



Kazakhstan

Highlights

- **Economic growth has accelerated significantly in 2023.** The economy grew 5.3 per cent year on year in the first half of 2023. Very strong investment in transport and warehousing (up 56.8 per cent year on year in the first half of the year) is a reflection of the country's ability to substitute for Russia as a production and distribution hub serving Central Asia.
- **The authorities are taking steps to level the playing field for entrepreneurs.** A new Comprehensive Plan of Measures to Counteract the Shadow Economy for 2023-25 aims to reduce shadow trade within the retail and wholesale sectors, improve the tax and customs administration, upgrade the competitive environment for businesses and rationalise fiscal policy.
- **Regional inclusion is being improved.** The Concept for Rural Area Development (2023-27) aims to improve living standards and socioeconomic conditions for rural inhabitants by upgrading and constructing infrastructure, providing financial assistance and reducing rural poverty and unemployment rates.

Key priorities for 2024

- **The authorities should accelerate infrastructure investment in conjunction with comprehensive tariff reform.** Key priorities are transport (East-West and North-South corridors) and energy (including transmission infrastructure to support the roll-out of renewables). Public-private partnerships (PPPs) should complement sovereign financing to mobilise private resources, boost employment and strengthen the country's competitiveness.
- **The authorities should ensure adequate access to drinking and irrigation water.** With transboundary water cooperation re-emerging as a key constraint on Central Asia's future development, Kazakhstan should lead on regional diplomacy efforts while rationalising its domestic water policies through cost-reflective tariffs and improved resource management.
- **Diversification efforts should be stepped up through a combination of privatisation and industrial policies targeting medium-sized companies in priority sectors.** The authorities should proceed with initial public offerings of large state-owned assets, such as Air Astana and Bereke Bank, as well as privatise all non-core assets. Multipronged industrial policies should be employed to nurture medium-sized enterprises in specific value chains, including loan guarantees to unlock commercial financing, and non-financial support measures to help businesses embrace new technologies and reach export markets.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	4.5	-2.6	4.1	3.3	5.0
Inflation (average)	5.2	6.8	8.0	15.0	15.0
Government balance/GDP	-0.6	-7.0	-5.0	0.1	-0.9
Current account balance/GDP	-3.9	-6.4	-1.3	3.5	-1.5
Net FDI/GDP [neg. sign = inflows]	2.1	4.2	2.3	2.2	n.a.
External debt/GDP	87.7	94.4	81.1	n.a.	n.a.
Gross reserves/GDP	15.9	20.8	17.4	15.9	n.a.
Credit to private sector/GDP	24.3	25.6	26.0	25.6	n.a.

Macroeconomic developments and policy response

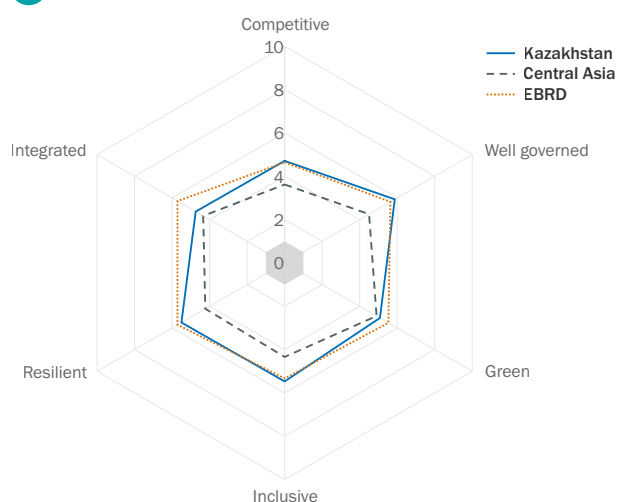
Economic growth has accelerated significantly in 2023. Gross domestic product (GDP) expanded 5.3 per cent year on year in the first half of 2023. The strongest gains were seen in construction (up 13.4 per cent on the year), driven by public infrastructure investment and generous (although declining) mortgage subsidies from the government. Retail trade turnover was up 8.8 per cent year on year, with the large size of the sector making it the highest contributor to GDP growth. Industry (up 3.8 per cent year on year) and agriculture (up 3.2 per cent year on year) posted smaller growth rates. On the expenditure side, fixed capital investment gained most (up 13.1 per cent year on year). Importantly, a very strong rise (of 56.8 per cent year on year) in investment in transport and warehousing reflects the country's ability to substitute for Russia as a production and distribution hub serving Central Asia. Preliminary estimates suggest that the current account recorded a deficit of US\$ 3.6 billion (€3.4 billion, 1.5 per cent of 2022 GDP) in the first half of 2023, despite a positive trade balance.

Inflationary pressures started to recede in early spring 2023, in line with broader global trends. Annual inflation fell from a peak of 21.3 per cent in February 2023 to 14 per cent in July 2023, thanks to tight monetary policy and the appreciation of the tenge. The central bank increased its policy rate to 16.75 per cent in December 2022 and maintained it at that level until August 2023, when it undertook a 25 basis-point reduction. The tenge had been slowly gaining against major global currencies from July 2022 amid growing interest by non-residents in Kazakh government securities. In the seven months to July 2023, foreign investment in government and central bank paper increased 46.7 per cent, prompting policymakers to reduce the requirement of mandatory selling of hard currency export revenues from 75 to 30 per cent and then suspend it completely until 2025. Because of this measure, and possibly the Russian rouble's sharp devaluation against the US dollar, by the end of August 2023 the tenge had dropped to its January 2023 rate against the US dollar.

Strong international reserves support Kazakhstan's fiscal stance, despite increased public debt. In the first six months of 2023, the country's public debt increased by US\$ 8.1 billion (€7.67 billion) to US\$ 62.8 billion (€59.4 billion, around 27 per cent of 2022 GDP). Meanwhile, external government debt accounted for just 7.3 per cent of 2022 GDP. Taken together, the central bank's official reserves (US\$ 34.18 billion [€32.35 billion]) and the National Oil Fund's assets (US\$ 60.2 billion [€56.98 billion]) amounted to around 42.7 per cent of 2022 GDP, providing a comfortable cushion against external vulnerabilities.

Strong growth is likely to continue in the short term. We forecast the economy to grow by 5 per cent in both 2023 and 2024. Key downside risks stem from the potential for Russia's war on Ukraine to escalate to the point of disrupting east-west transport routes, including the Caspian Pipeline Consortium (CPC) pipeline, and negatively affecting global growth. Concurrently, water and energy issues have been constraining growth, due to insufficient public investment in infrastructure on the one hand, and low tariffs failing to induce private-sector investment and the rational use of resources, on the other. On the upside, growth could be boosted by National Oil Fund-financed fiscal stimulus spending and investment in transport and other public infrastructure.

Assessment of transition qualities (1-10)



Structural reform developments

The authorities are tackling the informal economy. In July 2023 the government approved a Comprehensive Plan of Measures to Counteract the Shadow Economy for 2023 to 2025. The plan sets ambitious objectives, with a focus on reducing the share of shadow trade within the retail and wholesale sectors from an estimated 6.7 per cent in 2022 to 5 per cent by 2025. The government is further committed to confronting informal employment and raising the contribution of small and medium-sized enterprises to the country's GDP from 36 per cent in 2022 to 37.5 per cent by 2025. The plan includes many initiatives to enhance tax and customs administration, promote healthy competition and ensure prudent budget allocation.

