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Uzbekistan

Special Report

Development Strategy 2022-2026

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Foreword by Deputy Prime Minister – Minister for Economic Development and Poverty Reduction
H.E. Jamshid Kuchkarov

NEW UZBEKISTAN NEW GOVERNANCE

Government focused on the country's next stage of socio-economic enhancement with the implementation and execution of its ambitious New Uzbekistan Development Strategy 2022-2026

Uzbekistan is opening-up to the world and sees openness as a key solution for the recent global problems. It is an openness policy that encompasses people, businesses, and international institutions.

This approach has already benefited the country, which, over the past few years, has demonstrated stability, development, and robust economic growth.

Such growth and development creates a solid foundation from which Uzbekistan can achieve middle-income status in the years ahead. Indeed, through sustained, high growth rates in key economic sectors, Uzbekistan aims to increase per capita income to \$2,800 by 2026 and \$4,000 by 2030.

Importantly, the country's growth and development is inclusive and financially sustainable. We are focused on ensuring that the state budget deficit does not exceed 3% of GDP, and that foreign external debt does not exceed \$4.5bn per year. This will be achieved through disciplined management and close coordination of fiscal, monetary, and structural reforms, together with our efforts to gradually reduce annual inflation to the medium-term target level.

The private sector is a key driver of economic growth, and our privatization programme, which includes state-owned enterprises across sectors and non-agricultural land, will help accelerate growth further. "One of the priority tasks of reforming the economy remains to accelerate the processes of transformation and privatization of state-owned enterprises," said President Shavkat Mirziyoyev.

We have already started the privatization process for commercial banks, with the aim of increasing the share of the private sector banks in the banking system to 60%, which will help create a more competitive environment for the industry to thrive.

In addition, we are also planning to attract investment – via public-private partnerships – worth \$14bn by 2026 in the energy, transport, healthcare, education, environment, utilities, water, and other sectors. We are also preparing public sector enterprises to be listed via IPOs, which means ensuring they have the required financial stability, dividend

policy, corporate governance structures, and are compliant with international standards on environment, social, and governance issues (ESG).

Mitigating the impacts of climate change is a critical component of our transition to a green economy, which is a key objective of the country. As a result, we are preparing the agricultural and water resource sectors for climate change challenges, including a focus on ensuring food and drinking water security, and agribusiness development. Our ultimate aim is to reduce carbon dioxide emissions per unit of GDP by 35%. "It is vitally important for us the accelerated development, radically increasing the efficiency and diversification of agriculture as a strategic industry," said President Mirziyoyev.

"We will resolutely continue the reform programme to further support entrepreneurship, reduce the tax burden and create the equal conditions for all to support business and the necessary infrastructure. A guaranteed supply of energy resources to the population and entrepreneurs will be achieved by creating a market based on free competition."

- President Mirziyoyev

As part of our reform programme, we have taken a holistic approach to developing a domestic institutional investor base (composing banks, insurers, pension, and investment funds) that is necessary to support integrated financial markets. Side by side with this, we are also aiming, through our liberalization programme, to attract foreign investors to our domestic financial market.

One of our specific aims here is to increase the capitalization of the Uzbekistan stock market to \$7bn by 2026, which will include IPOs of large enterprises and banks to ensure supply. To sup-



President Mirziyoyev

port this, we are developing frameworks to enable growth in hedging instruments, derivatives, and secondary mortgage market products.

Attracting investors is critical to our development mission and enabling a developed, mature and sophisticated business environment. Important in this is ensuring rule of law to protect private property and provide businesses with a level playing field and access to necessary input materials and markets. Combined with this, we are improving the quality of public service provision for business (including ensuring the continuity of public services) and reducing costs, balancing between promoting competition and favoring small businesses, abolishing exclusive rights, and providing opportunities to agribusiness.

Importantly, Uzbekistan has all the necessary human resources to support this. Indeed, the country benefits from a demographic dividend – a young and ambitious population. To support their advancement, we are focused on improving the quality of education, and in supporting professional educational reforms. The aim is to double the coverage of the professional education system by 2026, which means building skills to enhance the employability of our people at home and abroad.

Finally, we are implementing the new social protection and poverty reduction strategy, which involves protecting public health and increasing medical personnel. As part of this we are creating a centralised medical laboratory and high-tech research centre, as well as gradually introducing mandatory health insurance.

Together with this, our urbanisation policy will boost residential housing construction to cover over 275,000 families. ●



UZBEKISTAN ACCELERATES NEXT PHASE OF GROWTH UNDER 'TRANSFORMATIONAL' DEVELOPMENT STRATEGY

Over the past five years the country has already achieved significant socio-economic change. Under the Development Strategy of New Uzbekistan, launched earlier this year and the centre piece of the Uzbekistan Economic Forum, the country's transformation is set to strengthen and accelerate, writes **Steven Gilmore**.

