

Uzbekistan – Upcoming Business Opportunities on the back of a Strong Reform Agenda

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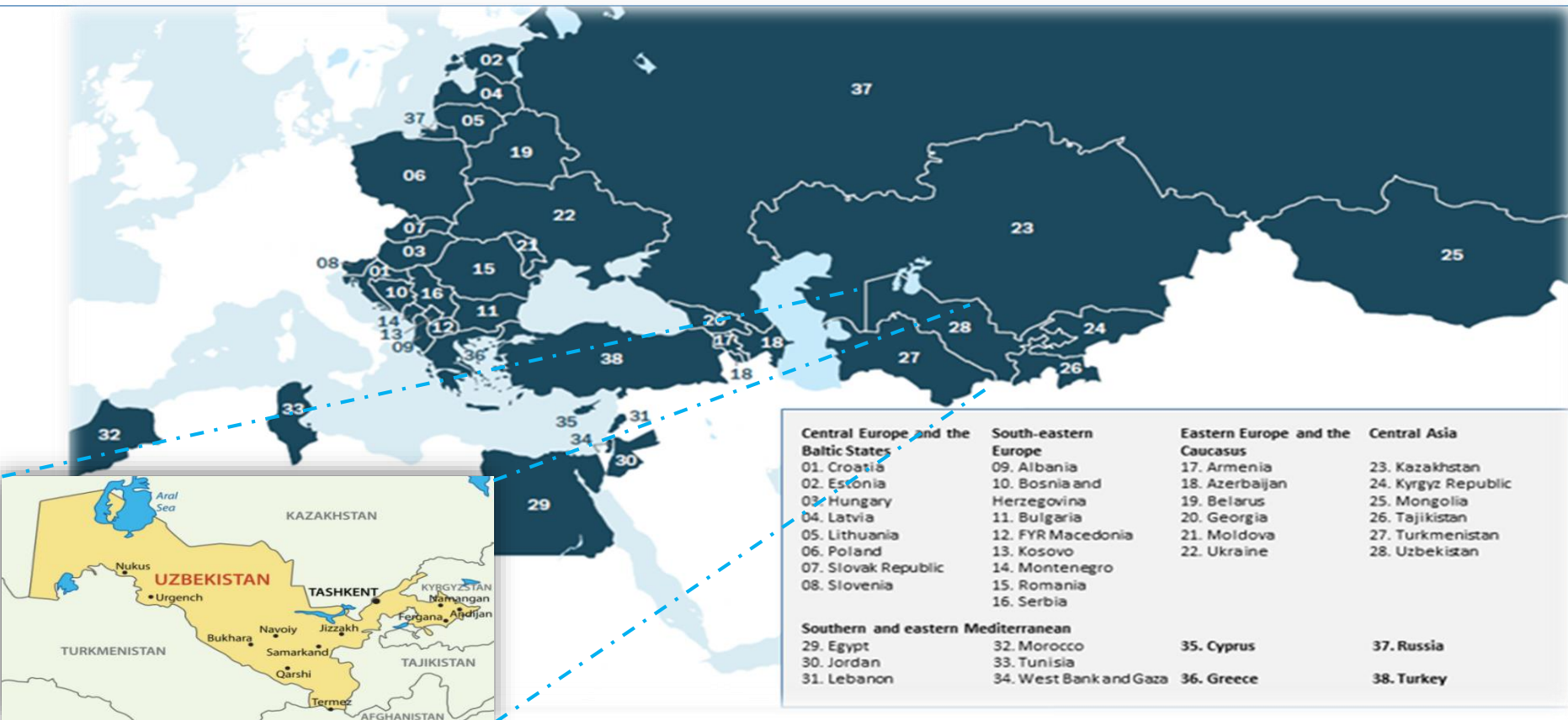
- EBRD promotes **market economy** and focuses on **private sector development**
- **71** Shareholders - **69** countries, EU & EIB
- **38** countries of operations
- **Largest single investor** in the region from central Europe to central Asia and the southern and eastern Mediterranean

