

Kazakhstan

In BEEPS V, the top three business environment obstacles identified by firms in Kazakhstan were competitors' practices in the informal sector; electricity issues; and access to finance (Chart 1). For large firms, electricity issues and workforce skills were among the biggest challenges. Young firms listed corruption as a major constraint. In BEEPS IV, the top three obstacles were workforce skills, access to finance and electricity issues.

Limited access to finance, skilled workers and electricity remain a challenge

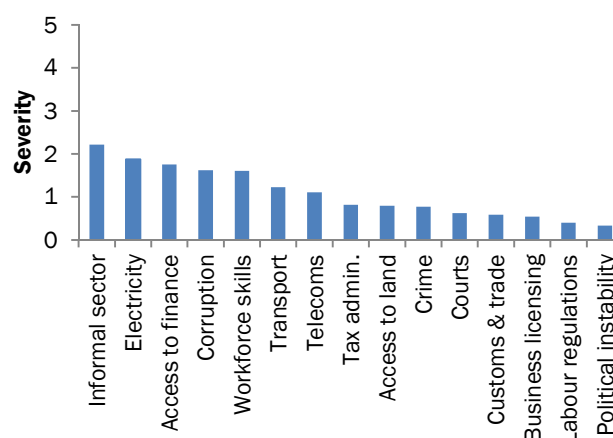
Competitors' practices in the informal sector emerged as the biggest challenge in the business environment in Kazakhstan in BEEPS V. In contrast to some of the other countries in Central Asia (CA), the share of firms competing against unregistered firms decreased by only 2 percentage points since BEEPS IV, to 34.7%.

Electricity issues remained in second place, despite many improvements since BEEPS IV. The average number of days to obtain an electrical connection decreased from 102 to 32, the duration of power outages halved and the losses resulting from power outages decreased from 5.4% of total annual revenue in BEEPS IV to 3.8% in BEEPS V. However, the share of firms that reported an informal payment was expected or requested to obtain an electricity connection increased to 33% and exceeded the BEEPS average by 21 percentage points (Chart 2).

With regard to **access to finance**, only 19.2% of all establishments had a loan or a line of credit in BEEPS V, down from 33.2% in BEEPS IV (Chart 3). The share of bank financing of fixed asset purchases decreased from 17.7% in BEEPS IV to 8.8% in BEEPS V, below both the CA and BEEPS averages. The collateral requirements for loans more than doubled to the median of 170% of loan value. The share of firms that applied for a loan in BEEPS V – at 15.4% – was roughly half of that in BEEPS IV, and almost a third of them were rejected, all of them SMEs (amounting to 37% of SMEs that applied for a loan). The share of firms that needed a loan but were discouraged from applying increased from 46.8% in BEEPS IV to 67% in BEEPS V.

Workforce skills were less binding than in BEEPS IV, moving from first to fifth place. The percentage of employees with a university degree increased from 33.8% in BEEPS IV to 44%, which was higher than the CA average and about 14 percentage points higher than the BEEPS average. Part of this effect might be due to the reduction in migrant labour quotas imposed by the Kazakh government in response to the financial crisis.

Chart 1. Business environment obstacles



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

Chart 2. Informal payments to obtain electricity



Chart 3. Firms with a loan or a credit line