Uzbekistan is not short on ambition. In the last few years, the world has faced a global pandemic, shattered supply chains, soaring inflation and a war in Europe. Throughout all of this, the government's commitment to reform has not wavered.

A five-year strategy begun in 2017 ushered in revolutionary reforms, ending a policy of state-management and comparative economic isolation. Uzbekistan set out to become a modern, transparent country open to private-sector investment from inside and outside its borders.

Eldor Tulyakov, Executive Director of the Development Strategy Center set up to help advise on and implement the strategy, says it has delivered multiple economic achievements, from reducing the role of the state in the economy, and

price liberalisation, to lowering inflation, reducing and simplifying the tax burden, and creating a favourable climate for business and ensuring macroeconomic stability.

Indeed, this ambitious reform agenda has helped the country maintain impressive economic growth despite the global headwinds.

"Uzbekistan is a standout among its peers in Central Asia, thanks in large part to market reforms implemented since 2017 that have made it more resilient to external shocks," says Tatiana Proskuryakova, the World Bank's Regional Director for Central Asia. "With GDP projected to expand by 5.3% in 2022, the country will be one of the fastest growing of the Europe & Central Asia region."

It is powerful and compelling growth

story. But there are still challenges, which the country will need to overcome, says Zafar Khashimov, the IFC's Senior Country Officer for Uzbekistan.

On the economic front, these include weak private sector participation, monopolies in key industries and a state dominated the banking sector. The country will also need to grapple with social issues, not least inequality, and human capital development.

"The good news is that the government is forging forward," says Khashimov. "Its new 2022-2026 National Development Strategy, with its overarching goals to attain upper-middle-income status by 2030 and halve poverty by 2026, has set out its development priorities for the near and medium term."

Tulyakov sees the new strategy as a

"Uzbekistan is a standout among its peers in Central Asia, thanks in large part to market reforms implemented since 2017 that have made it more resilient to external shocks."

“logical continuation” of the country’s existing reform efforts.

Economic liberalisation and privatisation efforts will continue, competition will replace old monopolies and the role of the private sector will grow. But in scope and scale the development strategy goes far beyond simply privatisation and competition.

There are 100 goals across seven priority areas that include everything from e-government services and improved judicial oversight to energy efficiency and environmental protection.

“The government’s strategy is complex and addresses all key issues necessary for sustainable growth,” says Enrico Pinali, the Asian Development Bank’s (ADB) Deputy Country Director for Uzbekistan “They are putting in place ambitious timelines and goals.”

TIME FOR THE NEXT STEP

Economic stability has been the foundation for Uzbekistan’s success in recent years, and it remains a key tenant of the new development strategy. No institution plays a more important role in this regard than the Central Bank of Uzbekistan (CBU).

In collaboration with other central banks and international financial institutions (IFIs), the CBU has built capacity and expertise across analysis, forecasting and monetary operations. Regular policy rate reviews are conducted with clarity and transparency. The bank’s success in combining regulatory support and price stability during the pandemic helped ensure a strong recovery.

Throughout the turbulence of 2022, the CBU has carefully balanced the need to keep inflation on a downward trend without unduly impacting economic activity. Under the new development strategy, the CBU will aim to bring inflation down to 5%, and has no shortage of planned improvements for monetary policy, according to Deputy Chairman Behzod Hamraev. The bank will improve the monetary policy operational framework, develop the interbank repo market, bolster its forecasting tools and improve how it communicates policy. “Improving the efficiency of monetary policy is inextricably linked with accelerating transformation and privatisation in the banking system, developing competitive consumer markets, reducing the shadow economy, budget consolidation and liberalising foreign trade,” says Hamraev.

External economic shocks have slowed but by no means derailed the finance ministry’s plan to dramatically reduce state dominance in the banking sector. State lenders have already become more independent in terms of funding, with several of the largest banks issuing bonds on the London Stock Exchange. Many more will list their shares on the Tashkent Stock Exchange, helping fulfil the dual goals of reducing state-ownership in the banking sector to 40%, and boosting stock market turnover on the country’s main bourse to \$7bn by 2025.



Along with key development partners, the finance ministry is also preparing to introduce a range of new capital market measures. “It’s time to take the next step - develop the money market, the interbank market, the corporate bond market, and the secondary government bond market”, says Deputy Finance Minister, Odilbek Isakov. “This is all part of the same large ecosystem where one part cannot function with the others, so there is a big push on all fronts.”

Access to a corporate bond market is providing a new source of funding for major exporters. Artel, the largest home appliance and electronics manufacturer in Central Asia, issued a three-tranche deal in 2021 after securing an international credit rating.