PPP legislation was revised in January 2023. The amended law seeks to tackle the issue of excessive profit margins and advance a more equitable risk-sharing framework between the government and private sector companies involved in PPP projects. In addition, the Ministry of National Economy is developing a PPP portal designed to enhance transparency and mitigate corruption risks in procurement of PPP projects.

Kazakhstan has adopted a decarbonisation strategy until 2060. The strategy, adopted in February 2023, encompasses climate mitigation and adaptation actions, incorporating environmental and social governance (ESG) principles, gradually enacting cost-reflective tariffs (with targeted assistance to vulnerable groups as part of a just transition) and digital monitoring of carbon emissions. A special carbon fund will be set up to accumulate funds from carbon credit sales and carbon taxes to finance investment in low-carbon technologies.

Kazakhstan is advancing in financial sector reforms. The European Bank for Reconstruction and Development (EBRD)-supported derivatives legal framework became effective in September 2022. This marks the completion of a complex reform effort that will help businesses and investors manage a wide variety of risks, starting with currency- and interest-rate-related risks. In turn, this will increase Kazakhstan's appeal to foreign investors, while promoting financial stability. The EBRD also helped develop a framework for the resolution and sale of non-performing loans (NPLs) to private investors, which will enhance banks' NPL management and increase the availability of credit to the economy.

The electricity sector is undergoing reform. In March 2023 the government adopted the Concept on the Development of the Electric Energy Industry for 2023-2029. As part of the initiative, it introduced the Tariff in Return for Investment strategy, seeking to stimulate private-sector investment in ageing heat and power infrastructure. Furthermore, on 1 July 2023 the government inaugurated a real-time balancing market for electricity, with the Financial Settlement Centre of Renewable Energy acting as a single-buyer responsible for the centralised procurement of electricity. These measures are designed to curtail regional disparities in electricity pricing and facilitate more effective planning of electricity consumption and generation, ultimately enhancing grid stability.

A strategic partnership with the European Union (EU) sets the stage for an accelerated transition to green energy. In November 2022 the EU and Kazakhstan signed a memorandum of understanding (MoU) to ensure a sustainable supply of critical raw materials, batteries and green hydrogen. Central to this partnership are the establishment of resilient green supply chains, capacity-building and innovation associated with the decarbonisation of value chains in critical raw materials, and joint sustainability initiatives. Building on the MoU, Kazakhstan and the EU-based Svevind Group finalised a US\$ 50 billion (€47.32 billion) agreement in late November 2022 for the production of green hydrogen in Kazakhstan. The project is expected to yield up to 2 million tonnes of green hydrogen annually when completed in 2032. Kazakhstan is expanding its green energy generation capacity, with the share of renewable energy sources in the overall electricity mix rising to 5.8 per cent in the first half of 2023 from 4.5 per cent in 2022.

Oil export routes are being diversified. The authorities have developed alternative oil export routes as a hedge against potential disruptions to the CPC Black Sea terminal in Novorossiysk, on which the country remains highly reliant. In 2023 Kazakhstan increased its oil shipments through the Druzhba and Baku-Tbilisi-Ceyhan pipelines. The recent escalation of security risks in the Black Sea region presents a serious threat to operations of the CPC terminal in Novorossiysk, potentially affecting maritime insurance costs and clouding Kazakhstan's oil export and growth outlook.

Measures to promote rural development are under way. In April 2023 the government introduced the Concept for Rural Area Development (2023-27) to enhance the living standards and socioeconomic conditions of rural inhabitants. This strategic plan seeks to modernise 3,500 high-potential villages to house 90 per cent of the country's rural population. The initiative includes substantial investments in water, transport, social infrastructure and internet access, as well as financial assistance through favourable lending schemes and capital expenditure support for rural households. These measures are intended to improve the wellbeing of rural communities to discourage the migration of rural residents to urban areas.

Digital inclusion is advancing. In February 2023 the Ministry of Digital Development, Innovation and Aerospace Industry published Accessible Internet, a national pilot project to be implemented from 2023 to 2027. The pilot entails the extensive enhancement of communication infrastructure in rural regions, broader and better access to high-speed internet, and the establishment of data centres throughout the country. Aligned with this project, the government has set a goal to elevate the proportion of internet users in rural areas from 91.7 per cent in 2022 to 97 per cent by 2027.



Kyrgyz Republic

Highlights

- **Gross domestic product (GDP) growth has slowed in 2023, mainly due to a decline in gold output.** Overall growth was less than 3 per cent year on year from January to July 2023, but other (non-gold) manufacturing activities and services expanded at double-digit rates, and the short-term prospects for growth remain favourable.
- **The government is undertaking reforms to the business and investment environment.** Recent measures include an adjustment to the timetable for introducing mandatory cash registers, electronic invoices and shipping bills, easing access to visas for foreign investors and reducing the regulatory burden on businesses.
- **The authorities are taking measures to strengthen water and energy security.** A new National Water Strategy to 2040 should strengthen water-sector governance and foster improved water conservation practices, while staggered increases in electricity tariffs, introduced over the course of 2023, will induce energy saving behaviour and encourage private-sector investment in renewable energy, including solar and wind.

Key priorities for 2024

- **The government should step up efforts to capitalise on the country's competitive advantages.** In light of new opportunities arising from geopolitical developments, the authorities should upgrade the country's logistics capacity and facilitate the emergence of export-oriented "clusters" in agriculture and light industry. Building on recent improvements in digitalisation and human capital development, the High Technology Park and the Park of Creative Industries should be leveraged to attract international companies, start-ups and entrepreneurs willing to invest in the Kyrgyz Republic.
- **The government should ensure greater compliance with international sanctions by Kyrgyz companies and banks.** Several Kyrgyz companies have recently been sanctioned by the US Treasury for helping Russia circumvent sanctions, potentially hurting the country's appeal as a partner for Western investors and its access to international banking and financial services.
- **Active promotion of regional dialogue to address border management issues would further improve transport connectivity, energy and water cooperation.** The momentum created by a recent border agreement between the Kyrgyz Republic and Uzbekistan should be used to reach closure with other Central Asian neighbours on water sharing, border demarcation and the cross-border movement of persons and goods.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	4.6	-7.1	5.5	7.0	4.6
Inflation (average)	1.1	6.3	11.9	13.9	11.7
Government balance/GDP	-0.1	-3.1	-0.7	-0.3	-1.8
Current account balance/GDP	-11.5	4.5	-8.0	-46.5	-20.0
Net FDI/GDP [neg. sign = inflows]	4.6	-5.2	2.6	2.7	n.a.
External debt/GDP	95.3	111.5	103.7	n.a.	n.a.
Gross reserves/GDP	27.4	36.1	34.1	25.6	n.a.
Credit to private sector/GDP	24.6	28.3	25.6	23.1	n.a.

