

## WORKING GROUP 2 - MINUTES

**Event: Minutes of the FIC Working Group Meeting “Privatization and PPP”**

**Date: Friday, Feb.17, 2023**

**Duration: 15.00-17.00**

**Moderated / Chaired by:** Golib Kholjigitov, Head of FICS

**Present from FIC:** Golib K., Avazbek M., Gamlet, Nargiza, Gulnoza

**Present from stakeholder and investors:** EBRD - Mr.Kh.Narmuratov, MIIT – Mr.Aleksey Sim, Tengiz Asanov, EBRD, World Bank, ADB, IFC, Cengiz Energy, Silverleaf, Masdar, Mitsui, CNHI, White and Case, Suez, Veolia, Calik Holding.

**Venue:** MIIT Office, 1<sup>st</sup> floor, Tashkent

**Next meeting:** Mar. 3 ,2023, Time: 15.00; Venue – MIIT.

**Representatives of EBRD - Mr.Kh. Narmuratov, MIIT – Mr. Aleksey Sim gave opening remarks.**

### DISCUSSION TOPICS:

**1. Zafar Hashamov, Field representative of IFC** – highlighted that strengthening capacity building of PPP professionals in Uzbekistan is very important in current stage. The efforts going forward is to strengthen the line agencies to fulfil their own share of responsibilities under the PPP agreements. Lack of sufficient information makes it difficult to process PPP projects. It's very important to introduce international practices in information exchange at the Ministry of Natural Resources of the Republic of Uzbekistan. The importance of ESG requirements for projects is becoming increasingly important.

**Proposal:** To conduct detailed discussion with line ministries in order to strengthen their capacity in PPP (Development Road Map if needed).

**2. Cigdem Akin, ADB, Economist** - make SOEs more efficient. It is needed to limit direct negotiations in privatization process. Implementation of international best practices in corporate governance. It will allow (a) some of the SOEs to establish their creditworthiness, initiate track-record, financial independence from state budget, and access to capital markets, (b) through the establishment of independent boards of directors, and by distancing from using government funding to foster policy lending, especially in those banks that are slotted for privatization, (c) it is important for them to establish the “arm length” relationship with the Government.

**3. Otabek Lutfullayev, Cengiz Energy, Business development Director** – tax administration has to be predictable and needs to be improved. VAT payments and calculations problems.

**4. Teshaboev Begzod, Masdar, Field representative** - land allocation problem, proposed to have one-to-one interviews.

**5. Chahine Boutouila, Veolia, Field representative** – we need Tashkent city masterplan and energy balance of Uzbekistan and Tashkent city.

**6. Alain Carbonel, Suez, Field representative** – we need tariffs utilities to be re-considered. We need detailed discussion with Government subsidies and warranties, legal framework for sanitation and water supply, as well as energy balance and the work of local kengash.

**7. Mirsaid Mirshahidov, Silverleaf, Country Manager** – we propose introducing PPP principles in modernization of irrigation system. Uzbekistan demands 40 million m<sup>3</sup> of water and supplies are currently 30 million m<sup>3</sup>. The current infrastructure created in the 1960's has significant deferred maintenance and waste, and we must make changes to maintain a sustainable agriculture industry. Modern irrigation improvements for district infrastructure repair and field delivery systems can save more than 50% of current water usage for cotton and wheat.

**8. Pinar Yasar, World bank, Senior Economist** - Further facilitation of free competition. Privatization of monopolies and limit the power of monopolies to fix legislation in industries they are operating, favoring open tenders vs. unsolicited proposals to attract a broader group of investors. Creation of level playing fields. It will foster competition and enterprise growth, it requires to remove regulatory barriers, such as preferential access to inputs and finance, tax privileges, market-distorting subsidies, price controls, and trade barriers.

**9. During the meeting various other comments and topics were raised from the Working Group participants, such as:**

1. to coordinate the activities of IFIs more efficiently, using the country platform (using matrix and overlaps).

### RESOLUTION / ACTION PLAN

Topics	Resolution /Proposal	Responsible	Timeline / Status
1. Capacity building of PPP experts	<ul style="list-style-type: none"> <li>– Need to work with Minfin and MIIT, as well as IFIs on continued capacity building</li> </ul>	IFIs Minfin MIIT FICS	2023-2024
2. Improving privatization processes	<ul style="list-style-type: none"> <li>- Implementation of international best practices in corporate governance.</li> <li>- Transparency</li> </ul>	SAMA MIIT IFIs FICS	Continuous
3. Tax administration	<ul style="list-style-type: none"> <li>– Improving tax administration processes (predictability)</li> <li>– VAT payments and calculation problems</li> </ul>	Minfin Tax Committee FICS	Continuous
4. Tariff reforms and subsidies for utilities	<ul style="list-style-type: none"> <li>– Need a detailed discussion on subsidies and warranties, legal framework for sanitation and water supply</li> <li>– more information about the energy balance and the work of local kengash</li> </ul>	Minfin MHCS FICS	2023-2024

	<ul style="list-style-type: none"> <li>- need information about the infrastructure mapping (GIS)</li> <li>-</li> </ul>		
5. PPPs in irrigation	<ul style="list-style-type: none"> <li>- Need to modernize the old and inefficient infrastructure.</li> </ul>	Minwaters FICS	2023-2024
6. Improving competition policy	<ul style="list-style-type: none"> <li>- Need for further facilitation of free competition in monopolistic sectors (removing regulatory barriers, such as preferential access to inputs and finance, tax privileges, market-distorting subsidies, price controls, and trade barriers).</li> </ul>	State antimonopoly committee FICS	Continuous
7. Various	<ul style="list-style-type: none"> <li>- Coordination of IFI activities in order to organize the work more efficiently, using the country platform (using matrix and overlaps).</li> </ul>	IFIs FICS	Continuous