“The government’s strategy hits all the right points, they are putting in place ambitious timelines and goals.”

Uzbek export growth has remained strong in the face of global turbulence. In US dollar terms, exports grew by over 40% in the first half of 2022, according to the World Bank. Nor was this simply down gold - the perennial powerhouse export. The value of non-gold exports jumped by over 20%, driven by natural gas, textiles, food, machinery, transport, and tourism.

The development strategy aims to increase the country’s exports to \$30bn by 2026, and have the private sector account for 60% of the total. Strong relationships with neighbours and more distant

trade partners have opened up a wealth of new destinations for Uzbek goods.

“The country enjoys access to many new export markets including for the cotton sector that was unheard of a few years ago,” says Alkis Drakinos, Head of Uzbekistan for the European Bank for Reconstruction and Development (EBRD). Many of these export sectors have huge potential. Uzbekistan’s soaring mountain ranges and the ancient cities of Bukhara and Samarkand are world-class travel destinations. The development strategy hopes to attract 12 million tourists through a “Travel Across Uzbekistan” programme and increase the number of foreign visitors to 9 million.

In agriculture, the government has steadily reduced quotas for cotton and under the development plan will further shrink the acreage used for cotton and grain. A competitive system of long-term leases will help allocate land.

The government wants to see agricultural exports rise by \$1bn through better practices and a focus on export-oriented products. “We’re looking for ways to increase the country’s supply chain connectivity for agricultural production inputs like fertilisers and seeds and also looking at new export markets,” says Drakinos.

RAMPING UP RENEWABLES

To allow all sectors of the economy to reach their full potential will require continued investment, and the combination of political and economic stability has laid the basis for strong FDI flows.

“The government has made a lot of effort to create a more level playing field for everybody - opening markets, cutting taxes and import tariffs



for example,” says Isakov.

With an international standard public-private partnership (PPP) law in place, the new development strategy calls for an expansion of partnership agreements across all sectors. Since the law was signed in 2019 the government has signed \$12bn in PPP agreements across energy, utilities, hospitals and other sectors. “We have plans to sign \$14bn more over the next five years and that could end up being higher,” says Isakov.

The EBRD is now working on seven PPP agreements – including one major road infrastructure project – and looking at how the concept could help provide university buildings and dormitories.

EBRD's Drakinos also points to the "tremendous success" of Uzbekistan's renewable power auctions, where the country has used the PPP

"The country enjoys an access to export markets that was unheard of a few years ago."

structure to secure record low prices through international tenders for solar and wind.

As in other spheres, energy sector reforms are opening the country up to foreign investment that will help unlock the country's huge potential across renewables, natural gas and future fuels like hydrogen.

In 2019, the government reorganised Uzbekenergo, a vertically integrated state-entity that was in charge of not only generation, transmission and

distribution – but also regulation.

There are now separate companies for each sector and a competitive market for generation, says Sherzod Khodjaev, Deputy Energy Minister, noting that this has led to 19 new generation contracts worth a total \$8bn.

Most of these new generation projects are renewables, as the energy ministry looks to hit the development strategy goal of having 25% of electricity generated from renewables by 2030.

Hydropower capacity will increase from 200MW to 700MW, but solar and wind will do the real heavy lifting. From zero today, the energy ministry is aiming to have 400MW of installed wind capacity by 2026. Solar capacity will jump from just over 200MW today to 4000MW by the same date, says Khodjaev.

The government expects most of these contracts to go to international and private sector companies. By 2030, state-owned plants should provide less than half of the country's electricity.

In order to ensure the booming economy has an uninterrupted supply of electricity, the government is targeting another 30 billion kWh of generation by 2026 and a 20% increase in energy efficiency. Old natural gas plants are being demolished and replaced with cutting-edge turbine technology. The ministry has three thermal power plant projects due to complete by 2030.

"We're aiming to stop all our old soviet-type conventional power plants and install turbines with the highest possible efficiency," says Khodjaev. More than \$2bn will be spent on modernising transmission infrastructure and over \$5bn on

distribution lines.

A COMMITMENT TO CLIMATE

One of the development strategy's seven priority areas is tackling global challenges at the national level. Nowhere is this clearer than through the government's approach to climate and the environment.

“Uzbekistan’s commitment to climate action was shown through ramping up its Nationally Determined Commitments, signing deforestation and land use agreement, and starting an ambitious transition to sustainable energy resources,” says Matilda Dimovska, UNDP Resident Representative in Uzbekistan.

The energy ministry is working with the EBRD and World Bank to prepare a roadmap on how to reach carbon neutrality by 2050. “We were also very happy to see Uzbekistan sign the Global Methane Pledge a few months ago,” says EBRD’s Drakinov. “This long list of positive reforms are all pointing in the right direction.”

