

«According to the World Bank’s 2018 report, Uzbekistan appeared on the 76th place in the “Doing Business” rating, notably the rating dramatically improved in the period of 2012-16 when no reforms were practically implemented in the country. Such “progress” does not correspond to the reality», - notes Yuliy Yusupov, director of the Center for Economic Development.

“The “Doing Business” report” is an annual World Bank study that assesses the ease of doing business in 190 countries based on 10 indicators”.

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Yuliy Yusupov. Photo source: kun.uz

CABAR.asia: What places did Uzbekistan occupy in the “Doing Business” rating for

the last five years?

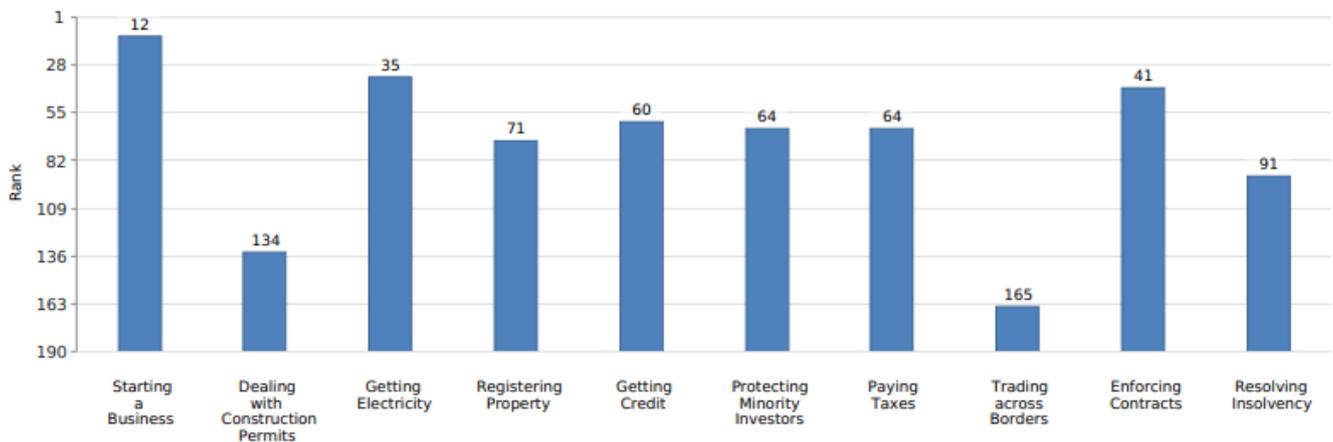
To begin with, the data indicated in the World Bank report differ significantly from the current economic situation in the country. Due to not entirely correct electricity supply indicators, we found ourselves in 35th place in 2018 - which is fantastic. In that year, we only began to introduce economic reforms, thanks to which, certain changes are being observed now.

Uzbekistan’s rating in the World Bank report improved in those years when no reforms were carried out at all. From 2012 to 2017, indicators in Uzbekistan began to increase artificially, while other countries slowly but surely headed for real growth.

The indicators that are used in the World Bank rankings are in fact unsuitable for such countries, as Uzbekistan.

Because of manipulations, which were carried out at the insistence of the Uzbek government, from 2012 to 2017, the indicators have fantastically improved, although there have been no reforms.

Rankings on Doing Business topics - Uzbekistan



Source: *worldbank.org*

For example, let us discuss the energy sector. We are among the top 40 best countries in terms of energy security. People living on the territory of Uzbekistan and who at least know something in the economic component understand that our situation with energy supply was catastrophic, especially in remote areas. In some villages, electricity was supplied for about two hours a day, but most of the time people were left without electricity. Nonetheless, Uzbekistan was among the top 40 electricity supply countries in “Doing Business”, which is

absurd. This situation is associated with the wrong methodology for Uzbekistan. Maybe in other countries, there is no big difference in providing the capital cities and regions with electric power, but in Uzbekistan, it is, and it is enormous.

In this case, what criteria should be included in the rating in order to create a correct methodology for calculating data?

