# CONSTRUCTION SECTOR OVERVIEW

1. Uzbekistan's construction sector is well established and comprises engineering and design services, builders and contractors, and construction equipment and construction material factories. In 2009, over 20,000 construction companies were registered, of which more than 90% are privately owned.[1] Construction firms have broad experience with major infrastructure projects and an extensive range of public and commercial buildings. While there are few small residential housing developers that mainly focus on urban areas, the sector offers a large number of contractors and an extensive range of construction and construction material companies[2] with significant interest and capacity to support the construction of rural houses under the Rural Housing Scheme (RHS). At 10% of the total value of civil works undertaken annually,[3] the Program offers the potential to significantly stimulate the rural construction industry and promote competition to ensure value for money.

2. The construction sector is regulated by the State Committee for Architecture and Construction (SCAC). The SCAC is responsible for developing sector policy and national guidelines and standards, and monitoring their implementation. With a network of regional and district offices, the SCAC is responsible for on-site inspection (prior to and during construction, and post construction prior to commissioning and handover) to ensure (i) site development and preparation are in accordance with local government by-laws and national environmental and safety standards; (ii) construction materials used meet national quality and environmental and safety standards; and (iii) building and construction processes are in compliance with national design and engineering norms and safety standards. Supplementary document 19 provides further information on quality assurance processes in place for construction materials and RHS building and construction, and the specific roles and responsibilities to be fulfilled by the SCAC, local government, and other specifically mandated agencies.

3. **Builders and Contractors.** About 20% of the over 20,000 registered construction companies nationwide (see footnote 1) have submitted bid applications to the RHS since its inception in 2009.[4] For RHS contracts, all construction companies are required to meet minimum evaluation and qualification criteria.[5] Of the almost 4,000 construction companies that have applied, all are privately held with over 40% registered as limited liability companies and almost 55% as private enterprises. Nationally, about 60-65% of the companies can be classified as small operations, that is, with less than 30 permanent staff and less than 5 large construction equipment/machines. Table 1 provides a regional breakdown.

[1] Registered firms include 35 lead design institutes, 300 large and 7,000 medium-sized construction companies, and 3,000 construction material manufacturers. Source: State Statistics Committee

[2] In addition to brick, door and window, and roof factories, there are 321 manufacturers of marble and granite, 233 manufactures of non-metallic products (sand, crushed stone, etc.), 134 reinforced concrete plants, 102 lime factories, 42 paint and varnish plants, 42 dry mortar factories, 33 ceiling and wall factories (gypsum, plastic, aluminum, etc.) and 4 tiles factories. Source: Uzpromstroymaterialy Joint Stock Company, Tashkent 2011.

[3] Source: ADB staff estimates.

[4] An RHS database of almost 4,000 contractors has been compiled by Qishloq Qurilish Invest (QQI).

[5] As outlined in RHS bidding documents.

**Table 1: RHS Contractors by Region, (%)**

| Region | Total Population (%) | Contractors by Region (%) | No. Permanent Staff (%) | | | | No. Large Equipment (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **<10** | **<30** | **<50** | **>50** | **<5** | **<10** | **<20** | **>30** |
| Andijan | 8 | 12 | 71 | 0 | 0 | 0 | 52 | 13 | 3 | 2 |
| Bukhara | 6 | 8 | 0 | 4 | 16 | 79 | 24 | 45 | 32 | 0 |
| Ferghana | 9 | 12 | 79 | 11 | 0 | 0 | 12 | 16 | 13 | 9 |
| Jizzakh | 6 | 5 | 98 | 2 | 0 | 0 | 99 | 1 | 0 | 0 |
| Karakalpakstan | 10 | 7 | 7 | 17 | 3 | 13 | 0 | 2 | 2 | 4 |
| Kashkadarya | 7 | 9 | 0 | 16 | 50 | 34 | 100 | 0 | 0 | 0 |
| Khorezm | 6 | 5 | 0 | 100 | 0 | 0 | 93 | 7 | 0 | 0 |
| Navoi | 4 | 6 | 98 | 2 | 0 | 0 | 84 | 12 | 2 | 0 |
| Namangan | 8 | | | | | | | | | |
| Samarkand | 9 | 9 | 96 | 0 | 0 | 0 | 71 | 6 | 2 | 0 |
| Sukhandarya | 6 | 8 | 100 | 0 | 0 | 0 | 100 | 0 | 0 | 0 |
| Syrdarya | 5 | 6 | 100 | 0 | 0 | 0 | 100 | 0 | 0 | 0 |
| Tashkent | 16 | 12 | 0 | 27 | 40 | 14 | 64 | 12 | 3 | 1 |
| Total/National Average | **100** | **100** | **53** | **12** | **11** | **12** | **62** | **10** | **6** | **2** |

Source: QQI

4. **Construction Material Factories.** There are more than 1,800 brick (931), door (387), window (469), and roof (70) factories operating countrywide. With a few exceptions (see para. 6), these factories are privately held with almost 55% registered as limited liability companies and over 40% as private enterprises. Almost 60% of all brick factories are classified as small production facilities (≤500,000 bricks produced annually) that have less than 10 permanent employees. More than 90% of all door, window, and roof factories are also classified as small (with annual door or window production ≤2,000 square meters [$m^2$] or annual roof production ≤250,000 $m^2$) with most factories (80% or more) employing less than 10 permanent employees.