Some countries fall into the trap of prioritising economic growth over human development. Thus far, Uzbekistan has made strong progress on both fronts.

Over the last two decades, the country's score on the Human Development Index has risen 20%, but to sustain this trend requires a "broad ambition to accelerate development and economic growth, while in parallel addressing the increasing inequalities and ensuring no one is left behind as the country catapults forward," says Dimovska.

The government's ambitious goals to halve pov-

erty by 2026 and achieve upper-middle income status by 2030 are laudable. “But these ambitions will require even more extensive efforts and investment in social protection and human capital development,” adds Dimovska.

The new development strategy clearly prioritises tackling poverty, and the UNDP is helping the government develop new tools and metrics to measure inequality and multidimensional poverty. The organisation plans to help pilot a model of integrated social services and make a business case for investing in empowering the ‘missing middle’ - vulnerable individuals working in the informal sector.”

Collaboration with the UNDP is already helping ensure that the infrastructure roll-out in rural areas is done sustainably, engaging local communities across the investment process.

EDUCATION EFFORTS ESSENTIAL

International observers are encouraged to see the development strategy focus on factors crucial to building sustainable growth over the long term.

“Prioritizing labor productivity and the education quality would be timely for Uzbekistan’s path of sustained growth,” says Begzod Djalilov, Senior Economics Officer at ADB. “So far the growth has been investment-driven. Structural transformation of the economy requires setting longer term goals of improving all levels of education and skills development, and addressing unemployment as well as pressure on urban areas accrued by migrating labor from rural areas.”

Education-related goals run through the entire development strategy. Pre-school coverage will rise from 67% to at least 80%. Higher education coverage will rise to 50%. A National School Development Program will create room for an additional 1.2 million student places. Curricula will be



Odilbek Isakov, Deputy Minister of Finance, Republic of Uzbekistan

updated and improved. Teacher salaries are to be steadily increased.

By 2026, the government wants to see at least 50 non-governmental higher education institutions. These will help train a new generation of Uzbek entrepreneurs, who will benefit from new centres dedicated to business support, innovation and technology, and advanced engineering projects.

“We have already designed a specific package of investments needed for transformational change in the workforce ecosystem, based around the broader themes of responsive entrepreneurship and labour market, increasing social resilience and enabling green transition,” says UNDP’s Dimovska.

A better-funded, more developed banking sector will help finance a fresh cohort of local businesses with support from international financial institutions. As of 2021, more than 20,000 small medium and micro enterprises had received loans from the EBRD in collaboration with local lenders.

The EBRD is providing advisory services to small and medium enterprises across business plans, marketing and branding. “We also want to align ourselves with the Uzbek authorities’ ambition to do more in the digital sphere,” says Drakinos, noting that this includes improving the use of computers and programming skills in addition to funding for entrepreneurs. Uzbekistan’s development strategy aims to more than double the size of the digital economy to make it country’s “primary economic driver”. Given the development strategy’s sheer breadth and depth, events like

the Uzbek Economic Forum are crucial in providing a chance for all stakeholders – international and domestic – to convene in-person.

“It will provide a platform for government officials, entrepreneurs, researchers, and development partners to discuss challenges and opportunities for Uzbekistan during these global and regional shocks and uncertainties,” says Proskuryakova, the World Bank’s Regional Director. “It is very important to have such discussions.”

In such turbulent times reform efforts can easily stall. The Economic Forum gives the administration a chance to signal its intent and commitment to the path-forward, both for international investors and the domestic audience.

“Uzbekistan’s commitment to climate action was shown through ramping up its Nationally Determined Commitments, signing deforestation and land use agreement, and starting an ambitious transition to sustainable energy resources.”

“It’s a great way to convey to the young generation on social media the changes, developments and successes that are happening in Uzbekistan,” says Drakinos.

The government encourages honesty from participants, eager for constructive feedback on its progress and overall approach to economic reform.

