



# **MONTHLY REPORT ON UZBEKISTAN**

MAY 2020

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

10-06-2020  
Brussels, Belgium

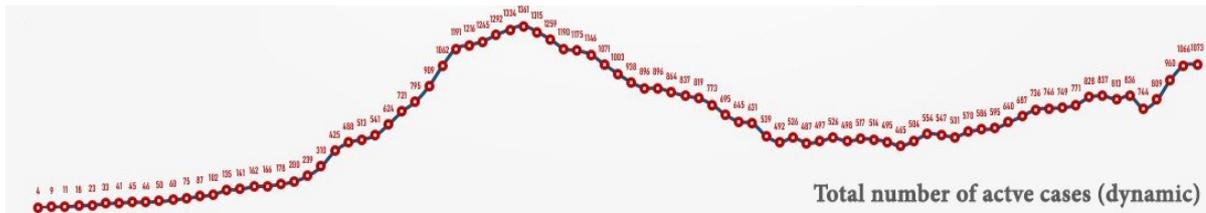
## TABLE OF CONTENTS

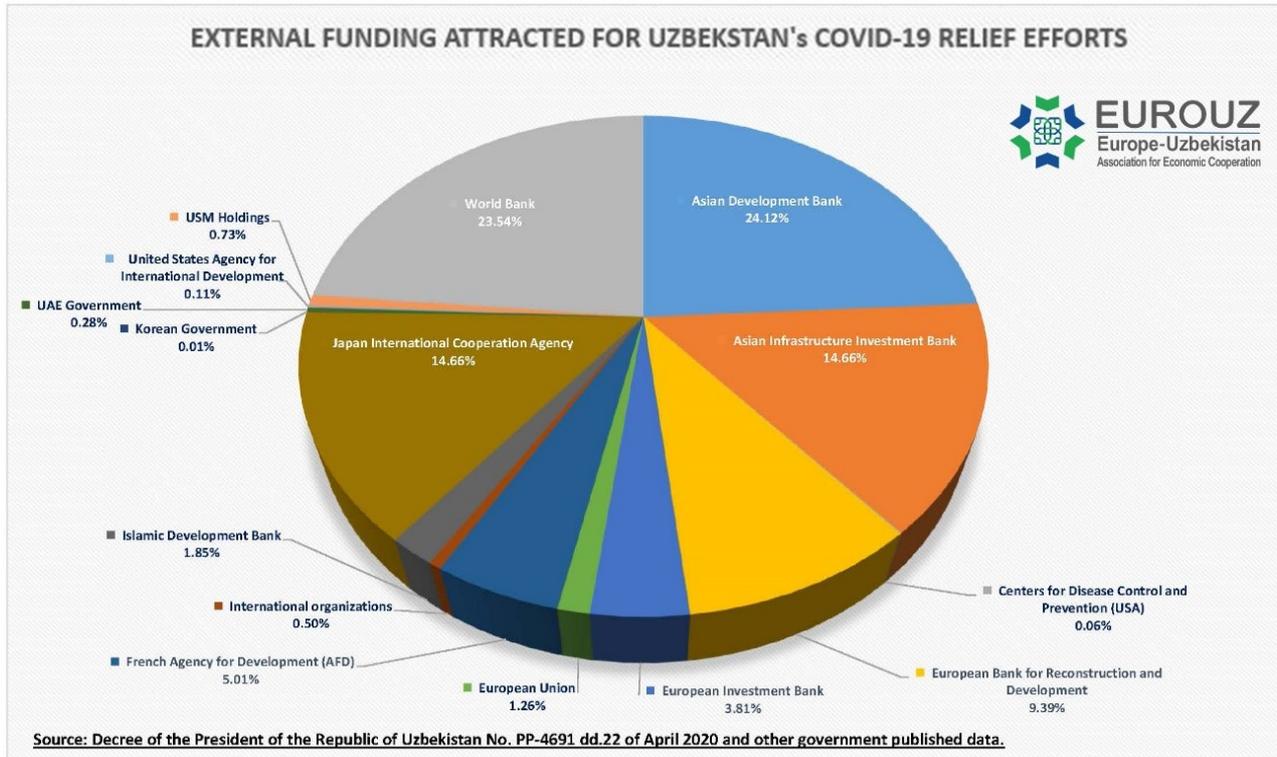
<b>1. SPECIAL NEWS.....</b>	<b>3</b>
<b>1.1 COVID -19 UPDATE.....</b>	<b>3</b>
<b>1.2 SARDOBA DAM COLLAPSE.....</b>	<b>5</b>
<b>2. ECONOMIC OVERVIEW.....</b>	<b>5</b>
<b>2.1 KEY ECONOMIC DATA.....</b>	<b>5</b>
<b>2.2 NOTEWORTHY DEVELOPMENTS.....</b>	<b>6</b>
<b>2.3 REGIONAL COOPERATION.....</b>	<b>7</b>
<b>3. MARKET DEVELOPMENT BY SECTORS.....</b>	<b>8</b>
<b>3.1 COTTON AND AGRICULTURE SECTOR.....</b>	<b>8</b>
<b>3.2 CONSTRUCTION SECTOR.....</b>	<b>9</b>
<b>3.3 ICT SECTOR.....</b>	<b>9</b>
<b>3.4 AVIATION SECTOR.....</b>	<b>10</b>
<b>3.5 FINANCE SECTOR.....</b>	<b>11</b>
<b>3.6 WASTE MANAGEMENT.....</b>	<b>12</b>
<b>3.7 ENERGY AND MINING SECTOR.....</b>	<b>12</b>
<b>4. REGULATORY CHANGES.....</b>	<b>16</b>
<b>5. SENIOR OFFICIALS CHANGES/APPOINTMENTS.....</b>	<b>19</b>
<b>6. USEFUL LINKS.....</b>	<b>20</b>
<b>ATTACHMENTS.....</b>	<b>22</b>

## 1. SPECIAL NEWS

### 1.1 COVID -19 UPDATE

- **Total number of confirmed** COVID-19 infections by end of business day June-10<sup>th</sup> stands at 4591 with total of 19 deaths, however the country has also been recording a rise in new cases in recent days. The total number of active cases still stands over 1000 people with between 80 and 120 cases being confirmed every day in recent days.





Follow the [link for information on full list on sources and target areas of financing to support Uzbekistan in situation of pandemic.](#)

At a meeting with the ministers of the financial bloc on June 9<sup>th</sup>, the president has announced that additional measures should be developed to promote an increase in industrial production & additional measures to be developed to support exporters & create additional jobs for the most vulnerable parts of the population.

