita basic standards (BCN). In these schools, funding is provided based on an article-by-article normative method i.e. on the basis of standards, staff units, etc. Here, the costs are higher than in regular secondary schools, since they take into account the needs for special educational and methodological manuals and programs, lower class occupancy rates, and other factors.

The report mentions the need to adjust the per capita standards (BCN) for inclusive education, i.e. if the practice of teaching children with special educational needs in regular schools increases. Accordingly, additional costs will be required for infrastructure development and maintenance, training of personnel, etc.

#### **4.3. Diversification of funding sources to accelerate socialization of children (the rights to protection and participation)**

The need to expand investments to increase inclusiveness, ensure survival rights for all children to the fullest, and accelerate the socialization of children (the right to protection and participation) will become *a long-term challenge in improving Uzbekistan's pattern of public investment in children*. The following is required to undertake in order to address this challenge:

a) *Diversification of funding sources*. Skills that would prepare children to behave and respond adequately to contemporary global challenges are developed by non-formal education (occurring outside institutions) and informal education (mass media, the Internet, museums, leisure industry). Such educational formats *are poorly represented in Uzbek educational policy*, while in leading

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<sup>48</sup> Currently, Uzbekistan employs a medical model to determine a disability, which means that the person with a disability should adapt to the existing environment. The UN Convention on the Rights of Persons with Disabilities, however, employs a social model, which includes creation of a social environment that allows the person with a disability to fully participate in the life of a society without having to adapt (the so-called barrier-free environment).

countries they are increasingly defining the transition from a policy of survival to a policy of socialization of the younger generation.

The transition from a policy of survival to a policy of socialization is associated with the development of skills that will prepare children for global development trends. Such trends include:

- rapidly developing societies and, as a consequence, the need to prepare people for life in a fast changing environment;
- transition to a post-industrial (information) society and a significant expansion of the scope of intercultural interaction, where communication and tolerance acquire special importance;
- the growth of global problems that can be resolved only within the international community, which requires contemporary thinking among the younger generation;
- the democratization of societies, the broadening of choice, which increases the need to prepare citizens for such choice;
- dynamic economic development, increased competition, and structural changes in employment, which require constant professional development and the retraining of workers, and growth in their professional mobility;
- the increased significance of human capital, which constitutes 70-80 per cent of national wealth in developed countries, calls for the intensive development of education, particularly those of young people.

Unlike basic education and healthcare services (the right to survival), which have normative medical values, socialization (the right to protection and participation) is shaped within each country depending on its mentality, prevailing cultural attitudes, and so on. *Definition of priorities in public investments aimed at acceleration of socialization of children can become an "entry point" for UNICEF to start a dialogue with the Government.* The dialogue may include discussion of issues pertaining to diversification of funding, development of new programs and channels for "delivery" of investments aimed at accelerating the socialization of children, as well as setting-up monitoring mechanisms.

With an effective dialogue, UNICEF could be maximally involved in promoting the socialization strategy at the early stages of the budget process.<sup>49</sup> Thus, from the four stages of the budget process (preparation, review, approval and execution), the greatest opportunities ("entry points") for dialogue with the government are contained in the first two stages, when the budget has not yet been approved. It is at these stages when UNICEF could influence expenditure on children by adjusting priorities and making changes to budgets at all levels for the benefit of children.

#### 4.4. Improving the quality of public investment management in social sectors

Given the high multiplicative effect of investments in children from the point of view of national security, economic growth and wellbeing, the state will remain as a key source of investment in children. However, increased public investment in children should be accompanied by *enhancement of its efficiency*. To do this, the quality of public investment management should be improved.

The ideal format of investment in children in terms of public investment management would be a *complete transition to the principles of program budgeting*. However, in reality, such a transition is a slow process. Therefore, UNICEF proposes the following:

- a) *to further develop the pattern of social investments* as part of annual government spending in social sectors. This would require: a) a list of child-related social services; b) standards for the delivery of child-related services; c) the cost of each type of such service.
- b) to develop a system for the assessment of program structure, which should link the program components (target indicators) with the broader targets of the program. To do this the following should be defined:
  - *a multi-level indicator system within the program structure*: program components have their own target indicators, while the program as a whole has aggregate indicators, which can only

<sup>49</sup> See Appendix 3 for a comparative analysis of the stages of the budget cycle in Uzbekistan and throughout the practice.

be achieved by reaching components' target indicators. Thus, incomplete implementation of program components will allow for immediate adjustment of the structure and funding of the program as a whole.