Macroeconomic developments and policy response

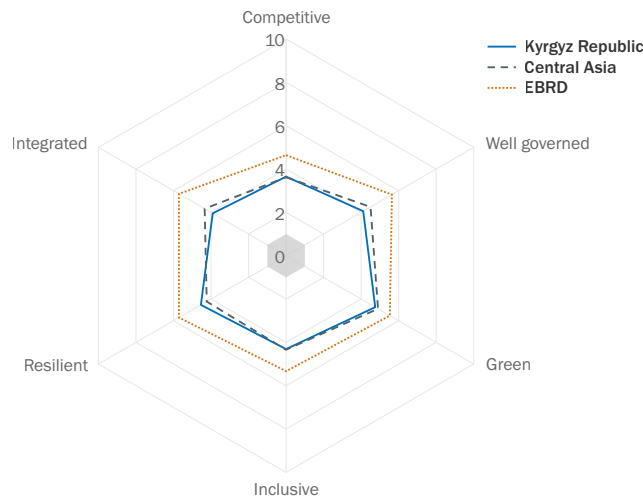
The economy slowed significantly in the first half of 2023 on reduced gold output. GDP added just 2.9 per cent year on year in the first seven months of the year, far below the 2022 growth rate (7 per cent). However, this slowdown was almost entirely due to a contraction (-11.7 per cent) in a single sector – gold and base metals – which accounts for more than 58 per cent of the country's manufacturing output. Other manufacturing activities expanded at impressive rates, led by the fast-growing, labour-intensive textile sector (up 40.2 per cent year on year). The revival of tourism provided a boost to hospitality (up 25.9 per cent) and other services, such as wholesale and retail trade (up 12 per cent), despite a plunge in net remittances (-28.5 per cent) due to high base effects. Of special note was the strong expansion of international trade: in the first half of 2023, imports and exports grew 30.3 and 34.6 per cent year on year, respectively, on the back of a resumption in gold exports and a boom in intermediated trade activities. Imports of goods from China neared US\$ 10 billion (€9.46 billion) in January-July 2023 (up 27 per cent year on year), according to official Chinese data.

Inflationary pressures have receded while the banking sector saw record profits. Annual consumer price inflation peaked at 16.2 per cent in February 2023, but slowed thereafter to 10.3 per cent in July 2023. Having ratcheted up the policy rate to 14 per cent in March 2022, the National Bank of the Kyrgyz Republic reduced it by 100 basis points to 13 per cent in November 2022, but has left it unchanged ever since as of the end of August 2023. The Kyrgyz som has been relatively stable against the US dollar since early 2023. Meanwhile, banking sector profits soared in 2022 (up 539 per cent year on year) on the back of high interest rates and elevated transaction fees. Moreover, the growth in bank foreign currency-denominated deposits has significantly outpaced the expansion in lending, leading to a massive accumulation of liquidity.

Tax reforms and a dramatic increase in trade activity have boosted fiscal performance. In the first half of 2023, budget revenues increased 31.6 per cent year on year. Sales tax receipts grew nearly threefold, driven mainly by improvements in tax administration, while significant gains were recorded in receipts from all tax and non-tax revenue sources. Expenditures soared as well (up 31.2 per cent), but the budget recorded a small surplus of about 1.2 per cent of GDP. Carefully staggered increases in electricity tariffs will reduce government spending on energy subsidies and help alleviate budgetary pressures. Government revenues in 2023 are also being boosted by a new law that requires the central bank to transfer the bulk of its profits to the state coffers. That said, the International Monetary Fund (IMF) continues to project an increase in the fiscal deficit as a result of recent hikes in public wages and pensions and very ambitious public investment plans. On the downside, the country's gross international reserves shrank by 9.8 per cent from January to July 2023 (to US\$ 2.45 billion [€2.32 billion], covering just three months of 2022 imports) after interventions by the central bank.

Robust growth is expected in the short term. We forecast the economy to grow by 4.6 per cent in 2023 and 7 per cent in 2024, supported by political stability, windfall gains from intermediated trade, the relocation of Russian companies and individuals, strong domestic demand resulting from growing wages and remittances, and a boom in the export-oriented textile and tourism sectors. However, vulnerabilities remain, particularly in relation to potential water shortages and external factors, such as possible secondary sanctions on Kyrgyz companies, uncertain Russian demand for Kyrgyz goods and workers, and further fluctuations in the rouble's value and its impact on remittances from Russia.

 Assessment of transition qualities (1-10)



Structural reform developments

Steps are being taken to improve the business environment. To reduce the pressure on small and medium-sized enterprises, the government adjusted the timetable for introducing mandatory cash registers, electronic invoices and shipping bills, allowing businesses to adapt to the new requirements. In January 2023 the Kyrgyz legislature approved a bill granting 5- and 10-year investor visas to foreigners meeting certain investment thresholds. In April 2023 the government introduced the Programme on the Development of Businesses to 2026, crafted in collaboration with business community representatives. The proposed measures aim to alleviate the fiscal and regulatory burden on local businesses while enhancing their resilience to external shocks.

Efforts to digitalise the banking sector are ongoing. In 2022 the National Bank of the Kyrgyz Republic approved the Concept of the Digital Som. If implemented, the innovation could significantly enhance financial inclusion and promote the formalisation of commercial activities. The government has also taken further steps to digitalise the banking sector, including standardised QR codes and the acceptance of cashless payments for all state-provided services.

The government adopted a National Water Strategy to 2040. In response to persistent water shortages, the government started to develop the National Water Strategy in 2021. After several revisions, the president approved it in February 2023. The document sets out measures to optimise water use across sectors, enhance inter-agency coordination and water-sector governance, introduce a single information system on water resources, and promote improved water conservation practices in the long term.

Cross-border collaboration on the construction of the Kambar-Ata 1 hydropower plant may enhance regional water and energy security. In January 2023 Kazakhstan, the Kyrgyz Republic and Uzbekistan endorsed a roadmap for implementing the Kambar-Ata 1 hydropower plant project, expected to be the Kyrgyz Republic’s largest power facility, with a generation capacity of 1,860 MW and an annual output of 5.6 billion kWh. The Kyrgyz Republic is promoting the project with the World Bank, as well as with investors from China, Russia and the United Arab Emirates. If implemented, the project will enhance energy security upstream in the Kyrgyz Republic and stabilise water supply downstream in Uzbekistan and Kazakhstan.



Mongolia

Highlights

- **The Mongolian economy is booming on China's reopening.** Real gross domestic product (GDP) grew 6.4 per cent year on year in the first half of 2023. This was driven by a surge in commodity exports and a tourism boom following the reopening of the Chinese economy after the removal of Covid-related restrictions.
- **The financial system is undergoing a major transformation.** With XacBank conducting a successful initial public offering in May 2023, all five of Mongolia's systemically important banks have been transformed into publicly traded companies. As a result, Mongolian stock-market capitalisation exceeds US\$ 3 billion (€2.84 billion) and trading volumes in the first half of 2023 nearly doubled year on year.
- **The investment environment is improving.** A revised investment law, offering major improvements for foreign investors, entered the public discussion phase, and the government established the Private Partnership Centre and the Investment and Trade Agency. The latter is tasked with safeguarding investor interests and serving as a streamlined one-stop shop for foreign investors.

