

BREAKING WITH THE PAST?

MAY 2019

POWER BRIEFS | CENTRAL ASIA

01

CONFLICTS OF
INTEREST AND
TRANSPARENCY

IN
MIRZIYOEV'S
UZBEKISTAN

PROFESSOR
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POWER BRIEFS | CENTRAL ASIA

ABOUT THE SERIES

Drawing on the systematic methodologies behind investigative journalism, open source intelligence gathering, big-data, criminology, and political science, this series maps the transnational corporate, legal and governmental structures employed by organisations and figures in Central Asia to accumulate wealth, influence and political power. The findings will be analysed from a good governance, human rights, and democratic perspective, to draw out the big picture lessons.

Each instalment will feature a digestible analytical snapshot centring on a particular thematic, individual, or organisation, delivered in a format that is designed to be accessible to the public, useful to policy makers, and valuable to civil society.

SERIES EDITORS 2019

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Kristian Lasslett is Professor of Criminology and Head of School (Applied Social and Policy Sciences) at Ulster University. He has pioneered investigative methods and data-modelling techniques for documenting the social networks, processes and transactions essential to the organisation of grand corruption and kleptocracy. These techniques have also been employed to detect red flags in high risk governance environments. Professor Lasslett's findings have featured in a wide range of leading international scientific journals, two monographs, feature length documentaries and print-media exposés.

I.

EXECUTIVE SUMMARY

Since its transition from the Soviet Union, Uzbekistan's government has cautiously developed a market based economy. It has been a politically overdetermined process, with little transparency or independent oversight. Business entities tied to influential political patrons or possessing powerful shadow owners, have enjoyed preferential access to state aid and market opportunities, while being largely exempt from state administered extortion rackets endured by competitors.

In an attempt to break from the past practices of the Islam Karimov regime, President Shavkat Mirziyoyev and his government have vigorously promoted their pro-business credentials. They are delivering on this claim through an expansive programme of privatisation, deregulation and state aid. However, commentators have warned that if this process is choreographed by political decision makers in an environment fundamentally lacking in transparency, accountability, and impartiality there is a serious risk that an explicitly oligarchical system will emerge, bringing with it growing inequality and instability.

Arguably a bellwether for the new Uzbekistan envisaged by President Mirziyoyev is the rising political figure, Jahongir Artikhodjayev. In addition to being the Mayor of Tashkent, Artikhodjayev is one of the country's most successful businessmen having founded the Akfa and Artel groups. He embodies Mirziyoyev's stated goal of a modernising nation administered by entrepreneurs.

This Power Brief aims to examine how public and business integrity reforms are working in practice, using the Tashkent Mayor, and the business empire he founded as a case study. Drawing on new applications of data science and investigative techniques, this case study scrutinises how conflicts of interest, state aid, public procurement, freedom of information, and corporate transparency are being managed in practice.

There are some encouraging signs. For example, greater public engagement from senior officers in government and private enterprise was noted. So to were improvements in the depth and breadth of public data released by different state authorities.

Despite these laudable improvements, the findings indicate that the current reform agenda still takes place in a high risk political environment. There is an absence of accessible, clear, transparent and objective criteria governing how businesses are selected to receive

state aid, lucrative opportunities, and preferential treatment. More broadly speaking public decision making and public administration is not conducted in a transparent manner. Information on the beneficial ownership and financial standing of limited liability companies is also unavailable in Uzbekistan. There is a lack of robust procedure for declaring and managing conflicts of interest. While actively obtaining information that would allow procurement, conflicts of interest, and government decisions to be publicly scrutinised, remains an extremely challenging task despite freedom of information laws.

FINDINGS

Key findings with respect to the Akfa-Artel group presented in this report include:

- The Akfa-Artel group uses nominee shareholders and directors, which serves to conceal from public view persons with significant control over entities within the consortium. In two notable instances key offshore entities have used an unlawful method to circumvent transparency requirements.
- Regular use is made of legal forms in offshore jurisdictions heavily criticised for their opaque qualities and minimal public reporting requirements. These entities have employed senior office holders implicated in major money laundering scandals and aggravated fraud.
- The Akfa-Artel group has received significant state aid, including tax 'holidays', customs concessions, and the granting of public assets at zero-cost. Lucrative awards of economic assets and state aid are provided without open competition or transparent selection processes.
- The Akfa-Artel group's founder Jahongir Artikhodjayev, in his capacity as Mayor of Tashkent, has been instructed to oversee ventures, and public-private partnerships, in which Akfa-Artel has a direct stake, despite serious conflicts of interest. These conflicts of interest were not recognised and as a consequence were not declared.
- Companies tied to the Akfa-Artel group invested in three of the eight lots making up the US\$1.3 billion Tashkent City property development, using a layer of offshore companies that made determination of beneficial ownership impossible. The group is also tied to the general contractor appointed to oversee four of the eight lots.