- Established in **1991**
- **43** resident offices, **6** regional offices, HQ in London
- **AAA-rated** (S&P, Moody's, Fitch)
- Capital base of **EUR 30 billion**
- Above **EUR 140 billion** invested in over **5,650 projects** since **1991***
- **79%** in private sector

From Morocco to Mongolia



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Regional Context



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	UZB	KAZ	KGZ	TKM	TJK	RUS
Population (million)	32.9	18.2	6.3	5.8	9.1	144.5
GDP (US\$ billion, nominal / PPP)	58.3 <u>231.4</u>	170.5 <u>508.6</u>	8.0 <u>24.5</u>	40.7 <u>112.7</u>	7.5 <u>31.3</u>	1,658 <u>4,051</u>
GDP per capita (US\$, nominal / PPP)	1,741 <u>7,020</u>	9,331 <u>27,831</u>	1,281 <u>3,878</u>	6,967 <u>19,270</u>	827 <u>3,444</u>	11,289 <u>27,147</u>
GDP Growth Forecasted*: F2019	5.5%	3.9%	4.3%	6.3%	7.0%	1.1%
F2020	5.8%	3.6%	3.7%	6.0	6.3%	1.7%
CPI, IMF (Oct'19)	15.2%	5.3%	1.3%	13.4%	7.4%	4.7%
Unemployment	5.2%	4.9%	7.2%	3.9%	10.9%	4.7%
CPI, Transparency	158 th	124 th	132 nd	161 st	152 nd	138 th
Doing Business 2020	69 th	25 th	80 th	N/A	106 th	28 th
Total External Debt to nominal GDP	35%	92%	99%	0.02%	80%	27%
Total Reserves (includes gold, US\$ billion)	27.1	31.0	2.2	N/A	1.3	468.6

2018 data unless otherwise stated

World Bank Data unless otherwise stated

* *Regional Economic Prospects in EBRD Regions* published by EBRD

**Macroeconomic
Overview**

**Attractiveness of
Uzbekistan**

Key Reforms

**Opportunities & Key
Sectors**

EBRD in Uzbekistan

**Business
Opportunities**

Agriculture

- Historically focused on cotton and wheat; moving towards vegetables and fruits production
- Opportunities: animal farming, seeds and seedlings, mills, technical solutions, packaging

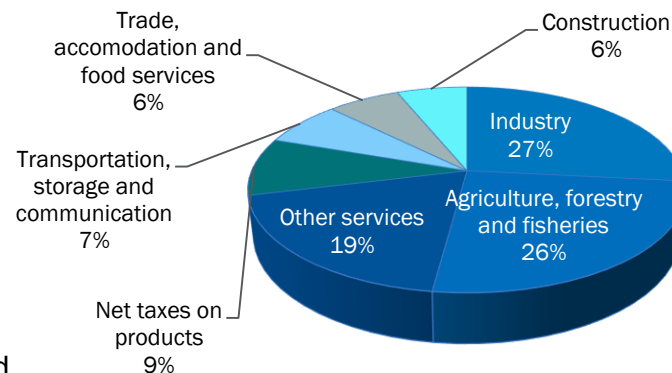
Services

- Driven by transportation, trade and financial services
- Opportunities: financial services, tourism, various inexistent services in Uzbekistan

Industry

- Driven by manufacture of food, textile and chemicals, mining and quarrying
- Opportunities: oil & gas related, import substitution, construction

GDP Structure as of Oct, 2019



Strengths of Uzbekistan



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Natural Resources

- Reserves (compared to world)
 - Gold 10th
 - Natural gas & oil 24th
 - Copper 10th
 - Uranium 16th
- Total mineral resource potential is at US\$ 5.7 trillion
- Availability of locally produced raw materials for various industries

Growing Population

- 33.7million in 2019
- Annual growth at 1.7%
- 14.6 million of economically active population
- Median age at 29.1

