



MONTHLY REPORT ON UZBEKISTAN

SEPTEMBER 2020

**Europe-Uzbekistan Association for Economic
Cooperation (EUROUZ)**

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TABLE OF CONTENTS

1. EUROUZ EVENTS.....	3
2. SPECIAL UPDATE – COVID-19.....	3
3. ECONOMIC OVERVIEW.....	4
3.1 LOCAL LEVEL.....	5
3.2 REGIONAL, BILATERAL & MULTILATERAL COOPERATION	6
4. MARKET DEVELOPMENT BY SECTORS.....	6
4.1 INDUSTRY AND CONSTRUCTION.....	6
THREE NEW INTERCHANGES WILL BE ADDED TO CAPITAL’S ROAD INFRASTRUCTURE.....	6
4.2 TOURISM AND AVIATION SECTOR	7
<i>A government decree adopted on the implementation of the second stage of the "Amirsoy" ski resort construction near Tashkent.....</i>	<i>7</i>
4.3 AUTOMOBILE SECTOR	7
4.4 HEALTHCARE	8
4.5 AGRICULTURE AND FOOD.....	8
4.6 INVESTMENT AND FINANCE	9
<i>Capital Market Development Agency moves towards collaboration with the DIFC.....</i>	<i>9</i>
4.7 BUSINESS.....	9
4.8 INDUSTRIAL INFRASTRUCTURE	10
ADB APPROVED A USD 200 MILLION LOAN TO IMPROVE THE ENERGY SECTOR OF UZBEKISTAN.....	12
4.9 COMMODITIES & TRADE DATA	12
UZBEKISTAN AND KYRGYZSTAN INTEND TO BRING MUTUAL TRADE TURNOVER TO USD 1 BILLION	12
4.10 ENERGY AND MINING SECTOR.....	13
4.11 EDUCATION.....	13
PRESIDENT SIGNS THE LAW “ON EDUCATION”	13
5. REGULATORY CHANGES.....	13
6. SENIOR OFFICIALS CHANGES/APPOINTMENTS	15
7. APPENDIX: JAPANESE ODA LOAN AGREEMENTS WITH UZBEKISTAN.....	17
8. APPENDIX: NOTABLE ARTICLES ON UZBEKISTAN IN SEPTEMBER	17

1. EUROUZ EVENTS

UZBEKISTAN: ONE OF THE WORLD'S MOST PROMISING FRONTIER MARKETS

20 October from 10:30 to 12:00 CET

A digital export delegation is by organized by the Confederation of Danish Industry (DI) in cooperation with Nordstrom International with financial support from the Danish Ministry of Foreign Affairs – The Trade Council and with support from Danish EKF and DNA Uzbekistan.

Info: <https://www.danskindustri.dk/arrangementer/soeg/arrangementer/internationalt---asien/uzbekistan-digital-export-delegation-focusing-on-water-management-and-related-sectors/>

2. SPECIAL UPDATE – COVID-19

- As of October 1st - the number of confirmed COVID-19 cases in Uzbekistan has exceeded **56.8 thousand** with more than **53.5 thousand (94.2%)** individuals who have recovered and **470 confirmed deaths**. The daily infection rate published by the government stands at approximately **500 new daily cases**. No testing data is available; therefore, the real data accuracy cannot be determined independently.
- The Russian Direct Investment Fund (RDIF), Russia's sovereign wealth fund, and LAXISAM, one of the leading pharmaceutical companies in the Republic of Uzbekistan, have agreed to supply to the country up to **35 million doses of the Sputnik V** vaccine.
<https://sputnikvaccine.com/newsroom/pressreleases/rdif-and-laxisam-agree-to-supply-up-to-35-million-doses-of-sputnik-v-vaccine-to-uzbekistan/>
- The Islamic Development Bank (IsDB) will be financing two COVID-19 relief projects in Uzbekistan:
 - Equipping of the 10,000 beds Medical Facility for Treatment of COVID-19 Patients in Tashkent in Uzbekistan for USD 17.2 million
 - Emergency Support to the National COVID-19 Preparedness and Response Plan of the Republic of Uzbekistan for USD 46.1 million
- The European Union provided more than EUR 2 million for a project focused on effective, rapid, and coordinated response to COVID-19 in Uzbekistan. The project, which will be implemented by the World Health Organization Country's Office, will focus on a particular emphasis on provision of personal protective equipment to health and first-line workers in healthcare facilities.