Additional COVID- 19 related analysis and articles can be found at the website of EUROUZ and available through the following links:

- [Independent Analysis: COVID – 19 Impact on Uzbekistan and Recovery Projections of IFI's](#) EUROUZ presentation from a recent webinar from May 27<sup>th</sup>
- [Information on Measures to Combat the Effects of Coronavirus In Uzbekistan](#) Development Strategy Center, Center for Economic Research and Reforms.
- [Uzbekistan introduces a next set of tax measures to support the population and business amid the COVID-19 pandemic](#) – Ernst & Young, May 2020
- [Fighting COVID -19. Europe and Central Asia Economic Update](#) – World Bank, 2020

## 1.2 SARDOBA DAM COLLAPSE

The estimated damages from the collapse of the Sardoba Reservoir in Syrkandaryo region in May had cost Uzbekistan **148.5 million USD**.

Of the 70 thousand people initially evacuated from the vicinity of the Sardoba reservoir approximately 20 thousand are still living in temporary shelters. The incident resulted in 4 deaths and 1 still missing, presumed dead.

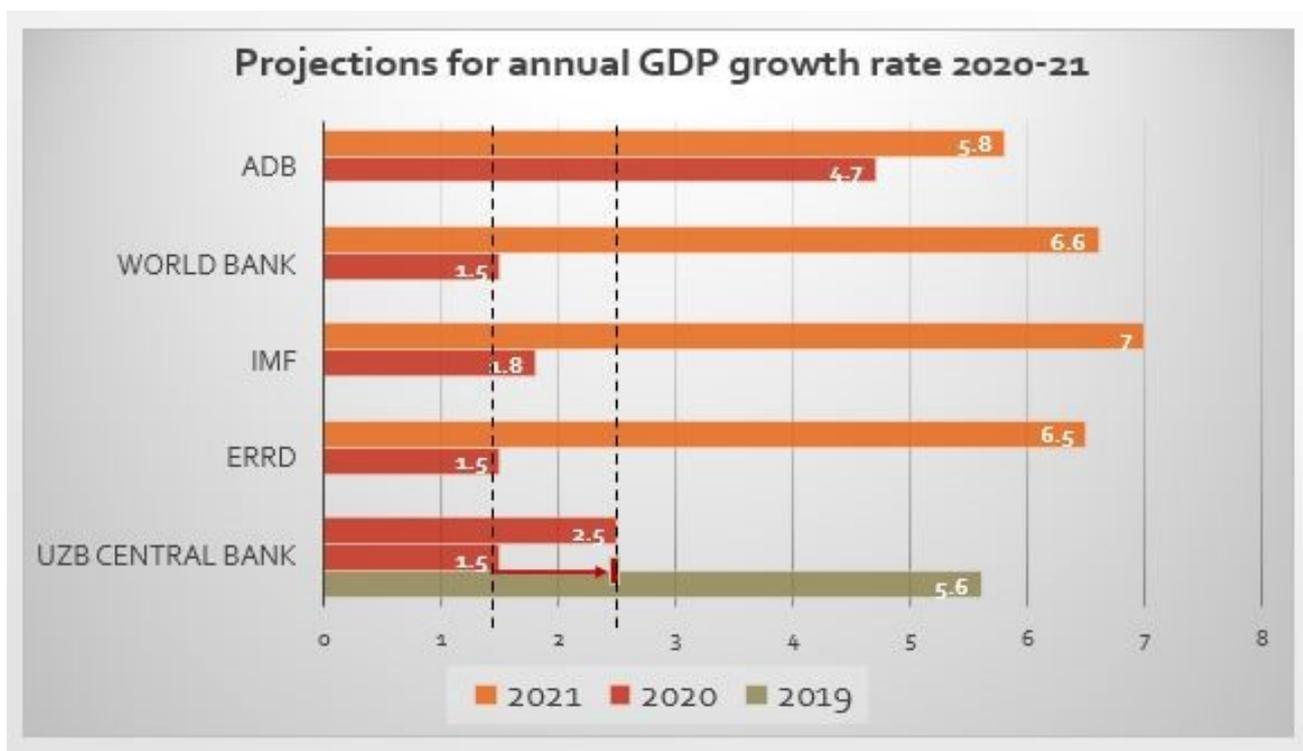
In the neighboring Turkestan region of Kazakhstan, the sustained preliminary damage was estimated to stand at **9.5 million USD**, part of which was already compensated though humanitarian funds donated by Russian billionaire with Uzbek origins, Mr. Alisher Usmanov.

The investigation into the cause of the accident is still ongoing, but the preliminary reports indicate the non-compliance with construction norms, design errors and cost-saving on essential sensing equipment may have been at least in part to blame of the accident.

The disaster had triggered the Uzbekistan government to revise its approach to construction of civil and industrial infrastructure though revision of design & construction norms in line with international best practices, but specific steps beyond declarative statements are yet to be announced.

## **2. ECONOMIC OVERVIEW**

### 2.1 KEY ECONOMIC DATA



**Current International Financial Institutions projections suggest that Uzbekistan's economy is one of the few economies in the world that is still going to exhibit growth in 2020, with a strong recovery in 2021. The ADB data in the table above has been released in April, therefore it is expected to be updated in coming weeks and is likely to fall in line with other IFI projections. The Uzbekistan's Central Bank gives a range of 1.5-2.5% growth projection for 2020 instead of a more specific figure and does not publish projections for 2021.**

**Based on the latest data released by the ministry of labour, the total unemployment in Uzbekistan at the end of May has reached two million people. Up from 1.35 million in February before the COVID-19 pandemic.**

## **2.2 NOTEWORTHY DEVELOPMENTS**

### **➤ UZBEKISTAN PLANS TO EXECUTE 32 PUBLIC-PRIVATE PARTNERSHIP PROJECTS WORTH 3.8 BILLION USD**

Of the total number of projects, five have already signed implementation agreements, another three are at the stage of signing the agreements, plus seven are at tender stage. Feasibility studies are being prepared for the remaining 17 projects. Energy projects account for a large share of total PPP investments.

