



# Uzbekistan's journey of reforms

Major reforms in Uzbekistan since 2017.

What does this transformation mean for business environment?

August, 2018

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# Agenda

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**1** Introduction to the country

**2** Uzbekistan's journey of reforms

**3** Government support to investors

# Uzbekistan is the largest market in Central Asia; stable and fast growing



## Key information

Comparable to Spain  
or California



### Area

448,978 sq. km

Largest in  
the region



### Population

32.6M (72% under 40)



### GDP

USD 30.6 billion



### Capital

Tashkent  
(2.3M – official data)



### Urbanization

~50%



### Official currency

"Sum" – UZS  
(UZS/USD = 8'200)



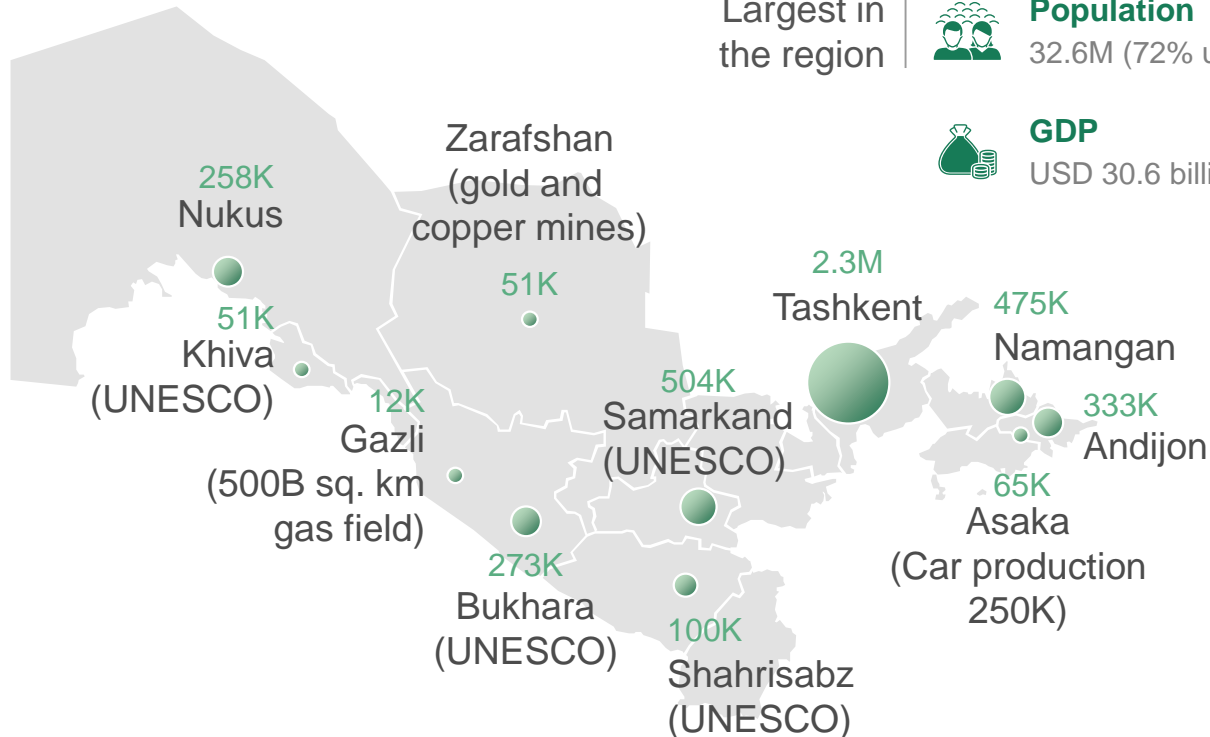
### Languages

Uzbek (official), Russian  
(commonly used)



