

# Caucasus and Central Asia: Legal Insights

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# News digest

Welcome to our Legal Insights, where we provide a brief overview of recent legislative developments across five key jurisdictions: Uzbekistan, Azerbaijan, Georgia, Kazakhstan and Armenia. In our Legal Insights, we delve into the latest legislative acts that are shaping the legal landscape in these countries. Our analysis aims to equip you with essential insights and practical implications of these new laws, ensuring you stay informed and strategically prepared in an ever-evolving regulatory environment. Join us as we explore these significant legal updates and their potential impact on your business and practice.



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# Uzbekistan

## New Regulation for Mandatory State Registration of High-Risk Products

On August 14, 2024, the Cabinet of Ministers of the Republic of Uzbekistan introduced a new [regulation](#) governing the mandatory state registration of high-risk products (hereinafter "Regulation"). This Regulation specifically targets products such as children's clothing, children's dishes, and other items deemed to carry higher risks.

Under the new Regulation, both domestically produced and imported high-risk products must undergo state registration. To ensure these products meet all necessary legal and technical standards, manufacturers, authorized representatives, sellers, or importers are required to submit an application, complete with all relevant

documentation, to the designated regulatory authority.

Following a thorough review, the regulatory authority will issue a compliance certificate and record the product details in the state register. The certificate, which confirms that the product meets the required standards, is valid for a period of 3 years.

The Regulation will enter into force in November 25, 2024.

## Establishment of the National Investment Fund of the Republic of Uzbekistan

On August 27, 2014, a Presidential [Decree](#) established the National Investment Fund of the Republic of Uzbekistan (hereinafter "Fund") with the aim of enhancing the country's investment appeal, increasing foreign direct investment, and accelerating the transformation of major state-owned companies and commercial banks. The Fund also seeks to implement modern corporate governance mechanisms.

Key objectives of the Fund:

- **Enhance Asset Value:** Increase the market value of the Fund's net assets,
- **International Listing:** List the Fund's shares on leading international stock exchanges,
- **Attract Institutional Investors:** Engage top international institutional investors to participate in the Fund's investment processes and asset privatization,
- **Adopt Governance Standards:** Implement the

Organization for Economic Co-operation and Development (OECD) corporate governance standards, transition to international financial reporting standards, and adopt Environmental, Social, and Governance (ESG) standards for the Fund's investment assets.



# Georgia

## Adoption of Bilateral Investment Protection Treaty between Georgia and Hungary

On August 9, 2024 Government of Georgia adopted Resolution No. 255 on entry into force of Georgia-Hungary Agreement on Support and Mutual Protection of Investments (hereinafter – “BIT”).

The Georgian-Hungary BIT was signed on July 19, 2024 and provides for protection of investments in the signatory countries.

Entry into force of the treaty marks the Hungary as the 40th country with which Georgia has BIT i.e. special regime for protection of investments under international law.

After completion of the relevant domestic procedures by Hungary, the BIT will become into full force.

## Approval of Beekeeping Support Program

On August 1, 2024 the Government of Georgia approved Beekeeping Support Program (hereinafter – “Program”). The Program aims at supporting development of beekeeping industry in the country contributing in agricultural economy building through the regions.

Through the Program, the beneficiaries, local beekeepers, will obtain co-financing for the necessary equipment and facilities.

Total budget for the Program is envisioned to be GEL 2,000,000 (approximately USD 742,000).



# Azerbaijan

## Employment relations are now formalized through electronic agreements signed with enhanced electronic signature

The Labor Code of the Republic of Azerbaijan has been amended by the [Law](#) dated June 28, 2024, introducing significant changes. Employment agreements are now officially established when executed electronically within the information system of the and Social Protection of the Population of the Republic of Azerbaijan, except in cases requiring agreements in paper. Previously, employment agreements took effect only after the employer's notice was registered and confirmed electronically. Now, the agreement takes effect once both parties sign with an enhanced electronic signature, such as Asan Signature or SIMA Signature.

The amendments also allow for other employment-related documents to be handled electronically.

Employees can submit resignation notices and leave requests through the electronic system, and employers can issue orders and directives, including certificates and references, in the same manner.

