

# Sporting Chance

## Uzbekistan

With gambling banned for years, Uzbekistan is teetering on the brink of change with a tangible new decree to introduce sports betting to the nation.

Once closed off to tourists Uzbekistan is fast becoming a popular destination offering a blend of old and new culture.

Traditionally there have been around six million tourists annually to Uzbekistan. This dropped to 1.5 million after Covid whilst in 2022 figures jumped back up to around 5.2 million. The majority of these come from neighbouring countries. It is anticipated the number of international tourists to the country this year will top seven million whilst domestic tourism will see 12 million. Revenues from tourism amounted to US\$1.61bn in 2022 compared to \$951m in 2019.

Several measures have been taken recently to foster a 'barrier free tourism' policy. In May 2022 the country set up a visa-free regime which means 93 countries can travel visa-free whilst there is an e-visa system for 57 countries including the US. The goal is to see nine million foreign tourists by 2025 and grow the \$1bn in tourism revenue back in 2018 to \$2.2bn.

There has been \$100m allocated to improve infrastructure and the hope of attracting global hotel brands and increasing the total number of rooms from 20,200 to 64,000 by 2025.

Accor opened its first hotel in the country late

last year. The Mercure Tashkent offers 126 rooms, spa and meeting and event venues whilst IHG Hotels and Resort opened a luxury InterContinental hotel in Tashkent in June with 216 rooms. Deutsche Hospitality is also planning an Intercity Hotel in the capital this year with 122 rooms.

There are 66 new hotels planned for the capital plus 12 shopping and entertainment centres and nine parks. 'Green corridors' at train stations have also been created alongside an electronic registration system for visitors. The restrictions on currency exchange have also been lifted.

Airports are being modernised. Uzbekistan Airports separated from Uzbekistan Airways in 2019 and controls the country's 11 international airports. Previously Uzbekistan Airways was the only airline in the Uzbek market with 100 per cent state support maintaining a monopoly situation.

New air routes are also being developed with at least 10 international flights a day and a Travel to Uzbekistan programme with a cash-back system was launched last year to reimburse some costs for domestic travellers. Uzbekistan Airports established its Silk Avia airline earlier this year to meet the expanding domestic tourism demand with low-cost prices.







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There is a plan to create more tourist zones in Zaamin, Farish, Bakhmal districts and the Aidar Arnasai lake system with a promotion of 'safari' tourism and an overhaul of the beach areas.

President Shavkat Mirziyoyev is keen to boost tourism business in the country and recently signed several measures including a reduction in taxes for businesses.

Mirziyoyev was an interim president after the death of Karimov in 2016. He later won a full term in the presidential elections at the end of that year. He served as Prime Minister between 2003 and 2016 and was a younger protégé of repressive president Islam Karimov who had served for 25 years with an iron fist.

He has pushed for economic reform and liberalisation and his policies have lifted many trade barriers and encouraged foreign investment. He won a second term in 2021 in an election with little competition and he has introduced several civil rights and personal freedom reforms. His leadership is not without controversy however including a recent law and snap elections in July to extend presidential terms from five to seven years meaning he could now serve until 2037.

As part of his reforms, Mirziyoyev targeted the self-governance of Karakalpakstan which initiated protests in July last year which then degenerated into violence resulting in 21 deaths and 240 plus injured.

Karakalpakstan occupies two-fifths of Uzbekistan and has a population of around two million. Essentially it is an autonomous republic within Uzbekistan. There are still trials ongoing as authorities try to pin the results of the protests on the demonstrators.

Meanwhile, economic growth for Uzbekistan has been predicted at five per cent for this year and next year. Risks continue in the form of sanctions on Russia and the impact this has on exports.

The population is growing at a rate of two per cent annually and there is a need for more schools and better quality of education.



### THE GAMBLING MARKET

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in cash which has caused all sorts of issues with random betting odds and unpaid winnings.

Then things began to change. In 2019 the Uzbek authorities raised the issue of legalising bookmakers saying the state was losing up to \$50m a year because of the ban.

So discussions about legalising online and landbased sports betting began and President Mirziyoyev issued a decree in 2019 'On Measures to Raise Football to a Completely New Stage in the Development of Football in Uzbekistan' which focused on the development of football until 2030.

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So changing the law in Uzbekistan is time-consuming to say the least. A law in 2007 (No. 608) prohibited games such as totalisators, internet gaming, slot machines, and casinos. The government said gambling didn't meet the "spirit of the Uzbek people, their traditions or way of life" and stimulated the growth of crime.

Most gamblers at the time travelled over to Kazakhstan whilst others went underground and reports of illegal cock and dog fights are rife.