Key priorities for 2024

- **The government should use windfall revenues from commodity exports to inject capital into the newly created sovereign wealth fund, while ensuring its independence.** The government's decision to transform the state-owned mining company, Erdenes Mongol, into a sovereign wealth fund is conceived as a countercyclical move, but it is important to ring-fence the fund from political interference through proper corporate governance arrangements.
- **Measures to improve soft connectivity infrastructure would help diversify the economy.** Newly built railways are enabling Mongolia to significantly increase mineral exports by cutting transport and logistics costs. To boost non-commodity exports, Mongolia should digitalise border crossings and customs protocols, as well as address well-known e-trade challenges, such as legal and regulatory bottlenecks for cross-border payments.
- **Resolving legacy issues in the energy sector will help unlock investment in renewables.** Challenges related to the curtailment of electricity supply from existing variable renewable energy generators, issues of non-payment, and non-cost-reflective tariffs discourage new private-sector investment in renewables. Addressing these challenges is paramount given Mongolia's extreme reliance on coal and recently unveiled plans to construct new coal-fired power plants.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	5.6	-4.6	1.6	5.0	7.2
Inflation (average)	7.3	3.7	7.4	15.2	12.3
Government balance/GDP	1.0	-9.2	-3.0	0.7	-0.7
Current account balance/GDP	-15.2	-5.1	-13.8	-13.4	-10.9
Net FDI/GDP [neg. sign = inflows]	17.2	12.9	14.2	14.9	n.a.
External debt/GDP	222.7	243.1	222.0	n.a.	n.a.
Gross reserves/GDP	30.7	34.1	28.7	20.2	n.a.
Credit to private sector/GDP	48.9	45.8	47.5	n.a.	n.a.

Macroeconomic developments and policy response

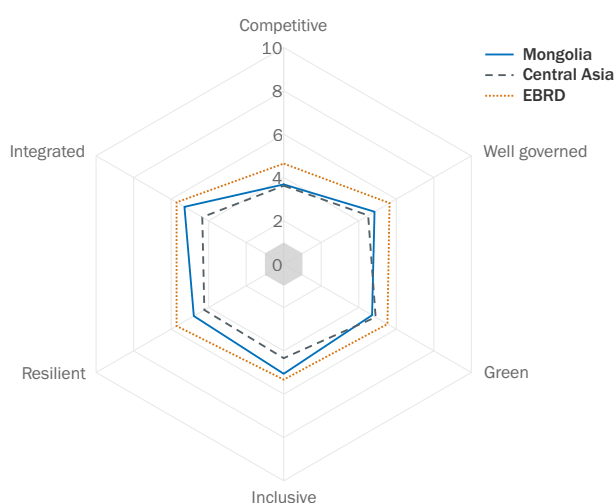
The economy is booming. China's removal of Covid-related restrictions in December 2022 enabled a rapid expansion of Mongolian mining and quarrying activities, as well as the full recovery of tourism. In the first half of 2023, the economy grew 6.4 per cent year on year. Foreign trade turnover increased dramatically in January-July 2023. Exports rose 34.5 per cent year on year, driven by a more than 60 per cent increase in coal exports, supported, in turn, by the launch of two new rail lines connecting Mongolia's main coal deposits in Tavan Tolgoi to China. Imports grew by 5.5 per cent year on year on very strong demand for machinery, equipment and electrical appliances (up 26.9 per cent year on year), reflecting foreign direct investment-related capital investment. With pandemic-related travel restrictions finally rescinded, the number of incoming travellers in the first half of 2023 saw a threefold increase from the previous year, boosting revenues in the hotels, restaurants and catering sector, as well as the cashmere trade (Mongolia's largest producer, Gobi, saw its domestic sales increase 89 per cent on the year).

Inflation is on a downward trajectory. Following a broader global trend, consumer price inflation decreased to 9.2 per cent in July 2023, having peaked at 16.9 per cent in June 2022. Even so, the Bank of Mongolia has maintained its policy rate at 13 per cent since December 2022. Since March 2023, the tugrik has appreciated by 1.5 per cent (as at 28 August) against the US dollar, reflecting a massive increase in exports and foreign-currency earnings. However, the currency remains below its value before the war on Ukraine, having lost about 20.8 per cent against the dollar in 2022.

The fiscal stance is improving. The government budget posted a surplus of 0.7 per cent of GDP in 2022, compared with a deficit of 3 per cent the previous year. This positive trend continued in the first seven months of 2023, with the budget seeing a surplus of MNT 1.36 trillion (€370.5 million, or 2.3 per cent of 2022 GDP), driven by a 41.4 per cent year-on-year increase in tax revenue, against a government spending increase of just 16.7 per cent. Public debt decreased as a share of GDP, to 82.4 per cent in 2022 from a peak of 97.4 per cent in 2020 (according to the International Monetary Fund), but remains elevated by regional standards. On the positive side, the country was able to partly refinance US\$ 1.1 billion (€1.04 billion) in debt maturing in 2023 and 2024 by issuing a new US\$ 650 million (€615.2 million) bond with a lower coupon rate. This reflects investors' confidence in Mongolia's continued growth and improved fiscal discipline, as manifested in the recently adopted budget law, which enhances fiscal transparency and accountability.

Strong growth is likely to continue in the short term. We forecast real GDP to grow by 7.2 per cent in 2023 and 7.5 per cent in 2024. There is significant upside potential to the 2023 growth outlook from the boom in tourism continuing in the second half of 2023 (and beyond), as well as from mining activities and commodity exports gathering further steam. Downside risks relate to unfavourable external developments, such as the war on Ukraine further disrupting transportation and transit through Russia, a continued tightening of global credit conditions and China's potential slowdown affecting commodity prices and demand for Mongolia's exports.

Assessment of transition qualities (1-10)



Structural reform developments

A comprehensive national anti-corruption strategy is being considered. In April 2023 the State Grand Khural, Mongolia's parliament, received a draft strategy from the Ministry for Justice and Home Affairs for consideration. The proposed strategy envisions enhancements to the governance of state-controlled assets, augmented protection for whistleblowers, anti-corruption education, the standardisation of operations for state-owned enterprises and heightened transparency in public appointments and procurement. The prime minister has emphasised the need to fortify anti-corruption measures in the extractive industries – a noteworthy development given massive protests in December 2022 due to corruption allegations in the coal mining sector. Mongolia launched the Opening Extractives programme in June 2022 following the implementation of a law mandating public disclosure of beneficial ownership in major companies, including those in the extractive sector. With 2023 declared the Year of Fighting Against Corruption, these efforts underscore the country's commitment to combating corruption and upholding the principles of good governance. The measures taken so far have received a positive response from international partners, but they need to be implemented consistently.

Government proposals to enhance the investment climate have entered a critical public debate stage. The proposed amendments to the existing Investment Law seek to make Mongolia more attractive to foreign investors. The main improvements include: cancelling the mandatory requirements to obtain a special residency permit, to meet a minimum investment threshold (of US\$ 100,000 [€94,648]) and to have at least one-third of company shares owned by a Mongolian national; limiting the number of inspections of foreign-owned firms; equalising permit fees for local and foreign enterprises; reducing the withholding tax on repatriating profits; and granting foreign investors limited land tenure rights. Following public criticism of the land tenure-related provisions, in August 2023 the Ministry of National Economic Development put forward a revised proposal for public discussion. In parallel, the government announced the establishment of two entities, the Private Partnership Centre and the Investment and Trade Agency. The latter is tasked with safeguarding investor interests and serving as a one-stop shop for foreign investors.

Mongolia's rapid digital transformation is gaining momentum. Consistent with its Vision 2050 strategy, the Mongolian government has progressed significantly in the digital realm by broadening internet access, introducing e-government services and investing in information and communications technology (ICT) infrastructure. Supported by the European Bank for Reconstruction and Development (EBRD) and the Republic of Korea, the United Nations Conference on Trade and Development conducted an eTrade Readiness Assessment, helping to formulate a roadmap for Mongolia's e-commerce progression. Key challenges identified by the assessment include logistics bottlenecks, limited cross-border payment options, an inadequate legal framework and an extensive digital divide between urban and rural areas. The government intends to tackle the latter issue by granting two licences to SpaceX to provide low-orbit satellite internet via Starlink to augment connectivity in remote regions.