- *a basic list of targeted programs in the regions.* Based on a multi-level indicator system, the regions could define a basic list of programs in line with their powers and areas of expertise. The list will, in fact, remain unchanged (with a small adjustment in the number of programs). It will help to establish a full-fledged program assessment system, as it will act as a standard for comparison among regions of the costs per unit of result achieved (both for program components and the program as a whole).



## Conclusion

The current model of public investment in children was established in the 1990s. It reflects the government's commitment to ensure access for children to: a) general "mass" education, and b) basic health care services. The government did its best to provide these *basic* services to a high number of children in difficult financial situations during the transition period. The financial model employed is a mixed mechanism which consists of two components: (I) public investments in children as part of annual government spending on the development of social sectors; (II) public investments in children as part of mid-term (3-5 years) target programs.

Currently, the model requires enhancement, due to the following reasons:

- *the mixed model of budgeting (component (I) - baseline approach, component (II) -program-based approach)* complicates the following: a) assessment of the total volume of public investment in children; b) definition of a single approach (criterion) for assessing their efficiency. In the baseline approach, investment efficiency is assessed based on the principle of "the more resources, the better". *In the program-based approach*, efficiency is measured against the implementation of the allocated funds. Oftentimes, the same agency can simultaneously be responsible for development, execution and assessment of programs, making monitoring of programs' efficiency irrelevant.
- *the model primarily ensures the right of children to survival (survival strategy)*. The strategy: a) is not fully funded; b) does not provide sufficiently inclusive services.
- *the model does not make it possible to assess the impact of investments in public goods and services, which could also affect children*. Thus, investments in social protection of the population are aimed not only at direct support of children (orphanages, boarding schools), but also at assistance to low-income families with children. It is difficult to assess the direct impact of investments on children, because they are not allocated directly to children, but to families with children.
- The model cannot provide answers to the following questions: a) which groups of population have benefited the most?; b) are the investments sufficient to overcome inequalities in children's rights?; c) which areas should new investments be aimed at? d) and in which volume?

The need to expand investments to increase inclusiveness, ensure survival rights for all children to the fullest, and accelerate socialization of children (the right to protection and participation) will become *a long-term challenge in improving Uzbekistan's pattern of public investment in children*.

In this context, the primary task is to develop *a methodology for the assessment of total public investment in children* to analyze their sufficiency and adequacy in terms of coverage: a) of all child needs; b) of all children. *This would allow the assessment of the gaps between the official recognition of children's rights and their actual realization*. The result of such an assessment would be a roadmap with suggested pinpointed public investment interventions.

Within the context of demographic decline, the number of students and consequently the burden on the education sector is declining. This situation should be treated as an opportunity for maneuvering public resources in order to: a) *expand investments* to better ensure children's survival rights; b) *strengthen inclusive education*.

The acceleration of the socialization of children (the right to protection, the right to participation) requires additional sources of funding. This could be facilitated *by expanding the dialogue* on implementation of new programs / channels for "delivering" investments to recipients, as well as setting-up monitoring mechanisms.

The government will remain the key source of investment in children. However, the efficiency of these investments should be enhanced. To do this, it is necessary to improve the quality of *public investment management*. This can be done by *further developing the pattern of investment in social services*, by defining a) a list of child-related social services; b) standards for the delivery of child-related services; c) the cost of each type of such services.

What is also important to develop is a fundamentally new *system for the assessment of the effectiveness of mid-term target programs*. To do this, the following should be developed: 2) a multi-

level system of target indicators, which would allow for the timely correction/adjustment of programs; b) a basic package of target programs in regions, which could be used as a standard to compare *costs per unit of result achieved* (both for program components and the program as a whole).