https://eeas.europa.eu/delegations/uzbekistan/85910/world-health-organization-and-european-union-help-healthcare-workers-during-covid-19_en

3. ECONOMIC OVERVIEW



- In an update to its flagship annual economic publication, Asian Development Outlook (ADO) 2020, ADB forecasts Uzbekistan's GDP growth at 0.5% in 2020, down from the 1.5% forecast in June. However, GDP is expected to rebound strongly to 6.5% in 2021, consistent with ADB's projection earlier this year. <https://www.adb.org/news/uzbekistan-economic-growth-2020-slow-further-rebound-2021>
- The European Bank for Reconstruction and Development (EBRD) has wound back forecasts for the emerging economies where it invests, after measures to contain the impact of the coronavirus lasted for longer than previously anticipated. EBRD reported 0.2% GDP growth in Uzbekistan in 1H2020 with forecasted -2% decrease in 2020 and 4.5% growth in 2021 <https://www.ebrd.com/news/2020/ebrd-revises-down-economic-forecasts-amid-continuing-coronavirus-uncertainty.html>
- The World Bank (WB) has also updated forecasts for Uzbekistan's economy:
 - GDP growth forecasted at 0.6% in 2020, 4.8% in 2021 and 5.3% in 2022;
 - Inflation rate expected to decrease to 12.9% in 2020 to 10.6% in 2021 and 8.9% in 2022;
 - governmental debt to increase up to 38.3% of GDP until 2023;<https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf>

3.1 LOCAL LEVEL

State Tax Committee announced size of shadow economy in Uzbekistan

In Uzbekistan, the size of the shadow economy stands at 48% of GDP (245 trillion soums¹), the State Tax Committee (STC) reports. In 2019, UNDP consultants shared the results of a study on assessing the size of the shadow economy in Uzbekistan based on monetary methods, as well as the results of surveys and interviews conducted in all regions of the republic (more than 700 enterprises and 30 entrepreneurs). As the results show, the main economic reasons for the shadow economy are a large number tax variations, fees, deductions and their amounts. In terms of significance, the following reasons were identified: lack of sufficient funds for enterprises, problems with banks associated with settlements, payments, cashing funds, quality of service and high loan rates.

Uzbekistan's external debt up by USD 1.6 billion in H1 2020

The Ministry of Finance has published a review of the current state and dynamics of public debt. As of July 1, 2020, the government's external debt and state-guaranteed debt amounted to USD 19.4 billion (34.0% of GDP). This amount consists of:

- Government's external debt – USD 11.6 billion;
- State-guaranteed external debt – USD 5.7 billion;
- Domestic debt – USD 2.1 billion.

It was noted that despite the dynamics of growth of public debt in recent years, according to international standards, the public debt of Uzbekistan (34.0% of GDP), including public external debt (30.3% of GDP) remains moderate.

The guarantee fund under the Treasury of the Ministry of Finance will cover the risk of non-payment of public debts

The Government adopted a resolution "On organizing the activities of the Guarantee Fund for servicing public debt under the Treasury of the Ministry of Finance of the Republic of Uzbekistan". According to the resolution, in cases where debtor organizations or refinancing banks for projects and programs financing from the state debt did not make timely and full payments on their debts, the borrowings are covered at the expense of the State budget. If payments from debtor organizations are not returned within 30 days, the outstanding debt, the accrued fines and penalties applied to it will be collected through the court.

Central Bank of Uzbekistan lowers the base rate to 14% per annum

The decision was taken to lower the basic rate from previous 15% to 14% per annum. The Central Bank maintains the forecast for inflation at the end of the year at 11-12.5%. The Central Bank, together with the Government, will take all necessary measures to achieve a constant inflation target of 5% by 2023.