“The Forum has become the main platform for economic dialogue for people inside and outside the country,” says Pinali, who thinks there are international investors still underestimating the opportunity that Uzbekistan represents. “The Forum really is an overarching opportunity for stock taking and forward planning”. ●



Sherzod Khodjhaev, Deputy Minister for Energy, Republic of Uzbekistan

DEVELOPMENT STRATEGY OF NEW UZBEKISTAN

STRATEGY SNAPSHOT

\$100bn/\$2,800

GDP AND PER CAPITA INCOME TARGETS BY 2030 WITH THE AIM OF ACHIEVING UPPER MIDDLE-INCOME STATUS BY 2050

\$70bn FOREIGN INVESTMENT NEXT FIVE YEARS, INCL. \$14BN UNDER PPP FRAMEWORK

\$30bn UZBEKISTAN EXPORT TARGET BY 2026

9m NUMBER OF FOREIGN TOURISTS TO ATTRACT ANNUALLY, SUPPORTING 520,000 JOBS IN TOURISM SECTOR

20% ENERGY EFFICIENCY TARGET FOR THE ECONOMY WHILE ACHIEVING 25% OF POWER FROM RENEWABLES

7bn m³ OF WATER SAVED THROUGH EFFICIENT USAGE OF WATER RESOURCES IN AGRICULTURE AND INDUSTRY

80% COVERAGE OF KIDS WITH PRE-SCHOOL EDUCATION BY 2026

6.4m PUPILS TO BE EDUCATED ANNUALLY, CREATING ADDITIONAL CAPACITY FOR 1.2 MILLION STUDENTS IN THE SYSTEM

As an integral continuation of the Strategy of Actions, the most critical document directly related to the future of Uzbekistan – the Decree of the President of Uzbekistan, was adopted. Uzbekistan derived the Development Strategy for the near future from this foundational document.

The Development Strategy of the New Uzbekistan aims to achieve 100 goals within the seven priority areas of development of Uzbekistan for the next five years. Efforts to achieve these goals are also evident. They, in turn, make it much easier to control efficiency and effectiveness.

In other words, the government introduced a system of evaluating the effectiveness of planned reforms following the level of achievement of development goals. ●



100% PROVISION OF ELECTRONIC GOVERNMENT SERVICES

3x GOVERNMENT PLANS TO TRIPLE SPENDING ON PRIMARY HEALTHCARE

SEVEN PRIORITY AREAS



TO BUILD A PEOPLE'S STATE BY ELEVATING HUMAN DIGNITY AND THE FURTHERANCE OF A CIVIL SOCIETY



TO ESTABLISH THE PRINCIPLES OF JUSTICE AND THE RULE OF LAW AS THE MOST FUNDAMENTAL AND CRITICAL CONDITIONS FOR DEVELOPMENT IN OUR COUNTRY



TO DEVELOP A ROBUST NATIONAL ECONOMY THAT ENSURES RAPID GROWTH



TO PURSUE JUST AND FAIR PUBLIC POLICIES & HUMAN CAPITAL DEVELOPMENT



TO ENSURE THE ELEVATION OF SPIRITUAL VALUES THROUGH DEVELOPING THOSE INSTITUTIONS TASKED WITH THEIR STEWARDSHIP



TO APPROACH GLOBAL CHALLENGES THROUGH THE LENS OF OUR NATIONAL INTERESTS



TO STRENGTHEN THE SECURITY AND DEFENSE POTENTIAL OF OUR COUNTRY, PURSUING AN OPEN, PRAGMATIC AND ACTIVE FOREIGN POLICY

Uzbekistan Special Report Profile: Presidential, Creativity and Specialized Schools

PROVIDING WORLD-CLASS EDUCATION TO TALENTED STUDENTS

In 2019, the Agency for Educational Institutions of the Republic of Uzbekistan, established by Presidential decree under the Cabinet of Ministers, broke ground on the first four of 14 purpose-built Presidential Schools with the mission of delivering a world-class education to the most gifted and talented students in the Republic.

The mission set the foundation for the country's aspirational vision of developing the future leaders in sciences, engineering, social spheres and politics – leaders who would contribute to the innovation economy. In only a few months after signing the decree, the four newly built Presidential Schools opened their doors to welcome 576 of the Republic's most talented young people to a bespoke environment of technologically advanced classrooms, university-level science laboratories, a select staff of local and foreign subject specialists, and a support cadre of medical personnel, psychologists, and pastoral teachers.

This ambitious vision was inspired by the President of the Republic, His Excellency Shavkat Mirziyoyev, who designated educational transformation as the cornerstone of success for an independent, globally-focused Uzbekistan.

The President established the Agency as the driving force in educational transformation, charging it with the responsibility to educate the nation's talented youth and inspire educational reform throughout the country and across Central Asia.

The new Presidential schools blend international STEM courses and national subjects, striking a thoughtful balance of global preparedness and local foundation. Despite new programme challenges and the effects of the Covid-19 pandemic,

the four schools celebrated their first 96 graduates in June of 2021, each one with A-Level results and multiple scholarship awards to national and international universities. The remaining 10 Presidential Schools followed suit in 2021, welcoming 168 students from each of the regions of the country. A total of 2,353 students now attend the Presidential Schools network, supported by 490 local and international faculty.