Meanwhile, players accessing offshore sports betting sites is common and it has been reported that Uzbek players gambled around \$50m on foreign sports betting websites. Local shadow bookmakers are also offering bets and working

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It would introduce amendments to the Criminal Code and the Administrative Responsibility



Essential information and facts about Uzbekistan:

Capital	Tashkent
Total Area	447,400sq.km
Population	31.3 million
Median age	30.1 years
Religion	Muslim, other
Ethnic Groups	Uzbek, Tajik, Kazakh, Russian
Languages	Uzbek (official), Russian, other
Currency	Som (UZS)
Government type	Presidential Republic
Chief of State	President Shavkat Mirziyoyev (since 2016)
Head of Government	Prime Minister Abdulla Aripov (since 2016)
Elections	President elected by majority vote. Next election due 2026. Prime Minister nominated by majority party.
Unemployment	6 per cent (2022)
Tourism	6.75m (2019)



Code to establish the responsibility of those violating betting activities or participating in fixed games.

The Agency for Capital Market Development and various departments submitted a draft regulation proving for:

- Implementation of licensing of betting activities to be organised and issued by Agency for Capital Market Development.
- Regulation of the provision of services by business entities in betting activities in telecommunication networks, including internet providers.
- Directing part of the income of those betting activity business entities to the development of sports including football.
- Introduction of mechanisms of state control over betting activities.

According to sports development ministers, legalising bookmakers will develop professional and children's football in the country and up to 45 per cent of the incoming taxes from bookmaker activities would be invested in this development – to construct stadiums, training fields and academies, hold amateur tournaments and set up talent scout and education programmes. Broadcast of games, sales of merchandise and tickets would be privatised.

In neighbouring Kazakhstan it was said at the end of 2018 bookmakers sponsored domestic sports to the tune of T1bn (approx €2m) with

around T16bn going to the treasury in taxes (€32m).

At the time only two private clubs were registered in the Uzbekistan Super League – Pakhtakor Tashkent which is 80 per cent privately owned by SFI Management (run by Russian billionaire Alisher Usmanov) and the Kokand 1912 club from the Ferghana region. Other clubs use state subsidies and are often in the care of state-owned companies. The idea is to transfer club shares to the State Assets Management Agency which will then put them up for sale and gradually transferred to entrepreneurs with the plan to 'benefit the development of football.'

The plan aimed to turn football into the "most popular sport" in Uzbekistan and set up a section and training programme for gifted professional players and develop the sport in schools and introduce and improve levels of training and competitions.

The idea is part of an overall privatisation plan in Uzbekistan and part of Mirziyoyev's economic reform agenda which has just re-started after delays due to the pandemic and the war in Ukraine. Recently Tashkent agreed to sell off one of the country's 12 state-owned banks (UzAgroExportBank) to Uzbek tycoon Olimjon Shodiyev who owns a company called Support Level.

Initially, January 2021 was cited as the date betting activities would be approved but nothing happened. Some said the delays were due to the changes in the government bodies which regulate gambling.



Interest in betting had increased during the 2020 lockdown and several companies were already preparing to open in the country.

Then in April 2021 the Agency for Capital Market Development was abolished and all functions were transferred to the Ministry of Finance which is now the Ministry of Economic Finance. By Autumn 2021 government agencies were preparing a legal framework for bookmaker activities but then in early 2022 President Mirziyoyev withdrew his support for the decree and stated he intended to launch a campaign against unlicensed gambling.

However, a year later the idea has resurfaced once again via a new resolution and the

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President has apparently ordered the Ministry of Youth Policy and Sports and the Football Association to set up a working group to work on proposals.

In April this year he signed a resolution 'On additional measures for the Comprehensive development of mass and professional football' and it is said that by the end of this year there will be proposals in place to implement betting activities.

The resolution is aimed at developing grassroots and professional football in the country and contains a clause about bookmakers that looks at the implementation of betting activities to help fund football activities.