Additionally, the amendments remove the requirement for employees to provide a labor book when entering into new employment agreements. Information about an employee's work activity will now be recorded exclusively through the electronic system, except for certain state employees who must use paper agreements. The amendments also change the termination process for fixed-term agreements, requiring notice at least one week before expiration to avoid automatic renewal.

The Law took effect on August 12, 2024.

## Antimonopoly and Consumer Market Control State Agency has been established

According to the [Decree](#) of the President of the Republic of Azerbaijan on additional measures related to the improvement of management in the areas of antimonopoly and consumer market control dated August 27, 2024 (hereinafter - "Decree"), Antimonopoly and Consumer Market Control State Agency under the President of the Republic of Azerbaijan (hereinafter - "Agency") has been established on the basis of the Antimonopoly and Consumer Market Control State Service (hereinafter - "Service") under the Ministry of Economy of the Republic of Azerbaijan.

The Agency is a central executive authority that carries out state supervision and regulation in the areas of antimonopoly, unfair competition, public procurement, advertising (except outdoor advertising), standardization, metrology, technical regulation, conformity assessment, accreditation,

quality management, consumer protection and consumer market control.

Until the approval of its regulations, structure and number of employees, the Agency will be operating by applying the existing regulations, structure, number of employees, salary and compensation system of the Service.

Removal of the Agency from the structure of the Ministry of Economy could be expected to contribute to the Agency's ability to make decisions without the influence of economic policy priorities that the Ministry of Economy may have.

The Decree entered into force on August 27, 2024.



# Kazakhstan

## On August 9, 2024, amendments to the Rules for financing R&D for subsoil users in the mining sector came into force, providing for mandatory approval of scientific research programs with the Scientific and Technical Council

[Joint order](#) of the Acting Minister of Industry and Construction of the Republic of Kazakhstan No. 272 dated July 19, 2024 and the Minister of Science and Higher Education of the Republic of Kazakhstan No. 365 dated July 23, 2024 made changes to the "Rules of financing of research, scientific and technical and (or) experimental design work in the amount of one percent of production costs incurred by the subsoil user in the previous year" (hereinafter - "Rules").

The key changes in the Rules:

- Financing of scientific research by subsoil users should be conducted strictly in accordance with the program agreed upon by the Scientific and Technical Council under the Ministry of Industry and Construction of the Republic of Kazakhstan (hereinafter - "STC");
- Subsoil users have to provide the STC with information on the results of scientific and (or) scientific-technical activities and reports;

- In order to fulfill their obligations, subsoil users must finance the following:
  - 1) scientific researches in accordance with the list of priority industry areas of the STC,
  - 2) projects of participants in the Innovation Technologies Park,
  - 3) projects of the innovation cluster of the Nazarbayev University,
  - 4) or send funds to the NCO under the National Welfare Fund Samruk-Kazyna JSC.

It should be noted that these changes were made to implement [the instructions of the President K.K.Tokayev](#) on the need to ensure centralization, increase the transparency of deductions, and distribute subsoil users' funds based on national scientific priorities.

At the same time, the new Rules strengthen state control over the proper fulfillment by subsoil users of their obligations to finance R&D.

## Moratorium on the creation of quasi-state companies introduced in Kazakhstan

By the [Resolution](#) of the Government of the Republic of Kazakhstan dated August 21, 2024 No. 678 "On the introduction of a moratorium on the creation of quasi-public sector entities", which entered into force on August 21, 2024, a moratorium on the creation of quasi-public sector entities was introduced. The moratorium is in effect until December 31, 2026.

However, an exception is provided, the moratorium does not apply to the following cases:

- in order to ensure the implementation of the Law of the Republic of Kazakhstan "On the return of illegally acquired assets to the state";
- in special cases on direct instructions of the President of the Republic of Kazakhstan.

The moratorium is aimed at realizing the goal of freeing up economic space and fully realize the potential of private entrepreneurship. Earlier, by [Decree](#) of the President of the Republic of Kazakhstan dated May 8, 2024 No. 542 "On measures to liberalize the economy", the Government of the Republic of Kazakhstan was instructed to carry out a large-scale and accelerated reduction in the share of the public sector in the economy by completing the privatization process and establishing regulatory conditions that prevent a repeated increase in the number of state-owned enterprises in competitive areas.





