

UZBEKISTAN

GOVERNOR`S STATEMENT – DR. S. UMURZAKOV

Vision on the EBRD`s strategy in the coming 5 years

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The EBRD has recently become a strong and reliable partner of Uzbekistan. It has provided a significant contribution to Uzbekistan's all-encompassing reforms program initiated by the President of the Republic of Uzbekistan.

Over the past three years, Bank's investment portfolio in Uzbekistan, starting virtually from zero, has rapidly surpassed EUR 1 billion milestone. Our country has benefited from EBRD`s technical assistance, supporting reforms in the number of sectors, including capital and financial markets development, the power sector restructuring, and pre-privatization support for state-owned commercial banks.

With the EBRD's active help and assistance, under the patronage of our country's President, we have established the Foreign Investors Council to represent international companies, financial institutions investing and operating in Uzbekistan. We firmly believe the Council will play an important role in improving the investment climate, helping to address the investment community's concerns, and serve as a high-level policy dialog and advisory platform.

As Uzbekistan progresses further along the reform path, the Bank's investment operations, policy advice, and technical assistance in implementing structural reforms and transformation, improving the business environment and capacity building will become increasingly more important.

The Strategic and Capital Framework (SCF) 2021-25 has determined a number of specific goals and aspirations.

We would in particular welcome the Bank's growing focus on supporting the Early Transition Countries (ETCs). In our view, this should translate into an increased share of the Annual Bank Investment (ABI) and higher country exposures in the ETCs.

We would strongly endorse the objective to ensure extra support and assistance to the countries of operations at times when the global economy is

facing unprecedented challenges. At the same time, we are committed to pushing forward the implementation of economic and structural reforms, despite all the challenges caused by the pandemic. In this regard, it is reassuring to see, in the new SCF, the desire to preserve and accelerate the transition in countries of operations in the COVID-19 environment.

We acknowledge the Bank's efforts in delivering transition impact through mobilizing finance and attracting private investment, as one of the strategic goals for the SCF period. We also believe the EBRD is fully fit and capable of delivering more in this direction.

While welcoming increased lending activity of up to EUR 13 billion annually, we are confident the Bank will continue to adhere to the highest standards of sound banking and uphold all the prudential requirements, maintaining its highly cherished triple 'AAA' institutional rating.

We highly regard the Bank's active engagement and participation in supporting the transition to a green, low carbon economy. Uzbekistan has recently set on a path of reforming its energy sector, making its first steps, by launching several projects in alternative power generation such as solar and wind, to stay in line with the national climate commitments under the Paris agreement. The EBRD is highly instrumental in providing technical support on the development of the long-term de-carbonization strategy, exploring a viable transition of the power sector, with the ultimate goal of achieving carbon neutrality in the 2050s.

We are grateful to the Bank and its management for swiftly reacting and providing a timely, much-needed response to the challenges of countries of operations in dealing with the pandemic outbreak and its impact on their economies. We would encourage the Bank to continue to provide the support to its worst affected clients in the form of additional liquidity, concessional finance, and further explore other innovative support solutions.

Providing the timely assistance to SMEs should become a key priority for the Bank, in light of challenges they are presently facing, dealing with, and overcoming the crisis. Increased financial support for SMEs via direct lending, and more importantly through the partner financial institutions (PFIs), to our view, is paramount. With the restricted ability of the EBRD bankers to travel and acquire new customers, utilizing extensive networks of PFIs on the ground could become the most efficient route for rapidly growing market coverage. In our view, the Bank should consider stepping-up its efforts in identifying and introducing new PFIs to its existing network, to further boost much-needed

SME support. As a potential way forward, the Bank could start more actively engaging state-owned banks – those marked up for privatization, as additional channels for increased on-lending to the SME sector.

The COVID-19 pandemic outbreak has put immense pressure on healthcare systems of many countries; it was even more pronounced in the developing world. We would hope to see over the period of the next SCF an increased focus of the EBRD on healthcare-related investment operations and mobilization of private sector finance for strengthening healthcare institutions in countries of operations, thus making them more attractive to private investors.

We strongly believe the EBRD should be actively involved in the reform process with a particular focus on the transformation of the financial sector, helping recipient countries to reduce barriers for competition and financial innovation.

Given the critical importance of privatization and attracting foreign direct investments for building sustainable competitive economies, we would like to see the Bank playing a leading role in supporting privatization of the Uzbek banking industry and attracting strategic investors to the sector.

The EBRD's support in implementing governance reforms and introducing modern banking practices would act as a catalyst in transforming the industry, preparing it for the eventual privatization. Increased technical assistance would also be instrumental in achieving these goals.

While greatly appreciating the support provided by the EBRD to the financial institutions' sector, with a particular focus on the banking industry – we would welcome additional support extended to the non-bank financial institutions, such as leasing, insurance, consumer finance – with additional attention paid to ETC countries, where these sectors remain under-developed and lack the required sophistication.

Tackling the ongoing crisis and dealing with the post-crisis recovery phase will likely become the main theme for the next SCF period. The unfolding crisis, with no doubt, will take its toll on all EBRD's countries of operations, however, it could be even more pronounced in ETCs.

One of the highest risks the Early Transition Countries are currently facing is rapidly growing unemployment, further exacerbated by large numbers of returning migrants. Solving this problem should become a major challenge for the recipient governments together with the development community. In our

view, financing infrastructure projects, as well as providing assistance in the digitization of economies, could help alleviate the problem.

Uzbekistan has publicly declared its determination to reduce poverty. We are achieving this through the development of entrepreneurship and job creation; improving investment climate and business environment; building modern infrastructure and providing targeted social assistance to the population through re-training. In this regard, we would welcome and appreciate any potential support the Bank could extend to help us successfully overcome these challenges.

Concerning a geographic expansion to new regions of operations – we welcome Iraq's application to become a new member of the Bank and support the country to be admitted to the EBRD membership on the terms set out in the proposed Draft Resolution.

On this backdrop, Uzbekistan is also very much interested in ensuring peace, stability, and sustainable economic development in all the Bank's member countries and beyond.

In particular, we attach a great importance to the economic recovery of Afghanistan and have stepped up our cooperation on this issue with our Central Asian neighbors – namely Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan.

Finally, through the active participation in the Bank's ever-expanding Trade Facilitation Program, we are aiming to eliminate unnecessary trade barriers, facilitate the free flow of goods and services, restore disrupted supply chains in order to eventually overcome the current crisis and return to economic growth.

Thank you.