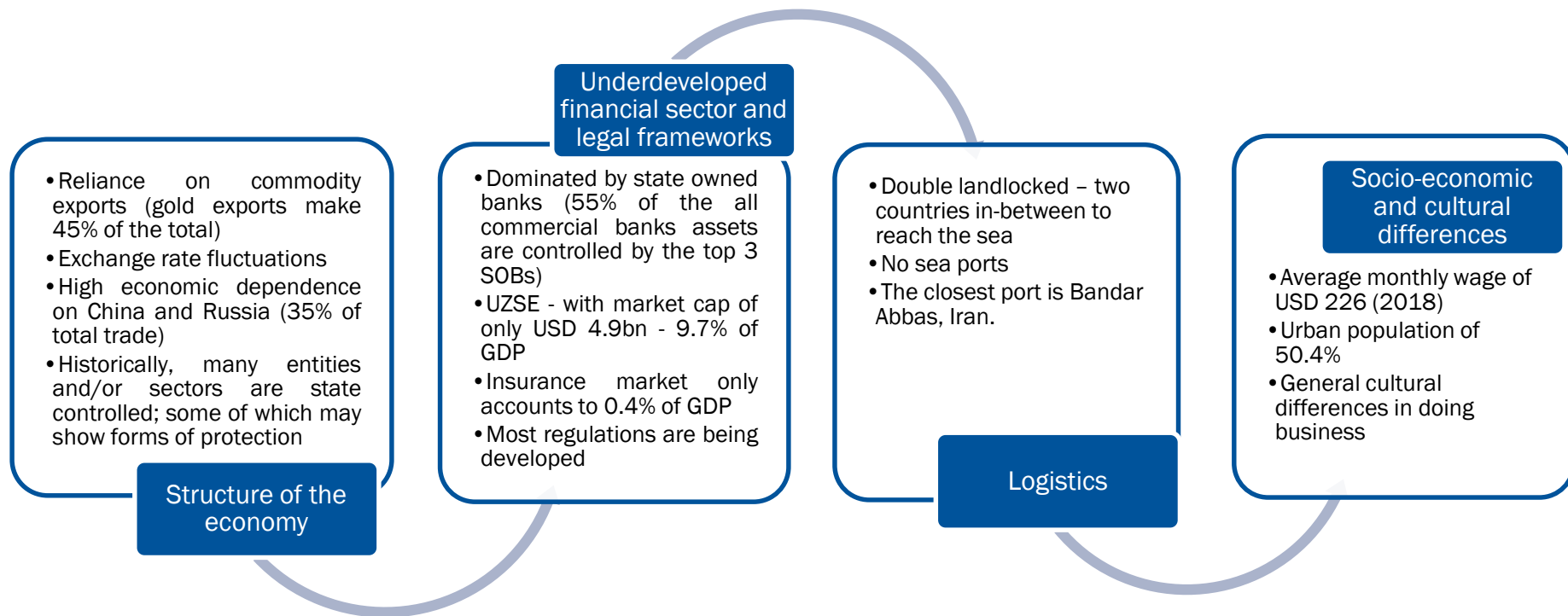
Cooperation

- *CISFTA* between 9 states with total population of 240 million
- *Shanghai Cooperation Organization* with 8 states and total population of 3 billion
- *Belt and Road Initiative* proposed by China which will create logistics of a unified large market