## Appendices

### Appendix 1. Share of public investments in children and adolescents (under age 19) in total public investments in social sectors 2014-2015 <sup>50</sup>

#### Share of public investments in children and adolescents (under age 19) in total government spending on development of social sectors, 2014

Name of sector	Unit of measure	2014		
		Total	on children and adolescents	%
Public education	mln. UZS	7 541 631,8	7 541 631,8	100,0
Culture	mln. UZS	224 557,8	11 592,5	5,2
Health care	mln. UZS	4 495 300,0	1 567 511,1	34,9
Sports	mln. UZS	131 933,2	23 748,0	18
Secondary specialized education	mln. UZS	2 317 900,0	2 317 900,0	100,0
Social protection	mln. UZS	24 786,0	6 672,1 (orphanages, boarding schools)	26,9
Social allowances	mln. UZS	1 142 706,4	1 065 676,5	93,3
<b>Total</b>	mln. UZS	<b>15 878 815,1</b>	<b>12534732,0</b>	<b>78,9%</b>

#### Share of public investments in children and adolescents (under age 19) in total government spending on development of social sectors, 2015

Name of sector	Unit of measure	2015		
		Total	on children and adolescents	%
Public education	mln. UZS	8 429 922,9	8 429 922,9	100,0
Culture	mln. UZS	252 312,1	13 420,5	5,3
Health care	mln. UZS	5 203 800,0	1 676 924,6	32,2
Sports	mln. UZS	148 239,6	23 718,3	16,0
Secondary specialized education	mln. UZS	2 579 124,1	2 579 124,1	100,0
Social protection	mln. UZS	28 256,0	7 659,6 (orphanages, boarding schools)	27,1
Social allowances	mln. UZS	1 274 420,8	1 188 276,4	93,2
<b>Total</b>	mln. UZS	<b>17 916 075,4</b>	<b>13 919 046,3</b>	<b>77,7</b>

<sup>50</sup> Data provided by the Ministry of Finance of the Republic of Uzbekistan

## Appendix 2. Comparative analysis of intergovernmental transfer system worldwide and in Uzbekistan<sup>51</sup>

Key points	Specificities of Uzbekistan, that should be taken into account when defining the pattern of investments in children
<p><b><u>IGTs within legal and regulatory frameworks</u></b></p> <p>Throughout the world, IGTs are anchored within legal and regulatory frameworks. In Kenya, for example, the Constitution sets out specific parameters/norms for financing these services. In South Africa, the provinces receive an equitable share of the total volume of transfers, with their structure being further detailed in the 1997 Intergovernmental Fiscal Relations Act.</p> <p>Powers of IGT actors defined in the legal and regulatory framework are <u>crucial for two reasons</u>:</p> <ul style="list-style-type: none"> <li>• <i>Who makes decisions?</i> In many countries, the central government plays a key role in the design of the transfer system. In other cases, IGT mechanism is based on negotiations between the central and local governments. Here, three commonly practiced communication options include: a) independent grants commissions (composed of external experts), intergovernmental forums (composed of local government stakeholders), and intergovernmental-civil society forums.</li> <li>• <i>What is the mechanism/flow of IGTs?</i> Here it's important to understand which budgetary system is employed in each particular context: federal or unitary. The main difference between the two systems, is that in federal countries the regional level has more independence as it receives its own transfer... consequently regions may differ in the way they divide resources, i.e. their public commitments. However, many federal countries have a strong equalization system (horizontal balancing) ensured through stable and long-term mechanisms (formula-based approach)</li> </ul>	<p><b><u>IGTs within legal and regulatory frameworks</u></b></p> <p>In Uzbekistan, the legal framework includes the Constitution which provides for equal rights for everyone. At the same time, the main legal act is the Budget Code, which determines the types of transfers, allocation conditions and limitations.</p> <ul style="list-style-type: none"> <li>• In Uzbekistan, the key role in the design of <u>IGTs</u> is played by the central government.</li> <li>• Uzbekistan employs a unitary budget system. However, it has a specificity that is uncommon even for classic unitary systems. Flow of transfers in the country is tied to local budget revenues, which reduces local government incentives to increase their revenue base. This means, that the more revenues the local government has, the fewer subventions they receive. The legislation establishes that local budgets should be balanced, i.e. they cannot have a deficit. This, in turn, becomes an obligation for the central government as well, because in order to prevent a deficit, the government allocates subventions to regional budgets. At the local level, this restriction reduces the incentives and interest of local authorities in building up their tax potential and using the allocated funds more efficiently.</li> </ul>
<p><b>Conclusions:</b> When analyzing UNICEF IGT engagement in any country, one should consider the following questions:</p> <ol style="list-style-type: none"> <li>1) Which legal documents outline the design of the IGT system in the country?</li> <li>2) Are there ongoing fiscal decentralization reforms that create adequate environment for UNICEF engagement in IGTs?</li> <li>3) Who are the key actors involved in the design/implementation of the IGT system? (central government, grant commission, local government, etc)</li> <li>4) How do IGTs flow from the central government to local government?</li> </ol>	
<p><b><u>IGT objectives</u></b></p> <p>A country may use a variety of different transfers and grants, each with its own objective. Four main objectives can be distinguished: (i) to equalize a vertical imbalance; (ii) to equalize a horizontal imbalance; (iii) to minimize externalities; and (iv) to support national priorities.</p> <ul style="list-style-type: none"> <li>• <i>Vertical imbalance</i> – created by the assignment of high local expenditure responsibilities combined with limited local government capacity to collect own revenues</li> </ul>	<p><b><u>IGT objectives</u></b></p> <p>In Uzbekistan, transfers are allocated in order to equalize horizontal imbalances:</p> <ul style="list-style-type: none"> <li>• to equalize budget deficit of territories and ensure equal access to a guaranteed package of public services throughout the territory;</li> <li>• to compensate the lower-level budgets for expenditures on funding measures of national</li> </ul>

