

Profile:

Political analysis and public policy (Degree in Political Science)

ID - 240

You have 180 minutes to complete this task.

Read the article (Verme, 2006) and critically analyze it in English. Please write an essay that is logically structured and answers the questions below.

***Please note: you must answer in English**

Verme, Paolo. "Macroeconomic policies and social unrest in Uzbekistan." *Post-Soviet Affairs* 22.3 (2006): 276-288.

Questions:

1. In the article the author connects a series of events surrounding the arrests of businessmen in Andijon and a number of reforms that were pursued by the Uzbek government. Why does the author make this association?
2. The author examines changes in a number of policy domains. In what ways do each of these reforms influence SMEs in the country? What kind of argument is the author advancing through this analysis?
3. In the final section of the article, Verme makes an argument about the position of IFIs in regard to the government's reforms. Why do they take the positions that they do? And what effect does this have on government policy?
4. Finally, do you think that Verme provides a convincing argument that the government policies considered SMEs a threat, or do you believe that further research would be necessary to make that claim?

While preparing the essay you may also find it helpful to comment on the following: What is (are) the public policy problem(s) in scope? Who are the actors interested in solving the described public policy problem, their interests and motivations, their goals? What are the potential solutions, which could be used by the actors?



Macroeconomic Policies and Social Unrest in Uzbekistan

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Macroeconomic Policies and Social Unrest in Uzbekistan

Paolo Verme¹

Abstract: What is the connection between the events of May 13, 2005 in Andijon and the key macroeconomic policies pursued by the Uzbek government between 1998 and 2004? Drawing on materials produced by international financial institutions and a think tank in Tashkent, an economist examines the Uzbek government's economic strategies and the attitudes of international financial institutions (IFIs) operating in Uzbekistan toward those policies. The larger issue of the nature of the IFIs' responsibility for implementation and outcomes is considered.

This article reviews some of the key macroeconomic policies adopted by the Uzbek government between 1998 and 2004. In this period, the government chose to adopt a set of measures aimed at undermining individually owned and Small and Medium Enterprises (SMEs),² which the establishment saw as a political and economic threat. The events that took place in Andijon on May 13th, 2005 must be understood in this context. The government's strategy and the International Financial Institutions' (IFIs) weak opposition call for both sides to make policy changes.

I begin with the epilogue to this story, briefly describing the events in Andijon as they unfolded in the spring of 2005. I then look back on macroeconomic policies implemented between 1998 and 2004 to find the thread that may have linked the state's economic policies to the tragic events of May 12–13, 2005. In addition, an examination of the role played by the IFIs operating in Uzbekistan helps to understand the context in which government reforms took place. The article's final section provides a possible rationale to explain the government's actions and the people's reactions.

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²The term "Small and Medium Enterprises" (SMEs) is used in this article to indicate all individual, small, and medium-sized private economic activities operating in the formal and informal sectors.

THE EPILOGUE

Social unrest in the city of Andijon began to mount in June 2004 when the government accused 23 local businessmen of “religious fundamentalism” and jailed them. These men were a group of successful businessmen who had managed to join forces to boost their activities and expand their businesses. They enjoyed support from the local population because they had contributed to creating jobs and had helped to make significant improvements in living conditions in the city.

In the eyes of the government, the people’s growing support for these local leaders and their increasing hostility to government institutions were reproducing a scenario that had already played out in other former Soviet republics. The Georgian revolution in November 2003, the popular demonstrations that eventually led to the Ukrainian revolution in November 2004, and the Kyrgyz revolution in March 2005 were all the products of dissatisfaction from below, from the poor, the excluded, the middle class, and small and medium businesses with no connections to the dominant economic and political groups.

Imprisonment of the local businessmen in the city of Andijon eventually resulted in growing unemployment and a worsening of living conditions in the city and surrounding area. This fuelled a climate of strong resentment toward the state. The conduct of the trial of the jailed businessmen, a hunger strike on their part, and popular demonstrations outside the local court contributed to rising tension in the city between January and May 2005.

On the night of May 12–13, 2005, the tensions erupted into violence. A group of residents seized the prison and freed the jailed businessmen. In an effort to re-establish order, the government intervened with the army and on May 13 troops dispersed the demonstrators by force, firing indiscriminately on civilians. The government’s official count is 173 victims but eye witnesses have estimated a death toll of up to 1,000 people.³

Why were the 23 businessmen jailed in Andijon if “religious fundamentalism” was not the cause? I will argue that this was the most extreme measure taken by the government to silence the political voice and economic threat of individually owned, small, and medium businesses in the country.

