



# Uzbekistan

Population <sup>1</sup>	32,388,600
Area (km <sup>2</sup> ) <sup>1</sup>	447,400
GDP per capita (USD) <sup>1</sup>	1,826.57
TPES (Mtoe) <sup>2</sup>	37.59
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.60
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>2</sup>	85.30

Sources:

1. The World Bank 2017

2. ©IEA 2018, [www.iea.org/statistics](http://www.iea.org/statistics)

Uzbekistan’s overall risk level against the assessed areas is **low**.

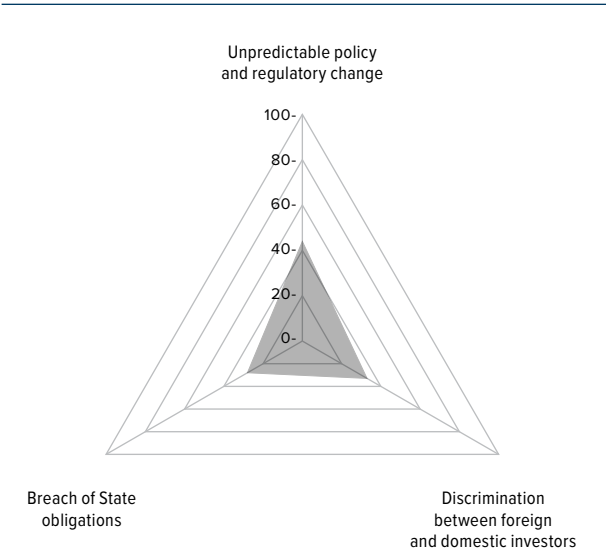
Among the three EIRA risk areas, *breach of State obligations* and *discrimination between foreign and domestic investors* are lower compared to *unpredictable policy and regulatory change*.

Uzbekistan’s performance is good score on three of the EIRA indicators, and it is low on one indicator. It has received a score of 72 on the indicator *rule of law*. *Management of decision-making processes* and *regulatory environment and investment conditions* are at 65 and 63 points, respectively. The score for *foresight of policy and regulatory change* is 30.

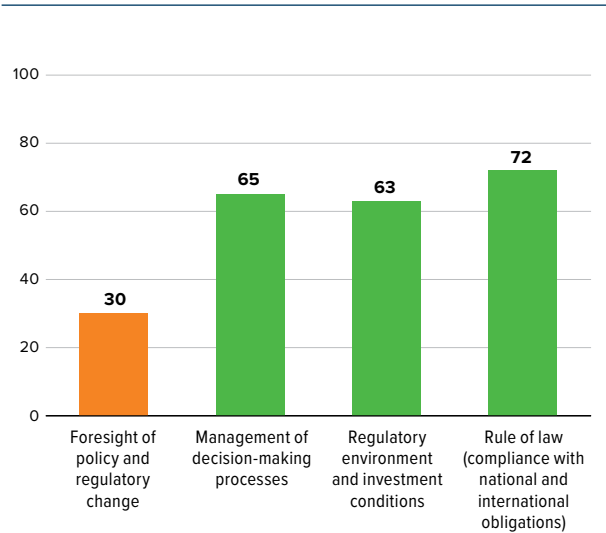
On a more detailed level, Uzbekistan’s overall sub-indicator performance is moderate. It has received a high score of 85 on *management and settlement of investor-State disputes*. The sub-indicators *transparency* and *restrictions on FDI* stand at 73 and 70, respectively. On *respect for property rights* the score is 58, while both *institutional governance* and *regulatory effectiveness* are at 56. The score for *communication of vision and policies* is 35. Its performance on *robustness of policy goals and commitments* is low with a score of 25 points.

While there are some policies and measures in place, more concrete steps must be taken to strengthen Uzbekistan’s performance across all indicators and underlying sub-indicators. Particular attention should be given to strengthening the robustness of its policy goals and commitments.