<sup>51</sup> Literature used: Intergovernmental Fiscal Transfers, Technical Guidance Note Series, No. 2 February 2016. UNICEF.

<ul style="list-style-type: none"> <li>• <i>Horizontal imbalance</i> – caused by differences in expenditure needs, costs and/or capacity to raise own revenues among local governments at the same level</li> <li>• <i>Externalities</i> – refer to situations when certain services in one region result in a cost for other regions due to absence of adequate infrastructure. For example, a local government may be hesitant to invest in the local health clinic if other local governments don't take similar measures.</li> <li>• <i>National priorities</i> – same activities may have different priorities for central and local governments. For example, in the Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) region, social protection services for vulnerable children are a crucial part of deinstitutionalization. However, as these services are designated for a relatively small group of beneficiaries, local governments in the region tend to underfund these initiatives.</li> </ul>	<p>significance, the value of which exceeds potential revenues of these budgets;</p> <ul style="list-style-type: none"> <li>• the main type of IGTs are subventions allocated to equalize budget imbalances in the regions;</li> <li>• subventions are allocated for social allowances, as well as salaries and deductions for social insurance of public education employees;</li> <li>• In 2017, 4 out of 13 regions of Uzbekistan were receiving subventions. These regions are allocated subventions for social allowances, as well as salaries and social insurance contributions of public education employees.</li> </ul>
<p><b>Conclusion:</b> When defining the objectives of the UNICEF engagement in IGTs in any context, one should consider the following:</p> <ol style="list-style-type: none"> <li>1) What are the objectives of the IGT policy in each particular context?</li> <li>2) What is the connection between the IGT objectives and services for children?</li> </ol>	
<p><b>Total size of transfers to local budgets</b></p> <p>There are two major approaches:</p> <ul style="list-style-type: none"> <li>• <i>Rule-based approach</i> – the size of the transfer pool is decided upon according to a fixed proportion of central government revenues. This can either be in the form of a fixed percentage of central revenues or by assigning the revenues of a particular tax to the local government sector.</li> <li>• <i>Ad-hoc based approach</i> – the total transfer pool is decided based on the financial situation.</li> </ul> <p>Both these approaches have their advantages and disadvantages.</p> <p>The rule-based approach allows predictability of local budgets, while at the same time can compromise the fiscal flexibility at the central level in crisis situations (particularly if the transfer percentages are set in the Constitution, i.e. are mandatory to comply with in any situations),</p> <p>Ad-hoc based approach allows for maximum flexibility of central government, however is a) not transparent, b) may result in budget fluctuations for the local government budgets.</p>	<p><b>Total size of transfers to local budgets</b></p> <p>Uzbekistan employs the second approach. Transfers are allocated to local governments depending on the revenues generated by local budgets, i.e. they perform a balancing role – preventing the deficit of local budgets.</p> <p>This approach allows for a greater flexibility, however at the same time is not transparent, unstable, and discourages local authorities to expand the revenue base of their local budgets.</p>
<p><b>Conclusion:</b> When defining the objectives of the UNICEF engagement in IGTs in any context, one should consider the following:</p> <ol style="list-style-type: none"> <li>1) How is the total transfer pool decided in the specific country context?</li> <li>2) What implications does this have for budget predictability for the local government sector?</li> <li>3) If the pool is allocated in an ad-hoc fashion, is there an advocacy opportunity within budget negotiations to ensure the delivery of devolved services that impact children?</li> <li>4) Is the total pool adequate to cover local expenditure needs?</li> </ol>	