Projects currently at execution phase include the following facilities:

- 100 MW solar power plant in the Navoi region, jointly with the investment by Masdar (UAE) and with the support of the International Finance Corporation (IFC), the PPA for which has been signed with a virtual ceremony on June 8<sup>th</sup> 2020.
- 100 MW solar power plant in the Samarkand region with the investment by French TOTAL EREN, a presidential decree for which has been issued in May, essentially indicating the start of project execution phase. UK based contractor, who has significant partnership experience with TOTAL EREN is expected to be announced as EPC contractor for this project, although this detail has not yet been made public.
- 1500 MW Syrdarya Thermal PP jointly with ACWA Power (Saudi Arabia) for which EPC announcement is expected to be made within July 2020. Three EPC contractors have been shortlisted as potential winning bidders, but the selection process is ongoing;
- Construction and reconstruction of more than 35 km of existing water and sewage networks.
- Modernization of drinking water infrastructure in the Khorezm region.

See [full list and detailed information on planned PPP projects available via link on EUROUZ website.](#)

### **➤ 80% STAKE OF HOTEL UZBEKISTAN SOLD TO SINGAPORE'S HOLDING**

A landmark hotel in the heart of Tashkent is being sold to Bashan Investment Group PTE Ltd that will pay 23.2 million USD for an 80.13% stake in the hotel ownership.

In 2018, the Uzbek government issued a decree in an effort to attract foreign investment into its hotel assets and in February 2019 it advertised an auction for its Hotel Uzbekistan stake starting at 100 billion soums (33 million USD). The auction attracted no interest and the government decided to gradually decrease the price. Under the terms of the contract, Bashan will have to invest 100 billion soums (33 million USD) for the renovation of the building in the next 18 months.

➤ **GOVERNMENT TO SELL 100% SHARES IN NUKUS POLIMER PLANT**

The Government is putting its stake in Nukus Polimer LLC up for online auction. The state's share is 100%, and the starting price is 70.1 billion soums (6.9 million USD).

The plant is located in Nukus (Karakalpakstan), in the southern industrial zone. The total area of the facility is 1.87 ha. The built-up area is 8,379.42 sq m. The company produces gas pipes, as well as pipes for water supply and technical purposes (Sewerage).

The plant was founded in July 2017 on the initiative of the President. In 2019, the share of Uzbekneftegaz JSC in the company was transferred to the Agency for the Management of State Assets.

**2.3 REGIONAL COOPERATION**

➤ **UZBEKISTAN AND BANGLADESH EXPAND COOPERATION**

During high level contacts in May, Uzbekistan and Bangladesh have agreed to sign an agreement on avoidance of double taxation and an agreement on cooperation in the field of plant quarantine. A joint working group at the level of deputy heads of foreign economic departments of the two countries would be established to coordinate issues of development of cooperation in the fields of trade, investment and transport.

➤ **UZBEKISTAN AND CZECH REPUBLIC DEEPEN ECONOMIC RELATIONS**

During ministerial contacts in May, the two countries have agreed to set a priority on bilateral level to expanding cooperation in the financial and technical sectors by establishing cooperation with organizations such as Czech Export Bank, the Czech branch of Uni Credit Bank and EGAP (Export Guarantee Insurance Company), attracting preferential financing for projects and increasing qualifications of Uzbek specialists in the field of finance and insurance.

An agreement was reached on the establishment of the Uzbek-Czech Working Group on Agriculture, whose task will be to increase mutual trade in this area.

The Czech side expressed its readiness to provide comprehensive support to Uzbekistan in issues of joining the World Trade Organization, obtaining the status of a beneficiary country of the European Union "GSP +" system of preferences and preparing an Agreement on Enhanced Partnership and Cooperation with the EU.

A joint working group at the level of deputy heads of foreign economic departments of the two countries would be established to study and prepare solid investment and trade agreements, identify new promising areas of bilateral cooperation, as well as monitor the implementation of all agreements in trade, economic, investment, financial and technical and humanitarian fields.

### **3. MARKET DEVELOPMENT BY SECTORS**

#### **3.1 COTTON AND AGRICULTURE SECTOR**

##### **➤ UZBEKISTAN TO SET UP POTATO CLUSTERS TO INCREASE LOCAL PRODUCTION**

Uzbekistan is currently not meeting domestic demand in potatoes production with imports from Russia, Kazakhstan, Pakistan and Belarus covering for the gap in local supply. The disruption of supply chains with COVID-19 exposed additional risks and forced the government to act in this regard.

A new presidential decree sets out establishment of potato clusters and cooperatives. The document also designates a list of districts and provinces which will specialize in the production of consumer and seed potatoes. Starting May 1, up to 12 month-loans will be provided to finance the purchasing of seed potatoes to farms and agricultural enterprises producing potatoes, as well as potato growing clusters and cooperatives. Seed potatoes imported before July 1, 2023 shall be waived from paying customs duties.

The ramping up of production is expected to turn Uzbekistan into an exporting country for this product, with total production target set at 2.8 million tons per year.

##### **➤ CHINA SUPPLIES UZBEKISTAN WITH DRIP IRRIGATION TECHNOLOGY FOR COTTON CULTIVATION**

Chinese Xinjiang Tianye specializing in water-saving irrigation, has supplied drip irrigation technology using mulching film to Uzbekistan.

Currently the technology is already being used on cotton plantations with a total area of 406.7 hectares in the Syrdarya region of Uzbekistan as part of the China-Uzbek center for demonstrating technologies in the field of modern water-efficient agriculture. Uzbek farmers note that the seeds sprouted in 5-6 days – about five days earlier compared to using traditional irrigation methods.

The technology coverage area was approved for further expansion, and it is planned to organize training of local technical operation specialists.

##### **➤ UZBEKISTAN'S LABOR MINISTRY ENGAGES IN DIRECT TALKS WITH THE COTTON CAMPAIGN**

In a recent conference call/webinar organized by the International Labor Organization (ILO) titled “Beyond cotton: Lessons Learned and Next Steps in Uzbekistan”, the First Deputy Minister of Employment & Labor Relations Erkin Mukhitdinov engaged in a direct discussion with the representatives of the ILO, US Department of Labor and the representatives of the Cotton Campaign on the subject of Uzbekistan’s efforts to eradicate forced labor of the cotton fields of Uzbekistan.

