

# Uzbekistan's journey of reforms

*Major reforms in Uzbekistan since 2017.*



EMBASSY OF UZBEKISTAN  
TO THE UNITED STATES



December, 2018

# Agenda

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1

Introduction to the country

2

Uzbekistan's journey of reforms

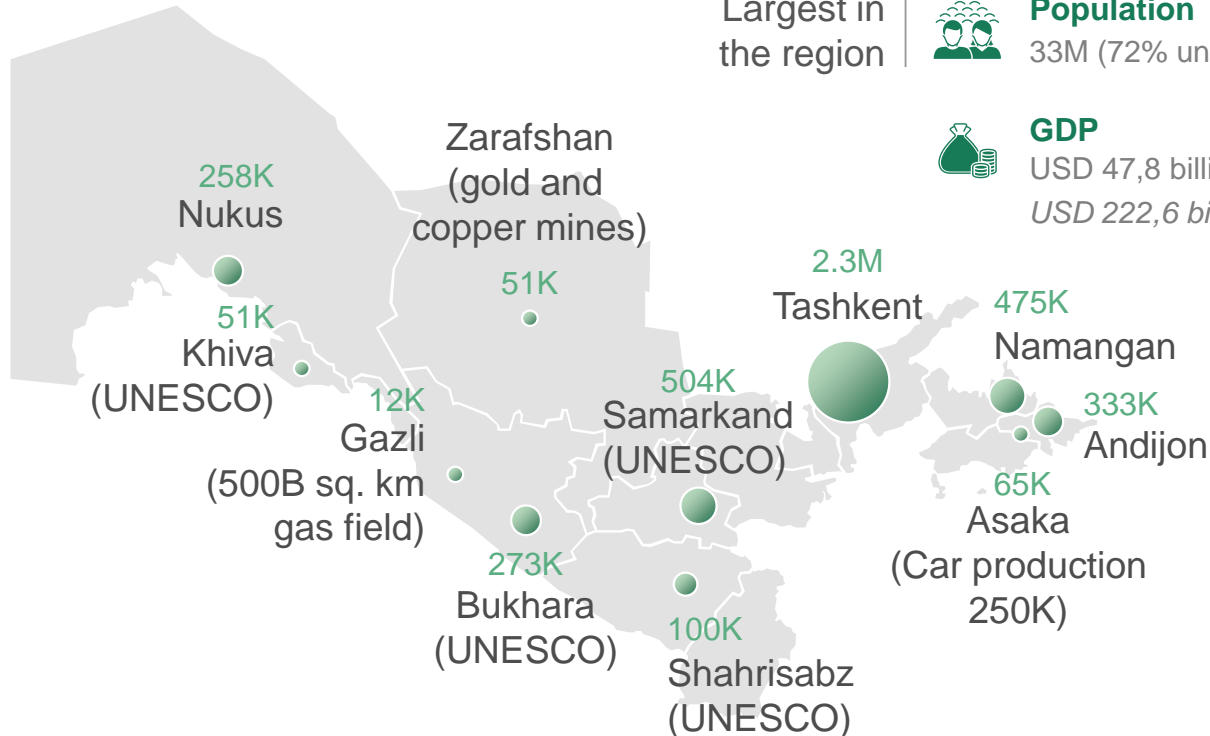
3

Government support to investors

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



Uzbekistan map



● XX size of population

## Key information

Comparable to Spain  
or California



### Area

448,978 sq. km

Largest in  
the region



### Population

33M (72% under 40)



### GDP

USD 47,8 billion

USD 222,6 billion (PPP)



### Capital

Tashkent  
(2.3M – official data)



### Urbanization

~50%



### Official currency

"Sum" – UZS  
(UZS/USD = 7900)



### Languages

Uzbek (official), Russian  
(commonly used)