### Political system

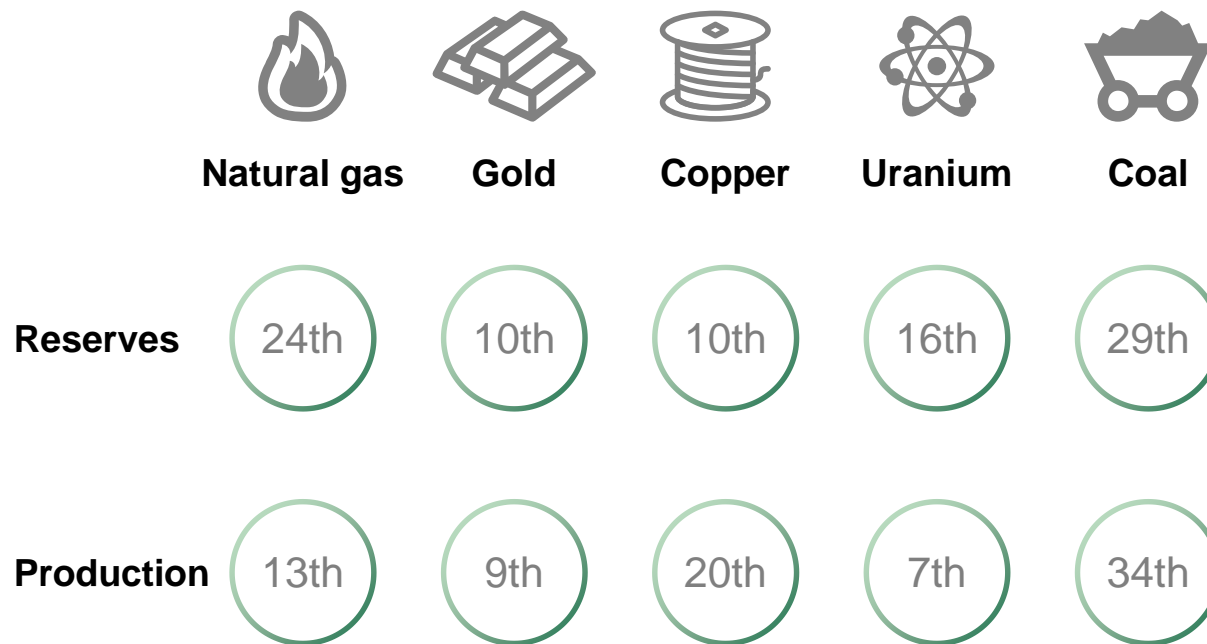
Presidential multi-party  
democratic republic




● XX size of population

# Uzbekistan is rich in **mineral resources** and, at the same time, the country is actively investing in **renewable energy**

## Mineral resource diversity excludes the dependence on a single resource type



 Uzbekistan's place in the world

## Diversification of the energy supply portfolio



### Hydropower

Investments of USD 2.65 billion in 2017–2025 to develop 18 new projects and upgrade 14 existing plants



### Solar

~51 billion tons of oil equivalent



### Wind

~360 million tons of oil equivalent for wind energy

# Over the last eighteen months, a large-scale transformation and liberalization of the economy has been underway in Uzbekistan



December  
2016

## Election of Shavkat Mirziyoyev as President

In September 2016, the parliament elected Mr. Mirziyoyev as the interim president  
On 4 December 2016, he won a presidential election, receiving 88.6% of the vote



February  
2017

## Uzbekistan Development Strategy for 2017–2021

The strategy outlines the government political, economic, and social priorities, including measures to liberalize the economy



April  
2017

## Creation of a State Committee for Investments

The Committee was created to unlock the country's investment potential, through the creation of favorable conditions for investors and the implementation of major reforms



September 2017

## Currency exchange liberalization

The authorities linked the official exchange rate to the curb market rate and implemented a floating exchange rate, with free market exchange



2018 and beyond

## Further implementation of numerous reforms

Green channel in airports  
Simplification of the tax system, including the implementation of tax monitoring  
Two-year moratorium on business inspections  
Many others...