¹ Approx. USD 23.8 billion

3.2 REGIONAL, BILATERAL & MULTILATERAL COOPERATION

Switzerland agrees to return USD 131 million to Uzbekistan from Gulnara Karimova's frozen assets

Switzerland and Uzbekistan have signed a framework agreement, which aims to return confiscated from Karimova assets to Uzbekistan. The deal, which still needs to be formalized before it becomes legally binding, will require Uzbekistan to use the assets "to improve the living conditions of the people of Uzbekistan," invest the funds in sustainable projects and ensure transparent monitoring. Additional USD 715 million seized from Karimova remains frozen as part of the ongoing criminal proceedings against her. Should those funds be released, they would be subject to the same conditions of restitution.

Foreign ministries of Uzbekistan and Turkmenistan held political consultations

On September 21, 2020, the foreign ministries of the Republic of Uzbekistan and Turkmenistan held a video conference on:

- The current state and prospects of further development of bilateral cooperation in the political, economic, scientific, sustainable, cultural and humanitarian spheres;
- The implementation of the Ashgabat agreement on the formation of an international transport and communication corridor "Uzbekistan-Turkmenistan-Iran-Oman";
- The Afghan problem, and
- Joint efforts to combat the spread of coronavirus and minimize the impact of the pandemic on bilateral cooperation.

4. MARKET DEVELOPMENT BY SECTORS

4.1 INDUSTRY AND CONSTRUCTION

Three new interchanges will be added to capital's road infrastructure

Three overpasses and a 6-kilometer road will connect two districts of the capital city. The goal of the project traffic optimization to the most populated district in Tashkent also serving as main road transit for the city center.

The project developed by the Turkish transport engineering company Kalyon Ulaştırma is estimated at more approx. USD 27.1 million. Funds have been allocated from the state budget. The interchanges will be built by Grand Road Tashkent LLC.

Construction of Wyndham hotel started near the Tashkent airport

The press service of the Tashkent City Administration reported that Wyndham group began the construction of its third hotel in Tashkent – Wyndham Garden Tashkent Airport. The construction, which was estimated at approx. USD 1.9 million, is being carried out by Alta Vetta in cooperation with the German MirAZ Capital GmbH. The amount of foreign investments is USD 500,000. The hotel is expected to open by the end of 2022.

USD 300 million to be allocated for road reconstruction in Samarkand

The regional khokimiyat has already announced a USD 300 million tender for the reconstruction and modernization of Amir Temur, Bustonsaroy and Rudaki streets. According to the terms, out of this amount, USD 210 million will be spent on road construction and USD 90 million on water supply. Planting flowers, reparation of roads and sidewalks are considered. Part of the funding is sourced from The Abu Dhabi Fund for Development (ADFD)

4.2 TOURISM AND AVIATION SECTOR

Uzbekistan Airways restores international flights

Uzbekistan Airways announced the phased resumption of flights on a regular basis to and from the following cities: Dubai, Frankfurt, Almaty, Bishkek and Istanbul. Passengers from the aforementioned cities will have to provide a certificate with a negative test result for COVID-19 in English or Russian, valid no more than 72 hours before the flight. In the absence of a negative test result, passengers will be denied check-in for their flight.

A government decree adopted on the implementation of the second stage of the "Amirsoy" ski resort construction near Tashkent

In accordance with the Decree of the President of the Republic of Uzbekistan "On measures to accelerate the development of tourism by introducing a special management procedure in the Bostanlyk region", the goal to implement the second stage of the Amirsoy ski resort complex construction was determined. The project was adopted at the expense of the initiator and foreign financial institutions attracted by the initiator, for a total amount of EUR 75 million. To ensure the timely implementation of this project, the State will provide assistance in the construction of the necessary infrastructure and communications.

USD 500 million to be invested for the development of mountain tourism

A master plan of the international all-season resort "Beldersay-Chimgan-Nanay" has been developed. The plan is developed by a consortium of French companies "Geode", "Manie Lives", "Egis", "Patriarche", "Epode" with the support of the Private Sector Study and Aid Fund (FASEP). The master plan aims to attract up to USD 500 million in investment, including funds from government financial institutions of France. They will be used for the development of tourism, road transport and communal infrastructure.

4.3 AUTOMOBILE SECTOR

Two KIA models to be produced in Uzbekistan

Starting November 2020, the ADM-Jizzakh factory starts the production of the two models of KIA – SELTOS and K5. Cars manufactured in Uzbekistan will be exported to CIS countries through partner dealer networks. The production line was created with the participation of the Russian regional headquarters of KIA Motors.