THE BACKGROUND: ECONOMIC POLICIES WITH A BIAS

In Uzbekistan, economic policies are driven by presidential decrees which provide the main guidelines for reforms. The follow-ups to these are the Council of Ministers’ resolutions, which give more substance and add

³For a full account of events see the Human Rights Watch’s report, “‘Bullets Were Falling Like Rain’: The Andijan Massacre, May 13, 2005,” at <http://hrw.org/reports/2005/uzbekistan0605/>.

detail to the guidelines and also the directives that Ministries are called upon to execute.⁴ During the 1990s, the Uzbek gradualist approach to economic reforms was praised internationally because, in comparison with other former Soviet Republics, it had managed to contain the post-independence recession significantly. Indeed, by the end of the 1990s, Uzbekistan seemed to have outperformed such neighboring countries as Kazakhstan (Banerji and Alam, 2000). However, it also became evident that delaying structural reforms was constraining development and growth so the Government was persuaded by the international community to apply a more radical set of transitional reforms.

Between 1998 and 2004, a wide range of macroeconomic and business regulation reforms aimed at accelerating the transition toward a market economy were implemented. Macroeconomic stabilization, market liberalization, and privatization were three of the central objectives of these reforms but two other important goals were supporting and strengthening SMEs as well as the development of a social protection strategy aimed at poverty reduction. The IFIs operating in Uzbekistan strongly advocated and added their support to sustain these last two objectives.

By 2004, macroeconomic stabilization had largely been achieved and privatization was well on its way but in the area of internal and external market liberalization and in terms of SMEs support and poverty reduction, the implementation of reforms turned out to be rather inconsistent with their stated objectives. In fact, a closer look at macroeconomic reforms suggests that the government's real objectives may have been different from those it stated publicly and had agreed upon with the international community. I will look at fiscal, monetary, trade and exchange rate, and budgetary policies to develop this point.

Fiscal Policies

Tax policies can be an effective instrument for redistribution and for reducing income inequality and poverty. This can be achieved by introducing a more "progressive" structure of taxation with individuals who earn higher incomes paying progressively higher shares in taxes. Can tax reforms in Uzbekistan be qualified as "progressive"?

The Personal Income Tax (PIT) reforms implemented between 1998 and 2004 saw a reduction in the number of income brackets (from six to three) and in average taxation. Reducing the number of brackets can be an effective tool to simplify the system and reduce administrative costs and reducing average taxation is good for the economy as a whole. A reduction of the tax rate for the richest taxpayers may also encourage better tax compliance from this group. However, the tax rate for the lowest income bracket increased from zero in 1998 to 13 percent in 2004 while the tax rate

⁴For a list of presidential decrees and resolutions, see the website of the President's press office, <http://www.press-service.uz/en/group.scm?groupId=4641§ionId=4684>.

for the upper income brackets decreased from 40–45 percent to 30 percent (IMF, 2005a). PIT reforms may have been good for the economy but they have been “regressive,” helping the rich relatively more than the poor.

During the same period, the Corporate Income Tax (CIT) base rate was reduced from 35 percent to 18 percent, which is certainly good for business. However, reforms also abolished several kinds of preferential treatment for socially desirable activities while maintaining or boosting preferential treatment for larger firms and foreign firms. For example, in 1998, enterprises producing children’s goods enjoyed a lower tax rate for at least 20 percent of their output but this preferential treatment was subsequently abolished. Instead, preferential treatment was maintained for larger businesses and foreign firms such as enterprises with foreign capital above one million USD. What is more important is that enterprises included in the government’s “investment plan” have been exempted altogether from the CIT for seven years. The list of these companies is not published and there is no publicly available information about what the criteria for choosing the companies are.

On the surface, the government has been very active in passing legislation to improve the operations of SMEs but the substance of these and other reforms shows that SMEs do not enjoy any preferential treatment. From 1996 on, small firms that adopted a simplified tax system have been exempted from all taxes with the exception of a single tax on gross turnover. In 1998, individual entrepreneurs were exempted from the PIT and were subject to a fixed tax. In 1999, enterprises in the trade and catering sector were exempted from the profit tax and became subject to a different tax on gross profits.

