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LEGAL NEWSLETTER FOR FEBRUARY 2019

Dear Clients and Partners,

Although in February 2019 no significant changes of a general nature comparable with the tax reform of December 2018 and the announcement of forthcoming land privatization of January 2019 were declared, some significant changes happened in many industries. Continuing its positive destatization efforts, the Uzbek government established the Ministry of Energy and the Ministry for Transportation and abandoned the government monopoly on producing alcoholic beverages. Some major novelties affected the construction industry, where the semi-regulator – state-owned joint-stock company Uzstroyaterialy (Uzbek Constructions Materials) – is going to be liquidated, whereas a number of regulatory procedures were simplified or abolished.

Important aspects of project finance in Uzbekistan

Uzbek law does not prohibit or limit receipt of foreign funds from abroad, but remains to be underdeveloped in many transactional aspects. This is even more so in case of project finance deals, where more sophisticated financial mechanisms and collaterals are used. [Read more](#)



The privatization reforms ending state monopoly in alcohol industry

In pursuit of the goals set out in the State Program 2019, the President of Uzbekistan issued the Decree on the improvement of state regulation of the alcohol and tobacco industries, which introduced the overhaul of the management system and determined particular

1. SIMPLIFICATION OF GENERAL RULES FOR DOING BUSINESS

A new Presidential Resolution approves the roadmap for improving the country's position in the World Bank's Doing Business ranking. Starting from March 1, 2019, liberalization measures in 7 areas (based on the Doing Business categorization) will be introduced.

Most important changes affect activities in the construction industry. For example, the permission to carry out construction and installation works has been cancelled and a notification mechanism about the commencement of construction works has been introduced instead. Further, the act of acceptance into operation of completed buildings will now be issued simultaneously with an extract from the certificate on the state registration of rights to immovable property.

Other important changes relate to simplifying rules for the registration of real estate. Notary offices will now send necessary documents for the registration of real estate through electronic systems directly to the state cadastral service without applicants being involved. Cadastral documents on real estate will, in turn, be issued in electronic form.

Moreover, starting from March 1, 2019, state bodies will no longer require businesses to stamp official documents, while businesses - residents of Uzbekistan will get the opportunity to open bank accounts remotely. There will also be a number of changes aimed at enhancing protection of minority shareholders, liberalizing foreign trade, simplifying the registration of businesses, etc.

Presidential Resolution № PP-4160 of February 5, 2019

2. CHANGES IN BANKRUPTCY PROCEEDINGS

According to the Presidential Resolution No. PP-4146, a draft law introducing amendments to the Law on Bankruptcy simplifying the bankruptcy proceedings will be drafted by May 1, 2019.

First, the requirements for debtors will change. The cumulative amount of claims for initiating a bankruptcy case will be reduced from 500 to 300 times the minimum monthly wage ("MMW") (approximately USD 7,250.00) (for individual entrepreneurs – from 30 to 20 times the MMW) (approximately USD 490.00). Secondly, the fixed term of liquidation proceedings will be reduced from 1 year to 9 months. Thirdly, the state tax authorities will be able to apply to the court to declare the debtor bankrupt within 30 days from the date when enforcement documents on collecting tax debts return to the authorities owing to the inability of the debtor to pay them.

It is of importance that another law strengthening the responsibility for false bankruptcy, concealing bankruptcy and deliberate bankruptcy will be drafted by March 2019.

3. PRIVATIZATION OF STATE PROPERTY

Following the success of the Tashkent-based experiment on privatization state property through the electronic public trading platform E-IJRO AUKSION for the fixed price of UZS 1 with the imposition of investment obligations, the Presidential Decree of 19 February 2019 extends the experiment to the whole country. The list of state property that will be privatized this way is approved.

Some other changes introduced by the Decree include the provision of the State Tender Commission on the Sale of State Property with the right to sell state shares outside the organized market for selling securities (shares) and the cancelation of the requirement to notarize those agreements on the sale of state property that have been approved by authorized state agencies. It is also set that state property will be able for rent through the public trading platform E-IJRO AUKSION from June 1, 2019.

