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## LEGAL NEWSLETTER FOR AUGUST 2019

Dear Clients and Partners,

One of the most notable events of August is the adoption of the Law on Privatization of Land that marks an important step towards more liberalized business environment. Although the Law was already described in our previous newsletters, we have prepared a new review of the Law, available at the link below.

As for the other developments, in August 2019, the Uzbek government focused on a wide variety of questions in different areas: the allotment of land plots and the protection of rights of real property and land owners, incentives for businesses in the tourism industry, energy efficiency and development of the renewable energy sector, development of the national insurance and capital markets. Many of these questions have already been covered by more general legal acts that had been issued earlier. The August changes, however, clarified some application matters and added more specific details.

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### Privatisation of Land in Uzbekistan

On August 13, 2019, the *Law on Privatization of Non-Agricultural Land Plots* (the “**Law**”) was adopted. An unofficial translation of the Law is available [in English](#). The Law will come into force on March 1, 2020. The adoption of the Law is an initial point from where the land privatization reform starts. Continued state ownership of lands is subject to partial termination as the land privatization process mainly concerns non-agricultural land plots. [Read more](#)



The President has signed a Decree providing additional incentives to businesses in the industry, including:

- Starting from January 2020, the entrepreneurs establishing theme restaurants, cafes, karaoke bars or other tourist entertainment facilities (except for those being placed in the city of Tashkent) are eligible for getting a compensation in the amount of UZS 10 mln per project (the responsible state agency here is the State Committee for the Development of Tourism);
- A transport corridor – “The Tourist Highway of Uzbekistan” – connecting the city of Khanbad (Andijan) and the city of Muynak (the Republic of Karakalpakstan) is planned to be constructed. Plans on relevant investment projects for this construction are being prepared. Investment plans on the construction and reconstruction of other roads along tourist routes in Uzbekistan for 2020-2021 have been already provided in Annex 5 to the Decree.
- Entrepreneurs wishing to implement an innovative business project/ create a start-up in the tourism sector may receive a grant for the amount of 30% of the relevant project cost, but not more than UZS 100 mln.
- Tax and customs benefits may be provided to certain categories of businesses in the sector till 2023. Thus, an exemption from customs duties and excise tax may be granted to importers of equipment required for cable cars and extreme sports entertainment (bungee-jumping, rafting etc.). Some tax exemptions for the entities providing tourist services in remote areas (camping, safari, etc.) are also envisaged.

The Decree provides for other measures for developing the industry. This includes the reconstruction of facilities in certain airports, the guiding of SOEs in the aviation sector towards establishing relations with foreign airlines and tourist businesses and institutions, the increase of a number of international flights, the visa free entry for citizens of some countries of the Caribbean region, development of the infrastructure allowing foreign tourists to make easy card payments, improvement of the access to tickets for public transportation infrastructure (online sales), etc.

[Presidential Decree No. UP - 5781 of August 13, 2019](#)

## 2. DEVELOPMENT OF THE INSURANCE INDUSTRY

The President has signed a Decree that approves an action plan for accelerated development of the Uzbek insurance market in 2019-2020. One of new measures envisaged by the action plan is the introduction of electronic insurance policies (e.g. policies issued and circulated via the Internet, mobile apps, publicly accessible computer terminals (*infokiosk*)) for some categories of insurance. Other changes that will be introduced in 2019-2020 include the establishment of the Agency for Developing the Insurance Industry, the prohibition for insurance companies to be participants in other insurance companies in the same area of insurance services, the incorporation of international standards in respect of capital adequacy and solvency of insurers, the increase of the maximum reserve funds limits for insurance companies up to 50% of the charter capital, the obligation for insurance companies to send a request for proposal for reinsurance to Uzbek reinsurers when they seek

It is also stated that by November 2019, a plan for the introduction of compulsory medical insurance will be developed and by October 2020 – a new Law on Compulsory Types of Insurance. A number of regulations for the insurance industry will also be developed or amended.