*The recording of the discussion and well as presentation materials used during the webinar are available on ILO website though the following [link](#)*

### **3.2 CONSTRUCTION SECTOR**

#### **➤ TOLL HIGHWAYS TO BE INTRODUCED IN UZBEKISTAN**

The action plan for the implementation of PPP projects in the field of transport and road construction for 2020-2022, published by The Ministry of Transport and the Public-Private Partnership (PPP) Development Agency contains basic information on the implementation of eight major transport projects. In particular, the plan highlights the following:

- Project of construction of the Tashkent-Andijan toll road is being studied by the Ministry of Transport and the World Bank. Tender is planned to be announced in the second quarter of 2021 and the winner determined in the second quarter of 2022. Estimated construction period is identified to be 24 months.
- Construction and commissioning of the Tashkent-Samarkand toll road is being developed with the support of the EBRD. Final initial feasibility study is expected to be completed by the end of 2020. The tender will start in early 2021 and end in July (construction period is also envisaged to be 24 months).

Along with above, a strategy for road development in Uzbekistan until 2030 is being developed in cooperation with the ADB and a master plan for the transport sector is being developed in cooperation with the World Bank.

#### **➤ GOVERNMENT TAKES A LOOK AT CORRUPTION AND MISAPPROPRIATION OF FUNDS IN THE CONSTRUCTION INDUSTRY AS A RESULT OF SARDOBA RESERVOIR INCIDENT**

According to the data published by the office of Uzbekistan's general prosecutor:

- 365 criminal offenses were committed in the construction industry in 2019, 72% of which were related to corruption practices. 14 of those prosecuted were direct employees of the Ministry of Construction.
- 17,418 cases of violation of the law were registered last year in relation to issuing permits to individuals and legal entities by the structures of the Ministry of Construction.
- Facts of theft worth 38 billion soums (3.8 million USD) of the public funds were revealed in 2019-2020, which is only a fraction of those that have been committed.

In a recent public address President Mirziyoyev has emphasized that one of the largest challenges faced by Uzbekistan today is that major corruption exists in the construction sector as well as in the fields of medicine and higher education. He highlighted that eradication of corruption in the public sector was one of the key priorities of the new policies and reforms being introduced.

### **3.3 ICT SECTOR**

#### **➤ GOVERNMENT PLANS TO ATTRACT 676.8 MLN USD INVESTMENT INTO ICT SECTOR DEVELOPMENT WITHIN 3 YEARS**

In accordance with the presidential decree No. 4699 "On measures for the widespread adoption of the digital economy and e-government", dated April 28, 2020, 35 priority projects worth 17.6 trillion soums (1.7 billion USD) are planned to be implemented in the field of ICT development.

Of these, the planned volume of attracted foreign direct investment and non-guaranteed loans is 44.8%, loans under state guarantees – 33%.

- In 2020, the total investment will amount to 178.7 million USD, of which foreign direct investments will be 139.2 million USD, foreign loans under state guarantee – 37.5 million USD;
- In 2021, the total investment will amount to 241.7 million USD, of which foreign direct investments will be 171.9 million USD, foreign loans under state guarantee – 67.7 million USD;
- In 2022, the total investment will amount to 256.4 million USD, of which foreign direct investments will be 180.1 million USD, and foreign loans under state guarantee – 73.1 million USD.

### **3.4 AVIATION SECTOR**

#### **➤ UZBEKISTAN AIRWAYS MAY BE TRANSFERRED TO MANAGEMENT OF A FOREIGN COMPANY**

Since the beginning of quarantine Uzbekistan transport enterprises have suffered a loss of 340 billion soums (33.5 million USD) due to travel restrictions. And this figure will increase further until the stabilization of the epidemiological situation.

The joint stock companies Uzbekistan Airways and Uzbekistan Airports, the most affected by the quarantine, were granted deferred loans for 122 million USD and tax credits for more than 5.9 million USD, Interest-free loans in the amount of 50 million USD were provided from the Anti-Crisis Fund as working capital.

The following measures have been defined as high priority areas in the industry by the government with a goal to mitigate impact of the pandemic:

- Entering the air freight market on the Europe – China route.
- Optimization of the current operational costs and previously planned investment costs.
- Attracting new air carriers to the civil aviation market in order to increase competition.
- Transfer of Uzbekistan Airways under management of professional foreign company.

The Government has also announced plans to hold tenders for modernization of airports and transfer the activities of the international airports of Andijan, Bukhara, Urgench and Karshi into a public-private partnership.

#### **➤ FERGHANA AIRPORT RESUMES INT’L CARGO OPERATIONS AFTER A 17-YEAR BREAK**

A special task force previously established in the Ministry of Transport of Uzbekistan had examined all the applications from local entrepreneurs from the Ferghana region, which led to the decision to resume international cargo operations from the regional airport.

The main purpose of resuming the operation of the airport is to support creating favorable conditions for the fruit extensive exports from Ferghana region. The first cargo of about 50 tons of cherries from Ferghana airport to Incheon (South Korea) has departed ton June 1<sup>st</sup>. Transportation of fresh fruit from Ferghana region to Tashkent International Airport currently requires transportation though the Kamchik mountain overpass, creating extensive transportation costs, which then lead to higher prices for the export products, reducing their competitiveness on foreign markets. The international airport went through technical modernization of certain equipment in order to be able to offer the fresh fruit storage and export services.

### **3.5 FINANCE SECTOR**

#### **➤ S&P GLOBAL RATINGS CUTS UZBEKISTAN'S OUTLOOK TO NEGATIVE**

S&P Global Ratings revised Uzbekistan's ratings outlook to negative from stable, citing an expected rapid rise in the country's external and fiscal debt over the next 12 months, partly due to \$1 billion in additional government spending in response to the coronavirus pandemic.

"Continuing rapid debt accumulation could, in our view, reduce the government's fiscal flexibility. The government predominantly borrows from abroad, which also increases risks to the economy's external position," the rating agency said.

Uzbekistan's government debt, net of liquid assets, is forecast to reach 10% of GDP in 2020, compared to a net asset position of 9% of GDP in 2018, according to the rating agency.

In revising the outlook, S&P Global Ratings also flagged Uzbekistan's elevated current account deficit, which it projects to climb to 10% of GDP in 2020 from 6% in 2019 due to declines in gas exports, tourism revenue and remittances from abroad.

S&P Global Ratings affirmed Uzbekistan's foreign- and local-currency sovereign credit ratings at BB-/B.

#### **➤ CENTRAL BANK FORECASTS SUBSTANTIAL REMITTANCE DECLINE TO UZBEKISTAN**

Negative impact of external economic conditions on the reduction of remittances to Uzbekistan has begun to fully manifest itself in Q2 of 2020. Remittances volumes are expected to be lower than last year's figures by the end of this year by 30-35% compared to 2019. Total remittances made up over 15.07% of Uzbekistan's GDP in 2019 and 10.38% in 2019.