Presidential Decree of February 19, 2019

4. CREATION OF MINISTRY OF ENERGY AND MINISTRY FOR TRANSPORT

To promote development of the energy industry, the Ministry of Energy has been created. It will be responsible for setting holistic energy policies, attracting foreign and local investment in the energy industry and coordinating its development.

JSC Uzbekenergo and JSC Uzbekneftegaz (previously, SOEs with regulatory functions) will be reorganized. Relevant regulatory acts will be drafted by this summer. Thus, a roadmap for reforming the power industry, including its probable unbundling, will be developed in cooperation with the World Bank.

Presidential Decree № UP-5646 of February 1, 2019

The Ministry of Transport has also been created based on several state agencies and inspections for road, air and railway transportation, safety and construction. Some regulatory powers of the Ministry of Emergency Situations and JSC Uzbekistan Railways (including, for example, the power to set railway tariffs and transit rules) have been transferred to the new Ministry. The Ministry is ordered to develop a new Law on Transport by November 1, 2019.

Presidential Decree № UP-5647 of February 1, 2019

5. LICENSING REQUIREMENTS FOR SELLING AND MANUFACTURING

ALCOHOLIC AND TOBACCO PRODUCTS

According to the Presidential Decree No. Up-5656, the licensing of the production of food-grade and technical ethyl alcohol, alcoholic beverages and tobacco products is now carried out by the Inspectorate for the Regulation of the Alcohol and Tobacco Market under the Ministry of Finance.

In accordance with the Decree, current licenses for the production of alcoholic beverages and tobacco products will remain in force till July 1, 2019. After that, all businesses will have to apply for new licenses. A new type of licenses has also been introduced for the wholesale trade in alcoholic products, albeit the relevant licensing procedure has not yet been set. It is also of importance that

production without the special permit to sell alcoholic products.

The state monopoly on the production of vodka and other alcoholic beverages has been abolished, but the production of the food grade ethyl alcohol remains to be a state monopoly.

It is provided by the Decree that manufacturers of alcohol products must sell their productions to wholesale organizations. Food grade ethyl alcohol manufacturers must sell their production after receiving a 100% prepayment.

Presidential Decree № UP-5656 of February 5, 2019

6. DEVELOPMENT OF CONSTRUCTION INDUSTRY

Based on the Presidential Resolution on the Development of the Construction Industry, the association Uzstoymaterialy (Uzbek Construction Materials) has been established. Private companies and state-owned enterprises in the construction industry may voluntarily become its members. It is planned that the association will replace the incumbent state-owned enterprise with semi-regulatory functions JSC Uzstoymaterialy. The association is tasked to assist in implementing investment projects and to support businesses – members of the association. It will also get the state share in the scientific research and engineering center UzstorumaterialyLITI, responsible for developing new types of construction materials, developing quality standards and rules for the construction industry, certifying all types of construction materials and conducting various types of technical audit for the industry.

Moreover, the Resolution decreases the term for issuing the license providing with the right to use subsoil plots containing non-metallic minerals from 20 to 10 days; approves the list of the subsoil plots containing non-metallic minerals, for the industrial development of which private investments have to be attracted; recommends to the Cabinet of Ministers to approve the list of potential investment projects in the construction industry developed by JSC Uzstoymaterialy.

Presidential Resolution of February 20, 2019

7. DEVELOPMENT OF NUCLEAR POWER INDUSTRY

The Presidential Decree PP 4165 approves the concept and the roadmap for the development of the nuclear power industry till 2030. It provides for developing the relevant legislation, rules for environment protection, measures for research scientific support of the industry. It is planned that the construction of the first nuclear power station will be implemented in 2020-2030 with the construction site being chosen till 2020 and necessary infrastructure being built till 2022.

Presidential Decree PP 4165 of February 7, 2019

8. CANCELLATION OF SOME LICENSES AND PERMITS

The requirement to obtain 6 types of licenses/special permits will be abolished starting from April 1, 2019, including (i) the certificate confirming the registration

permit to advertise medicines for minors; (v) the approval of a location of business entities engaged in retail trade in products made from precious metals and gemstones; (vi) the permit to conduct geological surveys, prospecting, and other exploration work on all categories of land plots.