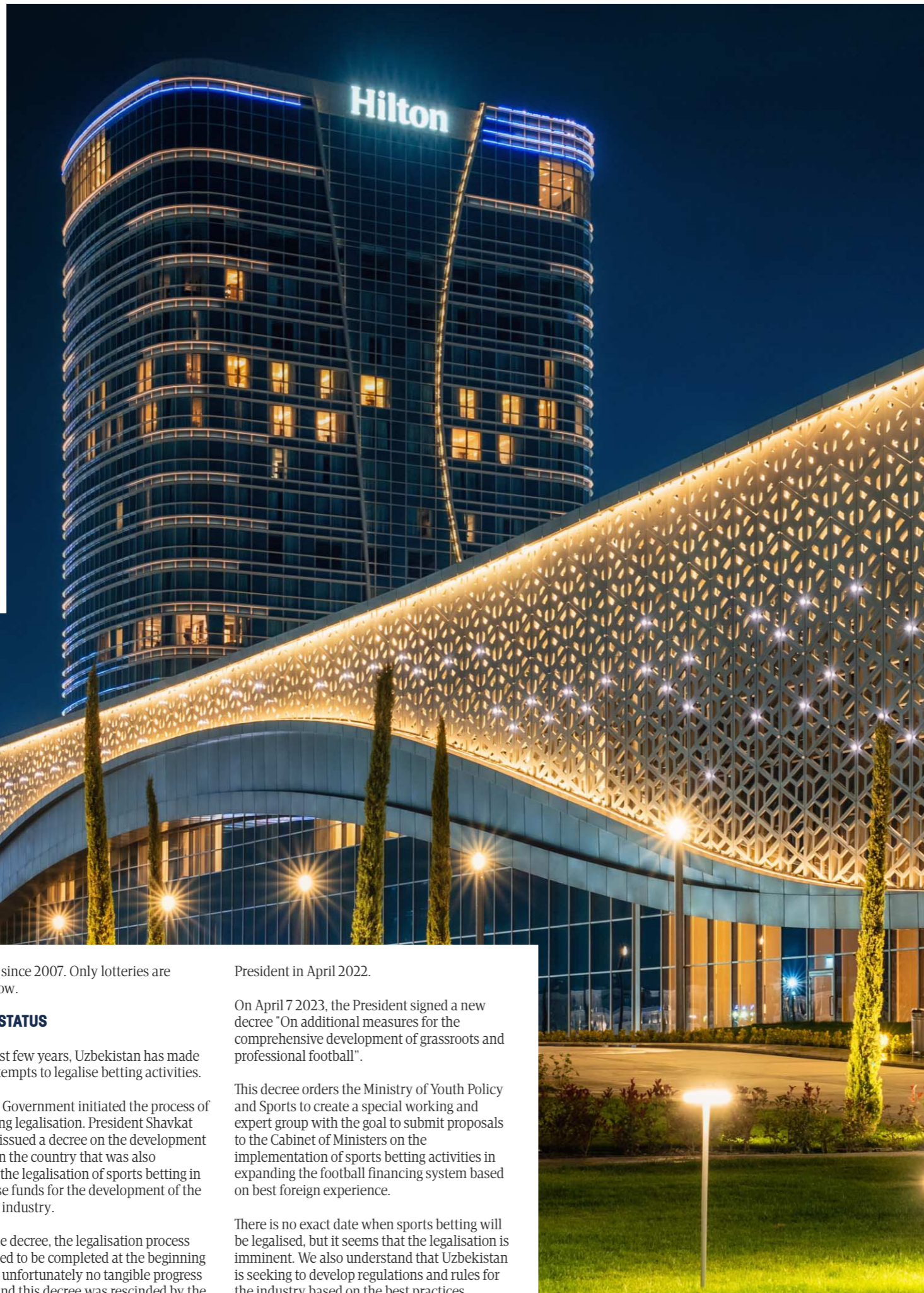


# Developing Grassroots

## Uzbekistan

Consulting agency, 4H, provides an overview of the current state of the gambling regulation in Uzbekistan.

4H Agency is an international consulting company in the field of gambling providing guidance relating to licensing, regulations, public affairs, banking and payments.



### BASIC MARKET INDICATORS

Below is an overview of some of the details, according to the World Bank Ranking, about Uzbekistan to better understand the context of this market:

- GDP (2022) – US\$80.4bn (Uzbekistan ranks 76th in the World Bank GDP Ranking between Côte d'Ivoire and Belarus)
- GDP per capita (2022) – \$2,254.9
- The population is 35.6 million.
- Internet penetration rate – 76.6 per cent.

### REGULATORY OVERVIEW

Gambling has been completely banned in

Uzbekistan since 2007. Only lotteries are regulated now.

### CURRENT STATUS

Over the past few years, Uzbekistan has made repeated attempts to legalise betting activities.

In 2019, the Government initiated the process of sports betting legalisation. President Shavkat Mirziyoyev issued a decree on the development of football in the country that was also prescribing the legalisation of sports betting in order to raise funds for the development of the local sports industry.

Based on the decree, the legalisation process was supposed to be completed at the beginning of 2021, but unfortunately no tangible progress was made and this decree was rescinded by the

President in April 2022.

On April 7 2023, the President signed a new decree "On additional measures for the comprehensive development of grassroots and professional football".

This decree orders the Ministry of Youth Policy and Sports to create a special working and expert group with the goal to submit proposals to the Cabinet of Ministers on the implementation of sports betting activities in expanding the football financing system based on best foreign experience.

There is no exact date when sports betting will be legalised, but it seems that the legalisation is imminent. We also understand that Uzbekistan is seeking to develop regulations and rules for the industry based on the best practices.

### 4H Agency

<https://4h.agency>

4H Agency: Delivering expansion.

Information supplied by 4H Agency, providers of expert guidance to B2C operators and B2B providers, spanning market insights, payments, product localization, regulations, licensing, public affairs, and more.

With a versatile team across gambling sectors, 4H Agency offers 360-degree support and market guidance.

Large population, high level of GDP and internet penetration in the region make it possible to consider legalisation in this country quite promising for both the state and operators. A correctly chosen approach to the regulations will allow both for the protection of citizens from offshore gambling that is now dominating the market and for the sustainable development of the regulated industry.

Judging by the fact that the government of Uzbekistan over the past few years has made two attempts to legalise betting activities, we are of the view that this issue is on the Government's agenda and the position of the President on it is clear – gambling industry needs to be regulated. Let's hope that the second legalisation attempt will be successful and we will be able to see the draft of the proposed regulation by the end of 2023.

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