**Types/forms of transfers**

Intergovernmental transfers are operationalized through two principal forms:

- *general-purpose transfers*, which provide local governments with general budget support. These transfers allow for full local autonomy. General-purpose transfers can be fully discretionary or fall into block grants (block grants are used for specific expenditure areas such as education, health, or for specific purposes such as local infrastructure development)
- *conditional transfers*, (target or preferential) which are intended for specific expenditure purposes. These grants may be mandatory or discretionary in nature. Conditional grants are best suited for subsidizing activities considered high priority by a higher-level government but low priority by local governments.

**Types/forms of transfers**

In Uzbekistan, the main type of transfers are target subventions which aim to cover budget shortfalls:

- a) on salaries of public education employees (including social security contributions). Salary in the public education sector (budgetary sector) is established and regulated at the central level, and is a protected expenditure item, i.e. mandatory, therefore regions with low revenue base are allocated target subventions with a designated purpose.
- b) on social allowances.

**Conclusion:** When defining the objectives of the UNICEF engagement in IGTs in any context, one should consider the following:

- 1) Are IGTs related to child- and adolescents-related services discretionary or conditional? Is there a matching component?
- 2) In the case of conditionalities, are these input- or outcome-based?
- 3) May child- and adolescents-related services be supported by block grants?

### Annex 3. Comparative analysis of budget systems throughout the world and in Uzbekistan<sup>52</sup>

Key points	Specificities of Uzbekistan, that should be taken into account when defining the pattern of investments in children
<p><b><u>Building budget systems</u></b></p> <p>Governments throughout the world have developed a variety of budget approaches and formats. Commonly used budgeting models include:</p> <ul style="list-style-type: none"> <li>• <i>line-item or 'traditional' budgeting</i> – presents expenditure amounts by category (such as salaries, goods and services, etc.)</li> <li>• <i>performance budgeting</i> – links funding to results through the use of indicators and costings;</li> <li>• <i>program budgeting</i> (form of performance budgeting) – categorises expenditure into 'programs' of work regardless of the structure of the ministry or organization (cross cutting approach);</li> <li>• <i>outcome-based budgeting</i> – links the allocation of resources to identified outcome targets with a purpose of using the resources most effectively at all levels (country and regional levels)</li> </ul>	<p><b><u>Building budget systems</u></b></p> <p>Uzbekistan employs the first budgeting approach (<i>line-item or 'traditional' budgeting</i>). Budget planning uses a basic forecasting method, where the forecast of budget expenditures is based on norms fixed in legal and regulatory acts, as well as actual expenditures of the previous year. Thus, when budgeting salary costs, the national pay scale, load per teacher, occupancy rate of classes, and costs of utilities are calculated based on current prices and rates.