

**Secretariat of the Foreign Investors Council
under the President of the Republic of Uzbekistan**

Annual Report 2019

1. Introduction

Further a number of discussions between the EBRD and the Government of Uzbekistan, including by the both Presidents, the Memorandum of Understanding was signed between the State Committee for Investments of Uzbekistan (SCI) and the EBRD on 8 October 2018 in Paris. The MoU envisages setting up a Foreign Investors Council (FIC) and lays out its foundations as well as parties' cooperation points. In January 2019, the SCI was transformed into the Ministry for Investment and Foreign Trade (MIFT).

In April 2019 Head of FIC Secretariat was appointed through a competitive selection process. The main objective of this report is to present an overview of the work performed by the FIC Secretariat during the period of April 2019 – December 2019 in view of the accomplishment of the tasks as specified in:

- Memorandum of Understanding signed between the Government of Uzbekistan and EBRD on 8 October 2018;
- Terms of the Reference related to the Head of the Secretariat of the Foreign Investors Council position.

2. Purpose of the FIC

The purpose of the FIC is:

- to promote constructive dialogue between the Government and private sector on the necessary steps to address the most pressing issues for the development of the private sector, improve the business environment and foster investment, in particular foreign;
- to identify the main impediments preventing attraction of investments in different sectors of the economy and to propose intervention measures with efficiency and maximum impact for the improvement of business environment and conducive investment climate;
- to suggest and review proposals for relevant changes to the legislative and regulatory framework regarding the above;
- to develop recommendations, including in the form of drafts of relevant resolutions and decrees with supporting assessment reports for the review by the Government and suitable in form for the Government's internal process;
- to facilitate the exchange of experience and best practices in regulatory reform

from other countries to facilitate fostering objectives of the FIC.

3. FIC Secretariat

The daily activity of the FIC are coordinated by the FIC Secretariat.

FIC Secretariat functions include, based on FIC members proposals and Government priorities:

- developing the agendas of the FIC meetings and coordinates with the MIFT;
- coordinating the everyday activity of the FIC: preparing the meetings, drafting proposals for discussion, conducting consultation with businesses, organising technical training sessions;
- providing to the MIFT and the FIC members summary views and suggestions on the matters of the FIC's agenda, in order to ensure the high quality of decisions made within the FIC;
- steering the FIC's decisions implementation process, monitoring and evaluating the results and assessing their impact and effectiveness on the business environment;
- reporting to the members of the FIC and to the MIFT on progress of implementation of the FIC recommendations;
- maintaining close communication with the members of the FIC, state institutions and business community;
- ensuring the sustainability and continuity of the FIC;
- in collaboration with the press service of the Government and the MIFT, informing the public about the activities of the FIC.

4. Summary of achieved results

There are four key achievements:

- 1) Establishment of the FIC – formally through the Presidential Resolution from November 2019, which endorsed the structure of the institution.
- 2) Start of the activities – with the inaugural interim session in April 2019 and then November 2019.
- 3) Formation of working groups and start of development of specific outputs of these working groups – policy recommendations, draft laws and regulations, some of which already translated into the legislation.
- 4) Two major policy recommendations formally endorsed by Government authorities in 2019 (laws and regulations adopted or amended following discussion at FIC).

5. FIC sessions and working group meetings

FIC plenary session chaired by the President of the Republic of Uzbekistan shall be held once a year. The first plenary session, initially planned for June 2019, was rescheduled to March 2020.

FIC interim sessions, headed by the Minister of Investments and Foreign Trade of the Republic of Uzbekistan, shall be held at least twice a year. In 2019 two FIC interim sessions were organized.

The first FIC interim (preparatory) session was held on 16 April 2019. The session was chaired by the Minister of Investments and Foreign Trade, attended by 50 representatives of foreign investors, IFIs, business associations and the government. The session was focused on improving the communication between the government and investors, and strengthening the culture of the public-private dialogue. One of the topics discussed during the session was concept of the FIC, proposed structure, mission, functions, governance, etc.



The first FIC interim (preparatory) session of 16 April 2019.

As result of the discussion and subsequent consultations with the Ministry of Investments and Foreign Trade and other stakeholders, the FIC has been formally established by the Resolution of the President of the Republic of Uzbekistan “On measures for the establishment and organization of activities of the Foreign Investors Council under the President of the Republic of Uzbekistan” dated 13 November 2019 No. PP-4519. The full text of the Resolution is available here: <http://lex.uz/docs/4593913>.