Green finance initiatives are receiving international support. In March 2023 the International Finance Corporation (IFC) invested in Khan Bank's inaugural green bond issuance. As Mongolia's largest bank, Khan Bank's green bond aligns with the country's ambition to increase green lending from 1.4 per cent in 2023 to an impressive 10 per cent of total lending by 2030. The IFC contributed US\$ 15 million (€14.2 million), while an additional US\$ 45 million (€42.59 million) was attracted from other international investors, including the Dutch entrepreneurial development bank (FMO) and MicroVest Capital Management. With this investment, Khan Bank expects to expand its climate portfolio by funding projects in climate mitigation and adaptation. Further advancing Mongolia's green agenda, in July 2023, the EBRD and the Green Climate Fund jointly launched a Green Economy Financing Facility (GEFF), valued at US\$ 137 million (€129.67 million), to support Mongolia's green transition. Borrowers can access these funds through Khan Bank and XacBank, the EBRD's partner financial institutions. Lastly, Mongolia has cooperated with international organisations on the establishment of a Conservation Trust Fund. Launched in July 2023, the fund will finance environmental conservation projects, further underscoring Mongolia's commitment to addressing climate change-related challenges.



Tajikistan

Highlights

- **Rapid economic growth continues, combined with low inflation.** Having expanded by 8 per cent in 2022, the economy grew by a further 8.3 per cent year on year in the first half of 2023, thanks to China's reopening and Russia's sustained demand for workers from Tajikistan. The country also stands out for its low inflation rate (2.3 per cent), which is well below that of regional peers.
- **The authorities have adopted a new civil code.** The new code is intended to enhance the protection of property and land tenure rights by streamlining registration processes, but the recent dispute related to Aga Khan Foundation assets in Khorog appears to contradict the spirit of the new code, potentially damaging investment confidence.
- **Tajikistan's ambition to serve regional energy needs is growing.** Fixed capital investment in electricity production, distribution and transmission infrastructure is increasing rapidly, and the recent re-engagement of major international financial institutions with the Roghun hydropower plant (HPP) project is likely to help in raising funds for its successful completion.

Key priorities for 2024

- **The authorities should strengthen their efforts to maintain investor confidence.** The recently introduced Business Support Programme for 2023-27, as well as reforms to the tax administration and construction licensing, are steps in the right direction. However, recent cases of alleged property rights violations and less-than-fully-transparent business closures might be concerning for potential investors.
- **Greater regional cooperation is required to de-risk major infrastructure investment projects and ensure energy and water security for all.** Border demarcation, as well as energy and water cooperation, should be front and centre of Tajikistan's engagement with neighbouring countries. In particular, investment in the Roghun HPP will require Tajikistan to secure downstream offtake agreements with Kazakhstan and Uzbekistan.
- **The water and irrigation sector is in need of major reform and investment.** Tariffs should be gradually brought to levels that reflect local costs to stimulate a transition to water-saving technologies and crops. Coupled with investment in billing and metering devices, this will help raise additional revenues to address investment needs in the sector.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	7.4	4.4	9.4	8.0	7.5
Inflation (average)	7.8	8.6	9.0	6.6	4.6
Government balance/GDP	-2.1	-4.3	-0.7	-0.2	-2.5
Current account balance/GDP	-2.2	4.1	8.2	15.6	-3.7
Net FDI/GDP [neg. sign = inflows]	2.6	1.3	0.9	1.7	n.a.
External debt/GDP	80.0	85.5	78.8	n.a.	n.a.
Gross reserves/GDP	17.7	27.5	28.0	36.7	n.a.
Credit to private sector/GDP	11.6	13.0	10.3	10.6	n.a.

Macroeconomic developments and policy response

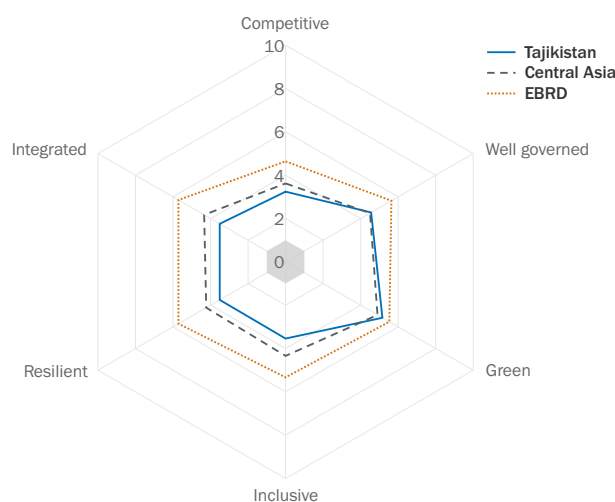
Strong growth continued in the first half of 2023. The economy grew by 8.3 per cent year on year in the first half of 2023, helped by China's reopening, Russia's sustained demand for workers from Tajikistan and vigorous public spending. Fixed capital investment increased 27.1 per cent year on year in the first six months of the year, the bulk of it allocated to the transport and energy sectors. Growth was broadly based, with most sectors expanding in remarkable fashion: industrial production, including export-oriented mining activities, up 10.3 per cent year on year; manufacturing up 14.2 per cent; agriculture up 7.9 per cent; and trucking up 12.3 per cent. Strong growth in hospitality (up 14.4 per cent) and retail trade turnover (up 10.4 per cent) are indicative of the continued strength of consumer demand on the back of steady remittances and growing real wages (the latter were up 14.2 per cent year on year as at May 2023).

Inflation is at a notably low level. With consumer price inflation of just 2.3 per cent (as at July 2023), Tajikistan is currently the only Central Asian economy to keep inflation below its central bank's target corridor (4-8 per cent). As inflationary pressures eased, the National Bank of Tajikistan gradually brought down its policy rate from 13 per cent in November 2022 to 10 per cent in May 2023. Since the beginning of 2023, the somoni has lost 7.4 per cent against the US dollar, but remains well above its value before the war on Ukraine. For now, the currency appears to be resilient to the rouble's sharp depreciation in August 2023, but is very likely to be negatively affected later in the year via the remittances channel.

Public debt is falling thanks to strong gross domestic product (GDP) growth and good fiscal performance. In 2022 public debt declined to 34.6 per cent of GDP on the back of very strong growth in output and improved tax collection. The International Monetary Fund (IMF) considers the level of Tajikistan's public debt to be sustainable in the medium term, as long as the government keeps the budget deficit below 2.5 per cent of GDP (the deficit stood at 0.2 per cent of GDP in 2022). In January to May 2023 the budget posted a surplus of TJS 1.046 billion (€90.86 million), an improvement on the same period in 2022. Budget revenues rose 18.1 per cent year on year thanks to rapid growth in tax receipts (up 19.4 per cent), while expenditures increased 18.8 per cent. The risk of debt distress remains high due to forthcoming (2025-27) principal repayments on a Eurobond and repayments of the IMF's Rapid Credit Facility. Uncertainty over future revenue flows and spending pressures associated with planned infrastructure investment and contingent liabilities generated by state-owned utility companies are major concerns.