[Presidential Decree No. PP – 4412 of August 2, 2019](#)

### **3. REGULATIONS FOR THE CAPITAL MARKETS DEVELOPMENT AGENCY**

*The Regulation on the Capital Markets Development Agency* has been adopted. According to the Regulation, the Agency is now the central body overseeing and regulating capital markets and matters of corporate governance in public companies. One of the main goals of the Agency is to strengthen protection of entities working in the capital markets and of shareholders of public companies. The Agency will act as the licensing body for stock exchanges, professional practitioners and companies within the capital markets, and entities organizing lotteries. The Agency is subordinate to the Prime Minister of Uzbekistan.

[Resolution of the Cabinet of Ministers No. 650 of August 7, 2019](#)

### **4. NEW RULES FOR THE LAND ALLOCATION**

Starting from 1 October 2019, vacant non-agricultural land plots throughout Uzbekistan will only be allocated through the electronic auctioning system “E-IJRO AUKSION”. Individuals and legal entities will, in turn, get the opportunity to submit their proposal for auctioning particular land plots and indicate their construction plans and investment commitments through the automated information system “YERELEKTRON”.

Prices for vacant land plots auctioned through “E-IJRO AUKSION” will be determined by state authorities and may not be reduced even if the relevant auction has been unsuccessful. A schedule for the implementation of investment commitments, if the relevant requirement for taking up commitments was attached to a particular land plot before an auction, are provided to the winner after the auction.

This electronic mechanism has streamlined many procedural aspects of providing land plots, as, for example, many documents, including a decision of local municipalities on allotting a land plot, are no longer needed.

By March 1, 2020, it is also planned to develop a separate electronic trading platform for the provision of land plots for the business and urban development – “YER AUKSION”.

It is to note that non-residents are not going to be affected by these developments, as soon as the law still envisages the separate procedure carried out by the Cabinet of Ministers for them. Whereas, the local business entities shall benefit from the streamlined processes. At the same time, the auction principle may pose the threat to the projects implementation.

[Presidential Decree No. PP – 4427 of August 26, 2019](#)

### **5. LAND PLOTS IN UNDERDEVELOPED REGIONS**

some amendments to regulations on the procedure for land allotment. Investors engaged in the implementation of projects in underdeveloped regions will be able to get land plots following the procedures set in the [Regulation on the Allocation of Land for State Needs](#) without having to participate in land auctions. Relevant legislative acts that set the criteria for determining the regions status will be drafted by mid-September 2019.

[Regulation of the Cabinet of Ministers No. 653 of August 9, 2019](#)

## 6. THE EXPROPRIATION OF LAND FOR STATE NEEDS

On August 3, 2019, the President has signed an Order aimed at strengthening protection guarantees to property owners. It includes an action plan on eliminating deficiencies related to unfair expropriation. Among other things, relevant state authorities have been instructed to prepare lists of seized land plots with the indication of compensation payments owed to corresponding individuals/business entities in order to restore rights of owners where they had been infringed. Moreover, a three-staged mechanism of approving the seizure will temporarily be introduced.

The Cabinet of Ministers has been tasked to adopt a resolution introducing a new procedure for the land expropriation for state needs by October 2019. The resolution will establish a more transparent and reliable mechanism of the expropriation, which will include, among other things, the conclusion of an agreement on the seizure between a property owner and state bodies/organizations concerned.

[Presidential Order No. R – 5491 of August 3, 2019](#)

## 7. NON-INTERFERENCE OF STATE AUTHORITIES

The government continues to advance the principle of non-interference of state agencies into activities of business entities. According to a new Presidential Decree, the offices of the Prosecutor General and the Commissioner for the Protection of Rights and the Legitimate Interests of Business Entities under the President of Uzbekistan will act as the principal controllers that the principle is respected.

The document reiterates that local municipalities are prohibited from forcing business entities to engage in extraneous activities (e.g. sponsorship of social initiatives, charity, works on landscaping, etc.).

Moreover, it has been ordered to the government to prepare revisions for the Law on Public Procurement within the 3-month period. Recently emerged practices of concluding direct contracts by circumventing procedures set by the Law will be targeted as unacceptable.