Uzbekistan imported electric vehicles worth USD 1.7 million in 2020 so far

From January to August, Uzbekistan imported 73 electric vehicles worth USD 1.7 million. According to the State Statistics Committee, 50 electric vehicles were imported from China, 12 from the Republic of Korea, 11 from Germany, the United Arab Emirates, Russia and Georgia. As from January 1, 2019, imported electric cars are exempted from import duties, and from July - from excise tax. Since January, the government planned to introduce a 10% duty on imports of electric vehicles, however, the plans were not implemented.

Chinese Haval cars entered the Uzbek market

On September 21, the Chinese automobile brand Haval launched its cars in the Uzbek market. It offers premium SUVs and crossovers, compliant with European and global quality standards. SHOSH AUTOTRADE GROUP (TM SHARQ MOTORS) has become the official distributor of Haval cars in Uzbekistan. Cars delivered from China are available with no customs duties. After payment, the car is transferred to the buyer immediately.

4.4 HEALTHCARE

ADB and UNICEF hand over USD 952,000 worth of medical supplies to Uzbekistan's Ministry of Health

UNICEF with financial support from ADB and in consultation with the Ministry of Health of Uzbekistan has procured Personal Protective Equipment (PPE) for health workers who are providing medical service to COVID-19 patients. This includes 71,100 coveralls and 8,000 boot covers, as well as RNA mini extraction kits which provide the fastest and easiest way for lab testing. All delivered equipment and PPE were distributed to all regions of Uzbekistan, including remote areas.

4.5 AGRICULTURE AND FOOD

Clusters and farmers to receive USD 50 million in loans to buy cotton harvesters

The resolution of the President of Uzbekistan Shavkat Mirziyoyev on measures to financially support the mechanization of the harvest of raw cotton has been adopted in September. According to the decree, the share of the Fund for Reconstruction and Development in the authorized capital of Agrobank will be increased by USD 50 million. These funds will be used to provide loans to cotton-textile clusters and other economic entities for the purchase of domestically produced cotton-harvesting machines at the Central Bank base rate.

Uzbekistan aims for USD 5 billion worth of agricultural export in coming years

Uzbekistan plans to bring the export of agricultural products to USD 5 billion in the coming years by widening the export destinations and modernizing the sector. President Shavkat Mirziyoyev has instructed the government to increase the scientific potential of the agricultural sector and to introduce an international certification system in order to achieve the export target. Uzbekistan will pay special attention to negotiations with Lithuania, Latvia, Ukraine, Azerbaijan, Egypt, Qatar, Mongolia, Afghanistan and other countries to export fruits and vegetables.

4.6 INVESTMENT AND FINANCE

Capital Market Development Agency moves towards collaboration with the DIFC

The Capital Market Development Agency, with the support of the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, held the first bilateral negotiations with the Dubai International Financial Center (DIFC) headed by Mr. Arif Amiri, Director General of the DIFC department.

Mr. Amiri expressed his approval of bilateral relations between Uzbekistan and the UAE, as well as Uzbek government's effort in the development of the capital market. The parties agreed to establish partnerships in terms of effective development and modernization of the regulatory framework of Uzbekistan, which will allow companies and citizens of Uzbekistan to gain access to world financial markets through the infrastructure of the DIFC.

A first bank from Uzbekistan will connect to the Russian analogue of the SWIFT system

The National Bank will connect to the financial messaging system (SPFS) of the Bank of Russia. SPFS is a specialized channel for transmitting electronic messages on financial transactions. By connecting to the SPFS, the National Bank of Uzbekistan will correspond to international standards by ensuring a) high speed of data transfer, b) protection of financial transactions, c) flexibility, and d) efficiency in mutual settlements and information exchange on interbank transactions. The bank expects that this will also create additional convenience in customer service, modernize settlement and payment processes, reduce costs for interbank communications and diversify opportunities for cooperation with foreign financial institutions.

4.7 BUSINESS

Andijan to launch production of Nike and Adidas shoes

Uzcharmsanoat Association has concluded a number of agreements with Nike and Adidas. The production of sports shoes will be launched in the Andijan region. It is planned to produce 3 million pairs of sneakers under the world-famous brand at the SinoInternational JV LLC plant through outsourcing contracts. 15 new export markets are expected to open over the next three to five years, mainly in Europe and Southeast Asia.