Key provisions of the Resolution of the President of the Republic of Uzbekistan “On measures for the establishment and organization of activities of the Foreign Investors Council under the President of the Republic of Uzbekistan” dated 13 November 2019 No. PP-4519

The Chairman of the FIC is the President of the Republic of Uzbekistan. FIC **plenary session** chaired by the President of the Republic of Uzbekistan shall be held **once a year**. **Interim session headed by the Minister of Investments and Foreign Trade of the Republic of Uzbekistan** shall be held **at least twice a year**.

FIC working groups is the main structure for preparing recommendations and providing expert support to the activities of the FIC. Working groups are analysing suggestions of FIC members, conduct research, prepare analytical reports, recommendations, assessments and summarize opinions in order to prepare detailed proposals for the FIC interim and plenary sessions. FIC working groups consist of representatives of government authorities and investors, as well as representatives of wider business community, local companies and business associations.

FIC carries out its activities under the coordination of the **Ministry of Investments and Foreign Trade of the Republic of Uzbekistan with the assistance of the European Bank for Reconstruction and Development**. Overall coordination, organizational and practical support of the work of the FIC is carried out by the **FIC Executive Committee**, which consists of:

- The Minister of Investments and Foreign Trade of the Republic of Uzbekistan – Head of the FIC Executive Committee;
- Head of the Representative Office of the European Bank for Reconstruction and Development in the Republic of Uzbekistan;
- Head of the FIC Secretariat.

The **FIC Secretariat**, set up with the assistance of the European Bank for Reconstruction and Development, is a standing body, which provides **technical support to the daily activities of the FIC**. The FIC Secretariat organizes the work of the FIC plenary and interim sessions, working groups and other activities of the FIC (consultations with FIC members, collection and summarizing proposals, etc.). The FIC Secretariat shall be staffed by full-time head of the secretariat, and economic and legal experts (currently only head of secretariat and an economic expert, with further experts being recruited).

Resolutions (recommendations) of the FIC plenary and interim sessions are subject to **monitoring by the FIC Secretariat**. Responsible government authorities on a monthly basis provide to the FIC Secretariat information on the implementation of the recommendations of the FIC plenary and interim sessions.

Uzbek part of the Council consists of Advisor to the President, Head of Department for Legal Expertise and Comprehensive Analysis of the Administration of the President, Deputy Prime Minister, Minister of Finance, Commissioner of the President for Protection of Rights and Interests of Business Entities, Chairman of the Central Bank, Minister and First Deputy Minister of Investments and Foreign Trade, Minister of Economy and Industry, Minister of Foreign Affairs, Minister of Justice, Minister of Innovative Development, Chairman of the Chamber of Commerce and Industry, Director of the Foreign Investments Promotion Agency.

Both **legal entities** and **individuals** are eligible to become FIC members.

To become a member, the applicant is required to meet:

- (1) at least **one of the main (technical) criteria**; and
- (2) at least **two of the additional (qualitative) criteria**.

(1) Main (technical) criteria.

To meet main (technical) criteria a **legal entity** shall be either:

- a foreign enterprise; and/or
- a joint enterprise with a share of foreign capital of more than 30 percent; and/or
- a branch or representative office of a foreign company in the Republic of Uzbekistan; and/or
- an enterprise employing at least 15 professionals, providing consulting services primarily to foreign investors in the territory of the Republic of Uzbekistan; and/or
- an international financial institution / foreign governmental financial organization (IFI/FGFO), a foreign association, representation or educational institution, which through their activities contributes to the development of international economic cooperation and accepts the goals of the Council.

To meet main (technical) criteria an **individual** (public figure, scientist, diplomat etc.) shall be able to make a significant contribution to the creation of favorable conditions for increasing foreign direct investments in Uzbekistan and overall development of the country.

(2) Additional (qualitative) criteria.

In addition to the main (technical) criteria, a legal entity or an individual must meet **at least two of the additional (qualitative) criteria**:

- have significant experience and excellent business reputation;
- carry out activities significant for the economic and social development of the Republic of Uzbekistan;
- invest actively, including in the Republic of Uzbekistan, and be willing to strategically expand investment activities in the country;
- participate actively in the promotion of a positive investment image of the Republic of Uzbekistan abroad;
- participate actively in the work of FIC working groups.

When choosing potential FIC members, the FIC Executive Committee is guided by the principle of **wide representation so that each strategic industry and country of origin of investments are represented by one or more members**. FIC members should be guided by the interests of the entire industry and a wider community of investors, rather than the interests of their company or personal gain.

Applications will be reviewed by the FIC Executive Committee within 15 calendar days. Based on the submitted applications, the FIC Executive Committee chooses initial pool of candidates for subsequent submission for the approval of the Chairman of the Council.

