

Portfolio Investments and the Investment Climate in Uzbekistan

**Presentation by Donald Nicholson
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Definition of Investor

- **Strategic as in the case of General Motors, Maxam, BAT and TeliaSonera**
- **Institutional as in the case of the International Finance Corporation (IFC), EBRD and the Central Asia Small Enterprise Fund (CASEF)**
- **Speculative as in the case of those who look to take short-term positions in equity and/or debt situations with the objective of realizing a capital gain in the near term**

Things to Keep In Mind

- **Expectations of each investor are very different and need to be clearly understood.**
- **Requirements of each investor differ and also need to be clearly understood.**
- **Host government and regulatory agencies need to be attuned to the requirements – expectations of each and judge accordingly.**
- **Just as there is a big difference between debt and equity, there is an equal difference between a true “*private sector*” investor and a multilateral and/or governmental investor. Best examples of this are in the financial sector and in oil and gas.**

Things to Keep In Mind

- Rules and regulations need to be tailored for each category or type of investor – it's not a “*one size fits all*” type of situation.
- When we look at investors we need to also look at whether they are local or foreign, and if local, are they corporate or individual. As for foreign investors, are they regional, multinational, private, state-owned, corporate, strategic, institutional, and so on.
- Added to the mix above we now have *Sovereign Wealth Funds, Exchange Traded Funds, Opportunity Funds, Sector Specific Funds (natural resources, financial institutions) and Green Funds*. Each has its own specific requirements and objectives.

Turning all of this to now focus on Uzbekistan we have the following:

- **A country with a growing economy that has largely been spared the effects and fall-out from the global crisis.**
- **A country that is strategically located and well positioned for regional and transcontinental trade.**
- **A country with a sizeable population that is young, trained and literate.**
- **A country rich in a wide range of natural resources.**

For a foreign investor we also have the following:

- **Few publicly traded companies with even fewer listed abroad.**
- **Limited success stories that show the full investment cycle from initiation to exit and repatriation.**
- **A need for improvements to the banking sector.**

For a foreign investor we also have the following:

- **A need for further clarification insofar as the differences between investor types and categories**
- **A need for greater understanding and dialogue insofar as the requirements of a particular foreign investor when it comes to such things as access to conversion, import requirements, obligatory conversion of export proceeds and tax related matters.**

Conclusion

In conclusion let me state that while Uzbekistan offers a foreign investor a wide array of attractive opportunities, it is necessary to differentiate between categories of investors and the nature of each.

Much has been done and the benefits are already being seen by the new investors who have come and the others who are looking. This is very positive and encouraging.

It is now up to us in the investment community to continue the effort and the dialogue, with government and the international community, both public and private, to see that the necessary changes are made and the desired results achieved.

Thank you!



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