- The Mayor and certain entities within the Akfa-Artel group demonstrate a welcomed preparedness to engage on these issues, which creates a potential bridge for future reform efforts informed by dialogue with civil society.

General findings relating to anti-corruption policy and practice in Uzbekistan include:

- There are serious shortcomings in the law, policy and practice, governing the declaration and management of conflicts of interest.
- There is a failure to systematically implement open, competitive and transparent public procurement, with decrees and regulations permitting exceptions to the requirements set out in Uzbekistan's anti-corruption and public procurement laws.
- Benefits, assets, aid, and opportunities are awarded by government to particular business entities without a clear and transparent selection process.
- Freedom of information remains limited in Uzbekistan despite legal protections. It is difficult to access basic information on government decision making, even through direct written and emailed requests to the departments concerned.
- There is a failure to consistently conduct public consultation on major public decisions that seriously impact on the rights and interests of citizens.
- There is an observed opposition within government to disclosing publicly information on the beneficial ownership of companies.
- Uzbekistan's system of corporate disclosure and transparency, is limited, and requires substantive reform if it is to meet international standards.

In response to these findings a number of recommendations are made, which complement and reinforce recommendations recently made by the OECD, Global Witness and Uzbekistani civil society. Critically, Uzbekistan's anti-corruption laws need to be consolidated through applied measures, that are designed to ensure there is full transparency, open competition, and regulatory compliance, within the public and private sector. This can be achieved, in part, by drawing on examples of good practice from other jurisdictions, including full and open online registers for corporate disclosure, public tenders, and the financial interests of senior public officer holders, strengthened through investment in compliance, prosecution and public reporting. There is also a clear need for systematic procedures that operationalise commitments made by the government in its anti-corruption and open government laws.

Responsibility also falls on jurisdictions such as the United Kingdom and Singapore – that supply opaque offshore holding structures – to invest in more rigorous compliance cultures, including through the prosecution of those entities which violate regulations, alongside legal reform designed to tackle loopholes which frustrate transparency and integrity efforts.

Finally, Uzbekistan in light of these recommendations should implement practical legal and administrative measures for managing conflicts of interest, and sanctioning those who fail to comply with the law, with accurate public data kept on compliance.



- Opaque ownership structures
- Use of proxies
- Opaque finances
- Use of secrecy havens
- Unlawful activity
- Misleading information
- Irregular transactions

- Conflict of interest
- Failure to tender
- Lack of transparency
- Lack of open competition
- State aid provided to politically exposed entities
- Limited open data
- Restrictions on freedom of information
- Weak regulations
- Human rights breaches

Table 1: The Risk Barometer

UZBEKISTAN... SHOULD
IMPLEMENT PRACTICAL LEGAL
AND ADMINISTRATIVE MEASURES
FOR MANAGING CONFLICTS OF
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THOSE WHO FAIL TO COMPLY WITH
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II.

A FORK IN THE ROAD

Under its former President, Islam Karimov, Uzbekistan adopted a cautious path of transition from the Soviet Union. It has been marked by an authoritarian model of government, and a linked system of state choreographed market capitalism. Businesses with direct ties to centres of political power – whether purchased (bribery), cultivated through ‘clan’ networks, secured through a shadow ownership arrangement, or a combination of the three – have enjoyed preferential access to the most lucrative ends of Uzbekistan’s emerging market economy, while being insulated from the worst effects of observed state administered extortion rackets.

During the Karimov government’s final years, with its leader in poor health, many of the system’s most predatory dynamics accelerated, with state organised syndicates monopolising significant swathes of the economy, whilst also overseeing vast wealth extraction activities.¹ Following his death in 2016, Islam Karimov was replaced by Shavkat Mirziyoyev as President. Mirziyoyev’s appointment was confirmed through a national election which was reported to have

been ‘devoid of genuine competition’, according to OSCE observers.² Since taking the Presidency, Mirziyoyev has helped to steady Uzbekistan’s political-economy following the turbulence of the late Karimov era. Over the first two years of the Mirziyoyev Presidency the state has moderated to an extent the tight grip placed on the public by the national security apparatus. It has also instituted steps designed to stimulate greater public engagement. However, significant civil and political constraints remain in Uzbekistan’s political system.