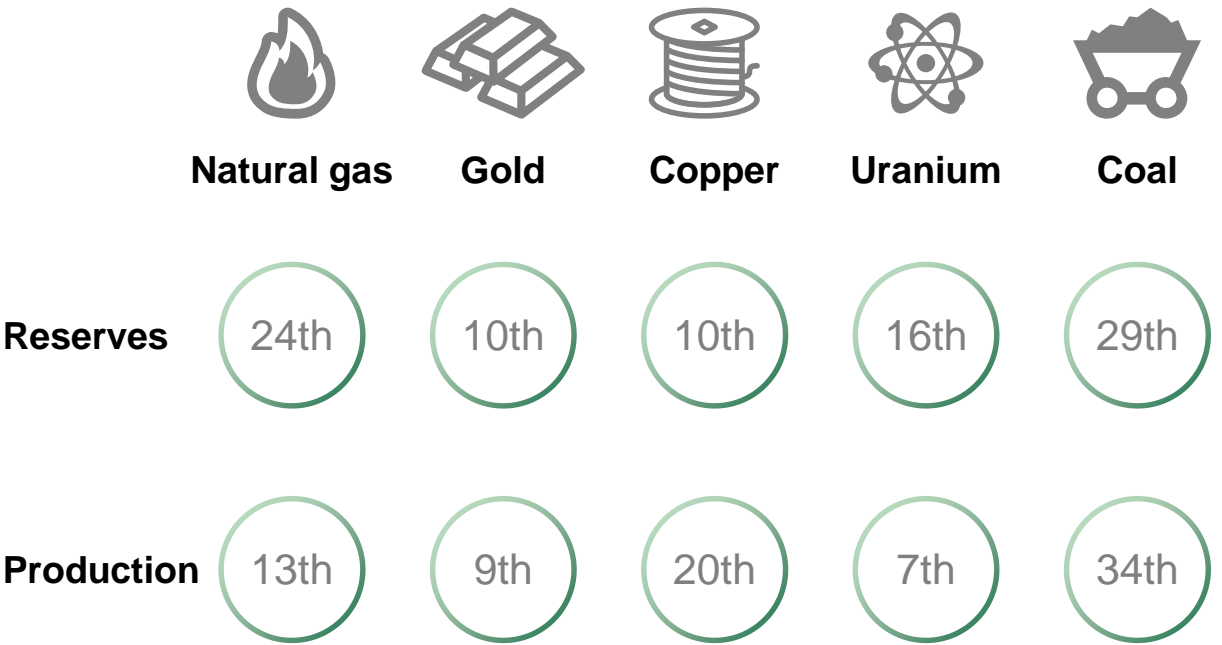


### Political system

Presidential multi-party  
democratic republic


# 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




x 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

Source: Natural gas & Coal: BP Statistical Review of World Energy, June 2017; Gold & Copper: U.S. Geological Survey, Mineral 122modity Summaries 2017; Uranium: Uranium 2016: Resources, Production and Demand, a Joint Report by the Nuclear Energy Agency and International Atomic Energy Agency; Uzbekistan State Committee on Geology and Mineral Resources

