
Keynotes of the President's speech 2020

"It's difficult, but we are learning how to work in public and open atmosphere, with freedom of speech."
- President Shavkat Mirziyoev

On December 29, President Shavkat Mirziyoev addressed the speech to "Oliy majlis", which was broadcast on-line by all national TV-channels and social networks for almost three hours in Uzbek, Russian and English. The speech included the aims and targets for Uzbekistan for 2021 and results of 2020. New 2021 year was declared as - the Year of support for youth and health restoration. Speech covered all areas of activity, including political development, further democratization and freedom of speech, economic development, pandemic, social, education and cultural spheres, etc.

"Youth", "Education" and "Pandemic" became most used words during the speech. For example, "Nation", "Economy" and "Entrepreneurs" were most popular words for last three speeches combined, while following accents made in previous years.

- "Nation", "Entrepreneurs" and "Country in 2017";
- "Economy", "Investments" and "Reforms" in 2018;
- "Entrepreneurs", "Social" and "Science" in 2019.

Our analysts noted the main ideas and changes in economic, investments, financial and other sectors:

Political, social and healthcare sphere:

- President's election process to be organized with strict monitoring by international organizations;
- Local budgets to receive additional funding – in addition to 10% of budget incomes, 5% of expenses to be allocated on local needs;
- Uzbekistan becomes a member of the UN Human Rights Council;
- Total 82 trillion UZS (\$7.8 billion) allocated on COVID-19 related measures. Uzbekistan repatriated over 600 thousand citizens from abroad;
- 3 trillion UZS (\$285 million) already reserved in special Fund to fight pandemic in 2021 and for vaccination of the population. Another \$100 million allocated for supply of sanitary-hygienic service;
- 17 and 22 million people to be covered by free vitamins supply program in 2021 and 2022;
- Level of water supply of population reached 73% with support of \$287 million investments;
- 2.7 trillion UZS (\$257 million) reserved to finance 27,000 initial subsidized mortgages;
- Citizenship could be granted to everyone lived in the country for 15 years;
- Active anti-corruption policy by measures of increase of open-data, introduction of IT systems, etc.;
- To prevent corruption, another 24 state institutions will carry out public procurement through open purchases;
- The number of state employees will be reduced by 15%;
- Further reforms in Court system – civil, economic and criminal courts in regions to be joined in one institution;

- The Business Ombudsman is given the right to attract to administrative responsibility of civil servants;
- Number of on-line government services will be increased by 60 types;
- It is planned to develop a unified Entrepreneurial Code;
- The moratorium for control of entrepreneurial activities is prolonged for another year – number of business entities doubled during current period;
- Another 104 types of licenses and permissions to be cancelled, procedure for another 115 types simplified;

Economic development and investments sphere:

Macro and export support:

- Inflation rate to be kept below 10% rate (inflation targeting);
- GDP growth rate planned at not less than 5% rate with not more than 5.4% of GDP budget deficit. Deficit for 2022-2023 should be less than 2% of GDP;
- Expected to decrease share of loans in foreign currency from 50 to 45%, or by \$2 billion;
- Share of bonds in national currency will be increased from 25% to 40%;
- Economy should shift from external debts to attraction of private capital;
- Simplification and digitalization of local currency exchange, allowing companies to purchase foreign currency in 30 mins instead of 10 days;
- Central bank to present draft of Law “On non-banking credit institutions” by February 1st, 2021;
- Mechanisms for Islamic finance to be developed with support of ADB;
- Minimal consumer expenses level to be announced from march 1st, 2021;
- Existing benefits for food products import are extended for one more year;
- Joining the GSP+ program will give additional potential in export facilities – only in textile it will turn to additional \$300 million revenues;
- To support exporters, 50% of advertising costs will be covered;
- \$600 million allocated for agriculture development and support – return from 1 he of land should be increased from average \$2 thousands to \$5 thousands;
For the development of family entrepreneurship, 6 trillion UZS (\$571 million) and \$100 million are allocated;
- Fund for development of regional infrastructure with 3 trillion UZS (\$285 million) to be established, additional 400 billion UZS allocated for reconstruction of bridges;
- 1.6 trillion UZS (\$150 million) are allocated for the development of industrial zones;
- The Bukhara-Khiva-Urgench railway line will be electrified, as well as few regional airports to be managed by private operators to support freights and tourism transportation;

Privatization:

- Leading state-owned companies such as Navoi Mining (largest gold producer), UzbekNefteGaz and others to tap international capital markets by issuing Eurobonds or new equity;
- For the transformation of 32 large strategic companies it is planned to attract foreign advisors;
- At least one bank will be completely sold to strategic investors among Sanoat Qurilish Bank (SQBN), Asaka (ASBU), Ipotekabank (IPTB), Aloqabank (ALKB), Turonbank (TNBN) or Qishloq Qurilish Bank (KKBN);
- State participation in almost 90 business and companies will be reduced by 3 times in next 2 years, including Dekhkanabad Potash Plant, Fergana Nitric Plant and others;
- Oil&gas and energy sectors to be shifting to Public Private Partnerships (PPP);
- About 50 mines and resource deposits will be sold to local and foreign investors;

Liberalization of economy:

- According to analyzes carried out by Harvard University, Uzbekistan has a relative advantage in producing more than 50 industrial products;

- Natural gas will be sold through the organized exchange, while Uztransgaz will only deal with transportation. Excises for imported CNG will be cancelled;
- Open market for electricity to be established in 2021 on the basis of exchanges.
- For the development of the jewelry sector, silver will be sold through exchanges from March 1st, 2021;
- The number of car manufacturers will be increased to support competition;

Investments:

- Uzbekistan plans to utilize about \$23 billion investments in 2021 for implementation of 226 large projects, in particular to establish 2 plants at Navoi Mining and Almalik Mining (AGMK);
- It is planned to create new power plants with a capacity of 760 MW;
- It's planned to finalize GTL plant construction in Qashkadarya region worth \$3.6 billion with a production capacity of 1.5 million tons of kerosene;
- To protect investor's rights, foreign investors will have rights to appeal directly to the High Court. Special task force to be established under High Court;

Education and science sphere:

- The right to give the title of Doctor of Science and Docent is transferred to the Scientific Council of each University;
- Higher education institutions will be given the right to create a curriculum and assign an admission quota;
- Teaching physics and foreign languages is taken as a priority in new year;
- The share of the private sector in kindergartens to reach 25% in 2021 with establishing of 2,000 new kindergartens with support of the State. Almost 75% coverage of kids with available places in kindergartens to be reached in 2023;
- 2 trillion UZS (\$187 million) will be directed to the construction of 30 new schools and reconstruction of 320 existing ones;
- For incentives of teachers who moved to another district (50%) or region (100%) salary bonuses will be introduced;
- It is planned to create more than 1,000 training centers to prevent poverty. Financing to be provided on the basis of 1 million UZS rate per studied and about 7 million UZS could be provided for starting of businesses for each trained, as well as land plots for 10 acres to 1 he are reserved for private farmers in regions;

We believe these measures will support stable and rapid growth of economy and finance in Uzbekistan, allowing new investors to tap local market. Special attention to by set on liberalization of economy – for example, establishing of natural gas, electricity and silver markets will bring additional turnover to local exchange platforms and companies.

Privatization should be a largest driver of efficiency growth in state-owned enterprises. Share of private capital in all areas to be increased by active sale of state assets, increasing competition and reducing corruption.

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