</p> <p>During budgeting process, revenues are forecasted based on their specific sources, while expenditures are forecasted according to the classification of budget expenditures:</p> <p>functional expenditures – costs for performance of government functions;</p> <p>economic expenditures – government spending on economic purposes (wages, social security contributions, capital expenditures, utilities, etc.);</p> <p>organizational expenditures – expenses on holders of budgetary funds and territorial affiliation.</p> <p>This model has been used since the Soviet times and: a) provides funding to all budget institutions based on a unified approach; b) allows monitoring of the targeted use of budgetary funds.</p>
<p><b><u>Challenges:</u></b> Regardless of the budgeting approach used, the main challenge is the lack of analysis of ongoing expenditures. Budget discussions often focus only on 'new spending initiatives' (referred to as 'incrementalism').</p>	
<p><b><u>The budget cycle</u></b></p> <p>The budget cycle usually runs in four stages. Each of these stages provide UNICEF various opportunities for engagement:</p> <ol style="list-style-type: none"> <li>1. <i>Budget preparation (or formulation)</i> – when the budget plan is put together based on budget requests of recipients;</li> </ol> <p>UNICEF is oftentimes provided the final version of the document, and is very rarely aware of the implementation schedule and detailed budget structure. Without having access to this information, UNICEF cannot clearly plan its objectives, timing and results of interventions.</p> <ol style="list-style-type: none"> <li>2. <i>Budget approval</i> – is a stage when a draft budget is being discussed, approved and adopted by the respective legislative authority;</li> </ol>	<p><b><u>The budget cycle in Uzbekistan</u></b></p> <p>The budget cycle in Uzbekistan consists of four stages.</p> <ol style="list-style-type: none"> <li>1. <i>Budget formulation</i> includes the following steps: <ul style="list-style-type: none"> <li>• The Ministry of Finance defines the procedure for preparing a budget request for an upcoming period and forwards it to holders/managers of budgetary funds: the Council of Ministers of the Republic of Karakalpakstan, regional khokims and he khokim the city of Tashkent, as well as holders of public trust funds.</li> <li>• Preparation and submission of budget requests;</li> <li>• Consideration and collection of budget requests;</li> <li>• Development of a budget document, including the draft of the state budget.</li> </ul> </li> </ol> <p>The key document here is <i>a budget request</i>, which is prepared to justify the need for budget allocations for the upcoming year.</p> <p>UNICEF is not entitled to direct participation in this stage, although budget recipients should reflect both budgetary funds and extrabudgetary (including donor funds) in their 3-year budget request. Therefore, logically, recipients would be expected to work out and consider <i>all possible</i> sources of funds (including donor funds), however this does not happen in practice.</p> <ol style="list-style-type: none"> <li>2. <i>Budget approval.</i> Draft state budget is submitted by the Cabinet of Ministers to Oliy Majlis (no later than October 15th), where it is considered and adopted first by the Legislative Chamber, and then by the Senate (no later than December 15th). Upon adoption of the budget by Oliy Majlis, the state budget is approved by a Presidential Decree.</li> </ol>

<sup>52</sup> Literature used: How to Engage in Budget Cycles and Processes to Leverage Government Budgets for Children, Public Finance for Children (PF4C) Technical Guidance Note Series, No. 1 February 2016.