Major Challenges



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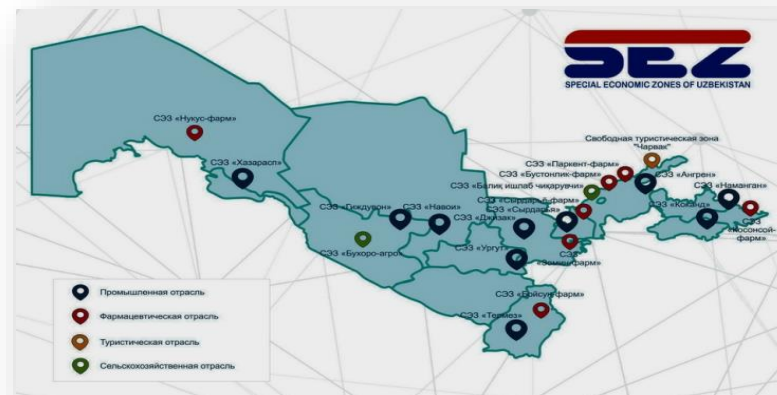
- Personal income tax of 12% (flat)
- General corporate tax rate of 12%
- Property tax (excluding land) is at 2%
- Value added tax rate of 15%
- Tax treaties with over 50 countries
- Tax Code in the new edition is in force as of January 1, 2020



Free (or Special) Economic Zones

- Foreign investors have access to Free Economic Zones
 - Exports of at least 25% of production by the end of 2nd year
 - 50% from subsequent years
- Exemptions are:
 - Land tax, income tax, tax on property of legal entities and various mandatory contributions
 - Customs payments (except clearance fees) for equipment, raw materials
- Periods of exemptions dependent on matching investment volume

- 11 industrial zones
- 8 pharmaceutical zones
- 1 agricultural zone
- 1 tourism and hospitality zone



Traveling to Uzbekistan

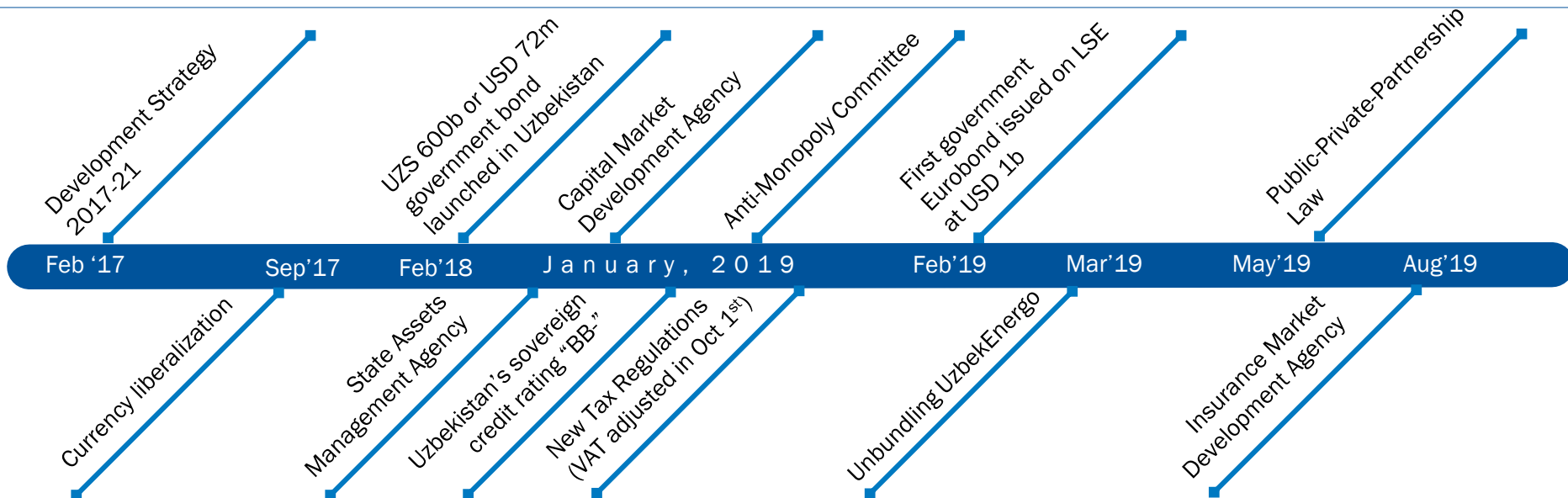
- Visa free regime with 65 states including all EU members
 - Visa free regime with Russia and most CIS countries
 - Additional 22 states have been approved effective January 1, 2020
- e-visa regime for 77 jurisdictions
- EU citizens can stay in Uzbekistan for 30 days without visa