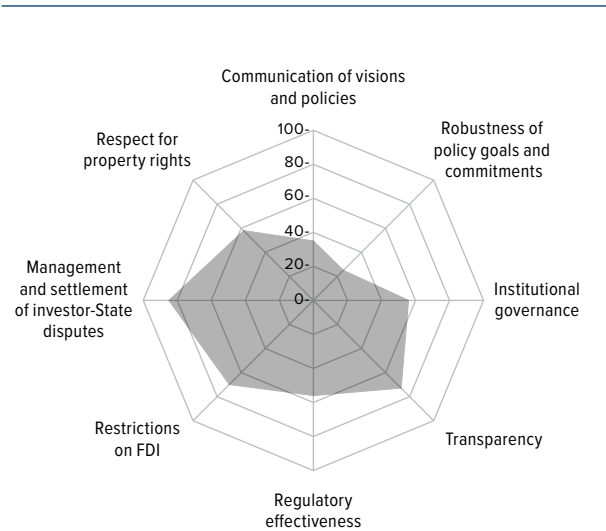
### RISK LEVEL



### INDICATOR PERFORMANCE



### SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The Action Strategy for the Further Development of the Republic of Uzbekistan 2017-2021 defines the five priority areas of the country.

Uzbekistan ratified the Paris Agreement in 2018 and submitted its first NDC.

### STRENGTHS

The Action Strategy 2017-2021 lists the key economic priorities of Uzbekistan, including the reduction of energy and resource intensity, the introduction of energy-saving technologies in production and the increased utilisation of renewable energy sources. The Strategy also stipulates priorities for the country's social development, such as improving electricity access through the construction and upgradation of power-generating facilities. In addition, it envisages the update of low-voltage electrical networks and transformer points, as well as the diversification of the energy mix. To create a competitive power market, Uzbekistan is currently improving the institutional and legal framework for the generation and supply of electricity. As part of the transition to modern methods of organising the production, distribution and transportation of electric energy, in March 2019, JSC Uzbekenergo was unbundled into three companies.

The Ministry of Energy of the Republic of Uzbekistan, which was established in 2019, has been assigned the responsibility of monitoring the progress made on the country's energy priorities. For this purpose, the Ministry can request and receive information from the State agencies, economic management authorities and local Government bodies. Also, it has the right to receive statistical data from the State statistical agencies.

### AREAS FOR IMPROVEMENT

The Government should adopt an energy strategy that will provide the overarching framework for future actions. Effective communication of the policies can create a secure investment environment, and enable investors to assess the impact of new policies. The strategy must establish quantifiable targets, specify a timeframe for their accomplishment, and provide guidance on the overall implementation process.

Monitoring and evaluation mechanisms should be further developed to improve the implementation and enforcement of the country's energy policy. To maintain the objectivity of the assessment, it is strongly recommended that monitoring activities are conducted by a body independent of the policy-implementation authorities. Evaluation of the progress should be performed periodically to ensure that the country's targets are achieved in the specified timeframe.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Energy leads the policy-making process for the energy sector.

Legislative power is vested in the Oliy Majlis which comprises two chambers and is the supreme State representative body of Uzbekistan.

The Agency for Attracting Foreign Investments was established in January 2019 under the Ministry of Investment and Foreign Trade. Its primary objective is to provide foreign investors with information and legal support on the establishment of businesses in the country.

Law no. 3PY-369/2014 On the Openness of the Activities of Public Authorities and Management and Law no. 3PY-443/2017 On the Dissemination and Use of Legal Information support the right to access information held by public authorities.

### STRENGTHS

The Ministry of Energy was established at the beginning of 2019 to develop and implement a unified state policy in the fuel and energy sector. It is responsible for drafting laws and normative legal acts on matters related to its field of activity. To facilitate investment, from 1 July 2019, the interaction of the Ministry of Investment and Foreign Trade with investors is based on the "one window" principle. The purpose is to provide potential investors advice and support in the delivery of public services and offer assistance in the conclusion of investment contracts. To this end, Ministry employees have already been seconded to the relevant public services centres in different districts.