However, if one looks at the actual tax rates applied to small and individual businesses since 2000, these are higher than the general CIT. According to an International Financial Corporation survey on SMEs (IFC, 2005), small businesses in the agricultural, trade and catering and construction sector pay an average of 21 percent of revenues which is above the 18 percent set for general taxation.

The fiscal burden for SMEs has also increased in other areas. For example, a May 2003 decree introduced new customs tariffs for goods imported by private persons (affecting mostly shuttle traders) in the amount of 50 percent for food items and industrial equipment and in the amount of 90 percent for other goods. This set off a series of protests and was responsible for the almost immediate closure of the largest street markets in Tashkent and elsewhere across the country for several weeks (Delétroz, 2003). Tariffs on imported goods increase the cost of inputs for SMEs reducing profits while taxes for these companies are generally levied on revenues, not profit. In this way, companies pay taxes on the increase in prices determined by the tariffs. This perverse mechanism is also in place for the Value Added Tax (VAT), which is calculated gross from excises and tariffs rather than net (IFC, 2005).

In essence, fiscal policies have generally moved in the direction of making the tax burden lighter for the economy as a whole but with a clear

bias against small and individual businesses. For these, the burden has not decreased but has increased. The IFC's report (2005) indicates that the percentage of SMEs that declared the tax burden to be a major obstacle to growth expanded from 42 percent in 2002 to 62 percent in 2004, an almost 50 percent increase. Moreover, almost all indicators of the business environment for SMEs including inspections, regulations, customs procedures, and corruption have worsened in this period. For SMEs, between 2000 and 2004 it became increasingly more difficult to do business.

Monetary Policies

Monetary policies can help the economy to expand if they are expansionary, i.e., if they make the cost of money cheaper for those who wish to borrow and invest. Such policies are generally suitable during a recession while the government may want to restrict money access if the economy overheats from accelerated growth or because the risk of lending is very high. Whatever the macro scenario, a country that aims at reducing poverty and supporting SMEs should make sure that the poor and small businesses do not suffer from financial discrimination. In fact, the government should provide privileged access to finance for these categories.

The macro scenario provided some ground for justifying restrictionary policies with some important caveats. According to government figures, Uzbekistan has enjoyed sustained output growth between 2000 and 2004 at a rate of around 4–4.5 percent. These figures do not automatically lead to runaway inflation and they have been challenged by the IMF, which reckoned that growth has been between one and two percentage points lower than government figures (see below for more on this point). However, in 2000 inflation was already high and close to 50 percent which induced the IMF to advocate restrictionary monetary policies. Indeed, the government implemented a set of policies aimed at restraining money supply, which resulted in declining inflation, a very positive achievement for the economy as a whole.

The downside of these policies is that they contributed to a sharp rise in real interest rates (the difference between interest rates and inflation). This may be explained by the fact that banks adjust to declining inflation at a lower pace for their convenience and because they may fear that the decline in inflation is not sustainable. The growth in real interest rates may also be justified if there is a sudden growth in lending risks. Yet there is little evidence of a rise in lending risks in Uzbekistan and it would seem that the central bank itself has been responsible for most of the increase. The real interest rate calculated using the central bank refinance rate was seven percent in 2000 and it increased to 21 percent by the second quarter of 2004. The corresponding average real interest for commercial banks was around one percent in 2000 and increased to 22 percent by the second quarter of 2004.⁵ Therefore, the "premium" applied by commercial banks was rather low and the increase in real interest rates is explained entirely by the central bank policy which is dictated by the government.

Moreover, if one uses the food consumption index to estimate the real interest rates, it is evident that the marginal increases in these rates have been higher for food producers. Borrowing money became very expensive for enterprises, particularly small ones, and almost prohibitive for food producers such as farmers. Large state and private enterprises are only marginally affected by this phenomenon because the groups that control these enterprises are also the groups that control the banks. The enterprises that suffered the most from this rise in real interest rates are the SMEs, a fact well documented by the IFC's SMEs survey quoted above (2005).

Liquidity has been further discouraged by restrictions on banks and by the use of very small notes. According to Gemayel and Grigorian:

Commercial banks' limited access to their correspondent accounts at the Central Bank of Uzbekistan (CBU) is the main element of the policy to restrict cash in circulation. Banks are routinely unable to withdraw cash from their correspondent accounts at the CBU despite having sufficient balances in their accounts. This in turn limits their ability to meet their customers' legitimate requests to withdraw deposits (2005, p. 5).