The final composition of the Council is approved by the Chairman of the Council based on the proposals of the FIC Executive Committee.

The FIC Executive Committee may submit for approval of the Chairman of the Council a member rotation scheme after two years from the first plenary or interim session, based on the need to include new members, as well as on the results of activities of current members and the level of their contributions to the effectiveness of the FIC.

The second (first after adoption of the Presidential Resolution) FIC Interim Session of November 20, 2019, chaired by the Minister of Investments and Foreign Trade, was attended by 76 foreign investors, IFIs, business associations and the government. The session was focused on improvement of valuation and privatization procedures, development of the banking sector, and improvement of the corporate laws in order to provide greater flexibility to foreign investors for structuring investments in Uzbekistan.



The second (first after adoption of the Presidential Resolution) FIC Interim Session of November 20, 2019

Three FIC working groups were created to work on the recommendations of the FIC interim session of 20 November 2019 (banking, privatization & valuation, corporate law):

i. FIC Banking Working Group focused on (a) privatization of state-owned banks; (b) consolidation of smaller banks; (c) reduction of paperwork and digitalization of banking services; (d) treasury products (overnight, hedging, swaps, etc.); (e) ensuring banking confidentiality; (f) update of resident/non-resident concept in banking legislation, etc. Representatives of the World Bank Group, IFC, ADB, EBRD, JP Morgan, Tenge Bank, TBC Bank, Ipak Yuli Bank, Amcham, AUCC, Visa, Baker & McKenzie and others participated in the working group's meetings.

ii. FIC Corporate Law Working Group focused on (a) providing greater flexibility to foreign investors in structuring their investments; (b) enabling accreditation

of branches of foreign commercial legal entities in Uzbekistan; (c) introducing international concepts familiar to foreign investors into corporate legislation; (d) work permits of top management of foreign enterprises. Representatives of the Ministry of Justice, MIFT, SAMA, CMDA, Dentons, Baker & McKenzie, KPMG, EY, PWC, Amcham, AUCC, ADB, UzBAT, Falk Porsche and others participate in the working group's meetings.

iii. FIC Valuation and Privatization Working Group focused on (a) improving local valuation standards, their harmonization with international valuation standards (IVS); (b) expanding types of services of valuation companies in Uzbekistan (financial Due Diligence, industry analysis, valuation according to IVS, feasibility study, etc.); (c) softening regulation, licensing and certification of valuation companies and professionals, the transition to regulation by self-regulatory organizations; and (d) other related proposals. Representatives of KPMG, EY, Deloitte, SAMA participate in the working group's meetings.

First meetings of these working groups were held in December 2019.

In addition to the FIC Meetings and FIC working group meetings, the Secretariat has conducted a number of individual meetings with FIC members and representatives of the government.

6. Policy recommendations formally endorsed by Government authorities.

Laws and regulations adopted or amended following discussion at FIC in 2019 include:

1. Resolution of the President of the Republic of Uzbekistan "On measures for the establishment and organization of activities of the Foreign Investors Council under the President of the Republic of Uzbekistan" dated 13 November 2019 No. PP-4519 (adopted following discussion at the FIC Interim session of 16 April 2019), which strengthens institutional framework for public-private dialogue, creates stable legal basis for regular dialogue between the Government and foreign investors.

2. Tax Code adopted on 31.12.2019, which improved legal and regulatory framework for taxation and tax administration system. New edition of the Tax Code adopted on 30 December 2019 incorporates many comments communicated by foreign investors to the Government through the FIC Secretariat, and article 345 of the Tax Code provides for pass-through taxation of dividends as proposed during the FIC Interim session of 20 November 2019.

Promoting such initiatives could take a long time from businesses initiating the request for reform, to research of the sector and preparing the recommendations,

consensus-building for support of these among the Government authorities and the businesses.

7. Applications for FIC Membership

Following formal establishment of the FIC through the Presidential Resolution from November 2019, which, inter alia, established procedure for submission and review of applications for FIC membership, FIC Secretariat has prepared Application Guidelines for prospective members. Application Guidelines (<https://drive.google.com/file/d/13ppGymA7vU4mHcD1RiW56ZItwQAwBNOi/view?usp=sharing>). The guidelines were distributed among foreign investors, including through social media channels of the FIC (<https://t.me/ficsuz>, <https://www.facebook.com/fics.uz>).

As a result in 2019 a total of 55 applications for FIC membership were received and reviewed by the FIC Secretariat.

The final composition of the Council shall be approved by the Chairman of the Council – President of the Republic of Uzbekistan based on the proposals of the FIC Executive Committee.