The external measure of excellence for the Presidential Schools is reflected through the membership award to the prestigious Council of International Schools, marking the first governmental schools in the Republic to achieve this distinction. Each school as well has achieved authorisation as a Cambridge International school.

"The mission set the foundation for the country's aspirational vision of developing the future leaders in sciences, engineering, social spheres and politics – leaders who would contribute to the innovation economy."

However, the true measure of the Presidential Schools success is the impact their students make in their local and global communities. Currently, 28 graduates are excelling in the top 100 ranked international universities, 49 graduates are enrolled in universities in Uzbekistan. A delegation of students represented Uzbekistan in a global diplomacy conference in Italy, meeting with embassy staff and ministry officials in a goodwill mission. Young physicists traveled to Kazakhstan to participate in the design of a live nano-satellite launch.

Presidential School students produce TedTalks, represent country concerns as Model United Nations delegates, and serve on local sustainability councils. The global focus continues this Spring with the hosting of the International Model United Nations conference, to be held in Bukhara. More than 200 delegates from Uzbekistan and



Umarova Hilola, Director of the Agency for the Development of the Presidential, Creativity and Specialized Schools under the Cabinet of Ministers of the Republic of Uzbekistan

surrounding countries are expected to participate in this event.

Concurrent with the Presidential Schools was the establishment of Specialized and Creativity Schools, with the mission of providing targeted education in physics, astronomy, medicine, mother tongue and the humanities. Students from the Specialized and Creativity Schools group have distinguished themselves through achievement at international Olympiads and performances at cultural events dedicated to the elevation of Uzbek language and culture. Graduates currently study internationally and at New Uzbekistan University.

The Specialized and Creativity Schools group, representing all regions of Uzbekistan, expanded in the past year from 12 facilities to 178. Four of the schools are now International Baccalaureate Candidates, with authorization anticipated in 2023.

The natural extension to cutting-edge education was the establishment of a university that would contribute to the national vision. The New Uzbekistan University opened in 2021 to bring an innovative approach to tertiary education. NUU's design combined attention to Republican development targets with the best practices of the foremost international universities. Working partnerships with prestigious universities, including the Massachusetts Institute of Technology and the Technical University of Munich, resulted in a bespoke program of academic and research-driven excellence.

New Uzbekistan University's unique programme has already borne national results. Second-year NUU students recently claimed the "Best young inventor" and "Best project" distinctions at the 2022 GTL Innovation Competition in Qarshi, outplacing post-graduate competitors.

Students of the Presidential, Specialized and Creativity Schools and New Uzbekistan University graduate with the skills and competencies to be internationally competitive and able to navigate a complex world, to serve the national vision, and to realise the potential of the country. ●



Uzbekistan Special Report Profile: Institute of Forecasting and Macroeconomic Research

IFMR – A MISSION-CRITICAL INSTITUTION IN UZBEKISTAN'S SOCIO-ECONOMIC ADVANCEMENT



Dr Umid Abidhadjaev, Director, IMFR

"Our academic staff have exceptional skills and expertise in modern analytical methods in economic forecasting and econometric modeling."

As Uzbekistan accelerates its socio-economic transformation under the New Development Strategy, the Institute of Forecasting and Macroeconomic Research (IFMR) will continue to play a critical role in the country achieving its ambitious aims.

Originally founded in 1968 as the Research Institute of Economics, the IFMR today holds an important position in providing in-depth macroeconomic research, analysis and forecasting on key indicators, which, in turn, informs government policy on enhancing socio-economic development, modernisation, structural reform, and sustainable economic stability.

In its activities, the IFMR is accountable to the Ministry of Economic Development and Poverty Reduction. Internally, it is led by the Academic Council,

which consists of the Director, Dr Umid Abidhadjaev, Deputy Directors, as well as leading economic specialists.

The IFMR's leadership team comprises Dr Abidhadjaev as director, deputy director Khaldarov Zamon Atabaevich, and Akhmedov Tursun Mukhitovich – deputy director and head of the scientific center for the study of poverty reduction and population welfare – and Khamidov Bakhtishod Bakhodirovich, deputy director.

The IFMR is supported in its work by international financial institutions and development bodies, including the World Bank Group, Asian Development Bank, UNESCO, UN Development Programme, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the International Labour Organization (ILO), among other foreign institutions and agencies.

Importantly, the leadership team, and the IFMR employees more broadly, made a significant contribution to the preparation of the Declaration of Independence of the Republic of Uzbekistan and the "Uzbek model" of economic development of Uzbekistan.

"Our academic staff have exceptional skills and expertise in modern analytical methods in economic forecasting and econometric modeling," says Dr Abidhadjaev. "Furthermore, our employees have extensive knowledge in macroeconomics, regional economy, green economic growth, social and sustainable development, and industrial economics, allowing them to design comprehensive economic development programmes and strategies for the country and its regions."