Strong growth is set to continue. We forecast GDP growth of 7.5 per cent in 2023 and 2024 thanks to Russia's continued demand for labour from Tajikistan, enhanced cooperation with China, and investment in the Roghun HPP, transport and other types of infrastructure. Business and tax administration reforms may bring additional private-sector investment and facilitate further growth. Major downside risks relate to a possible worsening of external demand conditions (for example, China's potential slowdown, the performance of Russia's war economy, political destabilisation in Afghanistan), weaker investment confidence and potential conflicts over transboundary water resources, as illustrated by occasional flare-ups at the border with the Kyrgyz Republic.

Assessment of transition qualities (1-10)



Structural reform developments

Digitalisation in the public sector is advancing. The decree “on measures to expand non-cash payments”, which came into effect on 1 August 2023, mandates that payments of taxes, state, communal and medical fees, as well as other budgetary payments, be made electronically. The decree prohibits state institutions from accepting cash payments and envisions the creation of a unified electronic portal for public services. This reform reduces the risk of public-sector corruption and increases budgetary transparency. In August 2023 Tajikistan signed a memorandum of understanding (MoU) with Kazakhstan to cooperate in digitalisation. The MoU envisages experience-sharing, training opportunities, assistance in designing e-government infrastructure, as well as a pilot project to connect 10 Tajik villages to the internet via the KazSat-3 satellite.

A new civil code is in place. In effect since 1 July 2023, the new code enhances the protection of property and land tenure rights. The document regulates property and personal non-property relations, intellectual rights, and corporate and labour relations, among other things. It aspires to improve land governance by streamlining land registration processes and delineating the responsibilities and rights of local dekhkan farms. However, the recent dispute over Aga Khan Foundation assets in Khorog appears to contradict the spirit of the new code, potentially damaging investment confidence.

The country is pushing for accession to the European Union (EU) Generalized System of Preferences+ (GSP+). In late 2022 and early 2023 the government of Tajikistan held several meetings with EU officials to discuss the country’s potential accession to GSP+, which would enable its entrepreneurs to export, duty free, more than 6,000 denominations of goods to the EU market. Prospective GSP+ membership could boost Tajikistan’s competitiveness in the EU market, provided it can produce goods that meet the EU’s stringent price and quality requirements. However, the country’s accession remains contingent on it ratifying multiple conventions on human rights and the environment.

Additional funding from international financial institutions is being sought to complete the Roghun HPP. The hydro plant, construction of which began in 2016, is expected to become Central Asia’s largest power plant, with a total capacity of 3.6 GW. Once completed, it will address the country’s domestic electricity shortages and generate extra revenue by exporting surplus electricity. While two out of six turbines are already operational, Tajikistan will need to secure additional funds to complete the project. In January 2023 the World Bank approved a US\$ 15 million (€14.2 million) grant to improve the financial and commercial frameworks of the HPP. In addition, in May 2023 the Tajik authorities announced that the Asian Infrastructure Investment Bank (AIIB) had committed to a soft loan of US\$ 500 million (€473.2 million) for the project. Securing offtake agreements with downstream countries, such as Kazakhstan and Uzbekistan, will be required for financial closure.

Tajikistan postpones connection to Central Asia’s unified power system to 2024. In early 2023 the Deputy Minister of Energy and Water Resources announced Tajikistan’s intention to reconnect to the unified Central Asian power system by April 2023. This system has two connection points in Tajikistan. The first point, in central Tajikistan, has recently been linked and currently operates in a technical test mode. However, due to additional preparatory work required to link the country’s northern region, the completion date was moved to April 2024. Despite this delay, Tajikistan’s commitment to rejoining the regional grid is a positive step, strengthening Central Asian cooperation and enhancing energy security for countries across the region.



Turkmenistan Highlights

- **The economy continues to grow strongly.** According to official data, gross domestic product (GDP) growth exceeded 6 per cent year on year in the first half of 2023, primarily driven by elevated gas exports and manufacturing output, as well as increased capital investment.
- **The country's engagement with neighbouring countries is gaining steam.** Bilateral and multilateral discussions on energy, transportation and water management are being held, potentially leading to improved regional cooperation.
- **Efforts to lower methane emissions have accelerated.** The authorities approved the 2023-24 Methane Roadmap and created the Intersectoral Commission for the Reduction of Methane Emissions, which bodes well for Turkmenistan's commitment to join the Global Methane Pledge.

Key priorities for 2024

- **The authorities should strengthen compliance standards in the banking system.** Strong compliance with the international sanctions regime is a key requirement of Western financial institutions when deciding on the provision of correspondent banking services, which are key to entrepreneurs' ability to send or receive foreign-exchange transfers from abroad.
- **Soft connectivity bottlenecks should be resolved.** Given its location at a strategic transportation crossroads, Turkmenistan is in a position to serve larger volumes of cargo moving along the East-West and North-South transport corridors. For this opportunity to materialise, the authorities need to harmonise Turkmenistan's border management policies on the movement of people and goods with those of its immediate neighbours.
- **Steps are needed to address water scarcity.** Facing the highest risk of water stress in Central Asia, Turkmenistan should embrace a holistic approach to food and water security, including measures to encourage the transition to water-saving agricultural crops and technologies, water re-use and recycling. In particular, robust diplomatic efforts are required to agree water intake and river management rules with Turkmenistan's neighbours, including Afghanistan.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	-3.4	-2.9	6.2	6.2	6.5
Inflation (average)	5.1	6.1	19.5	11.2	5.9
Government balance/GDP	-0.3	-0.1	0.4	2.4	0.9
Current account balance/GDP	2.8	2.6	6.5	7.1	3.4
Net FDI/GDP [neg. sign = inflows]	4.2	3.2	n.a.	n.a.	n.a.
External debt/GDP	14.7	12.4	n.a.	n.a.	n.a.
Gross reserves/GDP	n.a.	n.a.	n.a.	n.a.	n.a.
Credit to private sector/GDP	n.a.	n.a.	n.a.	n.a.	n.a.

Macroeconomic developments and policy response

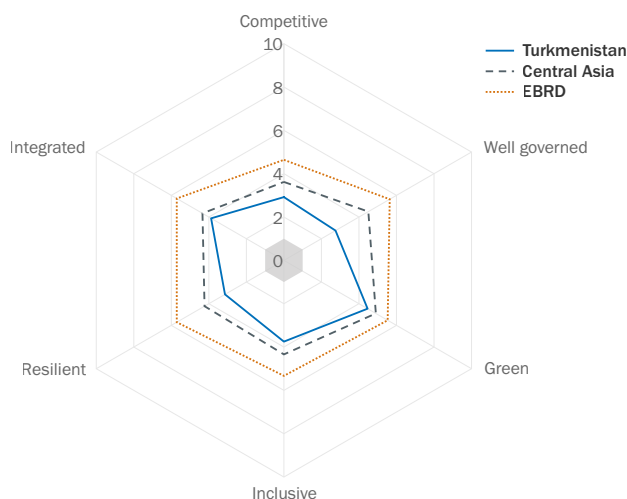
Strong economic growth continues in 2023. The official figure for GDP growth in the first half of 2023 was 6.2 per cent year on year. The country was able to exceed its plans for natural and associated gas production (by 8.3 per cent) and exports (by 12.1 per cent) thanks to the new Galkanysh well coming into operation. Agriculture and food production expanded 10.3 per cent year on year and manufacturing grew 9.6 per cent year on year, supported by the government’s unorthodox industrial policies, including preferential access to foreign exchange. Growth in retail trade turnover (up 9.3 per cent year on year) and consumer loans (up 18.5 per cent year on year) reflect strong domestic demand, supported by recent increases in public-sector wages, pensions, stipends and social security benefits.