The areas earmarked by the Mirziyoyev government for the most radical reform have tended to centre on the rights, interests, and operational environment of business. With strong international support, for example, the Uzbekistani government has embarked on an ambitious programme of privatisation and deregulation, pump primed by state aid which has been coupled to reforms that are designed to secure property rights, deter rent-seeking, and modernise the public administration. The shape and contours of this programme is set out in a large volume of state laws, regulations and decrees.

The Mirziyoyev government’s agenda, has notably won praise from centres of liberal opinion, such as the *Washington Post* and *New York Times*.³ However, entrenched commentators have encouraged caution.⁴ Substantive reform of parliament, the public administration, the judiciary, markets, and business is needed, focusing on enhancing transparency, impartiality, competition, integrity, and the assurance of essential freedoms. Unless these reforms are prioritised there is a significant risk long-standing and deeply engrained systems of state-choreographed market activity will convert a pro-business agenda into an oligarchical system, where new centres of extreme business power emerge and are indebted to political patronage.

¹ Lasslett, K., Kanji, F. and McGill, D. *A Dance with the Cobra: Confronting Grand Corruption in Uzbekistan*, International State Crime Initiative, 2017, available online: <http://statecrime.org/data/2017/08/Full-Report-with-Executive-Summary.pdf> (accessed 29 April 2019)

² Organization for Security and Co-Operation in Europe Office for Democratic Institutions and Human Rights, *Early Presidential Election 4 December 2016: OSCE/ODIHR Election Observation Mission Final Report*, 21 March 2017, available online: <https://www.osce.org/office-for-democratic-institutions-and-human-rights/elections/uzbekistan/306451?download=true> (accessed 29 April 2019)

³ The Editorial Board, ‘A hopeful moment for Uzbekistan’, *New York Times*, 13 April 2018, available online: <https://www.nytimes.com/2018/04/13/opinion/uzbekistan-mirziyoev-human-rights.html> (29 April 2019); The Editorial Board, ‘The Uzbek dawn’, *The Washington Post*, 31 October 2017, p.18

⁴ Ilkhamov, A. ‘To UN on Alisher Usmanov’s plane – how old staples help to hold back reforms in Uzbekistan’, *The Insider*, 3 May 2019, available online: <https://theins.ru/politika/141609> (accessed 5 May 2019); Lemon, D. ‘As Uzbekistan opens up, the goal is economic modernization, not liberalization’, *World Politics Review*, 25 October 2018, available online: <https://www.worldpoliticsreview.com/articles/26585/as-uzbekistan-opens-up-the-goal-is-economic-modernization-not-liberalization> (accessed 27 December 2018); Sattarov, R. ‘New balance. How Mirziyoyev changed the personnel of Uzbekistan’s power’, *Carnegie*, 7 September 2017, available online: <http://carnegie.ru/commentary/72982> (accessed 1 May 2019); Sattarov, R. ‘On the way to oligarchy. Why the new leadership of Uzbekistan is getting closer to Usmanov’, *Carnegie*, 2 November 2017, available online: <https://carnegie.ru/commentary/74600> (accessed 1 May 2019)



Image 1: Artel is one of the largest household brands in Uzbekistan

In light of these risks, there is a need to closely scrutinise emerging centres of business power, and how these centres of business power are interacting with government, to determine whether it replicates historical patterns that have proven so problematic. There is also a need to examine closely how good governance and integrity reforms are operating in practise. An instructive case study, in both respects, can be found in the Mayor of Tashkent, Jahongir Artikhodjayev, and the business empire he founded, which operates primarily under the Akfa and Artel brands.

Artikhodjayev has experienced a rapid political ascendency. In 2017 he was appointed head of the public Directorate responsible for Tashkent City, a mega-project at the centre of President Mirziyoyev's vision for Uzbekistan. Then in April 2018, Artikhodjayev was made acting Mayor of Tashkent, a status that was confirmed in December 2018. His rise has been strongly championed by President Mirziyoyev, who has encouraged entrepreneurs to take seats in government.⁵

In parallel, the Akfa and Artel groups (herein Akfa-Artel group⁶), have experienced a period of notable business success, buttressed by state aid, including most controversially with the Tashkent City project. The way in which this complex relationship is being handled is arguably a bellwether case study of how successfully or unsuccessfully the current regime is breaking from past practices, marked as they were by opaque legal structures and opaque decision making processes behind which serious abuse of power took place.

