



Legal alert

Overview of key legislative changes in Uzbekistan in April 2021

Environmental changes

On 12 April 2021, the Cabinet of Ministers adopted Resolution No. 202 to further improve economic mechanisms for protecting the natural environment in Uzbekistan, which introduced a procedure for compensation for environmental harm to be paid by:

- legal entities releasing pollutants into the environment, draining wastewater and disposing of waste;

- legal entities and individuals carrying out entrepreneurial activities without forming a legal entity, pouring pollutants into the municipal sewer networks, in excess of standard limits.

The Resolution also approved rules for charging environmental pollution and waste disposal compensation in Uzbekistan, as well as a procedure for calculating and paying compensation, as well as the rights and obligations of entities subject to the payment.

The number of state-owned enterprises to decrease

Resolution of the Cabinet of Ministers No. 166 dated 29 March 2021 approved a strategy for managing and reforming state-owned enterprises and targets for its implementation in 2021–2025. The document covered areas such as preventing the creation of business entities and state unitary enterprises with a state interest of 50% or more without sufficient grounds, and preventing the provision of these enterprises with exclusive privileges and advantages over others. The strategy also aims to limit state participation in areas where the private sector is successful and competitive, and introduce a “sell or explain” principle. The Strategy also intends to:

- reduce the number of state-owned enterprises by 75%;
- offer shares of at least 20 state-owned enterprises for primary and secondary sale;
- ensure that 30% of the supervisory boards of state-owned enterprises are made up of independent members by 2025.

Business support

On 21 April 2021, the President signed a Resolution introducing additional measures to improve business support systems and further develop the business climate, such as the following additional state support for business entities from 1 May 2021:

- a) the State Fund for the Support of Entrepreneurship provides:
- compensation to cover interest on national currency loans issued to small businesses with interest not exceeding 1.75 times the Central Bank main rate, keeping its established rate;
 - guarantees on loans from commercial banks of up to 75% of the loan amount to implement business initiatives, but not exceeding 150 times the base calculated amount to individuals registered in the "Integrated Social Welfare Register";

- compensation and guarantees on bank loans to business entities, regardless of the number of loan agreements. At the same time, the total value of loans eligible to compensation should not exceed 10 billion Soum, and total guarantees - 8 billion Soum, but not more than 50% of the total loan amount;

b) the Export Promotion Agency provides commercial banks with financial resources to finance revolving loans to replenish the working capital of exporters when they export goods under deferred payment terms. At the same time, loans at the expense of these resources are issued at 4% per annum for the deferred payment period and up to the value of exported products, but in the equivalent of no more than 3 million USD.

The resolution also authorises district (city) Kengashes of people's deputies to reduce the starting price of rights to the permanent use of land in remote and hard-to-reach areas by up to 50% when they are put up for auction. In turn, the Karakalpakstan Jokargy Kenes and regional Kengashes of people's deputies are authorised to set the boundaries of remote and hard-to-reach areas eligible for the discount.

From 1 June 2021, low-fertile and unused agricultural land in places adjacent to infrastructure and major highways may be allocated to investors through online auctions on the E-IJRO AUKSION trading platform.

Government to cover the cost of energy-saving devices

Resolution of the Cabinet of Ministers No. 217 dated 14 April 2021 has approved a procedure for providing compensation from the national budget to purchase energy-efficient and energy-saving devices and covering a part of interest on loans received for these purposes.

Individuals and legal entities will now receive partial compensation for interest on loans from commercial banks to purchase renewable energy sources, energy efficient gas burners and boilers, and other energy efficient equipment. Legal entities will be reimbursed for expenses on loans of up to 5 billion Soum – on any part exceeding the Central Bank refinancing rate, but by no more than 5%.

Bad debts under foreign trade agreements regulated

A procedure has been introduced to identify debts and supporting documents; de-register bad receivables and payables under export and import contracts; and de-register bad debts in the Integrated Foreign Trade Operation Electronic Information System, which recognises a debt as bad or uncollectible following:

- the termination of a business entity's obligations in accordance with a court decision;
- the death of an individual entrepreneur, renunciation of the Uzbekistan citizenship and departure for permanent residence in another country;
- the expiry of the statute of limitation;
- the de-registration of the debts of business entities based on a government decision;
- the incorrect formation of debt for technical and other reasons;
- the creation of a debt in connection with a discount provided based on a credit note, etc.

New version of the public procurement law adopted

On 22 April 2021, the President signed a new Public Procurement Law into force, replacing the previous version from 24 July 2021, and introducing new definitions, such as:

- preliminary qualification selection - a procedure conducted by a procurement commission to select procurement participants that meet technical, economic, organisational and other provisions in procurement documentation;
- reserve winner - a procurement participant whose proposal, according to procurement results and in accordance with a procurement commission decision was recognised as the next best, following the winner's proposal.

The Ministry of Finance will replace the Cabinet of Ministers as the authorised body for public procurement. The Cabinet of Ministers will be responsible for defining the methods and criteria for evaluating and comparing procurement proposals, as well as a procedure for implementing them, determining a procedure for submitting proposals in electronic procurement tenders.

Procurement procedures will now extend to selecting best bids, and public procurements made according to direct contracts, instead of tenders and single source procurements. The new version of the law also required bids be chosen electronically, except in those cases stipulated by law.

"Turnkey" projects included in the Uzbekistan Investment Programme and other state programmes may now be implemented using the fast-track method (simultaneous planning, procurement and construction work) in accordance with presidential decrees and resolutions.

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