Openness and transparency are promoted by the Government. The right to Government-held information is guaranteed in the Constitution. Only information classified by law as a state secret or other protected secret is subject to non-disclosure. Legal texts, in Uzbek and Russian, are made available both in print and electronically on the national database of laws and regulations. The online database provides easy access to laws, decrees and resolutions. It enables the user to track amendments and navigate through the relevant documents.

### AREAS FOR IMPROVEMENT

While stakeholders are generally involved in decision-making, efforts should be made to develop tools for the engagement of the public in the regulatory process. The newly established Ministry of Energy should actively pursue interaction with the interested parties and the public. The methods and timelines of public participation should be defined in the law. This will boost the confidence of investors in the Government and promote cooperation.

## Regulatory environment and investment conditions

### QUICK FACTS

The Ministry of Energy regulates the energy sector.

Law no. 609-I/1998 On Foreign Investments guarantees the rights of foreign investors in Uzbekistan.

### STRENGTHS

The responsibilities and obligations of the Ministry of Energy are defined in the national legislation. To perform its functions, the Ministry is allocated resources from the State budget. Additionally, the law envisages establishment of an extra-budgetary fund for the development of the fuel and energy industry under the Ministry. The fund will be used for strengthening the material and technical base of the Ministry, training of its employees and other purposes aimed at increasing its efficiency. Audits for evaluating the effectiveness and legality of expenses incurred by State bodies are performed by the Accounting Chamber.

Uzbekistan is taking measures to create a favourable investment environment. The Ministry of Investment and Foreign Trade was established in January 2019 to promote foreign investment. The principles of *fair and equitable* and *national treatment* are enshrined in the law. Following the liberalisation of the country's exchange regulations in 2017, no currency restrictions or foreign exchange controls are applied. Moreover, foreign investors have the right to independently and freely dispose of the income received from their investment activities, after fulfilling their obligations towards the State. The new Law No. 3PY-537/2019 On Public-Private Partnership was adopted in May 2019 to provide a clear framework for the realisation of investment projects, and ensure transparency and non-discrimination for investors. A number of large scale energy projects are currently being implemented under the PPP Law.

### AREAS FOR IMPROVEMENT

Since Uzbekistan is taking steps to reform its energy sector, it should consider establishing a regulatory authority with institutional, functional and financial autonomy. A dedicated independent institution will minimise the risk of governmental or private sector influence. It will also aid in improving the legislative environment and strengthen the country's energy sector.

## Rule of law

### QUICK FACTS

Uzbekistan became a Contracting Party to the Energy Charter Treaty in 1995.

The Convention on the Settlement of Investment Disputes between States and Nationals of Other States was ratified by Uzbekistan in 1995.

Law no. 611-I dated 30 April 1998 On Guarantees and Measures of Protection of Foreign Investors provides protection against the expropriation of property.

### STRENGTHS

Disputes related to foreign investments can either be submitted to the Economic Courts of Uzbekistan or to international arbitration. The law prescribes specific time limits for the delivery of decisions by courts of all instances. In exceptional cases, the duration of the trial may be extended by the president of the court for no more than one month. National laws do not require the exhaustion of local judicial remedies before the initiation of arbitration proceedings. By Decree of the President no. УП-5690/2019, the Commissioner for the Protection of the Rights of Entrepreneurs was assigned more responsibilities. As of 1 April 2019, it is mandated to monitor the compliance of supervisory authorities with the requirements of the legislation, thus preventing unreasonable interference by State bodies in the activities of business entities. Adherence to the decisions of the Commissioner is obligatory for the authorities.

The right to own and possess property is protected under the Constitution. Foreign investment and other foreign assets are not subject to requisition by the State, except for claims, accidents, epidemics and outbreaks. Decisions on the requisition of investments are made by the Cabinet of Ministers. Law no. 609-I/1998 On Foreign Investments recognises all types of tangible and intangible goods and related rights as foreign investment. In general, there are no restrictions on the transfer of technology.

### AREAS FOR IMPROVEMENT

The legal framework for the expropriation of property should define a timeframe for the payment of compensation. The absence of a legally imposed deadline reduces the certainty of payment and can result in delays.