## Changes are made to several regulations to support the use of small-scale renewable energy facilities

The [Law](#) of the Republic of Kazakhstan No. 96-VIII on June 19, 2024, introduces amendments to some legislative acts on support for the use of renewable energy sources and the electric power industry.

In particular, in the Law of the Republic of Kazakhstan “On support for the use of renewable energy sources”, the concept of ‘small-scale renewable energy facility’ has been introduced: technical devices with a total installed capacity of up to 200 kilowatts (inclusive), intended to produce electric and (or) thermal energy using renewable energy sources (RES), and the structures and infrastructure associated with them that are technologically necessary for the operation of a small-scale facility. Owners of small-scale RES, as now, will be able to use electricity and/or heat energy generated by such facilities for their own needs and sell surplus electricity to an energy supplying organization.

Following amendments were also made to the Entrepreneurial Code of the Republic of Kazakhstan: a natural person who is a net consumer of electricity has the right not to register as a sole proprietor in connection with the activities related to the generation of electricity and/or heat or the sale of electricity generated by a small-scale renewable energy facility.

The amendments entered into force on July 1, 2024.

Additionally, by [order](#) of the Prime Minister of the Republic of Kazakhstan No. 119-r dated August 10, 2024, it is planned to introduce amendments and additions to eight regulatory legal acts on issues of supporting the use of renewable energy sources and electric power industry.



# Armenia

## Amendment to the Civil Code of the Republic of Armenia

The [Law](#) “On Amendment to the Civil Code of the Republic of Armenia” entered into force and the Code of Corporate Governance (hereinafter – “Code”) was included into Civil Code (Article 76.1).

The general provisions of amendment are followings:

- The Code is a legal act approved by the authorized body that develops the policy of the Republic of Armenia in the field of investment promotion, which contains principles and guidelines aimed at increasing the efficiency of the management of an economic company, protecting the rights of participants, increasing transparency and accountability,
- Adherence to the Code is voluntary by economic companies, unless otherwise provided by law,
- The authority to adopt a decision on joining the corporate governance code belongs to the general meeting of participants of economic companies, unless otherwise provided by law or charter,
- This amendment is aimed to encourage long-term investments, enhancing the stability of the business sector, economic growth, and increasing public participation in economic decision-making.

### The Code of Corporate Governance

The Code was developed in accordance with the principles of corporate governance established by the Organization for Economic Co-operation and Development (OECD), the Basel Committee on Banking Supervision’s “Guidelines for Improving Corporate Governance of Banking Organizations”, the OECD Guidelines on “Corporate Governance in State-Owned Organizations”, and the EBRD-OECD “Corporate Governance of Eurasian Banks: Collection of Proposals”.

The provision of Code is adopted in 49 countries, with varying degrees of enforcement: in some countries, it is applied imperatively, while in others it is adopted voluntarily or in a mixed manner.

On December 30, 2010, by Decision No. 1769-A of the Government of the Republic of Armenia the Code was approved in Armenia. However, there was not an authorizing norm for its application under RA legislation before this amendment.

### The provisions of the Code

The Code consists of following four chapters:

- Rights of the shareholders and the authorities of the general meeting of the shareholders, which discusses the process of communication among the shareholders, the procedure of the distribution of general meeting notices and agendas, the voting procedures, the dividend payment policy, and state as a shareholder,
- The board of directors, which discusses the composition, functions and responsibilities of the board members, criteria for independent members, committees and their main types, ethical commitment of the board, nomination, and evaluation principles, etc.
- Disclosure and transparency of information, which covers provisions on annual reporting, insider trading, internal and external audit procedures, norms of ethics, increase of the charter capital of the company by the board,
- The beneficial owners, which sets out the ethical norms of mutual respect, cooperation policy, access to the information of the company, mutual communication between the company and its beneficial owners, etc.



# Contacts

For more detailed insights or tailored advice regarding legislative changes, please feel free to contact our team in each respective country:



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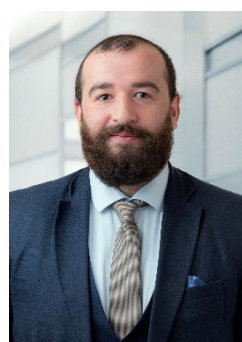


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