In 2005, the largest bank note in use in Uzbekistan was the 1,000 Sum note⁶ which was equivalent to less than one USD while the 500 Sum note was the main means of exchange. In order to improve control over liquidity the government was also experimenting with a form of electronic money, a government bank card to be used by all enterprises and households for daily transactions. These types of unorthodox measures to control money supply restrict consumption demand and make the operations of households and also those of small and medium businesses very difficult. The government is evidently very suspicious of any financial operation over which it does not have direct control.

Trade and Exchange Rate Policies

Up until 1999, Uzbekistan had a multiple exchange rate regime, which was able to control the flow of foreign currencies. Following pressures from the IMF and the prospect of WTO accession, the government discarded the multiple aspect of the exchange rate system and produced a unified exchange rate system. This measure led to a sharp rise in the demand for foreign currency, which the government confronted with a number of improvised measures. These included: (1) raising import tariffs and excise taxes; (2) requiring the use of cash registers for retail trade; (3) banning the sale of products imported by persons different from the reseller; (4) restricting the issuing of licenses for wholesale traders; and (5) introducing a certification system and requirements for international certification and

⁵Calculated by the author from data in *Uzbekistan Economy* (CEEP, 2004).

⁶The sum is the local Uzbek currency.

strengthening requirements for commodity branding (Sirajiddinov, 2004). The central bank had also put in place a quota system for controlling foreign exchange. In the capital, Tashkent, in January 2005, foreign exchange offices were running out of cash in the afternoon and towards the end of the month because of such system.

Aside from contradicting the officially declared policy of trade and exchange rate liberalization, these measures have seriously affected small traders in the formal and informal sectors. The use of a cash register for retail trade is costly while banning the sale of products imported by persons different than the reseller confines trade to large wholesalers (the number of whose licenses was also restricted) and damages the system of small intermediaries that characterizes the smaller retail system. Introducing a compulsory certification system is a serious blow for small businesses, which cannot afford to pay for it. Also, traders and consumers alike faced higher prices on imported goods. Again, these measures cannot be qualified as pro-poor or pro-SMEs.

Budget Policies

Budget policies focused on limiting the budget deficit. For example, in 2004, the Government of Uzbekistan (GoU) had pledged to restrict wage growth within 10–15 percent, to phase out subsidies for utilities, and to curtail public investments in order to keep the budget deficit to a projected 3.4 percent of GDP. The IMF had also argued that, due to the uncertainty of budget revenues, the budget deficit goal should have been set at 2.5 percent (IMF, 2004). According to IMF figures, the budget turned out to be positive in 2003 and 2004, an achievement not required nor one generally attained by OECD countries. The cost of this policy has been borne by the poor who benefit to a marginally greater extent from subsidized utilities, wages growth and public investments. There is no deficit but the poor are poorer as recognized by the IMF itself (IMF, 2005a).

The Uzbek Center for Economic Research (CER), a semi-independent think-tank based in Tashkent, has conducted research on family assets in Uzbekistan between 2002 and 2003 (CER, 2004, p. 34). They pinpointed a number of key factors affecting employment and household income including:

1. Tight additional limitations on private business in the trading sector, which have resulted in the decrease of employment and income in this sector and in the sector of production of consumer's goods;
2. Increased intervention of inspection and control authorities in the activities of economic operators, increased amounts of fines and increased risk for private sector operators to loose their businesses after inspection;
3. Significant limitations on operations in cash deposited in the account of enterprises;
4. Low demand among the population (...);
5. Increased income differences among

the population. 6. Lack of initial capital and business skills among poor households.

Some positive developments in growth, employment and real wages are reported in national statistics and these should provide good prospects for poverty reduction, at least in the medium and long terms. But a closer look at these figures casts doubt on their reliability. As noted in IMF and World Bank country reports, the deflators used to estimate GDP and wage figures in real terms are unrealistic. For example, while figures for real wages estimated in local currency show a net increase in recent years, the same figures in US Dollars equivalent show a net decline. The marginal increase in employment is instead almost entirely accounted for by the growth in public employment and growth financed by public investments in the construction sector. There is no employment growth in the truly private sector, a phenomenon observed elsewhere in low-income CIS countries (Verme, 2006) and labeled “jobless growth.”