EBRD provides a loan of USD 50 million to Bank “Asaka” to help small businesses of Uzbekistan

The EBRD is scaling up its support to small and medium-sized enterprises (SMEs) in Uzbekistan. A loan of USD 50 million provided to Bank “Asaka”, is intended to stimulate the business activity of small and medium-sized domestic companies affected by COVID-19. The EBRD funds will also contribute to the further commercialisation, efficiency and competitiveness of Asaka Bank, paving the way for its eventual privatisation.

EBRD pledges additional USD 40 million in support of Uzbek SMEs

The package will consist of a USD 30 million loan to SMEs and a USD 10 million loan for women entrepreneurs under the EBRD’s Central Asian Women in Business (WiB) programme. The EBRD funds will also contribute to the further commercialisation, greater efficiency and competitiveness of Ipoteka Bank, paving the way for its eventual privatisation.

4.8 INDUSTRIAL INFRASTRUCTURE**Jizzakh Petroleum announces major step towards construction of a new gas chemical complex in Uzbekistan based on MTO technology**

The launch of a project to build a new chemical complex in Uzbekistan based on MTO technology ('The Project') was announced by Jizzakh Petroleum. It was decided to build the plant in the Bukhara region of Uzbekistan, where it will operate using domestic feedstock. This will enable natural gas monetization via the production of export oriented and high value-added products. The plant's location was determined by the presence of competitive feedstock and energy supplies, suitable infrastructure, and proximity to key markets across Europe and Asia, consolidating the role of Uzbekistan as the energy leader in the region. According to the feasibility study the estimated cost of construction is USD 2.8 billion.

New facility commissioned at Mubarek Gas Processing Plant

A new 4th string of the propane-butane mixture production unit (UPPBS) was launched at the Mubarek Gas Processing Plant, which will make it possible to annually produce 38.4 thousand tons of liquefied gas. The production will satisfy the growing demand for liquefied gas from industrial enterprises, housing and communal services of the republic. The project was financed by Uzbekneftegaz for USD 58.25 million with a payback period of 6 years (2021-2026).

Third 650 MW combined cycle gas turbine plant to be built at Navoi TPP*

An agreement was signed with the Japan International Development Agency (JICA) for the implementation of an investment project for the construction of a third combined cycle gas turbine plant. The Agency will allocate 128.246 million yen (USD 1.18 billion) as a loan for 30 years with a 10-year grace period.

**See Appendix section for detail of JICA financed projects in Uzbekistan’s energy sector*

JICA to fund Phase 2 of the Electricity Capacity Building Project in Uzbekistan*

Within the framework of the project, JICA provides consulting services; supply and repair of components, materials, spare parts and. Taking into account interest payments during the investment period and unforeseen expenses, the total loan amount is estimated to be 36.621 million Japanese yen

As an exception, JSCs Navoi TPP and Turakurgon TPP are allowed to conclude direct contracts without tenders with Japanese companies Mitsubishi Hitachi Power Systems Ltd. and with Mitsubishi Corporation, and JSC Tashkent CHPP – with Mitsubishi Hitachi Power Systems Ltd. and Itochu Corporation – for the supply and repair of components, materials, spare parts and equipment for combined cycle plants, gas turbines, main and auxiliary equipment and the provision of technical and consulting services outside Uzbekistan

**See Appendix section for detail of JICA financed projects in Uzbekistan's energy sector*

Masdar Energy to analyze wind power potential of the Navoi region

Masdar Energy (UAE) installed four meteorological masts to study wind potential in the Tamdy district of the Navoi region. According to the Ministry of Energy, this is the next stage in the project of building a 500 MW wind power plant in the area. The results of the wind capacity study will enable to complete the feasibility and finance study of the project, which will form the basis for the conclusion of credit agreements with international financial institutions.

ACWA Power to build a wind farm near Bukhara for USD 1 billion

ACWA Power (Saudi Arabia) has installed 10 meteorological masts to study the wind potential in Peshku and Gijduvan districts of the Bukhara region, where the company will build wind power plants (WPPs) with a total capacity of 1000 MW. The project will be built by attracting direct investment in the amount of USD1 billion.