# Educated workforce of 18.5 million people

Largest  
workforce  
in the region



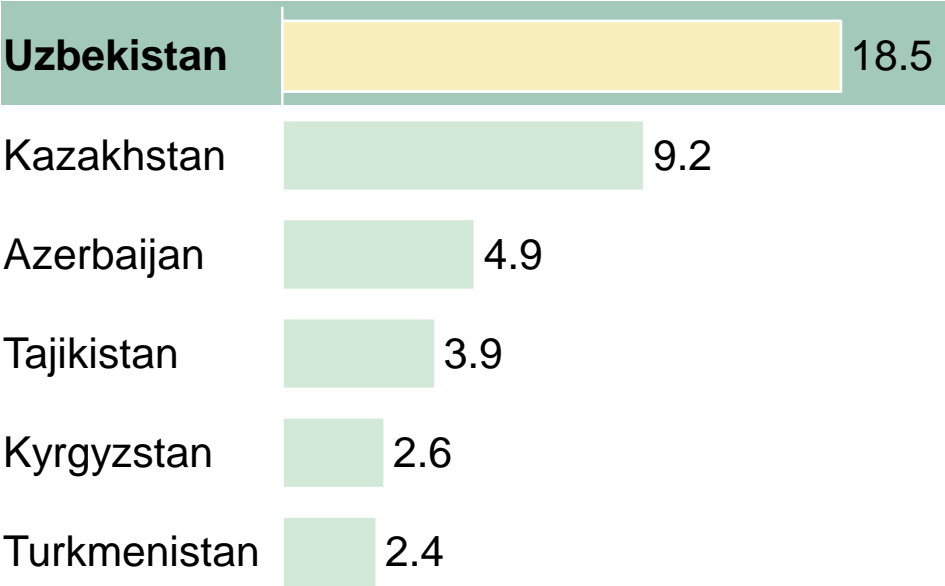
65 higher  
education  
institutions



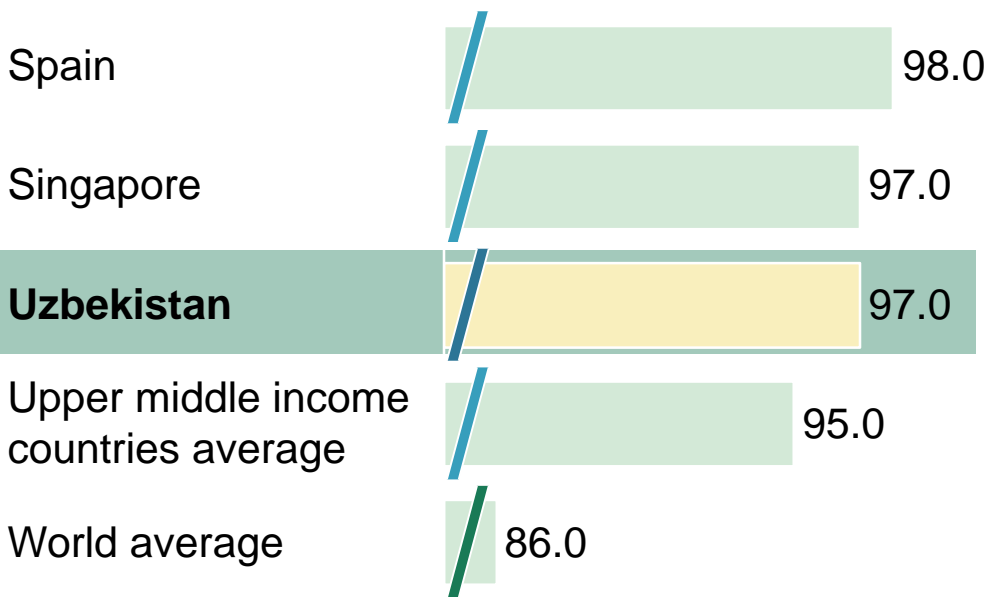
Literacy rate  
is 97%



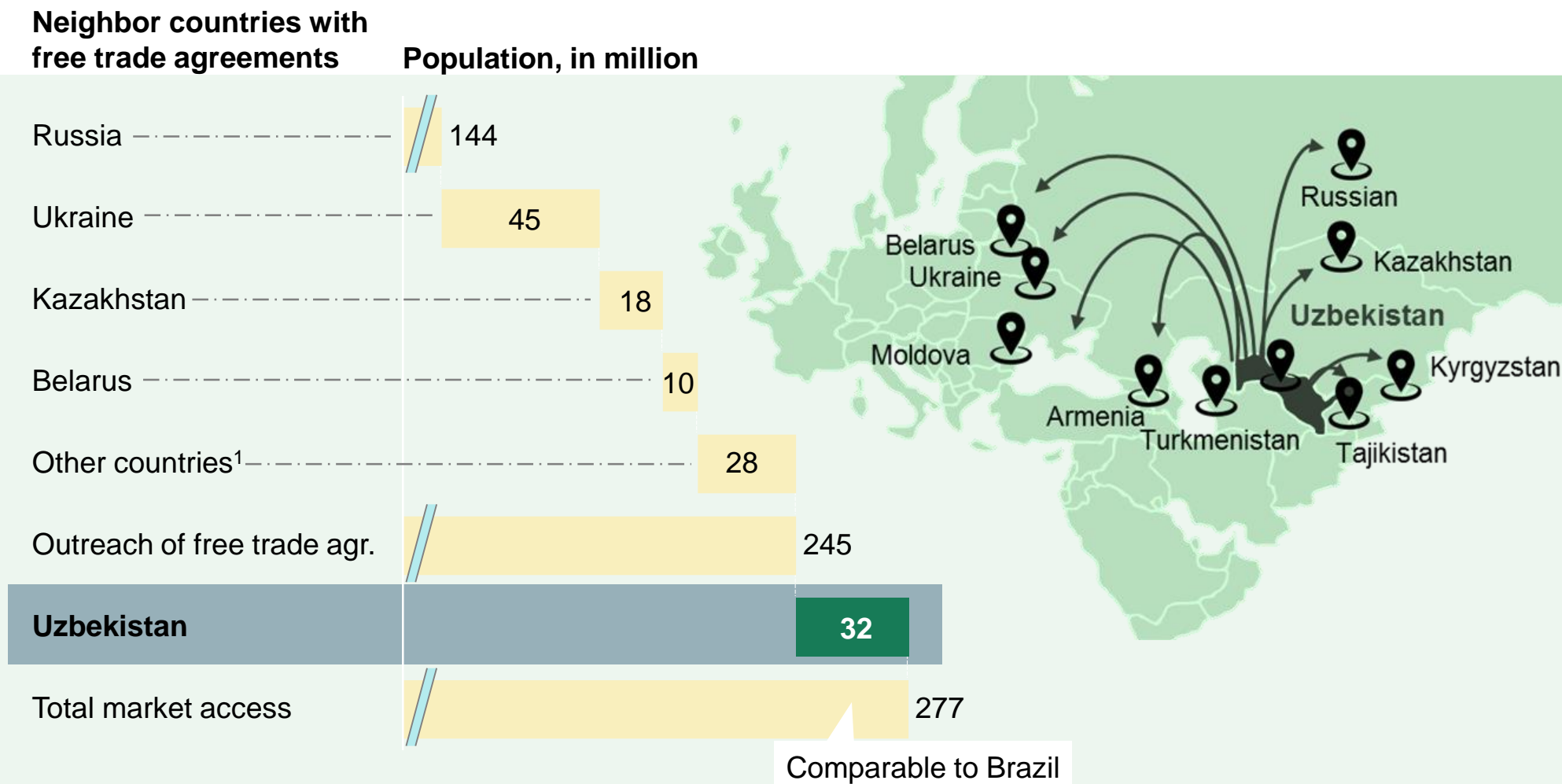
Labor force in million ppl



Literacy rates



# One of the most populated countries in the region with free trade access to vast neighboring potential



<sup>1</sup> Other countries include Tajikistan (pending final signing of free trade agreement), Kyrgyzstan, Turkmenistan, Moldova, and Armenia

SOURCE: World Bank for 2016

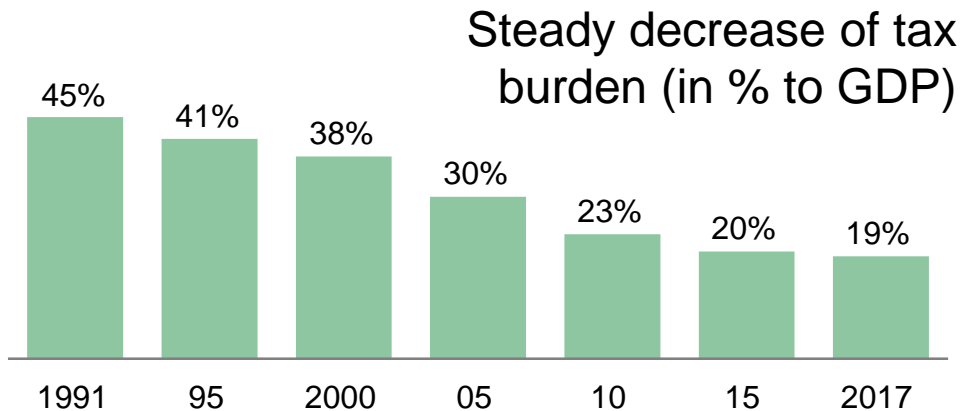
# Attractive tax incentives and free economic zones

**We welcome foreign capital with significant tax incentives...**

- 0% income tax (for SMEs)
- 30%-50% income tax reduction<sup>2</sup>
- 0% VAT

**...and invite them to join one of the 14 FEZ to get full exemption from**

- Income tax and custom duties<sup>1</sup>
- Social infrastructure and uniform SME taxes
- Compulsory contributions to the Road Fund



**Total implemented:  
69 projects**

**Total amount:  
US\$ 512 million**



# Over the last twenty 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



*Key to reforms*



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...