*Key to reforms*



# The Development Strategy for 2017–2021 (adopted in Feb '17) gave start of 5 priority reforms, including one for investors

It is envisaged that a separate state program for the implementation of initiatives in 5 reform areas will be approved yearly



**Development of state governance**



**Rule of law & legal reforms**



**Development and liberalization of economy**



**Development of social sphere**



**Security**, religious tolerance and interethnic harmony, foreign policy

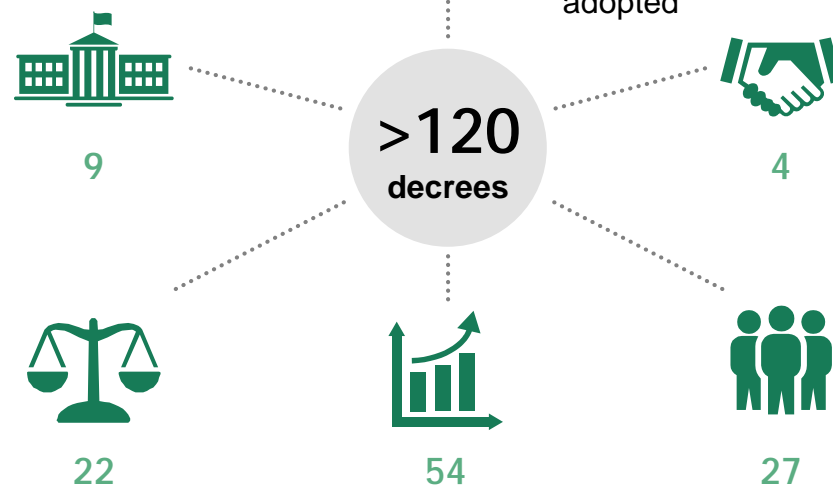
*The area, in which priority is given to attracting investments*

# In 2017–2018, the country managed to make notable progress in the chosen areas

## 29 laws were adopted














**>420**  
decrees and resolutions of the President of the Republic of Uzbekistan were adopted





# Uzbekistan is moving ahead with reforms focusing on the first priority issues identified by the business community

Key directions for reforms			Status
100		<b>Currency regulation</b> <ul style="list-style-type: none"> <li>• Liberalization of the foreign exchange market</li> <li>• Further steps to liberalize monetary policy</li> </ul>	
84%		<b>Legal environment</b> <ul style="list-style-type: none"> <li>• Improvement of legal framework in various areas of law: e.g. land allocation; stock exchange transformation; systematization of control procedures; enforcement of property rights; strengthening of fair competition; etc.</li> </ul>	
#45.		<b>Customs regulation</b> <ul style="list-style-type: none"> <li>• Unification and decrease of customs tariffs</li> <li>• Simplification of customs administration processes</li> </ul>	
35%		<b>Tax system</b> <ul style="list-style-type: none"> <li>• Reduction of tax burden</li> <li>• Elimination of complex and unfair procedures</li> </ul>	
		<b>Reform of State governance</b> <ul style="list-style-type: none"> <li>• Efficiency improvement for state bodies to eliminate inconsistencies; bureaucracy</li> <li>• Implementation of eGov system</li> </ul>	

 Share of investors citing the barrier as critical (based on interviews with internal and external investors)

 →  Implementation progress

# One of the main milestones of economic reforms was the liberalization of the **currency exchange regulations**

Decree of the President dated 09/02/2017

## Key elements of the reform



Free purchase and sale of foreign currency by individuals and legal entities

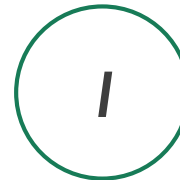


Removal of requirements for compulsory sale of foreign currency for exporters

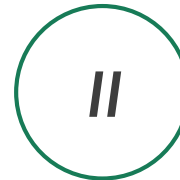


Commercial banks are granted the right to determine commissions on currency exchange for export revenues

## The impact of reforms



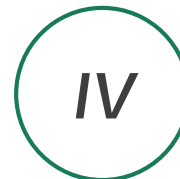
Equal competitive conditions for all players by reduction of administrative interference in the economy



Strengthening of regional and international economic cooperation



Improvement of business activity and investment climate



Attraction of foreign direct investments (FDIs)

# A new system of land allocation & construction regulations is among the key elements of the **legal & rule of law reform**

In the course of discussion with the government bodies and agencies

## Key elements of the reform



The implementation of a new simplified & quicker process for construction approvals

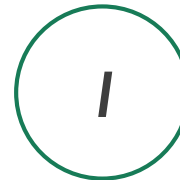


Creation of a new system of land allocation via electronic auctions

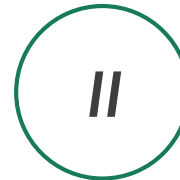


Updating construction regulations via adoption of Construction Codes and Regulations based on Eurocodes (following example of Kazakhstan)