⁵ 'Mirziyoyev explained why he appointed a businessman as a hokim of Uzbekistan's capital', *Stan Radar*, 2 May 2018, available online: <http://stanradar.com/news/full/29391-mirzieev-objasnil-pochemu-naznachil-predprinimatelja-hokimom-stolitsy-uzbekistana-.html>(accessed 29 April 2019)

⁶ There is no explicit structure uniting Akfa or Artel. Nevertheless, they share common owners and linked infrastructure. As a result, the phrase Akfa-Artel group will be used in this report.

Drawing on a pioneering application of data science and open source investigative techniques to Uzbekistan, this Power Brief maps the intricate transnational organisational structure of this major business grouping, and interrogates the dilemma's created by the granting of significant state aid to a politically exposed group, in an environment where transparency, freedom of information, and the management of conflicts of interest remain weak.

It was discovered during this investigation that shares in some of the key corporate entities in the Akfa-Artel group are owned by the Tashkent Mayor himself. Others are owned by, two closely interlinked business associates Abror Ganiyev and Ismail Israilov, his wife, and 18 opaque offshore entities, some of which are tied to individuals seemingly implicated in money laundering and fraud.

In total the investigation found 67 incorporated entities in Uzbekistan

linked to the Akfa-Artel group. While the Akfa-Artel group is commonly associated with windows, doors, and white goods (such as, fridges, stoves, microwaves, and washing machines), these linked local entities possess a range of interests. They include consumer electronics, television and radio, construction, private medical services, and heavy industry, to name just a few examples.

Cross-matching this corporate data with public administration data-sets, revealed that the Akfa-Artel group have enjoyed notable success in public-private initiatives which are the direct political responsibility of the Tashkent Mayor and his administration. It was also revealed that recent government decrees have awarded companies within the group state aid and preferential treatment, under opaque conditions, without a sufficiently robust process to manage conflicts of interest or assure value for money through open competition. Compounding

matters, in some instances the entities linked to the Akfa-Artel group employed nominee shareholders, which made it impossible to determine the ultimate beneficiaries of their business operations in Uzbekistan.

During the investigation, Uzbekistan's freedom of information laws were employed in an effort to obtain critical information on procurement and selection processes. Requests were put for information to the Mayor's Office, the public Directorate responsible for the Tashkent City property development, the Ministry of Health and the President's office, the results of which are set out in Table 2. Additionally, attempts were made to obtain information from companies which featured in the business transactions and ventures under analysis, the results are set out in Table 3. Table 2 and 3 point to the significant work that still needs to be done in securing an open public and business environment in Uzbekistan.



Table 2: Responses from public organisations⁷

Public Organisation	No Response	Partial Response	Full Response
President's Office	x		
Mayor's Office		x	
Ministry of Health	x		
Tashkent City Directorate		x	
Companies House (UK)		x	

⁷ Signed correspondence on university letterhead was sent to public organisations through email and registered mail. Partial response indicates that some, but not all questions were responded to.



Table 3: Responses from private organisations⁸

Private Organisations or Individuals	No Response	Partial Response	Full Response
Abror Ganiyev	X		
Ismail Israilov	X		
Akfa Group	X		
Artel Group	X		
Akfa Medline			X
Wynex Innovation LLP	X		
Grandes Investment Group LP	X		
MacMerry Management LP	X		
Worldpoint Sales Limited	X		
Dream World Development	X		

On a positive note, the Uzbekistani state's commitment to open data registries and public information, has created new opportunities for civil society and the research community to analyse government and market activity. While there remains considerable work to do in expanding open data in Uzbekistan and ensuring all data-sets are accessible, the growing number of registries and databases available online is a welcomed current. This investigation also benefited from the willingness of some public and private agencies to engage with challenging questions relating to transparency and public integrity. While the findings presented in this Power Brief do point to significant cleavages in the reform process, evidence was observed of an emerging space for challenging conversations.