The legal act providing for the cancellation of the above licenses also introduces some other minor changes, fixing, among other things, the right of individuals and legal entities to apply to any state center providing state services irrespectively of the place of their registration.

Presidential Resolution of February 15, 2019

9. INCENTIVES FOR TEXTILE MANUFACTURERS

From April 1, 2019, the State Fund for Supporting Business Activities under the Cabinet of Ministers will start to partially reimburse interest payments on loans to manufacturers in the sewing and knitting industry who export at least 80% of their finished production.

Further, the requirement to provide a bank guarantee for purchasing cotton fiber on commodity exchanges has been abolished.

10. ESTABLISHMENT OF AGENCY FOR INFORMATION AND MASS

COMMUNICATIONS

The Uzbek Agency for Press and Information has been reorganized into the Agency for Information and Mass Communications under the Presidential Administration. The Agency will work on strengthening the social role of mass media, proposing and implementing measures for development of mass media. Among other things, the Agency has got the powers to ensure protection of copyrights to phonograms and audiovisual works.

Presidential Decree № Up-5653 of February 2, 2019

11. CHANGES IN INTELLECTUAL PROPERTY LEGISLATION

The Agency for Intellectual Property has been reassigned to the Ministry of Justice. Until July 1, 2019, the inventory of registered trademarks will be checked to determine whether the registration has been made in conformity with law.

Some regulatory changes will be introduced starting from March 1, 2019. First, the information on submitted applications for the registration and the registration itself of trademarks, service marks and appellations of origin will be posted on the official website of the Agency for IP within 1 working day after the relevant procedure is completed. There will be a possibility for third parties to submit a note on the unfairness of a particular application. Secondly, the courts will be able to satisfy claims for early termination of registered rights to a trademark (a service mark or an appellation of origin), if it has not been used for 3 years or longer.

From September 1, 2019, applications for the registration of a trademark (a service mark or an appellation of origin) will have to be submitted only in

Presidential Resolution № PP-4168 of February 8, 2019

12. UZBEKISTAN BECOMES PARTY TO 3 INTERNATIONAL IP CONVENTIONS

Uzbekistan has become a party to 3 international conventions in the area of protecting intellectual property rights: (i) the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, also known as the Geneva Phonograms Convention of 1971; (ii) The World Intellectual Property Organization Performances and Phonograms Treaty of 1996; (iii) The World Intellectual Property Organization Copyright Treaty of 1996.

13. SPECIAL RULES FOR EXPORTING SOFTWARE

Some clarifications have been introduced with respect to the rules for exporting local software. It is set that the software for USD 5,000 may be exported without concluding an export contract and making a special record with the Unified Electronic Information System for Foreign Trade Operations. It is also provided that where local software is sold through a foreign electronic platform, penalties for the non-timely getting of export proceeds (generally, in more than 120 days) do not apply and relevant rules of the foreign electronic platform prevail in this regard.

Resolution of the Ministry for Development of Information Technologies, the State Customs Committee and the Governing Board of the Central Bank No. 2549-2 of February 4, 2019

14. NEW LAW ON SEEDS PRODUCTION

A new edition of the Law on Seed Production has been passed. It determines regulatory powers of involved state agencies, rules for the certification of seeds, rules for the maintenance of the state register of seeds producers.

Law on Seeds Production No. ZRU-521 of February 16, 2019

15. ESTABLISHMENT OF TOURISM DEVELOPMENT ZONES IN KHOREZM REGIONS

Two free tourism development zones have been created in the cities of Urgench and Khorezm of the Khorezm region. Favorable conditions for building modern hospitality, cultural, health, shopping, entertainment and tourist facilities will be created. The boundaries of these tourist zones and the list of proposed investment projects will be developed within 2 months.

Resolution of the Cabinet of Ministers No. 119 of February 13, 2019
Presidential Resolution № PP-4186 of February 12, 2019

16. DEVELOPMENT OF CITIES IN TASHKENT REGION

The Cabinet of Ministers has approved master plans and development strategies for three major industrial cities in the Tashkent region: Akhangaran, Angren and Chirchik. The plans provide for the reconstruction of cities' central

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Resolutions of the Cabinet of Ministers No. 58, 59 and 60 of January 31, 2019



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