## The impact of reforms



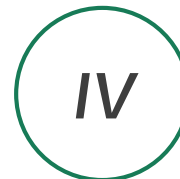
Reducing the time taken by the process for land allotment and construction approvals by 30–40%



Providing investors with the information about the list of available land lots, their full effective cost and relevant documentation



Ensuring the fair compensation to the state budget for use of land



Solving the issues related to obsolete construction regulations, which hinder the use of modern construction technologies

# Customs reform reduces the tariff burden while simplifying and accelerating administrative procedures

The implementation deadline for the tariff block is 05/15/2018; for risk management system block – 04/12/2018.  
Customs regulation block is in the course of coordination with government agencies

## Key elements of the reform



Reviewing the rates of customs duties with the aim to reduce them



Creating a unified approach to the setting the rates of and levying customs charges



Introduction of a risk management systems at customs bodies

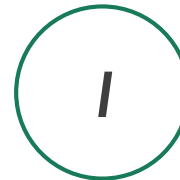


Simplifying and accelerating customs processes (e.g. customs valuation, border crossing, etc.)

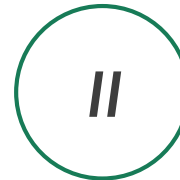


Reduction of the frequency of and time spent on the issuance of the requested authorization documents

## The impact of reforms



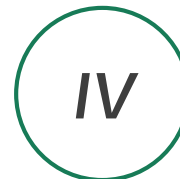
Improvement of customs tariff regulation, incl. reducing the likelihood of corruption



Intensification of negotiations with the WTO standards and best practices



Reduction of time taken by paperwork and procedural formalities by 3–5 times



Decreasing the costs of customs procedures by 30–70%

# State governance reform improves the coherence of the work of state bodies and reduces pressures on business

Decree of the President dated 09/08/2017

## Key elements of the reform



Improvement of institutional, organizational and legal framework for government bodies and authorities



Clear specification of tasks and responsibilities of executive bodies



Reduction of administrative influence on the economy & investors



Improvement of overall governance and interaction of executive authorities

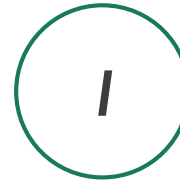


Introduction of modern forms of strategic planning, innovative ideas, developments and technologies

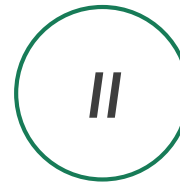


Formation of an effective system of professional civil services (e.g. eGov)

## The impact of reforms



In total, 46 government bodies were reshaped or merged; 6 abolished



Structures, tasks and functions revised for Office of the President, the Cabinet of Ministers, 20+ Ministries



Better coordination between state bodies and local administrations

# The international community acknowledges the recent significant progress in Uzbekistan

“ *The first concrete steps on improvement of quality of economic data and increase of their transparency.*

**IMF Spokesperson**

“ *We are in a great hurry, we are striving to expand and deepen our presence in Uzbekistan as soon as possible.*

**Philip Bennet**  
**Former First Vice-President of EBRD**

“ *ADB, in accordance with the government's strategy, is planning to provide USD 2.6 billion in sovereign loans in 2017–2019, to increase non-sovereign transactions through equity investments and private loans.*

**Takehiko Nakao**  
**The President of ADB**

“ *The Action Strategy, developed by the initiative of the President Shavkat Mirziyoyev, is a very serious and bright program, it reflects ideas of the United Nations and reforms aimed at ensuring human rights.*

**Zaid Raad Al-Hussein,**  
**Un high commissioner for human rights**

“ *The World Bank is ready to significantly increase its presence in Uzbekistan and to support the reforms in the country*

**Kristalina Georgieva**  
**World Bank CEO**

“ *The Action Strategy has much in common with the United Nations Sustainable Development Goals and the wider 2030 Agenda for Sustainable Development, and can form the basis for even greater cooperation between your country and the United Nations.*

**Antonio Guterres,**  
**UN Secretary General**

“ *If you look back in history, you can see that Uzbekistan has always played a special role in Eurasia. While people in other parts of the region had a nomadic lifestyle, civilization was already flourishing in Uzbek cities.*