No one is going to change the methodology just for the sake of Uzbekistan. All claims on invalid data are against the officials, of both Uzbek, and the World Bank. They met the wishes of our government. Officials simply could not withstand this pressure and gave it away. Therefore, internal methodologies were revised to improve somehow the performance in Uzbekistan. But the World Bank rating itself is more focused on analyzing more developed economies. Therefore, it objectively cannot reflect the situation with the business climate in Uzbekistan well.

In Uzbekistan, there have been and remain problems that simply do not fall under this rating. For example, we had a problem connected to the lack of conversion, which has long been absent in the vast majority of other countries. Thus, this indicator will not be included in the rating, just because of Uzbekistan. Accordingly, our country needs to focus not so much on “Doing Business”, but to make up its internal rating in order to look at the situation by regions. Such a rating should be exact and aimed specifically at our gaps.

The indicators that are listed in the World Bank rankings mainly reflect the problems of the developed countries. However, these countries had survived our obstacles to progress many years ago.

In our country, first, problems are connected with the protection of property rights and excessive state regulation of the economy. Commercial banks are forced to provide loans to businesses at low interest rates. In other countries, commercial banks set interest rates on their own, and no one can force them to issue loans at the decision of officials.

By what other criteria were the results shown in the “Doing Business” rating for improving the economy in Uzbekistan?

For 2012-2016, the availability of loans had improved. Just in those years, commercial banks were “commercial” just in naming unit, because they were actually branches of the central bank; they did not even have the right to set their own interest rates and issued loans according to prescriptions from the top. In order to cover their costs associated with low-interest rates on loans, they simply charged a huge commission from enterprises, given

their monopoly position. In addition, with this system of commercial banks, we were given 46th place in 2016, which is also fantastic.

That is, the researchers making up the rating proceeded from some indicators that were inadequate to our situation, and did not look at the real situation.

The same thing happened in taxation; wherein 2012 we were given 168th place, and in 2018 - Uzbekistan already moved to 78th place. We somehow managed for unknown reasons to rise sharply in the rating, although the tax system was simply nightmarish and practically no reforms were carried out during these years. We only began the tax reform in 2019.

What should Uzbekistan do to improve the business climate?

Since 2017, quite a lot of things have been done, especially in the field of liberalization of foreign economic activity and the banking system. They introduced the conversion of the national currency for current operations, and made it possible for commercial banks to work independently. As a result, competition began to develop in the financial sector and banks became customer-oriented. Many administrative barriers were eliminated in foreign economic activity, especially when exporting. A number of import customs duties were reduced.

In 2019, Uzbekistan began a very important tax reform for the country, albeit with great mistakes and shortcomings. The reform has radically changed the old tax system, which has been harming the economy for many years.

If we did not change tax reform but changed everything else, then it would not be possible for the economy to develop well.

If we talk about the current situation, the protection of property rights is quite an acute problem. Property can be taken away, whenever and however desired. The judges sign any decision that comes down from the top. If the state body requires the court to decide in favor of the state, and the prosecutor's office supports it, then with 100 percent probability the judge will sign the decision in favor of the government.

How do people try to fight such injustice?

If we talk about life in Tashkent, now at least there is an opportunity to resist, post publications in social networks. The Internet space is simply littered with similar cases, when out of nowhere they are trying to close an enterprise, and take away the property. This is done under dubious pretexts, for example, under the pretext that the cattle burial

site was in the disputed location. Even if the information is not confirmed, but the accusing party claims that there is a risk that the cattle burial site did exist, the business can be closed just based on such a statement. There are many cases similar to the above mentioned.

How can Uzbekistan improve its position in the “Doing Business” rating?

In order to occupy a leading position in the “Doing Business” rating, we still have a lot to do, but so far, we do not need it. No matter how the state cares about the country’s position, for Uzbekistan the methodology of this rating is not quite adequate. We have many other significant problems that are not reflected in this rating.

There is a problem of developing competition, creating equal conditions in opening and running a business. There are many monopolized markets in which the monopoly’s formation is considered as totally artificial. There are privileges for individual companies or groups of companies that parasitize on the consumer and on the budget.

Unequal rules of the game are known as the barriers - these are customs payments, under the pretext of “protecting domestic producers”, which they have defended for the last 20 years without any results. By this way, we have created poverty in the country.

