



Uzbekistan

Investment Guide

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INVESTOR CLIMATE IN UZBEKISTAN

Government policies are stimulating foreign investor activity

- Tax and customs incentives targeted at foreign investors.
- Improvements in Uzbekistan's ranking in international business ratings.
- Reducing the state's dominance across the economy (large-scale privatisations, dismantling state monopolies).
- Focus on import substitution and more added value manufacturing (food processing, pharmaceuticals, construction materials).
- Scaling up exports (food, textiles, metals) and opening up new export markets (Gulf states, Asia, Europe).
- Greater use of new technologies to deliver state services.

INVESTOR CLIMATE IN UZBEKISTAN

For the majority of investors, Uzbekistan is still a new market

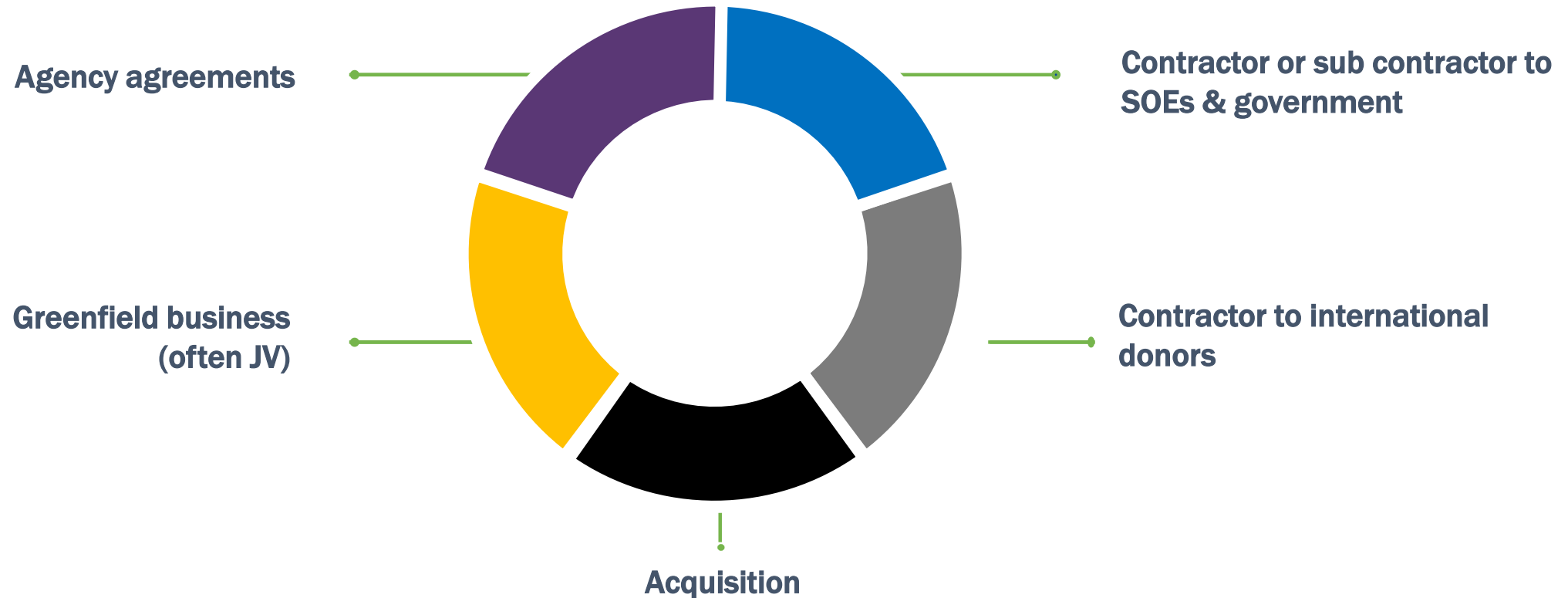
- Active foreign investors usually have long-standing business ties to Uzbekistan – Russia, China, Turkey, Germany
- Whereas new foreign investors tend to be cautious before committing to the market:
 - scrutinising the effectiveness of ongoing reforms.
 - undertaking market and product feasibility studies, company due diligence and political risk assessment.
 - placing small bets investing in greenfield operations or JVs. Typically short-term investments of 2-3 years, worth under \$10m.
 - preferring to build new facilities over acquiring existing businesses or assets (manufacturing, logistics, hotels).
 - avoiding M&A, at least in the first phase of market entry.

