

PwC Eurasia Legal

Legal Newsletter

December 2022



PwC Legal provides a broad range of legal services in Kazakhstan, Azerbaijan, Armenia, Georgia, Mongolia and Uzbekistan, which are complementary to our Assurance, Advisory and Tax practices. Below we outline significant legislative changes for December in these countries.

In particular we draw your attention to **the Presidential Decree approving Uzbekistan's investment programme for 2023-2025**. This is a very important indicator for the Uzbek economy.

Kazakhstan

The President signed the Decree on measures to return assets taken illegally to the state

To return assets taken illegally to the state, and to identify illegally received assets and their return to the state, the Decree instructs the Government together with the General Prosecutor's Office and other interested state bodies and organizations to develop and submit to the Mazhilis before 31 March 2023 a draft law aimed at:

- determination of entities, who fall under the regulation of the law;
- regulation of mechanisms for disclosure, confirmation of origin and return assets taken illegally to the state;
- ensuring transparency of procedures for the return assets taken illegally to the state;
- encouraging the voluntary transfer assets taken illegally to the state;
- adoption of systematic measures for elimination of the reasons and conditions that led to the illegal withdrawal of assets;
- creation of a consultative and advisory body on the return assets taken illegally to the state with the determination of its authorities;
- formation of a special state fund accumulating incoming assets taken illegally to the state and managing them to finance social and economic projects aimed at improving the welfare of the people of Kazakhstan.

Azerbaijan

New model regulation on clusters of micro, small and medium business entities approved

The new model regulation on clusters of micro, small and medium business entities has been approved by the Decree of the President dated 15 December 2022. The Model Regulation governs the organizational, legal and economic framework for creation and liquidation of clusters of micro, small and medium-sized enterprises ("**SME cluster**"), as well as functioning of entrepreneurial activity in the SME cluster.

To establish an SME cluster, the relevant commercial legal entity should obtain an SME cluster company certificate from an authorized entity.

The Government approved the Regulation on state financing of patenting of inventions and useful models in foreign countries

According to the Decision of the Cabinet of Ministers dated 9 December 2022, 50% of the expenses for patenting of inventions and useful models within the member states of the Patent Cooperation Treaty (PCT) will be financed by the state for the first 3 years. In addition, the state financing regulation procedures for the expenses have been introduced by the Decision.

Georgia

Draft Law on Electronic Commerce

On 21 December 2022 the Government initiated the process of adopting the Law "On Electronic Commerce" by the Parliament. Currently, electronic commerce is not directly regulated in Georgia. The purpose of the draft law is to:

- promote proper functioning of the internal market by ensuring free flow of electronic commerce;
- protect the rights of consumers in the process of electronic commerce, and
- determine the rights and duties of intermediate service providers.

The Georgian National Competition Agency will be the supervisory body, which will monitor the protection of consumer rights under the Law "On Electronic Commerce".

New Regulations in the Pharmaceutical Sector

On 26 December 2022 the Government adopted Ordinance No. 593 “On Approval of Methodology, Rules and Conditions for State Regulation of Pharmaceutical Product Price” (the “**Ordinance**”). The Ordinance sets rules for calculation of maximum wholesale and retail prices of pharmaceutical products, thus, capping the mark-ups of wholesalers and retailers of pharmaceutical products. The violation of the rules and obligations established by the Ordinance is subject to administrative liability (warning or fines in the range of GEL 5,000 - 30,000).

Mongolia

The Government approved the Procedure for online trading of coal for export

On 14 December 2022 the Government adopted the Resolution No.466 approving the Procedures for online trading of coal for export. The Government assigned the Financial Regulatory Commission to conduct the online coal trading at the Mongolian Stock Exchange JSC, and to monitor the implementation, until the Law on Mining Products Exchange enters into force. Mongolia will start selling coal at border prices instead of mine-mouth prices through commodity exchange from 1 February 2023.

The Government approved the Working procedure for the new Licensing Council

The Government adopted the Resolution No.462 dated 14 December 2022 approving the Working procedure of the Licensing Council. This procedure regulates the activities of the Licensing Council, which is responsible for monitoring the activities of persons authorized to grant licenses and permits; and providing recommendations and opinions on the grounds and requirements for amendments to the Law on Permits. The Licensing Council would work on an ad-hoc basis. It will consist of a head, secretary and 11 members providing the representations from the government, private sector, and non-governmental organizations under the supervision of the Prime Minister.

Dissolution of the largest inspectorate in Mongolia

In the matter of dissolution of the General Agency for Specialized Inspection of Mongolia (“**GASI**”) and the transfer of its functions to applicable ministries, the amendments have been made to the organizational structure and staff limits to the ministries by the Government’s Resolution No.469 dated 21 December 2022 “On measures to be taken for the transfer of function of specialized inspection to ministries”. The GASI was first established in 2002 and used to have more than 2,000 inspectors in 21 provinces and Ulaanbaatar city. Therefore, it was responsible for inspecting the operations of all businesses across the country.