**Table 2: Construction Material Factories by Size, (%)**

| | Brick Factories[a] | Door Factories[b] | Window Factories[b] | Roof Factories[c] |
|---|---|---|---|---|
| **% by Size of Production** | | | | |
| Small | 58% | 97% | 97% | 93% |
| Medium | 27% | 3% | 3% | 3% |
| Large | 13% | 0 | 0 | 3% |
| Largest | 2% | 0 | 0 | 1% |
| **% by Number of Employees** | | | | |
| Less than 10 | 60% | 78% | 86% | 83% |
| 10 to 30 | 27% | 15% | 12% | 10% |
| 31 to 50 | 8% | 4% | 2% | 3% |
| More than 50 | 5% | 3% | 1% | 4% |
| **Total Number of Firms** | **931** | **387** | **469** | **70** |

[a] Annual brick production: small (≤500,000 bricks); medium (500,001–2,000,000 bricks); large (2,000,001–10,000,000) bricks); largest (>10,000,000 bricks).
[b] Annual door and window production: small (≤2,000 $m^2$); medium (2,001–10,000 $m^2$); large (10,001–30,000 $m^2$); largest (>30,000 $m^2$).
[c] Annual roof production: small (≤250,000 $m^2$); medium (250,001–500,000 $m^2$); large (500,001–1,000,000 $m^2$); largest (>1,000,000 $m^2$).
Source: Ministry of Finance.

5. A regional distribution of brick door, window, and roof factories is provided in Table 3. Of the 931 brick factories, about 55% of the factories are located in 4 regional centers: 16% in Tashkent (including 4% in Tashkent city), 12% in Bukhara, 14% in Kashkadarya, and 13% in Samarkand. For doors and windows, about 40% of all factories are located in Tashkent (33% and 34%, respectively, in Tashkent city), and about one-third are located in Bukhara, Samarkhand, and Khorezm. The remaining door and window factories are distributed across the other nine regions. About one-third of all roof factories are found in Tashkent (25% in Tashkent City), the second-third is found in Ferghana (19%) and Namangan (17%), and the remaining third is distributed across 8 regions. Roof factories have yet to be established in either Jizzakh or Syrdarya regions.

**Table 3: Construction Material Factories by Region**

| Region | % Total Population | % Brick Factories | % Door Factories | % Window Factories | % Roof Factories |
|---|---|---|---|---|---|
| **National Total** | **27.4 million (2007)** | **931** | **387** | **469** | **70** |
| Andijan | 8% | 6% | 3% | 1% | 3% |
| Bukhara | 6% | 12% | 10% | 9% | 3% |
| Ferghana | 9% | 8% | 4% | 5% | 19% |
| Jizzakh | 6% | 5% | 3% | 3% | - |
| Karakalpakstan | 10% | 3% | 3% | 3% | 3% |
| Kashkadarya | 7% | 14% | 2% | 1% | 1% |
| Khorezm | 6% | 6% | 7% | 10% | 7% |
| Navoi | 4% | 8% | 5% | 8% | 6% |
| Namangan | 8% | 5% | 6% | 3% | 17% |
| Samarkand | 9% | 13% | 8% | 9% | 3% |
| Surkhandarya | 6% | 4% | 6% | 5% | 4% |
| Syrdarya | 5% | 1% | 3% | 2% | - |
| Tashkent | 16% | 16% | 40% | 40% | 35% |
| | **100%** | **100%** | **100%** | **100%** | **100%** |

Source: Ministry of Finance

6. To contain the cost of RHS construction materials primarily during the peak construction period, 12 RHS brick factories (one in each region) and a RHS door, window and roofing factory have been established by QQI.[6] The total production capacity of QQI brick factories is estimated at 350 million bricks annually or 10 to 15% of the total national production capacity.[7] It is estimated that RHS houses will require about 350 to 500 million bricks annually of which QQI factories will supply 40 to 60% of primarily during the peak construction period.

[6] For bricks, unit prices may vary by 200 to 300% during the high construction season. Further information on the significant cost impact of seasonal price variations of construction materials is provided in supplementary document 16. Source: ADB staff estimates.

[7] The total production capacity for bricks nationally is roughly estimated at 2.5 to 3.0 billion bricks annually. With significant seasonal variations, brick production facilities run at below capacity for significant part of the year, with total annual output estimated at about 60% of total capacity. Source: ADB staff estimates.