Structurally, the IFMR, covers 11 main activities as part of its core operations. Some of these areas include the building of scientific and methodological foundations to support a system of strategic planning and development, developing tools for predictive modelling, participation in the nation's development strategy, developing evidence-based propos-

Timeline of the IFMR's history

Over 50 years of macroeconomic analysis

1968

Research Institute of Economics (1968)

1986

Research Institute of Economics and Standards with Computer Center

1992

Research Institute of Economics and Statistics

1994

Research Institute of Economics and Development of Productive Forces

1997

Institute for Macroeconomic and Social Research

2000

Center for Effective Economic Policy

2005

Center for Socio-economic Research

2008

Institute of Forecasting and Macroeconomic Research, under the Cabinet of Ministers

2020

Institute of Forecasting and Macroeconomic Research, under the Ministry of Economic Development and Poverty Reduction

als for further socio-economic enhancement, and developing resource-saving and technology innovation proposals.

Together with these, other key tasks include assisting in the development of the country's food security strategy, formation of medium and long-term forecasts of demographic development, conducting systematic analysis of various components related to Uzbek citizen's quality of life. ●

Uzbekistan Special Report Interview:
Clive Turton, CIO, ACWA Power Company

ACWA POWER SEES HUGE WIND POTENTIAL, HIGH HOPES FOR HYDROGEN

GlobalMarkets: ACWA Power has made multiple investments in Uzbek wind projects. What makes the country and its wind power industry an attractive opportunity?

Turton: First of all, the reforms that were initiated by His Excellency President Mirziyoyev have boosted investors' interest in the country. The revisions and additions to several key laws and regulations have also helped create an ideal investment climate. This has opened the doors for attracting project finance into different sectors of the economy, including the energy sector.

Moreover, over the years Uzbekistan has demonstrated both its political and economic stability, which reduces the risks of investing in the country. This makes it easier to attract International Development Financial Institutions to help finance different energy projects, including wind power projects.

In addition to the above, it is worth noting that Uzbekistan is a country blessed with strong wind resource potential. This is one of the key aspects that helps in setting up wind projects with competitive and attractive tariffs. Last but not least, Uzbekistan is also an attractive destination for investment in the electricity sector in general. Proactive policies from the government have helped create robust economic growth prospects. This in turn underpins demand for power, and the country has demonstrated a healthy growth rate in electricity demand.

GlobalMarkets: ACWA Power is helping the Uzbek government with its roadmap for investment in green hydrogen projects. What is the potential for green hydrogen infrastructure in the country, what projects might we see first?

Turton: ACWA Power is at the forefront of enabling Uzbekistan's energy transition and diversifying its energy mix to meet its national clean energy goals. We are contributing not only to the power sector, but also plans to support the Uzbek chemical industry by replacing fossil fuel with green hydrogen. Given the fact

that the Uzbekistan chemical sector has privileged access to the EU market – through the GSP+ arrangement - and access to other nearby countries, it becomes more strategically and commercially viable to decarbonise chemical sectors such as ammonia and fertilizers.

At present, ACWA Power is working with Uz-kimyosanoat – a joint-stock company comprising various chemical enterprises – on a brownfield ammonia project to supply green hydrogen. The ultimate aim is to set up a greenfield full-scale green ammonia production facility. There are additional sectors with potential, for example mining and hydrogen-fueled public transportation. These will be further explored in collaboration with the Ministry of Energy and other key stakeholders



Clive Turton, CIO, ACWA Power Company

GlobalMarkets: Has Uzbekistan become more attractive as an investment destination in recent years? What has helped drive this trend?

Turton: First of all, the reforms carried out, which includes key pieces of legislation. Among the notable examples are the Public-Private Partnership law, which was passed



in 2019. Updated legislation and regulation and currency controls have also been important. Secondly, the government has introduced a balanced framework of long-term bankable electricity offtake concessions that are being offered to international investors. Thirdly, key stakeholders have been reorganized. This includes the National Electric Grid of Uzbekistan (NEGU) and the PPP Development Agency. The general economic and political stability created by the government has been important, as has creating a positive environment for international development finance institutions.

GlobalMarkets: What are the most positive aspects of the strategic development 2022-2026 plan for a foreign investor like ACWA Power?

Turton: One of the most positive aspects is that the government of Uzbekistan is presenting a clear overall strategy and a set of implementation plans. The strategic development plan also clearly demonstrates the government's commitment to following international best practices when implementing its reforms. For the power sector specifically, there is clear proactive planning, support and involvement from the government in moving forward with reforms.

GlobalMarkets: How does the Uzbek Economic Forum help demonstrate investment opportunities in the country?

