***New approach to Free Economic Zones in Uzbekistan***

The "Presence of systemic problems and deficiencies" in the Free Economic Zones (the FEZ) is a major reason for the adoption of the Decree of the President of the Republic of Uzbekistan "On Measures for Further Development of the System of Coordination and Management of the Activities of the Free Economic Zones" dated December 21, 2018 (the Decree). This Decree was issued in the light of recent polls, which indicated negative attitudes of the FEZ participants. The participants claimed that the ineffectiveness of the system is hindering their businesses: particularly, long bureaucratic procedures and extremely long terms of consideration of their applications by state bodies; unclear separation of obligations, as well as a lack of infrastructure for conducting and developing business. The polls showed that only 112 companies (28 percent) out of 402 registered participants of the FEZ have started their activities.

The Decree approved new procedures for conducting activities in the FEZ, specifically:

* From now on, a separate decision of the khokim (Mayor) of the city is not required for the provision of a land plot to the FEZ participants.
* Exports of at least 25 percent of production by the end of the second financial year, and at least 50 percent for subsequent years became one of the conditions for the placement of projects in the FEZ.
* FEZ directors are appointed by the administrative council with the consent of the Cabinet of Ministers. Previously, they have been appointed by the Republican Council on Coordination of the Activities of Administrative Councils of the Free Economic Zones and Small Industrial Zones (the Republican Council).

*(The Republican Council is an inter-departmental body led by the Prime Minister, members of which are approved by the President of the Republic of Uzbekistan.*

* The Cabinet of Ministers will have the power to cease or stop the membership status of the FEZ members. Previously, only the Republican Council was entitled to this. We kindly remind that the cessation of the status of the FEZ member is one of the grounds for terminating investment agreements with the investors.

Decisions on the placement of projects in the territory of the FEZ will be made within *30 days* which includes the process of giving an opinion (*20 days*) by the State Unitary Enterprise "Center for Complex Expertise and Import Contracts under the National Agency of Project Management under the President of the Republic of Uzbekistan" (the Center). The Center will also approve the list of goods of the FEZ participants subject to customs preferences, within *15 days*.

The State Committee of the Republic of Uzbekistan on Investments was instructed to monitor the progress of the implementation of investment projects in the FEZ. At the same time, the Cabinet of Ministers was entrusted with the task of overseeing the activities of the administrative councils and directorates of the FEZ. Control over the implementation of these tasks is given to the departments of the adviser to the President of the Republic of Uzbekistan on the development of economic sectors, the implementation of investment and foreign trade policies. They will hear reports from the heads of the relevant departments of the Cabinet of Ministers, the State Committee of the Republic of Uzbekistan on Investments and other authorized bodies on the implementation of the tasks assigned by the Decree.

Weak development of the transport, engineering and communications infrastructure was emphasized by the Decree as one of the main reasons for the "insufficiently effective" work of the FEZ. In order to eliminate this problem, the Decree approved the "Road Map for the Construction and Repair of Roads and Water Supply and Sewerage Systems of Free Economic Zones in 2019."

The State Investment Committee was entrusted to:

* Within a month:
  + to draft and submit a draft government decision on the approval of the *Regulation on the organization of activities of the administrative councils and directorates of the FEZ* to the Cabinet of Ministers;
  + to develop and implement *Electronic System for the consideration of applications for the implementation of projects on the territory of the FEZ* together with the Ministry for the Development of Information Technologies and Communications;
* Within two months: to revise the land use agreements of the FEZ participants with the return of inefficiently used land
  + to revise the land use agreements of the FEZ participants with the return of inefficiently used land;
* Before March 1, 2019
  + to make an inventory of the legislative base for the FEZ and submit to the Cabinet of Ministers a draft law "On Special Economic Zones."

The Ministry of Economy, together with other authorized bodies, will analyze the infrastructure solutions within a month and approve the network schedules of the implementation of engineering, communications and production infrastructure for each FEZ within two months, ensuring that such an implementation is synchronized with the completion of construction and commissioning of production facilities.

The Decree also provides for the adoption of a new draft regulatory act to improve the activities of Navoi Free Economic Zone.

(Source: [www.dentons.com](http://www.mondaq.com/redirection.asp?article_id=453188&company_id=24504&redirectaddress=http%3A//www.dentons.com).)