# 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**

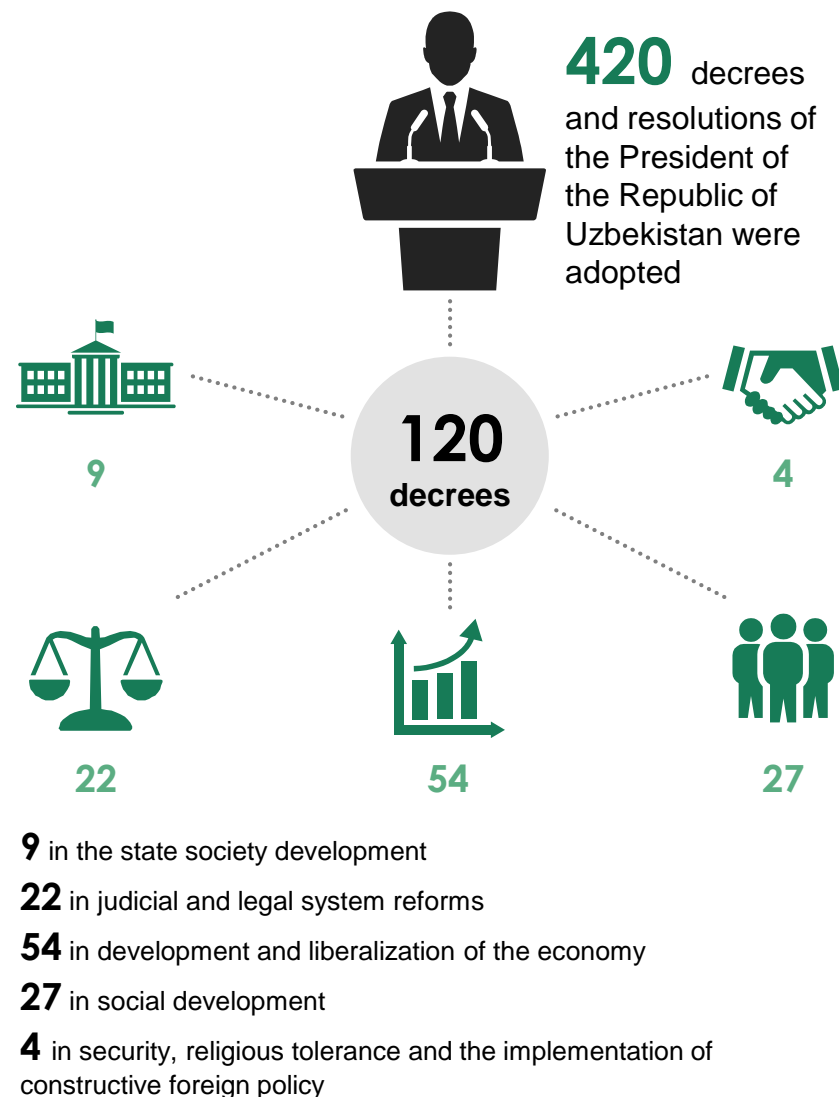


**Security**, religious  
tolerance and  
interethnic harmony,  
foreign policy









*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



# 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**

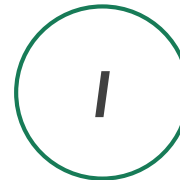


**Removal of requirements for compulsory sale of foreign currency for exporters**

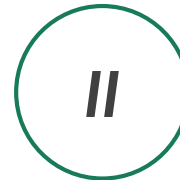


**Commercial banks are granted the right to determine commissions on currency exchange for export revenues**

## The impact of reforms



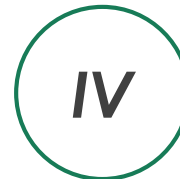
**Equal competitive conditions for all players by reduction of administrative interference in the economy**



**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

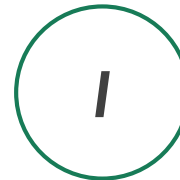


Creation of a new system of land allocation via electronic auctions

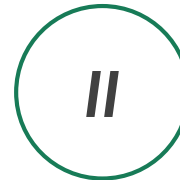


Updating construction regulations via adoption of Construction Codes and Regulations based on Eurocodes (following example of Kazakhstan)

## The impact of reforms



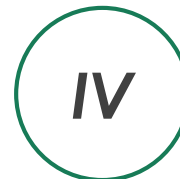
Reducing the time taken by the process for land allotment and construction approvals by 30–40%



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

## 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

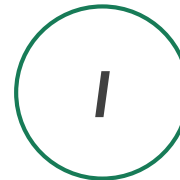


Simplifying and accelerating customs processes (e.g. customs valuation, border crossing, etc.)