**Jonathan Hilman,**  
**The Director of the Asia Liaison Project**  
**at the Center for Strategic & International**  
**Studies (USA)**



# Six key take-aways of the Presidential Decree on "dramatic improvement of the investment climate in Uzbekistan" (I/II)

## Decree point

## Details



Financial retributions for foreign investors who are negatively affected by voiding or alteration of the government act

Retributions are to be settled through legal trial



Expansion of regional authorities to provide land for foreign investors

Regional authorities can now effect a contract for investments up to \$10M and provide land of up to 5000 sq m



Loosening of legal requirements for enterprises with foreign shareholders:

Foreign investors are granted the right to be the founder of the company

Minimum shareholders equity lowered from 600M som to 400M som (~\$51k)

Minimum level of foreign share for foreign investment company status is lowered to 15%

# Six key take-aways of the Presidential Decree on "dramatic improvement of the investment climate in Uzbekistan" (II/II)

## Decree point

## Details



Further acceleration of all investor-related processes from registering a company to providing access to infrastructure

Personal responsibilities through the investor value chain are assigned to government officials



Relaxation of visa requirements for foreign investors and their employees

Foreign investors can also be granted the status of an Honored Citizen

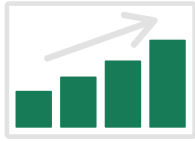


As a next step on the path of development of the investment climate, a special law focused on improving the investment climate will be developed by end of the year (2018)

The law will consolidate and further drive government efforts to support international investors in Uzbekistan



# State Committee of Uzbekistan for Investments ensures "front to end" support for current and potential investors



## Preparation of investment proposals & business cases

- Search for, study and evaluation of the project business cases
- Identification of funding sources for projects
- Preparation of investment proposals for investors

## Attracting foreign investors

- Finding investors for specific strategic projects
- Working with projects initiated by investors
- Engaging international financial organizations
- Promoting investment activity

## Supporting foreign investors

- Assisting and supporting investors until the completion of their projects
- Collecting feedback and responding to it ("Voice of investors")
- Improving the investment climate in the relevant areas according to the "Voice of investors"

# Our target vision is to ensure **seamless customer journey** for investors while they do business in Uzbekistan

## Let's get familiar with the country...

- If you have seen an “*Invest in Uzbekistan*” advertisement in the Financial Times. Googled it!
- Read some information on Uzbekistan and got interested in new opportunities
- Found contacts of the State Committee for Investments in Uzbekistan

## ... & examine the facts, evaluate the potential of industries...

- Filled out the application form on the portal of the State Committee for Investments
- Examined the detailed information on different industry sectors and their benefits on the website of the Committee
- Reviewed success stories

## ...and finally obtain necessary approvals and kick-off a project!

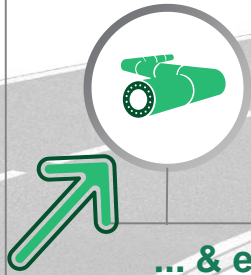
- Hired a project team
- Quickly completed required documents jointly with the State Committee for Investments
- Started construction, received support services

## ... then get acquainted with investment proposals...

- Received additional information from the State Committee for Investments
- Chose the most attractive projects or suggest yours
- Examined the available support and co-financing opportunities

## ... fly to Uzbekistan to explore everything on the spot, and to sign off an agreement.

- Bought tickets to Tashkent
- Met with a personal manager from the State Committee for Investments
- Visited potential sites
- Held negotiations and signed a memorandum of cooperation



# The URDF<sup>1</sup> specializes in financial support for major industrial projects in the Republic of Uzbekistan — assets USD 25 billion

Established in 2006 by a Decree of the President of the Republic of Uzbekistan with the major objectives to...



- Accumulate export revenues
- Finance and co-finance strategic industrial investment projects

## Areas of Financing

Oil & Gas



Chemical & Petrochemical



Energy & Power



Metals & Mining



Transport & Infrastructure



**Equity has grown from USD 1 billion in 2006 to USD 20 billion in 2018**

# The URDF's portfolio includes over 160 projects with the combined value exceeding USD 35 billion

## Over 160 projects with total project cost of \$50 bln