Cengiz Energy Invests USD 150 million in Uzbekistan Power Plant

Turkey's Cengiz Energy will establish a natural gas combined cycle power plant in Uzbekistan with an investment of USD150 million. The plant, with a capacity of 240 megawatts, will be built in Tashkent under an investment agreement between Uzbekistan's investment and foreign trade ministry, the country's National Electric Networks (JSC) and Cengiz Energy. The power plant will be completed in 12 months. The natural gas to be used in the power plant will be supplied by Uztransgaz, Uzbekistan's gas supply company.

China to restore power line between Uzbekistan and Tajikistan for USD 25 million

China's Shanghai Electric Power Transmission & Distribution has won a tender for the restoration of a 500 kV transmission line between Uzbekistan and Tajikistan. The project worth USD 25 million will be financed by the Asian Development Bank.

WB approves funding for the construction of a solar power plant in the Navoi region

The World Bank and the International Finance Corporation (IFC) allocated funds for the construction of a photovoltaic (solar) power plant in the Navoi region. The project is part of the Scaling Solar program, aimed at attracting private investment in the development of solar energy usage. The construction of the power plant has a financial guarantee of the International Bank for Reconstruction and Development (IBRD) of up to USD 5.1 million. The IFC provided a loan of USD 41 million. The project will also be the first World Bank guarantee operation in Uzbekistan.

VEB.RF may finance the modernization of HPP cascades in Uzbekistan

On September 17, negotiations between the Minister of Energy of Uzbekistan Alisher Sultanov and the Chairman of State Development Corporation VEB.RF Igor Shuvalov took place. During the negotiations, the parties discussed promising projects for expanding cooperation in the fuel, energy, oil and gas industry. These include new projects worth EUR 78.4 million on modernizing the existing HPPs – Chirchik, Kadyrinskaya, Urta-Chirchik and Tashkent HPP cascades.

ADB approved a USD 200 million loan to improve the energy sector of Uzbekistan

The service quality of Uzbekistan is poor and unreliable due to low transmission capacity and outdated generation and distribution assets. The energy sector has also struggled to attract new investment due to its weak financial performance. The government has initiated structural reforms to improve the regulatory capacity and financial sustainability of the energy sector by taking steps to reduce greenhouse gas emissions and improve energy efficiency. ADB's program is supporting these reforms aimed at increasing private sector participation in electricity generation to at least 15% in terms of capacity, as well as 99% in increasing revenues by 2023. The program was developed jointly with the French Development Agency (FAD), which will provide co-financing of EUR 150 million.

4.9 COMMODITIES & TRADE DATA

Turkmen gasoline ECO-93 offered on Uzbekistan commodity exchange for the first time

Imported Turkmen gasoline ECO-93 appeared on the Uzbek Republican Commodity and Raw Materials Exchange. The starting price is 600 thousand soms (approx. USD 58) per 100 kg. The gasoline supplier is Nara-Komfort Servis LLC, registered in 2011 in the Kashkadarya region.

Uzbekistan and Kyrgyzstan intend to bring mutual trade turnover to USD 1 billion

Uzbekistan and Kyrgyzstan plan to increase trade turnover to USD 1 billion per year. Countries are planning to increase the capacity of roads at border checkpoints. By digitalizing the processes of customs, sanitary, transport and border control, the parties want to improve conditions for the transit of passengers, transport and goods. The issue of creating joint logistics hubs is being studied.

4.10 ENERGY AND MINING SECTOR

Uzbekistan extracts about 3.5 thousand tons of uranium per year

According to the statistics on natural uranium production, Uzbekistan currently ranks 5th in the world in terms of uranium production and 10th – in terms of uranium reserves. Uranium produced in Uzbekistan is exported in full.

4.11 EDUCATION

President signs the Law “On Education”

According to the new law, Uzbekistan divides all types education to the following types:

- Pre-school education and training;
- General secondary and secondary specialized education;
- Vocational education;
- Higher education;
- Postgraduate education;
- Retraining and advanced training of personnel;
- Extracurricular education.

Non-governmental educational organizations can be established by their founders after receiving a license from the State Education Inspectorate. The new law declared the previous law dated August 29, 1997, “On the National Training Program” and “On Education” invalid.