Higher capital investment is providing a strong growth impetus. In the first half of 2023 investment in fixed capital grew by 24.6 per cent (reaching around 16 per cent of the country’s GDP), with almost 50 per cent being allocated to manufacturing. On 29 June 2023 the authorities inaugurated the new Arkadag city. Designed to be smart and environmentally friendly, Arkadag may attract additional investment. Turkmenistan’s participation in the development of international transport corridors (both North-South and East-West) may trigger significant further investment in infrastructure, as well as in related logistics activities.

Inflation is trending downwards and growing tax receipts are strengthening the fiscal stance. While the authorities do not publish data on inflation, unofficial estimates suggest that inflation has been on a downward trajectory since early 2023, in line with global trends in food and transportation prices. The official exchange rate remains pegged at TMM 3.5 per US dollar and the black-market exchange rate stabilised in 2022 at around TMM 19 per US dollar. In the first half of 2023 the government budget posted a surplus of 2.3 per cent of GDP. In August 2023 Fitch affirmed Turkmenistan’s B+ rating with a “positive” outlook, citing a strong fiscal position in the presence of structural challenges. Public debt is very low (around 5 per cent of GDP), well below levels in peer economies.

Strong growth will continue in the short term. We expect the economy to expand by 6.5 per cent in 2023 and 7 per cent in 2024, benefiting from its strong fiscal stance. Market-oriented reforms, if implemented, would strengthen the outlook. However, the country’s extremely high reliance on a single commodity (gas) and a single export market (China), along with water scarcity, are major vulnerabilities.

Assessment of transition qualities (1-10)



Structural reform developments

The country is actively engaging with neighbouring Central Asian countries on energy, transportation and water management. On 4 August 2023 Turkmenistan hosted a trilateral summit with the leaders of Uzbekistan and Tajikistan. The three presidents expressed a strong commitment to deepening trilateral cooperation, with a particular focus on energy, transportation and the management of shared water resources. In the energy sector, discussions are progressing on the construction of Line D of the Central Asia-China gas pipeline, traversing Uzbekistan, Tajikistan and the Kyrgyz Republic. This project has the potential to increase gas supplies from Turkmenistan to Xinjiang by an additional 30 billion cubic metres (bcm). In the realm of transportation, the three countries are emphasising the importance of developing multimodal routes, harmonising tariffs and enhancing logistical capabilities. In addition, Turkmenistan has recently been acting as a gas supplier of last resort for Uzbekistan, which experienced severe shortages in winter 2022-23, and reached a short-term agreement to export up to 2 bcm of gas in 2023-24. A long-term deal is being discussed, including plans for more extensive cooperation in the energy field, potentially including electricity deliveries and transit.

The country is taking steps towards joining the International North-South Transport Corridor (INSTC). In April 2023 Kazakhstan, Turkmenistan and Russia agreed to establish a joint venture between the railway companies of the three countries. Its primary goal is to create a unified logistics operator for the eastern route of the INSTC, a multimodal transport network connecting the Indian Ocean and the Persian Gulf to northern Europe. In July 2023 Russia consented to Turkmenistan's accession to the INSTC agreement. Prior to joining, Turkmenistan's authorities emphasised ongoing efforts to streamline tariffs and visa regulations. They also highlighted the potential of the Akayla (Turkmenistan)-Inche Burun (Iran) route to enhance transit volumes along the INSTC route.

Progress is being made on World Trade Organization (WTO) membership. In February 2022 the WTO established a "working party" to negotiate multilaterally Turkmenistan's terms of accession to the trade bloc. At a roundtable with the WTO Secretariat and the Asian Development Bank in May 2023, the Turkmen president announced the establishment of a special working commission to develop a Memorandum on the Foreign Trade Regime (MFTR), the first formal document required on the path to accession negotiations.

Efforts are under way to mitigate methane emissions. Turkmenistan has the highest rate of "super-emitter" events in the world. Its two fossil-fuel fields produced a combined 4.4 million tonnes of methane leaks in 2022 – greater than the equivalent CO₂ emissions of the United Kingdom in the same year. To curb methane emissions and mitigate their pernicious climate impact, the authorities approved the 2023-24 Methane Roadmap and formed an Intersectoral Commission for the Reduction of Methane Emissions. These initiatives lay the groundwork for Turkmenistan's joining the Global Methane Pledge and enacting relevant legislation to curtail methane emissions.



Uzbekistan

Highlights

- **Economic growth has remained strong in 2023.** Key growth drivers include solid external demand for Uzbek goods and labour, and robust domestic consumption as a result of higher income from remittances and wages.
- **The authorities are seeking to improve conditions for foreign investors.** A new Centre for Investors, under the Agency for Attracting Foreign Investment, will facilitate visas for foreign investors and assign managers to guide them through the processes of permitting, land procurement and integration into relevant infrastructure networks.
- **The country has made further progress on fostering gender inclusion and curbing domestic violence.** In April 2023 Uzbekistan criminalised gender-based violence, increased the severity of administrative and criminal consequences for domestic violence, and banned the conditional release of individuals convicted of abusing minors.

Key priorities for 2024

- **Tariffs should be brought closer to cost-reflective levels.** Recent disruptions to heating and electricity supply, as well as water scarcity, highlight the urgency of addressing infrastructural deficiencies. Economically viable tariffs would stimulate investment in energy- and water-saving technologies, attract private and foreign capital, and encourage resource-saving behaviour.
- **Efforts to privatise and commercialise state-owned enterprises (SOEs) and banks should be sped up.** Partial initial public offerings for leading SOEs and banks would induce better corporate governance and management, ultimately leading to improved performance and contributing to the development of financial markets.
- **Support measures for small and medium-sized enterprises (SMEs) should be streamlined.** The authorities should encourage product innovation, including digital SME banking, by financial-sector actors and use loan guarantees to unlock SME financing by banks and non-bank financial institutions. Non-financial support mechanisms should also be employed to foster SME participation in the supply chains of larger companies.

Main macroeconomic indicators (per cent)

	2019	2020	2021	2022	2023 proj.
GDP growth	6.0	2.0	7.4	5.7	6.5
Inflation (average)	14.5	12.9	10.8	11.4	10.2
Government balance/GDP	-0.3	-3.3	-4.6	-4.2	-4.6
Current account balance/GDP	-5.6	-5.0	-7.0	-0.8	-4.3
Net FDI/GDP [neg. sign = inflows]	3.8	2.9	3.3	3.1	n.a.
External debt/GDP	37.2	53.7	56.0	n.a.	n.a.
Gross reserves/GDP	48.6	58.0	50.8	44.5	n.a.
Credit to private sector/GDP	28.9	35.5	35.6	36.7	n.a.

