Uzbekistan

In BEEPS V, the top three business environment obstacles faced by firms in Uzbekistan were electricity issues; competitors' practices in the informal sector; and access to finance (Chart 1). In BEEPS IV crime, theft and disorder; electricity issues; and workforce skills were the most binding constraints.

Worsening electricity supply reliability and poor access to long-term financing

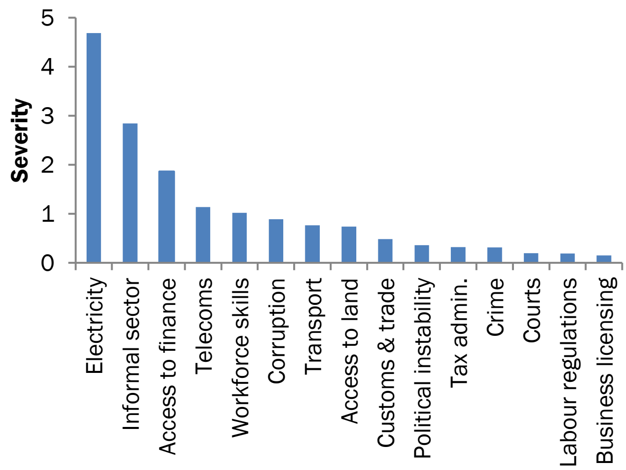
Electricity issues remained a top obstacle to firm performance in Uzbekistan. While the wait for an electricity connection decreased from 28 days in BEEPS IV to six days in BEEPS V and the share of firms that experienced power outages and their duration in BEEPS V decreased compared with BEEPS IV, the average number of power outages more than doubled to 15.3 in a typical month and the share of revenue lost due to power outages increased from 8.9% to 16.0%, the highest among the covered countries. The worsening supply reliability is caused by transmission bottlenecks as well as ageing and increasingly unreliable thermal power plants. According to the World Bank, 40% of the available generation capacity is past or will reach the end of its service life by 2017.

Competitors' practices in the informal sector were in second place, despite the fact that the share of firms that reported to compete against unregistered or informal firms decreased from 39.2% in BEEPS IV to 15.7% in BEEPS V as a result of tight fiscal and monetary policy as well as making it easier to register a business since the previous round. Over the last 10 years the government introduced changes to a tax code and gradually reduced tax levels in some sectors to as low as 5%, while tight import regulations ensure domestic production and consumption leading to greater transparency.

In contrast to BEEPS IV, **access to finance** emerged in third place in BEEPS V. By far the most important source of working capital financing as well as of fixed assets purchases in Uzbekistan were internal funds and retained earnings - 91.9% and 82.3%, respectively. These were among the highest shares in Central Asia. The share of firms with a loan or a line of credit in BEEPS V was higher than in BEEPS IV: 26.4%, compared with 10.5%. However, the average original loan duration was the shortest among the covered countries at 16.8 months.

Crime, theft and disorder moved to the 12th position in BEEPS V. The share of firms that paid for security as well as those that experienced losses as a result of theft, robbery, vandalism or arson on their premises decreased since BEEPS IV, and the losses were half of those they experienced then: 9.3% of total annual revenue in BEEPS V compared with 18.3% in BEEPS IV.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Losses due to power outages

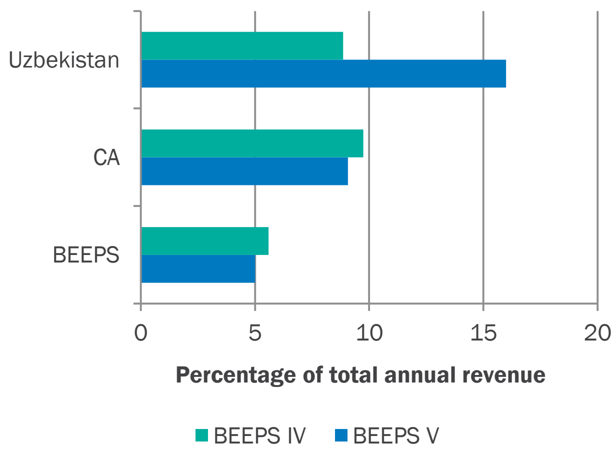
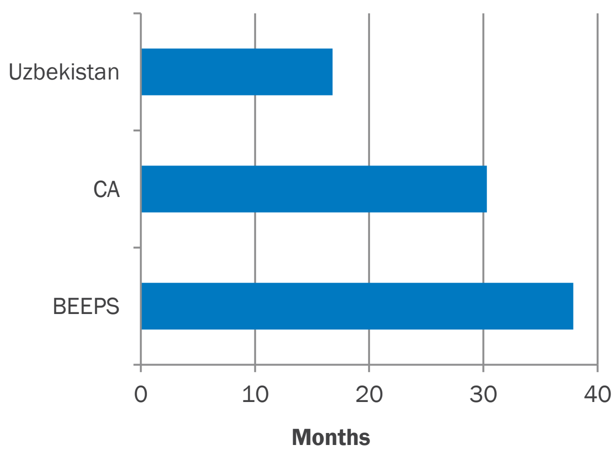


Chart 3. Average original loan duration



Survey fieldwork period: January 2013 – October 2013. CA: Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan. Small and medium-sized enterprises (SMEs) have 5-99 employees. Young firms are less than 5 years old.