Key Reforms



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• On going reforms:

- Price liberalizations
- Tax reforms

- Land acquisition laws
- Privatizations
- Additional FEZs

- Political Reforms
- Sector strategies and road maps
- Determined to join WTO

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Business
Opportunities

Potential Sectors of Interest



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- **Ongoing Privatisations**
 - Banks
 - Chemical sector
 - Construction sector: cement
- **Energy & Infrastructure**
 - Renewable energy: wind
 - Development of hydro power and electric transmissions
 - Introduction of toll roads to Uzbekistan
 - Development of waste water treatment facilities
- **Development of Tourism & Services**
 - Hospitality - Development of Silk Road cities
 - Healthcare
 - Education



Investment Promotion Agency
www.invest.gov.uz

Debt

- Loans to the private sector (up to 35% syndicating the rest), including SME
- Debt co-financing, working with commercial banks and IFIs
- Project finance loans (incl. PPP)
- Fixed/floating rates
- Syndication under preferred creditor status
- Access to capital markets

Equity

- Investing with majority sponsor to reduce equity burden and add partnership value. No more than 25%
- Common or preferred stock
- Privatisation and initial public offering (IPO)
- Mezzanine equity and subordinated debt
- Infrastructure funds
- Private equity and VC Funds

Technical Cooperation

EBRD brings in additional financial capital and technical assistance (TC) to economically viable projects

Benefits of Working with EBRD

Capital mobilisation

- Label of quality, representing **high standards of corporate governance and environmental compliance**, providing a catalyst to access additional equity, debt and trade finance.

Long term partner

- **Long tenor** / investment horizon of EBRD's financing

Local presence

- Extensive knowledge of the **local economy**, business environment and practices.
- **Close relationship with governments and shareholders**

Risk mitigation

- A **business partner who shares risks including political**, supported by EBRD's unique mandate and shareholder structure

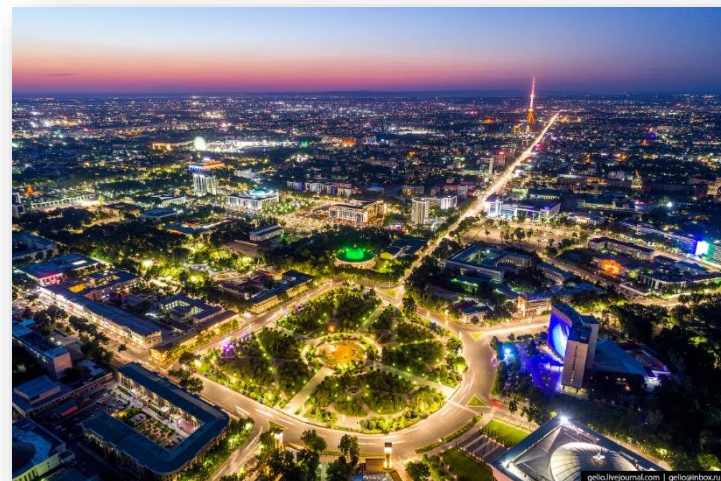
Deep capital base

- **AAA credit rating**, with **EUR 30bn capital base** and preferred creditor status

Flexible financing solutions

- Mandated to support projects through **equity, debt, project, structured or mezzanine finance**

- Net cumulative Bank investment – EUR 1.9 billion
- Number of projects to date – 79
- Private sector share of the cumulative investment – 44%
- Current portfolio – EUR 965 million
- Since re-engagement in 2017:
 - Total investments – EUR 983 million
 - Total number of projects – 31
 - 2019 – 30% more investment than in 2018
 - 2018 – 375% more investment than in 2017



EBRD's Strategy in Uzbekistan

Our new country strategy was approved by the Bank's BoD in September 2018.