Macroeconomic developments and policy response

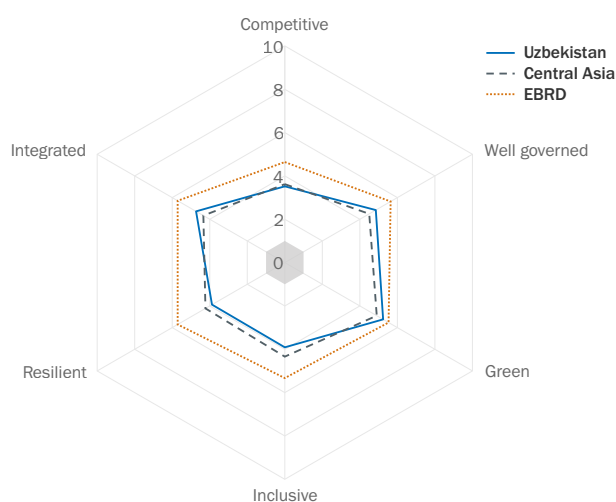
Robust growth continues and inflation is falling. Gross domestic product (GDP) grew 5.6 per cent year on year in the first half of 2023. The economy has been supported this year by strong external demand for Uzbek goods and labour. Exports rose 31 per cent year on year in January to July 2023. However, remittances were down by more than 20 per cent year on year in the first half of 2023 due to a high base effect. Nevertheless, domestic demand remains robust thanks to strong growth in wages and credit. All the main sectors of the economy have expanded this year, although agriculture is growing at a relatively slower pace. Meanwhile, inflation has been decreasing gradually, from a peak of 12.3 per cent in July 2022 to 9 per cent in June 2023, allowing the Central Bank of Uzbekistan to start softening its monetary policy stance. The Uzbek sum lost 4 per cent of its value against the US dollar in August 2023, seemingly driven by the sharp depreciation of the Russian rouble.

Banks are benefiting from a surge in money transfers. The banking sector remains strong and a recent surge in money transfers has added to banks' deposit base and profits. Notwithstanding the recent decline in remittances, bank deposits saw 9.6 per cent year-on-year growth in the first half of 2023. Furthermore, the ratio of non-performing loans to total loans dropped to 3.5 per cent at the end of June 2023 (from 5.3 per cent in June 2022). While banking-sector privatisation has been slowed by the Covid-19 pandemic and geopolitical realities, TBC Bank's successful expansion and the more recent privatisation of Ipoteka Bank by Hungary's OTP Bank suggest the market is ready for more.

Public debt remains low amid strong economic growth, but Uzbekistan's fiscal performance has worsened. The share of general government debt to GDP dropped from 37.1 per cent in 2020 to 34.3 per cent in 2022, mostly thanks to strong economic growth. In 2022 the government budget recorded a deficit of 4.2 per cent of GDP, a small improvement on the 4.6 per cent gap posted in 2021. However, in the first half of 2023 the situation deteriorated, as the deficit widened to 6.17 per cent of GDP. International reserves stood at US\$ 33.7 billion (€31.9 billion) in July 2023, down 5.7 per cent from the beginning of the year, but still high enough to ensure adequate fiscal buffers and cover around 11 months of imports, according to Fitch Ratings.

Strong growth will continue in the short term. We forecast that the economy will grow by 6.5 per cent in 2023 and 2024. The continued relocation of foreign companies, well-managed privatisations and business-climate reforms are potential upsides. An escalation of Russia's war on Ukraine, however, could worsen the outlook by crippling Russian demand for Uzbek labour and goods. In the medium term, growth will be constrained by Uzbekistan's ageing energy and water infrastructure, as exposed by recent gas and electricity outages.

Assessment of transition qualities (1-10)



Structural reform developments

Measures are being taken to increase the country's attractiveness to foreign investors. A presidential decree on “measures for the effective organisation of state management in the sphere of investments, industry and trade within the framework of administrative reforms” was signed in July 2023. It mandates the Ministry of Investment, Industry and Trade to designate managers to guide prospective investors through the processes of permit acquisition, land procurement and integration into relevant infrastructure networks. The decree also establishes the Centre for Investors, under the Agency for Attracting Foreign Investment, to facilitate the granting of visas for foreign investors and otherwise ease their entry into the country.

Value-added tax (VAT) refund procedures are being streamlined. Responding to business community demands, from October 2023 the tax authorities will discontinue the practice of applying the “tax gap” coefficient for VAT refunds. This significantly reduces the room for corrupt practices in tax-refund calculations. The government is also set to implement a transparent entrepreneurial ranking system. Businesses that achieve higher rankings will be eligible for tax exemptions and expedited processing of their VAT refunds, with the turnaround time reduced to a single day.

Institutional support for small businesses is increasing. In August 2023 the president announced the transformation of Kishlok Kurilish Bank into Uzbekistan's Business Development Bank. Through its 14 regional centres, the bank will assist entrepreneurs by offering training and consultancy services in auditing, marketing, legal matters and accounting. Entrepreneurs participating in these programmes will gain access to affordable loans, but will have to cover 10 per cent of the training and consultancy service costs.

Progress is being made on establishing independent market regulators to more effectively regulate natural monopolies. A new presidential decree, signed in July 2023, stipulates that by 2025, independent market regulators will become responsible for regulating tariffs in their designated sectors. The reform will affect the civic aviation, natural gas, railway, telecommunications and power sectors. The Committee for the Development of Competition and Protection of Consumer Rights will prepare specific regulatory frameworks, together with relevant line ministries.

Climate change mitigation efforts are accelerating. In October 2022 Uzbekistan launched a digital platform enabling consumers to acquire locally produced solar panels and solar water heaters on favourable terms. “Green energy” certificates have been issued since July 2023 to further incentivise renewable energy generation. In August 2023 the authorities formulated a comprehensive set of measures to curb greenhouse gas emissions and fulfil their obligations under the Paris Agreement, as part of the World Bank-supported Innovative Carbon Resource Application for Energy Transition (iCRAFT) project.

New laws criminalise gender-based violence. In April 2023 the law on the protection of women and children from violence was amended, increasing the severity of administrative and criminal consequences for domestic violence and banning the conditional release of individuals convicted of abusing minors. These amendments also enhance legal support mechanisms for women and children, in line with Uzbekistan's commitment to foster inclusion and uphold human rights.

Uzbekistan is aligning its legislation with World Trade Organization (WTO) agreements to expedite its accession. In June 2023 the president signed a decree on “additional measures to expedite the republic of Uzbekistan's accession to the World Trade Organization”. The decree prohibits any legislation that fails to adhere to WTO rules and regulations. It also establishes the role of Special Representative for WTO matters within the presidential administration. In August 2023 the president signed another decree to further harmonise Uzbekistan's legislation with WTO agreements.

A new development strategy sets ambitious goals, including on decarbonisation. In September 2023 the president of Uzbekistan signed a decree, approving the “Uzbekistan-2030” strategy, which encompasses 100 quantifiable objectives for the country over the next seven years. Specific targets include increasing GDP to US\$ 160 billion (€151.4 billion) and per capita GDP to US\$ 4,000 (€3,785.90); attracting US\$ 110 billion (€104.11 billion) in foreign direct investment and US\$ 30 billion (€28.39 billion) through public-private partnerships; increasing energy efficiency; boosting the country's transit potential; improving social welfare; fully digitising government services; preserving water resources; and fostering regional cooperation, particularly in the water sector. Crucially, the strategy emphasises the green economy transition, aiming to increase the share of renewable energy to 40 per cent of total consumption (up from the previous 25 per cent target).