#### **➤ SUBSTANTIAL REFORMS OF THE BANKING SYSTEM INITIATED**

On May 12, 2020, decree Of the President of the Republic of Uzbekistan On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025 was published providing for the following key changes:

- sector restructuring — transformation and privatization of banks.
- improving the legal framework, introduction of standards of the Basel Committee on banking supervision, international financial reporting standards and others.
- expanding the range and improving the quality of services by improving customer focus, lending mechanisms and business process automation.
- professional development of personnel.

The decree also approved the strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025, the "road map" for reforming the banking system of the Republic. Targets were set, such as:

- increasing the share of banks 'assets without the state's share in the total assets of the banking system from the current 15 percent to 60 percent by 2025;
- increasing the share of banks' liabilities to the private sector in the total liabilities from the current 28 percent to 70 percent by the end of 2025.

State share in Ipoteka Bank, Uzpromstroybank, Asaka, Alokabank, Kishlok Kurilish Bank and Turonbank are to be gradually privatized, but the state share in National Bank for Foreign Economic Activity, Agrobank and Mikrokreditbank shall remain intact. State shares will be sold to strategic partners who have extensive experience and who can bring new solutions and positive changes into the sector.

A project office is being created under the Ministry of Finance of the Republic of Uzbekistan, which will deal with the transformation and privatization of commercial banks with a state share, the involvement of international consultants, negotiations and agreements with international financial institutions.

The decree also prohibited heads of ministries, departments and local government bodies from interfering in the activities of banks, including managing business risks related to the formation of banks' loan portfolios and assets, which occurred in practice in previous years.

### **3.6 WASTE MANAGEMENT**

#### **➤ SOUTH KOREAN COMPANY TO CREATE A SOLID WASTE PROCESSING CLUSTER IN SAMARKAND**

A cluster for the processing of municipal solid waste for a total amount of \$35 million will be created in the Jomboy district, Samarkand region. The project is included in the Investment Program for 2020-2022 and has a priority project for both the Uzbek and South Korean sides. This project is expected to enable the efficient collection and recycling of municipal solid waste.

### **3.7 ENERGY AND MINING SECTOR**

#### **➤ ISSUES ON IMPROVING EFFICIENCY IN THE FUEL AND ENERGY INDUSTRY AND OPTIMIZING THE ENERGY CONSUMPTION DISCUSSED**

On the first week of May President Mirziyoyev held a meeting on the matter of reducing energy consumption by 2-2.5 times in the coming years through implementation of the following key steps:

- adapting manufactured agricultural machinery and trucks to gas;
- commissioning of 3 units of propane-butane mixture and a plant for production of synthetic fuel (GTL) by the end of 2020. As a result, full replacement of imports of jet fuel, diesel and liquefied natural gas;
- widespread use of energy-saving technologies in the development and construction of multi-story buildings, and on attracting foreign investment to improve the energy efficiency of social facilities;
- development of a program of measures to improve energy efficiency in the context of spheres and industries;
- stimulation of renewable energy sources usage;
- reviewing legislation and creating additional conditions for consumers based on world experience;
- attraction of direct investment in the industry;
- construction of solar photovoltaic and wind power plants in the regions.

Mirziyoyev noted that commissioning of new energy capacities and efficient use of available resources are crucial for implementation of the major goals in intensive development of the Uzbekistan's economy.

➤ **UZBEKISTAN IS PREPARING A LOW-CARBON DEVELOPMENT STRATEGY**

On the basis of the 2020-2030 Concept for the Supply of Electric Power [\[Available here\]](#) adopted in early May, Uzbekistan, together with experts from the EBRD, is currently developing a national low-carbon energy strategy.

The strategy for the transition to low-carbon energy is being developed through modeling the country's energy system and possible future development scenarios. This will be done by the international consulting company Mott MacDonald with the use of international experience of Germany, Spain and Japan.

By 2030, Uzbekistan expects the construction of wind power plants with a total capacity of 3 GW, solar power plants with a total capacity of 5 GW, as well as a nuclear power plant with a capacity of 2.4 GW.

On May 28 a bidding process started for the construction of three small hydroelectric power plants along the Aksu river in the southeastern Qashqadaryo province as part of a 60 million USD Asian Development Bank (ADB) project.

➤ **TURKEY'S AKSA ENERGY TO BUILD 240 MW GAS PLANT IN UZBEKISTAN**

Aksa Enerji Üretim A.Ş. (Aksa Energy) has signed a deal with Uzbekistan Energy Ministry to build a 240-megawatt (MW) natural gas combined cycle power plant in the capital Tashkent.

Under the contract, the Turkish firm will also operate the plant and sell electricity to Uzbekistan for 25 years. Aksa Energy will relocate the necessary equipment from Antalya's Ali Metin Kazancı Natural Gas Combined Cycle Power Plant in Turkey to Uzbekistan for construction. Some of the transmission systems from the former plant were left unused after a partial license cancellation in 2018.

Construction in Tashkent will begin after site allocations while commissioning of the plant is planned to be held within a maximum of 12 months after construction begins, the statement read. Once completed, the plant is expected to produce 2 billion kilowatt-hours (kWh) of electricity annually.

➤ **UZBEKNEFTEGAZ APPLIED FOR INCREASE ON IMPORTED GASOLINE EXCISE TAX**

In the mid of May the price of local gasoline AI – 91 (0.55 USD) exceeded the price of imported Kazakh AI- 92 (0.49 USD), that caused the management of “Uzbekneftegaz” request to lower the excise of petroleum products of bituminous rocks from %5 to %0 and increase from 5% to 20% on imported gasoline of AI-80, AI-91, AI-92 brands, as well as for jet fuel for Jet A-1 gas turbine engines and TS-1 jet engines. “Uzbekneftegas” claimed this measure will protect domestic market and stimulate the production of petroleum products in Uzbekistan.

The Republic's Antimonopoly Committee reacted on the proposal by stating that considering to be monopolists in the market, prices are formed on the basis of supply and demand at exchange trading. Thus, the proposal is not justified economically. As a result, the Committee considered the proposal of JSC Uzbekneftegaz to increase excise tax inappropriate.

➤ **UZBEKISTAN RAMPING UP GOLD PRODUCTION AT NAVOI & ALMALYK TO OVER 5 MOZ/Y BY 2026**

State-owned Navoi Mining and Metallurgical Combine (NMMC) and Almalyk Mining and Metallurgical Complex (AMMC) are set to see their joint production exceed 5 Moz a year by 2026, an unprecedented figure, with Almalyk's copper production also to reach 400,000 t/y.