5. REGULATORY CHANGES

Presidential decree: A new system of labor migration will be introduced in Uzbekistan in 2021

President Shavkat Mirziyoyev signed the resolution on measures to introduce a system of safe, orderly and legal labor migration. The resolution defines its main directions:

- International cooperation in the field of external labor migration will be developed through strengthening relations with the Uzbek citizens abroad;
- Prior going to work abroad, citizens will be trained in the profession and foreign languages; international certificates confirming professional qualifications will be issued;
- Labor migrants will be financially and socially supported through health insurance issuance and cultural and educational events;
- Individuals (labor migrants) returning from foreign countries will be aided in their reintegration, employment, professional development and entrepreneurial initiatives.

Presidential decree also declared that about 10,000 citizens who have fallen into difficult situations abroad will receive USD 43 each

According to the presidential decree on the introduction a new labor migration system, UZS 4.1 billion (approx. USD 399,241) have been allocated for this purpose. In particular:

- An online platform and a call center will be established in order to provide legal assistance to labor migrants in Russia, Kazakhstan and Turkey;
- The practice of appointing and awarding “honorary consuls” and “public advisers” will be introduced;
- Under the auspices of diplomatic missions and the Agency for External Labor Migration, Advisory Councils will be established with the participation of foreign citizens, major employers and other persons who regularly provide assistance to citizens of Uzbekistan.

Additional premium to be paid for hand-picked cotton in a number of districts

The resolution of the Cabinet of Ministers “On measures to organize the cotton harvest in 2020” has been adopted. According to the resolution, for each kilogram of hand-picked raw cotton in a number of districts, an additional UZS 200 (USD 0.019) will be paid to the set tariff rate. The Council of Ministers of Karakalpakstan, regional and district khokimiyats² are personally responsible for preventing and combating forced labor.

President Mirziyoyev signed a decree on the introduction of ID-cards

President Shavkat Mirziyoyev signed a decree “On measures to introduce ID-cards in the Republic of Uzbekistan”. According to the document, from January 1, 2021, a unified personal identification system will be introduced in the country, which will replace biometric passports with ID cards with an electronic data carrier (chip). ID-cards will be valid exclusively on the territory of Uzbekistan. It is expected that the document processing time will be 1 day.

² From Uzbek: city hall

6. SENIOR OFFICIALS CHANGES/APPOINTMENTS

- **Adviser to the President on Economic Development, Effective Governance and International Cooperation**
Appointed – Suma Chakrabarti.
Previously served as President of the European Bank for Reconstruction and Development.
- **Ministry of Finance: Deputy Minister of Finance**
Appointed – Kurbanmurat Taparov.
Previously served as Chief Inspector of the Sector for Collaboration with Representative Authorities and Political Parties in the Presidential Office
- **State Tax Committee: Director of the Cadaster Agency**
Appointed – Khalilillo Turakhujaev.
Previously served as Chairman of the State Committee for Land Resources, Geodecy, Cartography and State Cadaster
- **Acting Khokim of Namangan Region**
Appointed – Shavkatjon Abdurazakov.
Previously served as Head of the State Committee for Ecology and Environmental Protection
- **Deputy Prime Minister**
Appointed – Shukhrat Ganiev.
Previously served as Khokim (Mayor) of Fergana Region
- **Khokim of the Fergana Region**
Appointed – Khairulla Bozorov
Previously served as Khokim (Mayor) of Namangan Region

TWO INTERNATIONAL AGREEMENTS WERE APPROVED

Uzbekistan President's Decrees No. PD-4826 and PD-4827 were adopted on 15 September 2020, according to which two international treaties were approved:

1. Convention between Uzbekistan and Japan "On the elimination of double taxation with respect to income taxes and the prevention of tax evasion and avoidance" (Uzbekistan – Japan Double Tax Treaty ("DTT")), signed on 19 December 2019 in Tokyo. The new Uzbekistan – Japan DTT (after international procedures have been completed) is expected to come into effect from 1 January 2021, and it will replace the USSR-Japan DTT of 1986 (currently honored by Uzbekistan). New DTT stipulates the following changes in the withholding tax (WHT) rates, applied by contracting states:

Type of income	Current DTT rate (%)	New DTT rate (%)
Dividend	15*	5 / 10 **
Interest	10	5
Royalty	0 / 10 ***	0 / 5 ***

*Given that the domestic withholding rate for dividends in Uzbekistan is 10%, domestic withholding rate of 10% (not 15% as under the DTT) for dividends applies to payments of dividends made by Uzbek companies.