<p>Approval—is when the government presents the budget to parliament—creates an opportunity UNICEF and civil society to impact the budget and change the structure of investments.</p> <p>3. <i>Budget execution</i> – is the implementation stage, where the government implements the budgeted expenditures.</p> <p>UNICEF and civil society groups have limited ability to monitor the flow of funds. Possible forms of UNICEF engagement could be focus on whether amounts for specific projects have been used for the intended purpose (through interviewing community members and beneficiaries).</p> <p>4. <i>Audit and assessment</i> – assessment of expenditure practices - actual expenditures versus budgeted ones.</p> <p>In many countries, the legislature does not have adequate capacity to research and analyze budget information.</p>	<p>Consideration and adoption of local budgets of regions and the city of Tashkent are within the powers of the regional, district and city Kengash People's Deputies (Law "On Local State Authorities" (Article 24)).</p> <p>UNICEF is not entitled to direct participation in this stage, because open public hearings and other forms of civil society engagement in discussion of the drafts of state budgets are not stipulated by the legislation.</p> <p>3. Budget execution includes:</p> <ul style="list-style-type: none"> <li>• ensuring the receipt of revenues to state budget and the implementation of budgeted expenditures;</li> <li>• controlling revenues and expenditures by using a single chart of accounts of treasury execution of the state budget, developed on the basis of budget classification. During treasury execution of the State Budget, the Treasury performs functions of preliminary and current controlling.</li> </ul> <p>4. <i>Audit and assessment.</i> The Ministry of Finance submits quarterly and annual reports on execution of the state budget to the Cabinet of Ministers. The Accounts Chamber is obliged to conduct an external audit of the Report on execution of the state budget and report the findings to Oliy Majlis. The Budget Code provides for publication of information on the approved and executed State Budget and the Public Trust Fund budgets (Articles 17 and 169).</p> <p>The Law "On Local State Authorities" provides for hearing of the khokims' reports at the meeting of the Kengash of People's Deputies and mandatory publication of those reports in the media.</p> <p>Given the lack of legislative mechanisms and skills for public monitoring, participation of outside organizations (including UNICEF) in monitoring activities related to use of budgetary funds is not implemented.</p>
<p><b>Challenge:</b> Despite the existence of 4 stages of the budget cycle, the impact on improving the wellbeing of children in most countries is quite low. The reason is little connection between the policy making and the budgeting process (planning and budgeting of expenditures).</p>	
<p><b>Legal Framework for Budget Process</b></p> <p>The legal framework consists of the following: a) the Constitution; b) the budget law; c) various financial regulations. These legal documents are permanent and form the legal framework for the annual budget law.</p> <p>Generally, budgets and budget systems are not linked to child rights or human rights-based approaches. This in itself is relevant because child strategies, policies and legislation may not be included in the budget law or financial regulations.</p>	<p><b>Legal Framework for Budget Process</b></p> <p>In Uzbekistan, the legal framework for budget process includes:</p> <p>a) the Constitution; b) the Budget Code; c) the Law "On the Legislative Chamber of Oliy Majlis"; d) The Law "On the Senate of Oliy Majlis"; e) The Law "On Local State Authorities"; e) Presidential Decree "On forecasting the main macroeconomic indicators and parameters of the state budget" (annually); g) acts regulating the budget process:</p> <ul style="list-style-type: none"> <li>- Rules for preparation and execution of the State Budget of the Republic of Uzbekistan (Registration No. 1111 dd. 14.03.2002);</li> <li>- Instructions for using budget classification (Registration No. 2146 dd. 11.10.2010);</li> <li>- Regulations on the procedure for preparation, approval and registration of budget estimates and staffing tables of budget organizations and recipients of budget funds (Registration No. 2634 dd. December 15, 2014)</li> </ul>



	<p>- Instructions for quarterly allocation of planned annual revenues and expenditures in budgets of the Republic of Karakalpakstan and local budgets, maintaining records of changes made during budget execution, funding of organizations and budgeted activities (Registration No. 1025 dd. 12.04.2001. ), etc.</p>
<p><b>Challenge:</b> The legal framework forms potential areas for UNICEF engagement. The key point for ensuring the efficiency of UNICEF interventions is working with line ministries and departments to ensure that child spending is costed in the annual budget. To do this, it is necessary to develop an approach on child investments that would link the realities / peculiarities of the budget process of a particular country with child rights.</p>	