[Link to EBRD's Strategy in Uzbekistan](#)

EBRD's Strategic Priorities for 2018-2023:

[Private Sector Development](#)

Enhancing competitiveness by strengthening the private sector's role in the economy.

[Green Transition](#)

Promoting green energy and resource solutions across sectors.

[Connectivity](#)

Supporting increased regional and international co-operation and integration.



EBRD Priorities

- Provide direct finance and advice to high-potential SMEs, including women-led and across regions, to build capacity and improve competitiveness and governance.
- Provide intermediated finance to MSMEs via general and targeted credit lines and risk-sharing facilities through local state owned and private banks, coupled with technical assistance to improve MSME lending capacity.
- Explore mechanisms for developing local currency lending, including policy engagement to help develop local money and capital markets.
- Provide direct finance, including by supporting FDI, to competitive, growth-oriented private companies to help them expand, improve standards and enhance inclusion, and integrate into regional and global value chains.
- Selectively engage with SOEs to:
 - promote improved governance, financial & operational performance & commercialisation;
 - encourage and support transparent privatisation and provide related financial and advisory support for pre-privatisation efforts; and
 - where possible, increase private sector participation, incl. via PPPs.

Private Sector Development (cont'd)



Signed in 2017

\$10 million

Senior loan for expansion of storage capacity and support working capital needs



Signed in 2017

\$70 million

Credit line to increase the availability of medium-term funding for private MSMEs



Signed in 2017

\$11.2 million

Senior loan for acquisition of new blow-fill-seal machines



Signed in 2017

\$25 million

Senior loan to increase the availability of medium-term funding for private MSMEs



Signed in 2017

\$10 million

Senior loan for expansion of the business and distribution network



Signed in 2017

\$20 million

Credit line for supporting private MSMEs with a focus on regions

Private Sector Development (cont'd)



Signed in 2018

\$5 million

Senior loan to diversify the bank's funding base and expand lending to private MSMEs



Signed in 2018

\$10 million

\$10mln participation in the syndicated loan of up to \$20mln to diversify funding base and expand lending to MSMEs



Signed in 2018

\$2 million

Senior loan to expand the existing food production facilities and to increase the catering chain



Signed in 2019

\$5 million

Credit line for supporting private MSMEs with a focus on regions



Signed in 2019

\$9.2 million

Senior loan to expand the production of medical devices and begin a new production line



Signed in 2019

\$0.5 million

A risk sharing loan in partnership with Hamkorbank to expand production of local cheese

Credit Lines for Local Banks

- EBRD provides the local banks with the credit lines to enable them to increase the availability of medium-term funding for private MSMEs in Uzbekistan.
- Currently, the credit lines were provided to five local banks and a leasing company.
- Since re-engagement and till y-e 2019, the number of benefited MSMEs from EBRD's credit lines reached 1,396 with the total amount of loan granted of \$135 million.
- MSMEs are from the sectors such as manufacturing, construction, agriculture, transport and service.
- Some of the loans were accompanied by Technical Cooperation funds.
- In addition, EBRD is actively engaged in trade finance through local banks. In 2019, there were 192 transactions at the total amount of EUR 56 million – 73% of them were in private sector.



EBRD Priorities

- Support energy and resource efficiency, environmental remediation and climate change mitigation investments in the public, private and commercial sectors, including in extractive industries and buildings.
- Support cleaner and more efficient energy generation, transmission and distribution.
- Finance energy and resource efficient modernisation of municipal infrastructure services, potentially in conjunction with the Green Cities Initiative.
- Related policy engagement to address institutional challenges in the MEI sector, e.g., tariff reform, commercialisation of municipal service providers, and increased energy and resource efficiency.
- Seek opportunities to finance renewable energy investments in solar, wind and hydropower, with related policy engagement (e.g. development of ETS) to develop the regulatory framework.
- Support green investments across all industrial sectors, including gasification.