NMMC's production at Muruntau is typically well over 2 Moz/y so is already the largest single gold mine in the world by some distance – well ahead of Grasberg, Lihir and others.

The complex is projected to be transformed into a modern company. The State is taking comprehensive measures in this direction. In particular, under steady implementation is the Development Program of the Navoi Mining and Metallurgical Plant through to 2026. As part of the scheme, eight facilities worth 1.2 billion USD were commissioned in the period between 2017 and 2019. As a result, over the past three years, gold production has already grown by 2.5% and silver – by 37%.

This move at NMMC means executing 40 projects worth 4 billion USD, including the development of a new mining field with estimated value at 525 million USD.

The Government also plans to invest 250 million USD to AMMC to expand production of non-ferrous and precious metals. The development program to be implemented through the phases:

- In 2020-2024 it is planned to carry out the first stage of exploration and mining-capital works with the construction of a quarry, design, equipment supply, construction of objects of a copper processing plant No. 3 with an annual production and processing capacity of 60 million tons of ore, as well as infrastructure.
- In 2022-2028 it is planned to design, supply and build metallurgical complex facilities with an annual output of up to 290 thousand tons of cathode copper, 38 tons of gold and 203 tons of silver.

***Sources of financing:***

- 250 million USD own funds of AMMC
- 1 billion USD funds of the Reconstruction and Development Fund allocated to the AMMC's authorized capital through an additional issue of shares acquired taking into account the concluded contracts under the project
- syndicated loan funds from a consortium of domestic and international financial institutions, to be attracted in 2021 (after developing a feasibility study and confirming the final cost of the project).

***General contractor:***

Renaissance Heavy Industries LLC (Russia) for the construction of a copper processing plant No. 3 on a turnkey basis (EPC).

It should be noted that in January-April 2020, the share of gold in the structure of exports of Uzbekistan amounted to 35.3% (1.55 billion USD).

Foreign reserves reached \$31.27 billion (+\$0.98 in April), including revaluation of gold reserves by \$1.1 billion. Physical amount of gold decreased by 0.1 million ounces. In early June an international agency ranked Uzbekistan 17<sup>th</sup> in the world in terms of known gold reserves.

➤ **LUKOIL REDUCES GAS PRODUCTION IN UZBEKISTAN**

Since February, Lukoil has reduced gas production in Uzbekistan by 40% of its design capacity due to low demand for gas in China due to coronavirus, the company said in a report for 2020 Q1. In Q1 of 2020, Lukoil produced 2.839 BCM in Uzbekistan, while 3.824 BCM in the same period last year, thus reducing production by 25.8%, The reduction against Q4 of 2019, when 3.875 BCM were produced, constituted a drop by 26.7%.

➤ **UZBEKNEFTEGAZ ABANDONS PRODUCTION OF AI-80 GASOLINE, SWITCHES TO PRODUCING EURO-5 STANDARD FUELS**

Oil refineries in Uzbekistan will completely abandon the production of AI-80 gasoline and switch to the production of fuel that meets Euro-5 standards. This decision was made during the visit of Mekhriddin Abdullayev, Board Chairman of Uzbekneftegaz JSC, and members of the Working Group to the Bukhara Oil Refinery during the first week of June.

The investment project on modernization and reconstruction of the refinery provides for starting the production of high-octane gasoline AI-91, AI-93, AI-95, as well as fuels that meet Euro-5 standards, the transition to diesel fuel production and completely abandoning the production of AI-80 gasoline. This innovation will start in Bukhara and will continue throughout the country.

The renovation of Bukhara refinery has been in Uzbekistan's plans for some time, but sources of funding for this project have still not been established. One of the issues faced by the refinery is lack of crude oil for processing, as Uzbekistan's own oil reserves are limited and the country has to rely on exports, which involve complex logistics.

➤ **CENTRAL ASIAN COUNTRIES DISCUSSING SHARED CUT IN GAS SUPPLIES TO CHINA**

The measures introduced to combat the spread of the coronavirus in China resulted in major decrease in gas demand. The country requested to cut gas import but had also indicated that any reduction in gas supplies should be carried out proportionally between the countries' gas suppliers: Turkmenistan, Kazakhstan and Uzbekistan.

The three Central Asian countries supply gas to China via the Central Asia–China gas pipeline network, which has current design capacity of 55 Bcm a year.

Uzbekistan supplies around 10 Bcm/year of gas to China, based on UNG data. Chinese Customs data indicated that in 2019 Kazakhstan exported 7.1 Bcm, and Turkmenistan 33.2 Bcm.

In the longer term Uzbekistan is planning to reduce gas exports to almost zero over the next decade, shifting its focus to processing gas domestically. As part of these plans, Uzbekneftegaz is investing in two major downstream gas projects: the Oltin Yo'l gas to liquids project in Southern Uzbekistan, and the expansion of the Shurtan gas chemical complex. Oltin Yo'l plant has a planned processing capacity of 3.6 Bcm/year of natural gas and is slated for completion later this year. An estimated investment of 3.61 billion USD, the project includes Chinese, Russian and Japanese investors.

The country produced around 60 Bcm of gas last year and is planning to ramp up production by 20% by 2030. Uzbekneftegaz CEO Mekhriddin Abdullaev noted that "Demand for gasoline in the last 10 days of March and throughout April fell by 60-70% in the domestic market.

## 4. REGULATORY CHANGES

### ➤ POWERS OF OLIY MAJLIS TO BE EXTENDED

Legislative Chamber of Oliy Majlis considered a draft law “On amending certain legislative acts of the Republic of Uzbekistan”. The amendments aim further expansion of the powers of Oliy Majlis in the exercise of parliamentary control over the activities of state bodies, strengthening the role of parliament in legislation implementation.

The document envisages introduction of a hearing mechanism at meetings of heads of state bodies and economic management bodies at the Legislative Chamber and the Senate of Oliy Majlis. Also introduction of a procedure for passing to the cabinet of Ministers of the adopted decisions of the chambers of Oliy Majlis, following the results of their hearing (with respect to members of the government).