INVESTOR CLIMATE IN UZBEKISTAN

Challenges faced by foreign investors in Uzbekistan are varied

- Lack of market knowledge and local contacts.
- Language barrier.
- Scarcity of trained and experienced staff.
- Engagement with multiple state stakeholders (centre vs regions; ministries vs agencies).
- Infrastructure:
 - roads
 - railway infrastructure
 - power supply
 - connectivity (internet)
- Ongoing market reforms are addressing these issues but it will take time.

ROUTES TO MARKET



SECTOR OPPORTUNITIES

Renewable energy

Renewable energy represents some of Uzbekistan's largest FDI deals in 2020-2021:

- ACWA Power (Saudi Arabia) - \$1.2bn investment in solar electricity plant in Syrdaryo region
- Masdar (UAE) - \$710m investment in two solar electricity plants in Navoi region
- Total Eren (France) - \$100m investment in solar electricity plant in Samarkand region

Growing interest in using renewable energy in other state owned enterprises:

- renewable energy solutions for new build and modernisation projects across Uzbekistan's airport network – Samarkand Airport.

SECTOR OPPORTUNITIES

Water infrastructure

Mainly PPP investments.

- **Veolia (France):**
 - **€1.5bn contract to modernise the water infrastructure in Tashkent city project. By far the biggest private sector water investment to date.**
 - **€1.3bn contract to operate, manage and maintain Tashkent city's urban heating system until 2051.**
- **Suez International (France) - €185m contract to modernise Tashkent city's water and wastewater networks and improve the management of the municipal operator Tashkent Shahar Suv Taminoti during 2020-2027.**
- **China Civil Engineering and Construction (China) - \$50m contract to modernise the water supply and sanitation system in Tashkent region.**

SECTOR OPPORTUNITIES

Construction materials

- 30 investor projects worth \$254m, all new build.
- In partnership with the Uzbek construction association O'zsanoatkurilishmateriali.
- Chinese investors dominate (23 projects):
 - building state of the art cement factories
 - financing production of insulation materials, gypsum and ceramics
- German investors also active:
 - Knauf International (Germany) \$12m investment in gypsum factory in Ferghana,
 - Commerzbank (Germany) \$22m in financing for expansion of Kyzilkumcement production facilities.

SECTOR OPPORTUNITIES

Healthcare

Investor activity includes:

- **Diagnostic centres:** Kani-Med Healthcare (Turkey) \$8.5m to build two specialist medical centres (one is perinatal) in Surkhandaryo. New Life Medical Iip, backed by \$12m financing from Rosbank, is building a private cardiology centre in Tashkent.
- **Medical laboratories:** Libitum Medical Equipment (Switzerland) - \$10m to build a medical laboratory in Tashkent.
- **Industry cluster:** China Uzbekistan Medical Technical Park under construction with Chinese financing of \$10m.
- **Hospitals:** Khalifa Bin Zayed Al Nahyan Foundation (UAE) - \$25m modernisation and upgrade of a public hospital in Nukus, Karakalpakstan.
- **Sanatoria:** Al Hamdani Group (Oman) - \$20m to build a sanatoria in Namangan.

CONCLUSION

Key messages

Lots of business opportunities in Uzbekistan:

- Get into the market early, but initially these investments will probably be small-scale and exploratory.
- Quantify exactly what the opportunities are for your business versus the risks.
- Reforms are making it a lot easier for foreign investors to access the market but doing business still requires improvement.
- A large and thriving “mittelstand” will emerge in Uzbekistan this decade, in both manufacturing and services. Foreign investors will have a decisive role in making this happen.