Green Transition (cont'd)



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Signed in 2018

\$100 million

A sovereign loan for rehabilitation of district heating infrastructure in Tashkent City



Signed in 2018

\$50 million

A sovereign loan for rehabilitation of district heating infrastructure in Tashkent City



Signed in 2018

\$30 million

A sovereign loan for rehabilitation of water and wastewater infrastructure in Tashkent City



Signed in 2018

\$82.5 million

A sovereign loan for the reinforcement of the high voltage transmission infrastructure of Muruntau Substation

**NAMANGAN
SUVOKOVA**

Signed in 2018

\$60 million

A sovereign loan for rehabilitation of water and wastewater infrastructure in Namangan region

**KHOREZM
SUVOKOVA**

Signed in 2018

\$60 million

A sovereign loan for rehabilitation of water and wastewater infrastructure in Khorezm region

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Green Transition (cont'd)



Signed in 2019
\$240 million

Participation in a \$1.1bln project together with ADB/UFRD for the construction of an additional power generation capacity in Talimarjan Power Plant



Signed in 2019
\$5 million

A loan under Green Economy Finance Facility Programme which enables eligible sub-borrowers to finance their green economy investments.



Signed in 2019
\$96 million

A sovereign loan for the construction of a 500 kV transmission line in the Navoi Region

**KHOREZM
SUVOKOVA**

Signed in 2019
\$90 million

A sovereign loan to rehabilitate wastewater infrastructure in Khorezm region

**KASHKADARYA
SUVOKOVA**

Signed in 2019
\$60 million

A sovereign loan to rehabilitate water and wastewater infrastructure in Kashkadarya region

EBRD Priorities

- Seek opportunities to upgrade transport infrastructure to enhance regional connectivity.
- Support enhanced energy connectivity by upgrading regional gas and electricity transmission and distribution networks.
- Support initiatives to enhance countrywide access to information and communication technologies, including fast internet connectivity.
- Facilitate greater regional and international trade and FDI:
 - supporting companies in developing export competitiveness via enhanced supply chain linkages and export channels;
 - working with private and state-owned financial institutions to capitalise on the Bank's trade facilitation programme; and
 - engaging with state investment authorities and potential investors on possible sectoral opportunities, including advisory and finance
- Strengthen regional connectivity and integration by deploying financial resources and technical assistance to develop cultural heritage locations and support infrastructure to boost tourism.

Connectivity (cont'd)



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Signed in 2017

\$30 million

Trade facilitation
programme limit for trade
finance activities



Signed in 2017

\$10 million

Trade facilitation
programme limit to support
financing of export and
import operations



Signed in 2017

\$5 million

Trade facilitation
programme limit for trade
finance activities



Signed in 2018

\$5 million

Trade facilitation
programme limit for trade
finance activities



Signed in 2018

€0.3 million

Senior loan for support the
renovation of three hotels
and surrounding
infrastructure



Signed in 2019

\$10 million

Trade facilitation programme
limit to support financing of
export and import operations



Signed in 2019

\$10 million

Trade facilitation programme
limit to support financing of
export and import operations



UzKDB Bank

Signed in 2019

\$10 million

Trade facilitation programme
limit to support financing of
export and import operations

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Business
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- Supporting Government on policy initiatives, including:
 - Establishment of a **Foreign Investors Council and attracting FDI**
 - **PPP policy and strategies** including technical assistance on PPP legal framework
 - **Reforming the energy sector** with focus on increasing energy sector transparency, enabling commercialization and strengthening the corporate governance, meeting the growing demand for electricity, attracting investment for modernisation and capacity expansion, and ensuring that the sector becomes financially self-sustainable and electricity is affordable
 - **Cultural Heritage Framework** to support measures and investments that respect the conservation, preservation and economic development and cultural heritage of Khiva-Khorezm region

- Technical Assistance on supporting the process of ***privatisation of state-owned property***, improving corporate governance standards and practices in state-owned enterprises, enabling their commercialisation and strengthening competition in the economy;
- ***Capital Markets Development and Local Currency Lending Initiative*** to achieve more efficient and self-sustaining financial intermediation in Uzbekistan through broader use of local currency and the development of local capital markets, thereby contributing to economic growth and fostering a more stable financial environment;
- Cooperation with Chamber of Commerce on ***support of SMEs*** including:
 - ***Identification and Implementation of SME related Policy Reform Initiative*** is to identify legislative and institutional reforms that improve the operational environment for SMEs in Uzbekistan, review the challenges for SMEs and propose recommendations.