### ➤ CHANGES IN THE LEGISLATION GOVERNING INVESTMENT ACTIVITIES INTRODUCED IN UZBEKISTAN

A new Regulation is adopted setting procedures for the conclusion, amendment, termination, and performance of investment agreement. The Regulation will apply to investment projects initiated after 30 April 2020. The investment agreements concluded with the local municipalities for the projects with total value of foreign investments not exceeding 10 mln USD fall outside the scope of the Regulation.

Along with the procedural changes the law provides the following important points and innovations:

- Introduction of a single legal regime for both domestic and foreign investors;
- Legal guarantees of protection of investors from nationalization and expropriation;
- Guarantees of the free transfer of funds in foreign currency into and from the Republic, without any conditions for the payment of taxes and other payments by them;
- Free repatriation of assets that a foreign investor is entitled to after the termination of investment activity;
- Providing the investor with an investment tax credit and investment subsidies;
- The obligation of state bodies, diplomatic missions and consular institutions of the Republic of Uzbekistan abroad to provide advisory and informational assistance to investors;
- The «Most favored nation» principle is now entrenched in the aforementioned Law;
- If subsequent legislation worsens the conditions for conducting investment activities, then the legislation applicable at the time of investment for a period of 10 years will be applied to investors, in the cases provided for by law.

On May 26, during the videoconference on the investment agenda, President Mirziyoyev also addressed the support of local investors. The privileges will be granted in the fields of health care, higher **education**, chemistry and electrical engineering and include project partial financing from the budget.

[LINK](#) to review the article on investment regulation innovations issued by Ernst & Young.

➤ **A STRATEGY OF THE DIGITAL FUTURE OF THE TAX SYSTEM IS ADOPTED**

On 5 June 2020, a resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 359 “On additional measures for the widespread introduction of modern information and communication technologies in tax administration” was adopted.

The document defines the Strategy for the Development of Information and Communication Technologies of the State Tax Committee. It envisages such tasks as the modernization of the data center and telecommunication applications operated by the tax administration, acquisition of servers and software, the transfer of the complex of information systems into a single platform, the improvement of the quality of electronic government services, the operational processing of big data.

➤ **SPECIAL COMMISSION ON THE COUNTRY’S ACCESSION TO THE WTO IS ESTABLISHED**

The Government decision approved the Regulation on the Interdepartmental Commission for working with the World Trade Organization in the process of the Republic of Uzbekistan joining this association.

The interagency commission will become a collegial body that will work on the development of directions for the country’s accession to the WTO. Its main tasks will include preparation, coordination and approval of documents for cooperation with WTO member states, making proposals to bring national legislation into line with the rules and principles of the WTO, developing a common position on strategic issues of entry, under bilateral, multilateral trade agreements and contracts.

The interagency commission will meet at least twice a year. Materials for consideration at the meetings will be prepared by the Commission Secretariat - the Office for Cooperation with the WTO of the Ministry of Investment and Foreign Trade. All decisions in the framework of the meetings will be made by open voting of the members of the commission.

➤ **AMENDMENTS TO THE LAW ON THE STATE BUDGET FOR 2020 NOW ADAPTED**

At the fourth plenary session of the Legislative Chamber of Uzbekistan the deputies approved a draft law on amendments to the law of the Republic of Uzbekistan “On the State Budget for 2020”, proposed at the beginning of May.

The document provides for the mobilization of priority measures to optimize budget expenditures and priority areas, including combating the coronavirus pandemic and mitigating its negative impact on economic sectors.

According to the Press Service of the President, while the country was taking measures to mitigate the consequences of the coronavirus pandemic and the global crisis, the Bukhara and Syrdarya regions suffered from natural disasters. Elimination of the disaster consequences will require large additional funds. Therefore, the state budget has been developed on the basis of priority areas for ensuring stability and optimizing costs.

➤ **COUNCIL ON INTERNATIONAL RANKINGS AND INDICES ESTABLISHED IN UZBEKISTAN**

The President Decree announced establishment of the new Republican Council on International rankings. The document defined the Council’s following tasks:

- carrying out a systemic analysis of the socio-economic and political- legal development in the country;
- ensuring that the fundamental changes made in various spheres are taken into account in order to improve the position of the country in international rankings and indices.

Key performance indicators (KPI) have been also approved for international rankings and indices that are priority for Uzbekistan.

Ministry of Finance and Ministry of Justice have been defined as the working bodies of the council. The leaders of the responsible State bodies on quarterly basis shall:

- Inform the Council's work bodies on the reforms underway in the country, through submitting report with necessary statistics and materials;
- 
- Report on measures taken to achieve KPI in relevant international rankings and indices.

Also, the Unifies Portal “Republic of Uzbekistan in International Ratings” will be launched by October 1, 2020.

See the table on most key performance indices (KPI) based on the international rating and indices that are priority for Uzbekistan following the [link](#).

#### ➤ **UZBEKISTAN TO INTRODUCE INTERNATIONAL STANDARDS IN STATISTICS.**

The changes will be introduced to the Republic's field of statistics through harmonization of domestic methods with international standards.

It is worthy of note that the Government has taken the first steps to implement international statistics standards through bringing into conformity of methodology for calculating inflation, extension of the list of the statistically observed goods, openly publishing financial and economic indicators for the state budget, external debt, gold reserves and natural resources.

At the next stage the Country is planning to create interconnected statistics per region and industry and synchronize it with single international statistics system.

The State Statistics Committee is assigned to develop a roadmap that will foresee unification with international statistical standards in education, agriculture, foreign trade, transport, construction, environment, tourism and other areas.

## 5. SENIOR OFFICIALS CHANGES/APPOINTMENTS

- **State Tax Committee:** New chairman appointed  
**Appointed:** Sherzod Kudbiev  
**Previously held position:** Advisor to the President on public services and interaction with representative authorities.
- **Cabinet of Ministers:** Post of Deputy Prime Minister for Social Development introduced  
**Appointed:** Bekzod Musaev  
**Previously held position:** Chairman of the State Tax Committee
- **Cabinet of Ministers:** A new position of adviser to the PM on ICT matters introduced  
**Appointed:** Olimjon Umarov  
**Previously held position:** First Deputy Minister for Development of Information Technologies and Communications.
- **Ministry of Foreign Affairs:** New Deputy Minister of Foreign Affairs  
**Appointed:** Furkat Sidikov  
**Previously held position** of the Ambassador Extraordinary and Plenipotentiary of the Republic of Uzbekistan to the Islamic Republic of Pakistan.
- **Ministry of Justice:** New deputy minister  
**Appointed:** Bahrom Kuchkarov  
**Previously held position** of the Head of The State Committee on Ecology and Environmental Protection.
- **Ministry of Justice:** New deputy minister  
**Appointed:** Muzraf Ikramov  
**Previously held position** of the Head of Department of Justice in Qashradaryo region
- **JSC “National Electric Networks of Uzbekistan”:** New First Deputy Chairman of the Board  
**Appointed:** Jahongir Obidjonov  
**Previously held position** of the Acting Board Chairman of JSC Uzbekenergo.
- **Ministry of Water Resources:** Head of the Agency for Water Management Projects under the Ministry.  
**Appointed** – Bakhtiyor Kamalov.  
**Previously held position** of the First Deputy Director of the Agribusiness and Food Project Agency.