Turton: The venue is very well organised in terms of different sessions and invitees. The Uzbek Economic Forum is a perfect platform for investors, regulators, financiers, consultants, and other service providers to deliberate and discuss current and future issues that are relevant for improving the investment climate in Uzbekistan. ●

Uzbekistan Special Report Profile: Development Strategy Center

DSC – THE MASTER PLANNER OF SOCIO-ECONOMIC TRANSFORMATION

Founded in 2017 to help guide and coordinate Uzbekistan's National Action Strategy 2017-2021, the Development Strategy Center (DSC) plays a key role as a non-governmental, non-commercial institution in the country's socio-economic development and transformation.

Essentially, the DSC, which was approved by Presidential Decree, is a think tank that plays a policy advisor role with convening power to engage different stakeholders in supporting, and helping to drive, Uzbekistan's pursuit of greater democratisation and modernisation. Part of this has involved implementing a system-based public monitoring of the country's development progress.

In addition, its work also includes preparation of draft laws, establishing and maintaining cooperation with international organisations, as well as scientific-research, information-analysis, and educational institutions. Its operations are funded by multiple sources, including technical support funds, domestic and international grants, NGOs, and funds from ministries and agencies.

Since its founding, the country has made significant social and economic progress under the 2017-2021 Action Strategy, creating a strong foundation for the next phase of Uzbekistan's growth and development, which will be pursued over the next five years under the Development Strategy of New Uzbekistan 2022-2026.

"The adoption of the Development Strategy on January 28, 2022, has truly become a historical event and a logical continuation of the Strategy of Actions implemented over the past years," says Eldor Tulyakov, executive director of the DSC. "It consists of seven priority directions and one hundred goals that Uzbekistan is willing to achieve within 2022-2026. The Strategy foresees implementing various measures that should create the basis for joining a number of 'states with above-average income'."

At the heart of this strategy is further economic liberalisation and privatisation, increased competition, the elim-

ination of monopolies, and attracting more foreign investment. Other equally important priorities include price stabilisation, supporting the development of 'driver spheres of the economy,' and further decentralisation, which is designed to devolve more authority to the regions.

One of the key target goals is to increase GDP per capita in the next five years and boost per capita income to \$4,000 by 2030. The country plans to do this by ensuring high growth rates are maintained across key sectors of the economy, including energy, industry, machinery, mining, and agriculture.

Another important goal is transforming the digital economy into the core 'driver' sphere of the economy. At the core of this is implementing reforms aimed at increasing the digital economy's volume by at least 2.5 times is also a goal to strengthen the country's potential in this new sphere.

"Planned reforms need a constant flow of investments that require an appropriate investment environment and the rule of law," says Tulyakov, who is supported by a leadership team of 14 heads of departments, specialists, and economists. "Accordingly, taking measures to attract the necessary \$120 billion over the next five years, including foreign investment of \$70 billion, is another crucial goal for the government to realise. Moreover, the country is planning to reform its capital markets. Thus, it plans to increase financial resources in the economy by increasing the capital market volume from \$200 million to \$7 billion over the next five years."

The government is just as ambitious in other priority areas too.

For instance, it plans to increase the country's exports to \$30 billion by 2026, and to do so it is aiming to increase exports from the private sector 60%. Furthermore, "by improving the system of providing organisational and financial assistance to exporting enterprises, the country is willing to increase the number of exporting enterprises from 6,500 to 15,000," says Tulyakov, adding that they also expect to expand the countries Uz-



bekistan exports to from 115 to 150.

The private sector's role in achieving these goals is clearly important. What will be crucial in developing the private sector is nurturing entrepreneurial activity.

The government has prioritised this area for support over the next five years, with plans to reduce the tax burden on business entities from 27.5 per cent to 25 per cent of GDP, to decrease VAT from 15 to 12 per cent, and reduce the tax on profits for telecommunications, banking and finance sectors from 20 per cent to 15 per cent.

The government is also planning to "increase the economic potential of the regions by carrying out decentralisation reforms to support the districts' development further," says Tulyakov. "Keeping in mind that agriculture reserves a high volume in the state's GDP, the annual growth rate of agriculture is expected to be at least 5 per cent, which should lead to the increase of farmers' incomes by at least two times."

All seven key priority areas are likely to deliver strong results over the coming years. But Tulyakov is pragmatic, and knows foreign investment and support from the international community will be critical for success. "The realisation of all these measures requires substantial resources," he says. "As such, cooperation with our allies and integration into the world community have been prioritised in many of the goals set in the new strategy." ●

"The adoption of the Development Strategy on January 28, 2022, has truly become a historical event and a logical continuation of the Strategy of Actions implemented over the past years."