To exhibit the key finding this Power Brief will set out a number of examples where the dilemmas identified were acutely demonstrated, focusing on urban redevelopment projects in Tashkent, and health sector privatisation efforts. A section will also be devoted to documenting the problematic transnational legal structure employed by the Akfa-Artel group.

⁸ Signed correspondence on university letterhead was sent to private organisations and individuals, where possible it was sent through email and registered mail. The UK registered companies, limited liability partnerships, and limited partnerships do not have a website or email address. As a result, written correspondence was sent through registered mail to their registered office, and the registered address of their senior office holders (Directors/Partners). Partial response indicates that some, but not all questions were responded to.



UZBEKISTAN'S ANTI-CORRUPTION LAW

Anti-corruption legislation was passed by the Legislative Chamber and Senate in late 2016 and signed off by President Mirziyoyev. It forbids the abuse of public office for private gain, champions transparency and open competition, establishes procedures for managing conflicts of interest and confirms the integral role civil society and the media play in combatting corruption. Key provisions include:

ARTICLE 3 – In the current law the following main terms are used.

corruption – unlawful use by a person of his official position for the purpose of obtaining material or non-material benefits in personal interests or in the interests of other persons or the unlawful provision of such benefit

corruption offense – an act with signs of corruption, by committing which the person is liable under the law

conflict of interests – a situation in which the personal interest (direct or indirect) affects or may affect the proper performance of official duties and in which a conflict occurs or might occur between personal interests and the rights and lawful interests of citizens, organisations, society or the state.

ARTICLE 21 – Measures to prevent and resolve conflicts of interests.

Employees of state institutions should not allow personal interest during the performance of their official duties, which leads or may lead to a conflict of interest.

In the event if a conflict of interest occurs, the employees of state institutions should immediately inform their direct manager. The manager, who receives information about the presence of a conflict of interest, is obliged to take timely measures to prevent or resolve it.

Special units or commissions on ethics of state institutions monitor the compliance with the rules for resolving conflicts of interest.

Employees of state institutions, as well as their managers, who have allowed for the violation of the

requirements of preventing or resolving conflicts of interest, are held liable in accordance with the law.

ARTICLE 22 – Measures to prevent corruption in the field of administrative procedures.

Measures to prevent corruption in the field of administrative procedures are:

- ensuring the principles of legality and justice, creating guarantees of the impartiality of the administrative and managerial process, increasing its transparency and accessibility for external and internal controls
- detailed regulation of administrative procedures with limited discretionary powers, prevention of bureaucratic formalism
- introduction of simplified administrative procedures;
- the establishment of effective mechanisms for appealing against decisions of state institutions and compensation for damage caused.
- Legislation may also provide other measures to prevent corruption in the field of administrative procedures.

ARTICLE 23 – Measures to prevent corruption in the field of public procurement.

Measures to prevent corruption in the field of public procurement are:

- ensuring the transparency and availability of information on public procurement procedures
- ensuring fair competition and the use of objective criteria during decision-making
- the creation of an effective system of internal control, as well as procedures for appealing and challenging the results of public procurement
- ensuring the effective functioning of public electronic trading
- Legislation may also provide for other measures to prevent corruption in the field of public procurement.

ARTICLE 31 – Access to information.

- Everyone has the right to access information on the organization and on functioning of state institutions, on the processes of adopting acts relating to this person or group of persons
- State institutions, institutions of self-government of citizens, non-state non-profit and other organizations provide mass media with reports on events, facts, events and processes related to corruption of public interest in the manner established by law
- Access to information may be restricted only in accordance with the law.

III.

TASHKENT CITY: SHADOW OWNERS AND CAPITAL OF UNKNOWN ORIGINS

During Jahongir Artikhodjayev's rapid political ascendancy in Uzbekistan, arguably it has been the controversial US\$1.3 billion property development, Tashkent City, which has put the most visible spotlight on the overlap between his private and public portfolios. Tashkent City is a major urban redevelopment project situated in the heart of Uzbekistan's capital.⁹ It is being organised and overseen by the government in collaboration with private investors. This public-private initiative has been vocally championed by the President himself. Mirziyoyev has promised to personally oversee construction efforts.

The project is managed on a day-to-day basis by a public Directorate, established under a 2017 Cabinet of Ministers resolution.¹⁰ In addition to attracting and supporting private investors for Tashkent City, the public Directorate is responsible for coordinating design and construction activity. The property development is divided into eight lots. Each lot has a designated investor or investors, a designer, and general contractor responsible for construction efforts. Tashkent City once completed will consist of residential complexes, retail, business and financial districts, Hilton and Radisson branded hotels, a Congress Centre, and a large recreational park boasting a 7D cinema, planetarium and wax museum.