Now new industries are emerging, as well as our electrical industry, which also broke through high customs payments and many other benefits.

In order to take slow but sure steps towards a developed market economy, it is necessary to reform the entire economy, the political and legal systems, the judicial system, the social sector, health care and education, the pension fund, and labor legislation. Therefore, it is not necessary to look at the World Bank rating, it is necessary to assess the real situation in the country, most problems of which are not reflected in the rating.

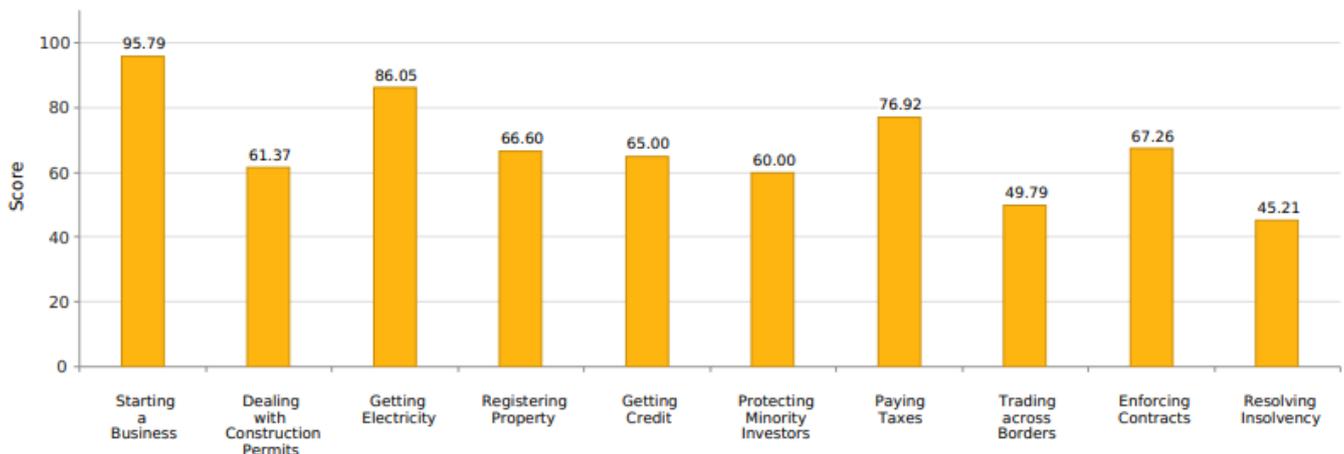
Is it easy to open and start a business in Uzbekistan?

To open a certain business now is quite easy. Formal procedures are simplified. Another thing, if you open a business, and have problems in the process of opening it. For example, connecting supply lines. In order to connect electricity, gas or to find land for rent, be prepared to overpay, because it will not be possible without bribing.

The land is state property and is distributed according to the decisions of the hokims. Now hokims are mainly imprisoned for taking bribes in the distribution of land.

In addition, business related problems might arise due to enterprises that use various kinds of benefits: tax, customs, credit, and access to resources. Try to compete with them if you do not have such benefits.

Ease of Doing Business Score on Doing Business topics - Uzbekistan

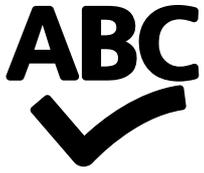


Source: worldbank.org

And this is very bad when enterprises, which are obviously ineffective, are kept at the expense of state-provided benefits, which allow them to expand production, burn resources, and produce non-competitive products. But time shows that such an inefficient investment, sooner or later, leads to the closure of the enterprise. As a rule, this happens when benefits are canceled and competition barriers are removed. However, as soon as it comes to eliminating the benefits and barriers to competition, such comments could be heard: “People are working there, after all. We have invested so much into these production, is it not a pity to close them now? ” Then the state again issues preferential bonuses, due to which we will end up with a non-competitive economy. In business, the best must survive: 1 out of 100 must survive in order to create powerful large competitive production that can hold positions in foreign markets.

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Successful Positions of Uzbekistan in the “Doing Business” Rating:
True or False?



If you have found a spelling error, please, notify us by selecting that text and pressing *Ctrl+Enter*.