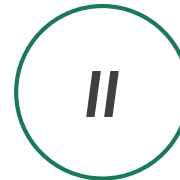


Reduction of the frequency of and time spent on the issuance of the requested authorization documents

## 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

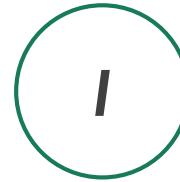


Introduction of modern forms of strategic planning, innovative ideas, developments and technologies

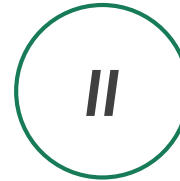


Formation of an effective system of professional civil services (e.g. eGov)

## 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

# Main Takeaways from the Presidential Decree on “Improvement of the investment climate”

Decree of the President dated 01/08/2018

## Decree point

## Details



**Relaxation of visa requirements for foreign investors and their employees**

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



**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**

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%



# 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)**



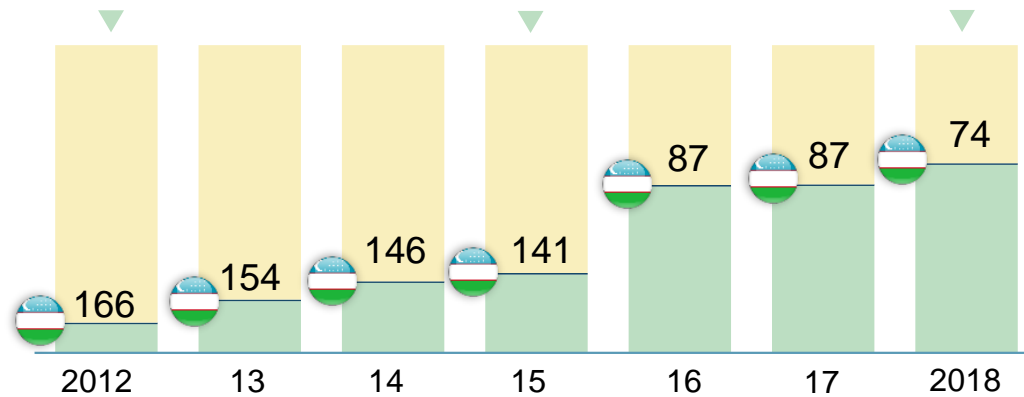
# World Bank Doing Business ranking: 90+ points improvement in the past 5 years

Countries that are ranked one of the 10 places above

- Comoros
- Afghanistan
- Iraq

- Mozambique
- Tanzania
- Cambodia

- Puerto Rico
- Greece
- Vietnam



Countries that are ranked one of the 10 places lower

- Cote d'Ivoire
- GAngola
- uinea-Bissau

- Cote d'Ivoire
- Bolivia
- Senegal

- China
- South Africa
- Ukraine



**Uzbekistan is now among the leaders in a number of areas**

- Starting a Business (11 place)
- Getting Electricity (27 place)
- Enforcing Contracts (39 place)

**We eliminated 160 licensing procedures and 19 administrative activities in recent years**

# Companies with FDI in Uzbekistan

KNAUF

MAN

Coca-Cola

SAMSUNG

HARRIS

PETRONAS

PEPSICO

CAT

Beeline

UMS

DAEWOO

KPMG

Nestlé

ARISTON

TRÜTZSCHLER

ZTE

LG

KOGAS

HYATT

CITIC Group

LEMKEN

WYNDHAM

PRICEWATERHOUSECOOPERS

Carlsberg

INDORAMA

Ucell

GAZPROM

HUAWEI

mitsubishi

HYUNDAI

BOEING

RioTinto

SASOL

DKG

BRITISH AMERICAN TOBACCO

Honeywell

NOBEL

KOREAN AIR

LOTTE

LUKOIL

GM

CNI INDUSTRIAL

ISUZU

Sumitomo

CNPC

MAXAM

AIG

RIETER

KIA MOTORS

**Thank you for your attention!**

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