# Annex 4. Global Social Progress Index, Uzbekistan 2017

2017 Social Progress Index	SCORE	62.02	BANK	85/128		UZBEKISTAN	
	GDP PPP per capita	\$5,717		89/128			

Basic Human Needs			Foundations of Wellbeing			Opportunity					
SCORE/VALUE	RANK	STRENGTH/WEAKNESS	SCORE/VALUE	RANK	STRENGTH/WEAKNESS	SCORE/VALUE	RANK	STRENGTH/WEAKNESS			
<b>82.58</b>	<b>57</b>		<b>61.34</b>	<b>97</b>		<b>42.12</b>	<b>96</b>				
<b>Nutrition and Basic Medical Care</b>	<b>94.76</b>	<b>69</b>		<b>Access to Basic Knowledge</b>	<b>98.04</b>	<b>27</b>		<b>Personal Rights</b>	<b>5.31</b>	<b>128</b>	
Undernourishment (% of pop.; 5 significant)	5.00	1		Adult literacy rate (% of pop. aged 15+)	99.00	1		Political rights (0=no rights; 40=full rights)	0.00	128	
Depth of food deficit (calories/undernourished person; 8 significant)	29.00	62		Primary school enrollment (% of children)	98.88	39		Freedom of expression (0=no freedom; 16=full freedom)	0.00	128	
Maternal mortality rate (deaths/100,000 live births)	35.93	61		Secondary school enrollment (% of children)	95.92	52		Freedom of assembly (0=no freedom; 1=full freedom)	0.06	94	
Child mortality rate (deaths/1,000 live births)	39.10	89		Gender parity in secondary enrollment (distance from parity)	0.02	31		Private property rights (0=none; 100=full)	15.00	115	
Deaths from infectious diseases (deaths/100,000)	46.44	66		<b>Access to Information and Communications</b>	<b>52.06</b>	<b>114</b>		<b>Personal Freedom and Choice</b>	<b>68.00</b>	<b>43</b>	
<b>Water and Sanitation</b>	<b>76.79</b>	<b>79</b>		Mobile telephone subscriptions (subscriptions/100 people)	73.32	112		Freedom over life choices (% satisfied)	97.52	1	
Access to piped water (% of pop.)	47.37	83		Internet users (% of pop.)	42.80	75		Freedom of religion (1=low; 4=high)	1.00	116	
Rural access to improved water source (% of pop.)	80.91	86		Press Freedom Index (0=most free; 100=least free)	61.15	124		Early marriage (% of women aged 15-19)	5.00	44	
Access to improved sanitation facilities (% of pop.)	100.00	1		<b>Health and Wellness</b>	<b>60.06</b>	<b>87</b>		Satisfied demand for contraception (% of women)	82.30	27	
<b>Shelter</b>	<b>88.08</b>	<b>16</b>		Life expectancy at 60 (years)	18.38	79		Corruption (0=high; 100=low)	21.00	121	
Availability of affordable housing (% satisfied)	84.74	2		Premature deaths from non-communicable diseases (deaths/100,000)	552.40	103		<b>Tolerance and Inclusion</b>	<b>55.78</b>	<b>47</b>	
Access to electricity (% of pop.)	100.00	1		Suicide rate (deaths/100,000)	10.46	63		Tolerance for immigrants (0=low; 100=high)	72.43	29	
Quality of electricity supply (1=low; 7=high)				<b>Environmental Quality</b>	<b>35.22</b>	<b>126</b>		Tolerance for homosexuals (0=low; 100=high)			
Household air pollution attributable deaths (deaths/100,000)	28.40	70		Outdoor air pollution attributable deaths (deaths/100,000)	98.27	112		Discrimination and violence against minorities (0=low; 10=high)	7.30	81	
<b>Personal Safety</b>	<b>70.70</b>	<b>60</b>		Wastewater treatment (% of wastewater)	0.00	100		Religious tolerance (1=low; 4=high)	3.00	54	
Homicide rate (deaths/100,000)	3.20	60		Biodiversity and habitat (0=no protection; 100=high protection)	56.18	113		Community safety net (0=low; 100=high)	94.01	9	
Level of violent crime (1=low; 5=high)	3.00	59		Greenhouse gas emissions (CO2 equivalents per GDP)	1,500.00	124		<b>Access to Advanced Education</b>	<b>39.39</b>	<b>72</b>	
Perceived criminality (1=low; 5=high)	3.00	31		<b>Strengths and weaknesses</b>				Years of tertiary schooling			
Political terror (1=low; 5=high)	3.00	73		Overperforming and underperforming are relative to 15 countries of similar GDP per capita:				Women's average years in school	12.97	48	
Traffic deaths (deaths/100,000)	11.20	42		India, Nigeria, Laos, Honduras, Nicaragua, Congo, Republic of, Moldova, Pakistan, Myanmar, Bolivia, Philippines, Ghana, Angola, Mauritania, Yemen				Inequality in the attainment of education (0=low; 1=high)	0.01	2	
								Number of globally ranked universities (0=none; 10=most highly ranked)	0.00	77	
								Percent of tertiary students enrolled in globally ranked universities (0=none; 6=highest enrollment)	0.00	77	

**SOCIAL PROGRESS IMPERATIVE**