[Presidential Decree No. UP – 5780 of August 13, 2019](#)

## 8. RENEWABLES AND ENERGY EFFICIENCY

A comprehensive programme for promoting energy efficiency and the use of renewable energy resources for 2019-2020 has been approved. Under the programme, the government is ready to offer a number of incentives to all

energy installations or some other energy efficient equipment (some thresholds apply).

Starting from January 2020, the application of energy efficient technologies will also be closely monitored at all stages of objects construction (with the exception of residential objects). By that time, the Ministry of Construction in cooperation with other engaged state authorities will introduce a classification of energy efficiency levels that are assigned to construction objects.

Some other measures envisaged in the programme include the prohibition of importing used generation equipment and some other categories of energy equipment, the introduction of international energy efficiency standards ISO50001 in a number of the main SOEs and the establishment of the Department of Energy Efficiency in the Ministry of Energy.

[Presidential Decree No. 4422 of August 22, 2019](#)

## 9. NEW LICENSES IN THE ALCOHOL INDUSTRY

The *Regulation on the Licensing Procedure for the Production of Food and Technical Ethyl Alcohol and Alcoholic Beverages* has been adopted. In accordance with the Regulation, the Alcohol and Tobacco Market Regulatory Inspectorate under the Ministry of Finance has been designated as a new licensing authority.

Starting from January 2020, the relevant license will also be required for the production of industrial alcohol and starting from January 2021, – for the production of beer and beer drinks.

The licensing requirements and conditions have been slightly amended. It has been set among other things that the equipment used for the production of alcohol and alcoholic beverages as well as its owners will have to be registered with the Inspectorate. The minimum charter capital requirement for producers of food ethyl alcohol and vodka will now be 10,000 times the baseline calculation value and for producers of other alcohol production – 1,000 times the baseline calculation value.

Already issued licenses will retain their effect till January 2020 and will then have to be renewed, albeit they may be renewed in advance. The one-time licensing fee will no longer be payable as annual license fees will be introduced instead. Only local legal entities will be able to engage in the production of alcohol and alcohol beverages, whereas the production of food ethyl alcohol is only allowed to legal entities, in which the state share is 50% or more. A standard form application and the list of documents necessary for getting the license are provided in the Regulation.

In addition, the Regulation envisages a number of financial sanctions that may be imposed on license holders who do not comply with the requirements.

[Resolution of the Cabinet of Ministers No. 707 of August 23, 2019](#)

## 10. COMPENSATIONS FOR EXPORT BY RAILROAD

The Regulation on the procedure for compensating transportation costs for exporting goods by rail has been adopted. The Regulation applies only to certain products, the list of which was provided in annex to the [Presidential Decree No. PP – 4337 of May 24, 2019](#). Business entities – residents of

of the compensation is calculated based on a standard formula and may not exceed 10 % of the value of exported products. The Export Promotion Agency under the Ministry of Investments and Foreign Trade has been defined as a competent authority in this regard. To get the compensation, a standard form application and a set of proving documents have to be submitted.

[Resolution of the Cabinet of Ministers No. 660 of August 10, 2019](#)

## 11. PROJECTS FOR THE CONSTRUCTION OF MICRO - HYDROPOWER

### STATIONS

Several pilot micro-hydropower stations construction projects have recently been completed in some regions of Uzbekistan, based on the [Programme of Measures for Further Development of Renewable Energy, Energy Efficiency in the Economic and Social Sectors for 2017-2021](#). Following the completion, a Resolution of the Cabinet of Ministers has been passed, which updates the list of relevant projects with some of them having been excluded owing to their unfeasibility. Thus, as for now, 14 new prospective projects are intended to be launched by JSC Uzbekgidroenergo in Andijan, Kashkadarya, Samarkand and Fergana regions with the participation of the private sector. Potential private partners are yet to be selected on a competitive basis.

[Resolution of the Cabinet of Ministers No. 665 of August 12, 2019](#)

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To ensure that we are addressing the topics that are most important to you, we would welcome your feedback and suggestions.

Have a good day!

Sincerely,  
Kosta Legal Law Firm

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### Feedback



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