Market Opportunities 2018

UZBEKISTAN
Major Economic and Social Developments in Uzbekistan

Uzbek government intensifies restructuring of the state apparatus by adding modern-thinking specialists to the management, alongside with radical improvements in legislation, directed to full-scale liberalisation, increasing trade turnover and development of local industry, attracting foreign investors, full transfer to market economy and overcoming such obstacles as corruption, restrictions for payment on current international transactions, tariff and nontariff barriers.

Traveling to Uzbekistan became easier - changes in visa-regime

Effective 10 February 2018 citizens of 7 countries (Israel, Indonesia, Republic of Korea, Malaysia, Singapore, Turkey and Japan) will be granted 30-day visa-free entrance to Uzbekistan pursuant to the Presidential Decree "On Additional Organizational Measures, adopted to Create Favorable Conditions for Development of Tourism in Uzbekistan" as of 3 February 2018.

Further, as of 10 February 2018 simplified procedures for issuing tourist visas will be introduced for citizens of 39 countries (EU countries, East Asia and Middle East countries, India, Canada, New Zealand and USA). The simplified procedure removes the requirement for submission of a voucher or letter of invitation to the Ministry of Foreign Affairs and shortens visa issuance period to two days.

In addition, starting from 1 May 2018 Uzbekistan will introduce transit visas to foreign transit passengers for a period of 72 hours. Transit passengers will be allowed to visit tourist objects in line with the approved tourist programs. The Government shall shortly approve a list of countries whose citizens are entitled to receive 72 hours transit visas.

Anticipated legislation in 2018

A draft of law on “public private partnership” is placed for discussion in state portal of Uzbekistan. The draft includes scientific, innovation, telecommunication, metallurgy, medical, agricultural, housing and municipal and other spheres.

Moreover, under the state program a number of laws are planned to be adopted during 2018:


Reforming state bodies

The heads and deputies of National security service, Prosecutor general's office, State Customs Committee were substituted with young, promising high-level specialists.

Central bank of Uzbekistan is no longer accountable to the Cabinet of Ministers. Starting from 9 January 2018 Central bank was restructured and transferred under the control of Oliymajlis (parliament).

A new Agency on state services was created, consolidating all one-stop shops.
Reforms in financial system

Central bank of Uzbekistan announced that by the end of 2017 the amount of gold reserves of Uzbekistan reached 26.6 bln. USD having increased by 1.4 bln. USD if compared to the beginning of the year.

Uzbekistan has imposed a moratorium on inspections of financial and business activities of business entities, with the exception of inspections conducted in criminal cases and in connection with the liquidation of a legal entity.

This is stipulated by the presidential decree "On the State Program for the Implementation of the Action Strategy on five priority development directions of Uzbekistan in 2017-2021" in the Year of Support of Active entrepreneurship, innovative ideas and technologies".

Starting from 1 February 2018 a requirement to form a charter capital amounting 3500 Minimal monthly wages (approx. 74 450 USD) in order to obtain a license for carrying out wholesale trade, as well as individual incentives, provided to some companies were abolished, granting equal possibilities to the traders.

Under Presidential decree #PP-2454 dated 29 December 2017 foreign institutions of higher education accredited in Uzbekistan are exempted from all taxes.

Legal reforms

A new economic procedural code enters into force starting from 1 April 2018. Among other innovations, it introduces detailed steps on recognition and execution of foreign and arbitrary courts decisions.

The prohibition on hiring citizens without permanent or temporary registration was abolished.

Uzbekistan on the path of innovative development

Pending the Decree, setting up the Ministry for innovative development dated 29 November 2017, Resolution of the president #UP-5308 dated 22 January 2018 provided exemption until 1 January 2023 from all taxes and obligatory payments, except for unified social payment to the venture funds, co-financing hi-tech start-ups; start-ups co-financed by venture funds; scientific-research institutions, innovation centres and design bureaus.

Subsequently, a project of law “on innovative activity” is placed to the state portal for discussion.
Industrial development in Uzbekistan

- Almalyk Mining and Metallurgical Combine has started implementation of the second phase of the "Development of the Dalneye deposit" project. Total cost of facilities with processing capacity of 23 million tons of ore per year with the continuation of overburden and mining operations is about $1.7 billion.
- The construction of the 5th hydrometallurgical plant of the Navoi Mining and Metallurgical Combine started on the basis of the Auminza-Amantai gold deposit. This project, with a total value of $ 396 million, will create an opportunity to process 5 million tons of ore per year, organizing about 5,300 jobs.
- Gazprombank and Asaka Bank signed a co-financing agreement to fund important investment projects, including a metallurgical plant worth 280m. The plant will produce cold-rolled sheets with and without coating, an estimated 500,000 tons of steel, a bit short of what Uzbekistan buys from abroad, to edge out imports.
- Uzbekneftegaz is implementing a program to increase production of finished export-oriented products based on deep processing of hydrocarbon raw materials for 2016-2020. The total cost of projects is US$30.4 billion.
- The Uzbek and Russian governments and ministries signed an agreement on supply of 500,000 tons of oil through oil pipeline “Omsk-Pavlodar-Chimkent”.
- Uzbekistan started construction of a new refinery in Zafarobod district of the country’s Jizzakh region, which is expected to operate using the crude imported from Kazakhstan and Russia. The refinery has design capacity of processing of five million tons of oil per year, production of 3.7 million tons of car fuel, over 700,000 tons of aviation fuel and 300,000 tons of associated oil products. The cost of the project is $2.2 billion.
- A new mount-metallurgical complex is to be built until 2024 on the Tebinbulak site. Anticipated processing capacity is set at 1 mln. Tons of steel a year.
- Four free economic zones (FEZ) have been created: FEZ “Urgut” in Samarkand, FEZ “Gijduvan” in Bukhara, FEZ “Kokand” in Fergana and FEZ “Khazarasp” in Khorezm regions. In addition, seven free economic zones, which specialize in the cultivation of medicinal plant raw material in special environmental conditions, as well as processing thereof were established under a decree of the President.

Under a new Presidential Decree “On Realization of State Owned Property to Entrepreneurs and Creation of Small Industrial Zones in Khorezm Region” No. 3513 dated 6 February 2018 5 small industrial zones in Urgench city, Urgench, Hazarasp and Shavat regions were added to the list.

Resolution of the President #R-5209 dated 12 February 2018 provides for measures on development of space research and technologies.

Uzstandart agency has presented a national standard on foodstuff “Halal”.

Uzbekistan joined the Cape Town Convention and the Protocol on Aviation Equipment that protects creditors and lessors of aircraft, aircraft engines, and helicopters. The Convention is ratified by 73 countries including the United Kingdom of Great Britain and Northern Ireland, Germany, Italy, China, USA, Turkey, Switzerland, Russia, Kazakhstan, Tajikistan, and others. The provisions established by the Convention and the Protocol will reduce the risk of creditors and, consequently, the cost of credit, which in turn shall increase the possibility of obtaining financing for the acquisition and operation of aircrafts (aircraft and engines) by companies in the developing countries.

Decree of the President dated 17 January 2018 introduces a new simplified procedure for obtaining licenses, granting a right to use subsoil non-metallic mineral resources.

Under the decree, Goscomgeology was authorised to grant the licenses substituting state commission.