Some of the adverse effects of macroeconomic policies could have been mitigated with a proper social protection policy but budget policies also entailed a reduction in social spending which resulted in a net decline in allowances for low-income families from 0.21 percent of GDP to 0.06 percent between 1998 and 2004 (IMF, 2005b). Inclusion errors (non-poor who receive benefits) and exclusion errors (poor who do not receive benefits), which are both significant in Uzbekistan, further reduced the number of poor who really benefited from these allowances (World Bank, 2003).

MAKING SENSE OF IT

The Government's Actions and the People's Reaction

By taking a number of actions aimed at undermining their economic and financial potential, the government has shown itself to be hostile to individually owned, small, and medium businesses. This is a breach of the government's official stated objectives on which they had agreed with the IFIs. The motives for this hostility are twofold. On the one hand, the peaceful revolutions in other former Soviet republics and the roles of the population and SMEs are direct threats to the current political leadership. On the other hand, the current leadership is thoroughly intertwined with large businesses operating in a regime of monopoly or controlled oligopoly for which small firms are potential sources of competition. Thus, the current establishment perceives SMEs as both an economic and a political threat.

When the state constrains economic and political freedom and ignores the needs of a large share of its population, the people find it necessary to resort to alternative sources of opportunities and leadership. The jailed businessmen of Andijon provided these opportunities and leadership for the local population, so it is not surprising that this group gained a great

deal of respect in a relatively short time. By contrast, the government of Uzbekistan perceived these same businessmen as a threat. When the government realized that economic policies had not been enough to curtail the rise of these businessmen, it resorted to imprisonment and then force. And yet it is precisely this type of pressure that pushes people away from the state and towards small, individual, informal, and illegal businesses. This is a necessary survival strategy when economic and political freedoms are suppressed.

The result of these trends has been to split the country into two hostile camps: on one side, the establishment, which is composed of government people who are also directly or indirectly in control of large businesses and financial institutions, and on the other, the rest of the people, that is, those who are engaged in individual, small and medium business activities. The latter group is increasingly becoming more frustrated and has gradually become more marginalized. For those who visit Uzbekistan today, it is evident that the country is dominated by fear. The government fears its own people and the people fear its own government. This is hardly the way forward on a democratic path to development and growth.

The Role of International Financial Institutions

How did the IFIs based in Uzbekistan respond to government policies that were so pro-rich, so pro-big business, and so anti-SMEs?

The IMF has not had financing programs in Uzbekistan since the mid-1990s (IMF, 2005a) but instead has focused on advising the government on inflation, the exchange rate, and the budget deficit. Its reviews of the economic situation in the country recognize the government's extremely tight squeeze on the private and small sector (IMF, 2005b) and rising poverty (IMF, 2005a) but the government of Uzbekistan has achieved its inflation, budget, and exchange rate targets and has been praised and rewarded for these achievements. On May 16, 2005 (three days after the events in Andijon described above), the Executive Board of the IMF concluded its Article IV consultation with the Republic of Uzbekistan. The Public Information Notice (PIN) on this agreement does not contain any reference to the events in Andijon and there is no reference to the government's crackdown on SMEs (IMF, 2005c)⁷.

The other International Financial Institutions, including the Asian Development Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, the International Financial Corpora-

⁷As stated in the PIN: "Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities" (IMF, 2005c, fn. 1).

tion, and the World Bank, have continued to pledge their support to the government of Uzbekistan and SMEs. Between 1998 and 2004, these organizations granted 70 loans for a total of 1.6 billion USD. Of these, 136.6 million went for SMEs projects.⁸

Uzbekistan is rated as one of the most corrupt and least business friendly countries in the world. It occupies the 143rd place in the 2005 Transparency International Corruption Perceptions Index, which includes 159 countries, with Iceland as the least corrupt country (first place) and Chad as the most corrupt, in the 159th place (<http://www.infoplease.com/ipa/A0781359.html>). It also ranks near the bottom in terms of political freedom. According to the 2006 Freedom House Index, which ranks countries according to political rights and civil liberties, Uzbekistan ranks last on both fronts with the worst score and in the same league as North-Korea (Freedom House website, <http://www.freedomhouse.org/>). Supporting the current government may be the way to power a vehicle for change but supporting pro-rich, pro-big business, and pro-establishment interests in a highly corrupt and authoritarian country cannot qualify as a good strategy for poverty reduction. Why are IFIs supporting the current government under such circumstances?