Additional Opportunities for Partnership

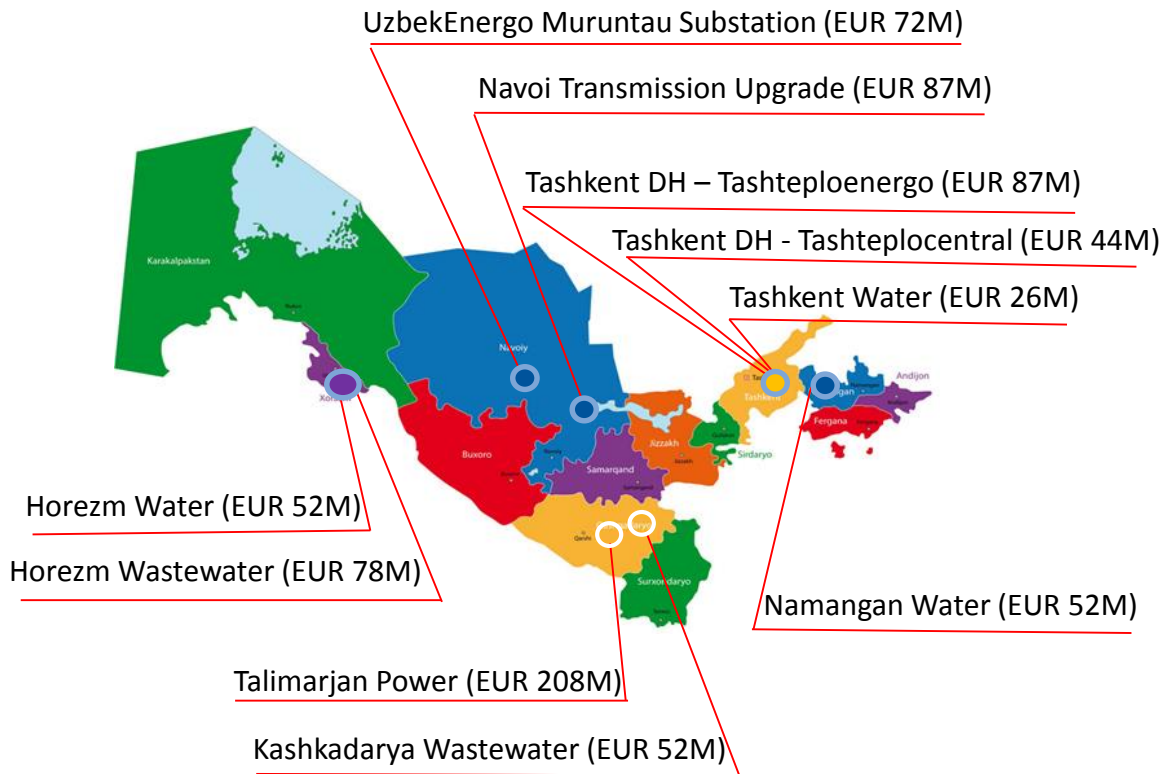
- **Procurement**

- The EBRD provides many opportunities for suppliers, contractors and consultants worldwide.
- Please visit EBRD website for more information - <https://www.ebrd.com/work-with-us/procurement.html>

- **Trade Facilitation Programme** aims to promote foreign trade to, from and amongst the EBRD countries of operations and offers a range of products to facilitate this trade.

- More than EUR 15 billion* transactions since the programme launch in 1999.
- Please visit EBRD website for more information - <https://www.ebrd.com/work-with-us/trade-facilitation-programme.html>

*2018 year end results





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