Uzbekistan

The Presidential Decree approved Uzbekistan’s investment programme for 2023-2025

On 28 December 2022 the President approved the Decree on Measures to Implement the Investment Programme of the Republic of Uzbekistan for 2023-2025 (the “**Decree PP-459**”). This is a very important document in terms of plans (indicators) for the economy, namely to accelerate the widespread introduction of modern technologies in industry, services and agriculture, to accelerate investment processes and actively attract foreign direct investment to the regions, as well as to create well-paid jobs and provide local employment. Objectives of the Decree PP-459 include:

- Target indicators of centralised and non-centralised investments,
- Targets for investment and loan disbursement by sector and region.

The Decree PP-459 also includes provisions for the investment programme for 2023:

- A consolidated targeted programme for the development of investments and loans;
- List of major production facilities and capacities to be commissioned;
- List of strategic investment projects;
- Addressed list of investment projects implemented with foreign loans on behalf of Uzbekistan or under the guarantee of Uzbekistan;
- List of investment projects implemented with foreign direct investment and loans;

- List of investment projects which require development, coordination and approval of pre-project and project documentation;
- List of prospective investment projects, the possibility of implementation of which will be developed;
- List of new investment projects for which external public debt is planned to be raised.

Programme for transition to “green” economy

On 2 December 2022 the President approved the Decree on Measures to Improve the Effectiveness of Reforms for Uzbekistan's Transition to “a Green Economy” by 2030 (the “**Program**”). The main goals of the Programme include increasing the production capacity of renewable energy sources, expanding green areas, introducing water-saving irrigation technologies.

Starting from June 2023, a “green certificate” system based on requirements to limit the environmental and ecological impact of product manufacture will be introduced.

IFRS standards and interpretations will be applied in Uzbekistan

The Ministry of Finance approved the Order on Adoption of the International Financial Reporting Standards (the “**Order**”). According to the Order more than 60 international standards and interpretations will be applied in Uzbekistan.

The Order entered into force on 13 December 2022.

Armenia

Armenia ratified a number of Eurasian Economic Union (EEU) Agreements related to the application of navigational seals, exchange of information in the field of anti-money laundering procedures and implementation of audit activities

The Agreement dated 19 April 2022 on the application of navigational seals for tracking shipments in the EEU

The Agreement regulates the use of navigation seals in the EEU to track the transportations across the territories of two or more Member States and the mechanism for organizing such tracking. The objects of tracking are goods (products), vehicles.

The Agreement dated 20 July 2021 on the exchange of information in the field of anti-money laundering procedures and financing of terrorism prevention when moving cash and (or) monetary instruments across the customs border of the EEU

Under the Agreement the Member States shall interact and exchange information for the purpose of anti-money laundering procedures and financing of terrorism prevention when moving cash and (or) monetary instruments across the customs border of the EEU. Information exchange is carried out by submitting information declared by an individual when moving cash and (or) monetary instruments in the passenger customs declaration and declaration for goods.

The Agreement dated 19 April 2022 on the implementation of audit activities within the framework of EEU

The Agreement provides for a permission mechanism allowing auditors of one Member-State to implement audit activities in the other Member-State, and also defines common approaches to the implementation and regulation of audit activities in Member-States.

The respective laws on ratifications came into force on 20 December 2022.

Amendments for the improvement of alternative dispute resolution came into force

Amendments were made to the Law “On Mediation” which is conditioned by the need of reforming the institution of mediation. In 2018, with the adoption of the Law “On Mediation”, the legal basis for the implementation of mediation was established. However, as a result of the analysis of law enforcement practice, it became clear that in order to ensure the effective functioning of the mediation institute, it is necessary to develop and implement legislative reforms. The amendment will incentivize the development of mediation as an alternative means of dispute resolution, which will also lead to the relief of the courts’ workload.

The amendments include the following regulations:

- The possibility of online mediation in case of mutual agreement of the parties or in other cases provided by law.
- Provision for mandatory mediation procedure in certain family cases.
- Provision of certain specifics regarding the registry and procedure for appointment of mediators.
- Clarification of the procedure for subjecting mediators to disciplinary responsibility.

The Government approved the initiative to amend a number of legal acts to improve the control over the pharmaceutical industry

Under the current Law “On Medicines” it is not possible to control violations related to the sale of unregistered or counterfeit medicines in Armenia, the provision of non-pharmacological advice, the storage of expired medicines. The draft amendments to the Law “On Medicines” provides for a legal possibility to implement state control through control purchases. Thus, the draft amendments introduce effective legislative mechanisms for detection of violations for the Health and Labor Inspection Body of Armenia.

At the same time, it is proposed to increase the fines for violating the requirements of the medicines circulation sector in the Code of Administrative Offences.

Are you interested in any of the topics?

- We would be pleased to discuss with you the legislative changes and how they can impact your business;
- We can analyze and implement possible steps to ensure compliance with the new requirements.

If you are interested in additional information, please contact the respective PwC specialists.

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