The IFIs' implicit support for the current government is the result of a combination of factors, which, on the surface and considered one by one, seem legitimate.

First, banks work if they lend money and if they don't their own survival is at risk. There is a lot of pressure on banks' staffs to deliver loans. This forces institutions to be as "apolitical" as possible. IFIs resident representatives are rewarded for their capacity to mediate with the government and deliver loans rather than for their critiques of the government. For example, the Asian Development Bank's (ADB) Country Assistance Program Evaluation for 1996–2004 states that "The ADB has been an effective apolitical player which has built up a degree of trust with the Government of Uzbekistan. Numerous officials advised the evaluation team that relationships with ADB are excellent and that ADB is the preferred development partner" (ADB, 2006, p. iv).

A good relationship with the government is important but being "apolitical" severely limits the IFIs' possible sphere of influence. Economic policies are not apolitical. Rather, they are made by governments with defined political agendas. A non-interventionist approach on the part of the IFIs implicitly supports the existing political agenda.

Second, the Uzbek government is very sensitive to any criticism. In many countries, there is a climate in which those working for international organizations in the country prefer to avoid language that might offend the government while government officials, even if they are extremely committed to responsible action, are themselves often the victims of fear "from above." They can tell the truth but lose their jobs. The result is that

⁸Calculated by the author with information provided by the respective IFIs.

articulation of the truth is often veiled or ambiguous. It is openly debated in personal conversations but carefully removed from written reports. The author of this article has witnessed this process in Uzbekistan and elsewhere in Central Asia on several occasions.

Third, the population rarely complains for fear of reprisal. When it does, it is because a critical mass of discontent has accumulated. At this point, it is difficult to control the population by peaceful means. The events in Andijon are one example of this.

Fourth, individual countries' aid strategies are strictly linked to business and geopolitical interest and these interests have an impact on multilateral organizations' policies. There are geopolitical interests that supersede concerns for SMEs in Uzbekistan. Among these are the US and Russia's struggle for military hegemony in Central Asia, efforts to control oil and gas reserves, and the fight against international terrorism. The Japanese Ministry of Foreign Affairs' Country Assistance Evaluation of Uzbekistan and Kazakhstan states that "Japan's assistance to Uzbekistan is justified by the fact that Central Asia and Caucasus are highly important regions for Japan due to geopolitical reasons and to natural resources."⁹ These are legitimate interests for any country but they also influence the policies pursued by multilateral institutions such as the World Bank and the ADB that are committed to poverty reduction. In some cases, there is a clear trade-off between short-term strategic country objectives and long-term multilateral development objectives. Resolving these dilemmas is a complicated task but one that is necessary for the long-term democratic stability and economic development of a country.

A WAY OUT?

In short, the government, the people, and the IFIs all have their own reasons to behave as they do. But the combination of all these factors contributes to maintaining a *status quo* that is not conducive to democratization of the country's institutions, development of SMEs, and poverty reduction. It is also the recipe for social unrest and violent repressions.

Alternative paths are possible. The government of Uzbekistan has a choice—it could adopt a policy that is more favorable to SMEs and the poor. Neighboring Kazakhstan has been able to reduce government opposition mainly thanks to poverty reduction and improvements in SMEs operations while maintaining a highly centralized government. Where business is thriving, discontent is lower even under an authoritarian government. This does not justify authoritarianism but can provide the necessary time lag for democratic reforms to emerge via a peaceful process. And IFIs have a choice—they can use their voice and the conditions they set to improve

⁹For the summary version of "Country Assistance Evaluation of Uzbekistan and Kazakhstan" (March 2005), see the OECD's Development Co-operation Directorate/Development Assistance Committee (DAC)'s website at http://www.dac-evaluations-cad.org/dac/abstracts_e.htm.

macroeconomic policies for SMEs and encourage a process of democratization. A proper SMEs reform is worth much more than a bundle of SMEs projects.

If the population of Uzbekistan does not see changes of that kind, it may take the path followed in Georgia, Ukraine, and Kyrgyzstan. If this occurs, we can only hope that the next revolution will unfold in a peaceful manner.

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