** The lower rate (i.e. 5%) applies if the beneficial owner of the dividends is a company that owns at least 25% of the payer of the dividends during the period of 365 days.

*** The 0% rate applies to royalties paid for the use of, or the right to use, copyrights of literary, artistic or scientific works, including motion picture films.

2. Protocol on Amendments to the Convention between the Government of Uzbekistan and the Government of the Republic of Korea "On avoidance of double taxation and prevention of tax evasion on income and capital" dated 11 February 1998, signed on 19 April 2019 in Tashkent. The Protocol provides the following changes to the current Uzbekistan – Korea (Rep.) DTT:
 - ▶ Article 18 (Pensions) will be supplemented by the following paragraph: Notwithstanding the provision of paragraph 1, pensions paid and other payments made under government programs that are part of the social security system of a Contracting State or a local authority thereof, shall be taxable only in that Contracting State;
 - ▶ Paragraph 1 of article 25 (Mutual Agreement Procedure) shall be replaced by the following paragraph: Where a person considers that the actions of one or both of the Contracting States (i.e. Uzbekistan or Republic of Korea) result or will result for that person in taxation not in accordance with the provisions of the Convention, that person may, irrespective of the remedies provided by the domestic law of those States, present the case to the competent authority of either Contracting States (previously such person could present the case only to the competent authority of the Contracting State of which he is a resident).
 - ▶ etc.

FOREIGN ENTREPRENEURS WILL BE INCLUDED IN A SINGLE DATABASE

Decree of the Cabinet of Ministers of Uzbekistan No. 539 "On measures for further improvement of the mechanisms for collecting, processing and storing information about foreign legal entities operating via a representative office, branch or permanent establishment and individuals carrying out entrepreneurial activities" was adopted on 4 September 2020 ("Decree").

In accordance with the Decree, the following measures were introduced:

- ▶ Centralized database is created on foreign legal entities operating in Uzbekistan through a representative office, branch or permanent establishment, and individuals carrying out entrepreneurial activity in Uzbekistan, to ensure electronic interagency interaction in the provision of public services ("Centralized database").
- ▶ The responsible authority for the maintenance and formation of the Centralized Database is the State Tax Committee, which together with other ministries and departments, was instructed to develop and launch the Centralized Database by 1 January 2021.

We hope that you found this overview helpful. We will be glad to advise you on these changes in more detail and discuss should you have any questions.

7. Appendix: Japanese ODA Loan Agreements with Uzbekistan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Navoi Thermal Power Plant Modernization Project (Phase 2)	128,246	0.5	0.01	30	10	General untied
Electric Power Sector Capacity Development Project (Phase 2)	36,621	1.15	0.01	30	10	General untied
Horticulture Value Chain Promotion Project	23,023	1.0	0.01	25	7	General untied

8. Appendix: Notable articles on Uzbekistan in September

Uzbekistan sets up fund to insure \$5.7 bln in state-guaranteed debt - NASDAQ

<https://www.nasdaq.com/articles/uzbekistan-sets-up-fund-to-insure-%245.7-bln-in-state-guaranteed-debt-2020-09-28>

We Must Pay Attention To Uzbekistan, The Big Hope For Stability In Central Asia - FORBES

<https://www.forbes.com/sites/melikkaylan/2020/09/30/we-must-pay-attention-to-uzbekistan-the-big-hope-for-stability-in-central-asia/#da80ae1fb696>

Unable to export its natural gas, Uzbekistan tries using it itself - THE ECONOMIST

<https://www.economist.com/asia/2020/10/03/unable-to-export-its-natural-gas-uzbekistan-tries-using-it-itself>

Uzbekistan at the UN: New Challenges Require New Policies – International Policy Digest

<https://intpolicydigest.org/2020/09/26/uzbekistan-at-the-un-new-challenges-require-new-policies/>



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