

TACKLING CORONAVIRUS (COVID-19)
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IMPLEMENTATION SUPPORT WEBINAR

**Improving the Legal Environment for Business in Central Asia:
Focus on Uzbekistan**

Improving the legal framework for investment

5 November 2020

09:30 – 12:00 (GMT+2: France)
13:30 – 16:00 (GMT+5: Uzbekistan)

OECD Eurasia Competitiveness Programme



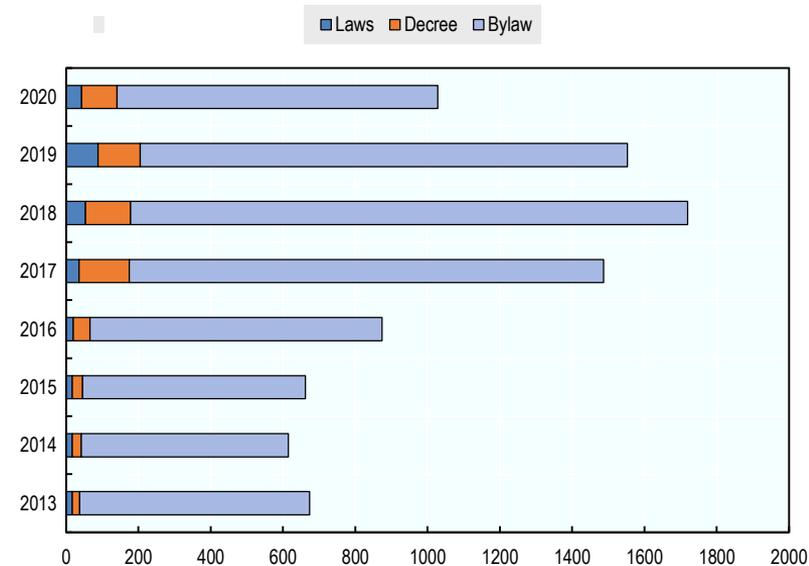
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Uzbekistan has improved its business environment for investors, but concerns remain over law implementation, taxation and access to economic justice

- A **high-level reform roadmap for the transition to a competitive and market-orientated economy** has been designed through a series of strategic documents and a newly-created **Economic Council**.
- New **institutions and ministries** have been created or restructured, establishment of **Foreign Investor Council**.
- The government has developed a **legal framework for privatisation of a number of SOEs**.
- A **new investment law has been introduced in 2019**, yet implementation challenges may limit its effectiveness.
- A **significant tax reform is underway** but **VAT** is expected to remain a challenge for businesses, in particular for SMEs.
- The government has appointed a **Business Ombudsman** and introduced a **consolidated law on voluntary mediation**.
- In 2017, Uzbekistan restarted its stalled **WTO accession** process, a working group has been active throughout 2020.

Proliferation of legislation an attempt to address longstanding issues, but has created changeability and implementation challenges.



Reform priorities: Improving implementation of investment legislation, streamlining business regulation and improving tax administration

Reform area	Key findings and issues	Recommendations	Priority for today's discussions
Legal framework for investment	<ul style="list-style-type: none"> Investors are legally allowed in an expanding range of sectors, but license revocation/non-renewal and high state presence in the economy can have a significant discriminatory effect The legal framework could be insufficient to stop expropriations of a number of large companies with foreign capital. Foreign arbitral judgements are poorly enforced and can be challenged in local courts 	<ul style="list-style-type: none"> → Ensure proper implementation of the new investment law and remove sectoral restrictions → Ensure consistent enforcement of ICSID judgements → Continue to reduce the role of the state in sectors where its presence has an indirect discriminatory effect 	
Operational environment for SMEs	<ul style="list-style-type: none"> The government has made efforts to develop new business legislation, but predictability and enforcement remain unclear (eg. FEZ, SME law) The supervisory review of final judgements undermines legal certainty. Judges continue to be appointed for rolling fixed terms Despite recent reforms, Uzbekistan remains on the US Special 301 Watch List for IPR (with a lack of ex officio powers for customs) 	<ul style="list-style-type: none"> → Streamline and consolidate legislation and licenses for firms and entrepreneurs → Accelerate digitalisation of procedures for all firms → Improve dispute resolution, including in local courts and through ADR 	
Taxation	<ul style="list-style-type: none"> The government is developing a new version of the Tax Code and needs to address inefficiencies (e.g. SME simplified tax regime) Improve awareness and interpretation of tax code. Covid-19 support has increased deferral of tax payments and moratoria on inspections 	<ul style="list-style-type: none"> → Ensure predictability of changes to tax requirements, and improve tax administration for SMEs → Complete full digitalisation of tax procedures → Streamline the tax code, and ensure its interpretation 	



Zoom on today's priority for discussion (1/2): Improving implementation and coherence of investment regulation

Key findings and issues	Recommendations
<ul style="list-style-type: none">• Uzbekistan fairs well in the OECD FDI index, close to the OECD average.• Investors can operate in an expanding range of sectors, and the new LoI attempts to improve protection against unfair license revocations; but some sectoral barriers to investment remain.• LoI does not cover number of high-value investment projects, such as those with production sharing agreements, concession contracts, projects in natural resources and infrastructure, PPPs.• There is challenge of legal hierarchy surrounding the interaction of primary investment legislation and other investment-relevant legislation.• New four-stage process for dispute resolution for projects covered by LoI, allowing investors to seek international arbitration having exhausted attempts to resolve in domestic channels.• Legal provisions exist for the creation of a one-stop-shop for investors, but not yet implemented.	<ul style="list-style-type: none">➔ Ensure proper implementation of the new investment law and assess sectoral restrictions➔ Ensure consistent enforcement of ICSID judgements➔ Continue to reduce the role of the state in sectors where its presence has an indirect discriminatory effect



Zoom on today's priority for discussion (2/2): Some guiding principles to address key implementation challenges

- **Continue to develop information campaigns** and two-way communication channels to raise awareness and improve dialogue with investors, organising feedback mechanisms to adjust laws and policies
- **Improving accountability** for implementation at all levels of the administration, giving investors and businesses clear recourse where there is an implementation issue
- Providing **co-ordination and aftercare** services for investors, by helping liaise with other government agencies at all stages in the investment cycle
- Ensuring consistent implementation at **regional levels**
- **Raising capacities** in line ministries, the Investment Promotion Agency and other public institutions to prepare, implement and monitor investment regulations
- **Monitoring** the effectiveness of new regulation in a systematic way



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Thank you

For more information

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