## 6. USEFUL LINKS

- [Newsletter on Q1 results](#) – Ministry of Finance, May 2020
  - [Key performance indices \(KPI\) based on the international rating and indices, that are priority for the Republic of Uzbekistan, June 2020](#)
  - [Uzbekistan's PPP projects and their ongoing state, May 2020](#)
  - [The roadmap on attraction of the grants and a long-term soft financing for the activities on prevention of the negative outcomes of the global coronavirus pandemic, April 2020](#)
- 
- **A Special Online Event on Economic Sustainability of Uzbekistan during the COVID-19 Pandemic, was co-organized by EUROUZ on Wednesday May 27, 2020**



**Webinar – May 27 – 10:30 to 12:00 BST**

**COVID-19 and Economic Resilience in Uzbekistan**

**EURASIAN INVESTOR**

**H.E. Said Rustamov**  
Ambassador of Uzbekistan to the United Kingdom

**Umid Abidhadjaev**  
Deputy Director  
Center for Economic Research and Reforms

**Oybek Shaykhov**  
Secretary General  
Europe-Uzbekistan Association for Economic Cooperation

**Eldor Mannopov**  
Managing Partner  
Dentons Tashkent

**Louis Skyner**  
Chairman  
British-Uzbek Society

Embassy of Uzbekistan in London

THE BRITISH-UZBEK SOCIETY  
BRIYANMA O'ZBEK JAM'IYATI

EUROUZ  
Europe-Uzbekistan  
Association for Economic Cooperation

CERR  
CENTRE FOR ECONOMIC RESEARCH AND REFORMS

大成 DENTONS

Available to watch at: <https://youtu.be/Ujmlq-vdyq8>

- **The Dialogue with the Head of the EU Delegation to Uzbekistan Eduards Stiprais on about the time of work in Uzbekistan, about changes over three years, about the level of journalism, women's rights and the future relations of Uzbekistan (in Russian).**

Available to watch at: <https://www.youtube.com/watch?v=ppE-id-130>

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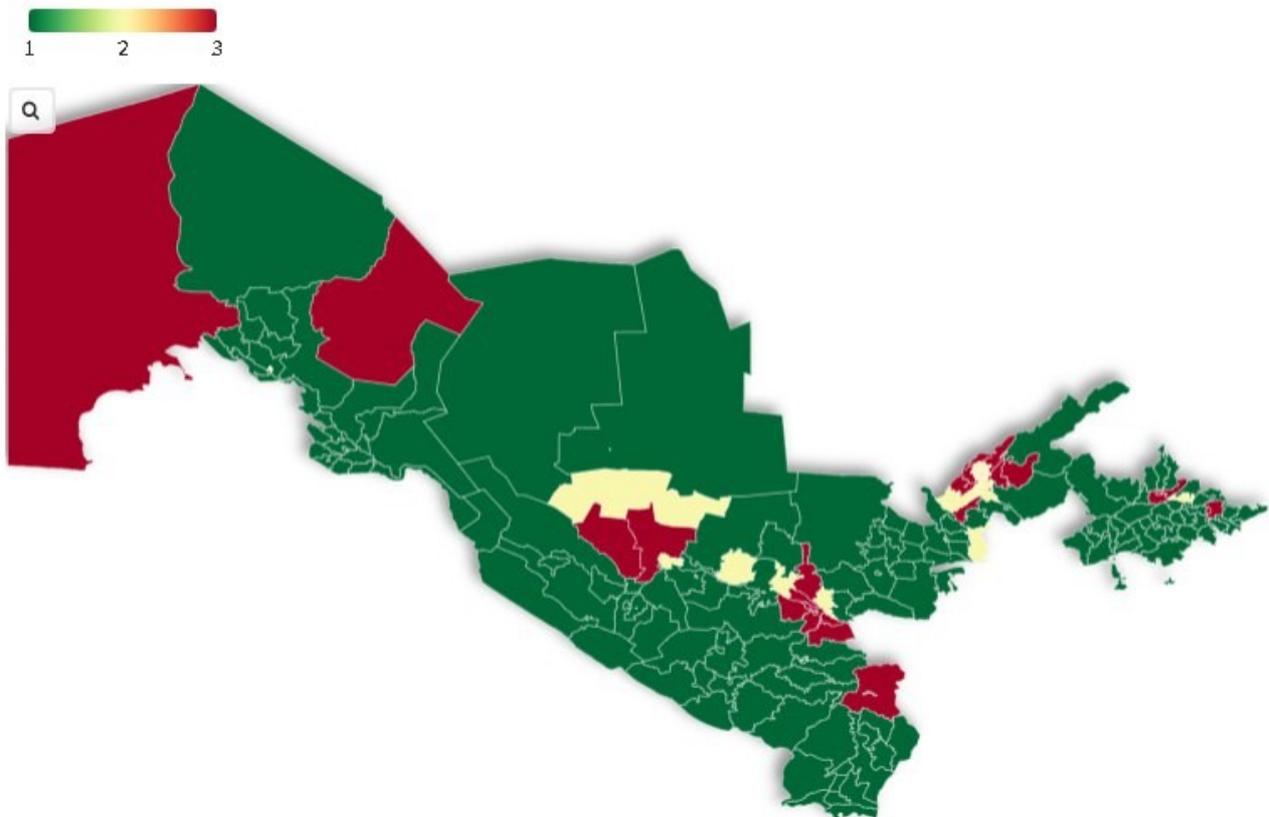
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For any inquiry, contact us via: [info@eurouz.com](mailto:info@eurouz.com)*

## ATTACHMENTS

Cities and areas, which are divided into “red”, “yellow” and “green” zones according to the level of

Города и районы, которые подразделяются на «красные», «желтые» и «зеленые» зоны по уровню карантина





Источник: [Koronavirus Info](#)