Image 2: Tashkent City construction efforts are ongoing in the capital

⁹ "With the Tashkent City project we must declare ourselves" – President', *Gazeta*, 30 October 2017, available online: <https://www.gazeta.uz/ru/2017/10/30/tashkent-city/> (accessed 15 April 2019)

¹⁰ 'On Measures to Improve the Architectural Appearance and Improvement of the Central Part of the City of Tashkent, As Well as the Creation of Appropriate Conditions for the Population and Guests of the Capital', Cabinet of Ministers of the Republic of Uzbekistan Regulation, No.559, 28 July 2017, available online: <http://lex.uz/ru/docs/3295075> (accessed 29 April 2019)

This has prompted a number of questions. How entrenched are the Mayor's private interests in Tashkent City? Was the selection of investors and contractors conducted in a fair, open, transparent, and competitive manner? How much state aid, including zero cost grants of public assets, is being channelled into this property development? What checks have been conducted to ensure the project is not being used for improper purposes, such as, money laundering? And finally, have residents displaced by this mega-development received fair treatment that accords with international human rights standards?

Answers to these questions have been difficult to come by. A request was put to the Tashkent City Directorate for the project's masterplan, environment impact statement, planning documents, community consultation documents, and planning permission records.

The Directorate responded: 'The website of the project... contains information about Tashkent City master plan, which you can get familiar with on the website www.tcibc.uz. It also contains materials about construction plans and their impact on the environment'. Following revisions to the project website in April 2019, there is a 6 page environmental impact statement. The website does not contain a masterplan, planning documents, community consultation documents or planning approval documents.

Little information either has been publicly disclosed by the Tashkent City Directorate on procurement and tenders, or how state aid has been channelled to private entities involved in the property development.¹⁴ It may well be that no tender documents exist for general contractors or designers selected to implement each of the eight lots making up the project. For example, the Cabinet of Ministers resolution establishing Tashkent City, allows the responsible public Directorate to enter into contracts for design and construction without tender.¹⁵ This measure increases the corruption risks during project procurement, and conflicts with anti-corruption and public procurement laws passed during 2016-18.

With respect to investors, under Article 8 of the regulations governing Tashkent City it states that investors would be selected through tender.¹⁶ Article 8 promises that the tender process and criteria would be set out in bespoke regulations. No new regulations could be found in the national legal database.

The Mayor's Office and Tashkent City Directorate confirm that investors were selected by an Administrative Council set up under the originating 2017 decree.¹⁷ The Administrative Council consists of the Prime Minister, First Deputy Prime Minister, Ministers for Finance, Economics, Justice, Foreign Affairs, Foreign Trade, and Internal Affairs, Chairmen and Directors of various state

committees and public enterprises, the Mayor of Tashkent and the Head of the public Directorate responsible for Tashkent City. Requests for investor bid and selection documents were denied. The Mayor's Office claims: 'Administrative Council documents relating to the approval of investors are internal documents for official use, and therefore, we are not able to give them to you'.

Failure to provide key documents on the venture – both planning and procurement – appears to contravene freedom of information obligations placed on public authorities set out in Article 31 of the *Anti-Corruption Law* and Article 7 of the 2014 law, *On the Openness of the Activities of Public Authorities and Management*.

Some further information on Tashkent City, however, was disclosed at a press conference organised by the Mayor of Tashkent in January 2019. At the press conference Artikhodjayev acknowledged links with Akfa, a company listed as the investor in Lot 5 of Tashkent City, which includes a 5-star hotel and congress centre.¹⁸ The Mayor also responded to broader concerns raised over key investors in Tashkent City using opaque offshore entities. Artikhodjayev argued, 'if we ask the beneficiary for each investor, we can close the gates of Uzbekistan, nobody will come here'.¹⁹ The Tashkent City Directorate confirmed in correspondence, 'the release of this information [beneficial ownership] is not envisaged'.²⁰

¹⁴ See <http://tcibc.uz/>

¹⁵ Article 3, 'On Measures to Improve the Architectural Appearance and Improvement of the Central Part of the City of Tashkent, As Well as the Creation of Appropriate Conditions for the Population and Guests of the Capital', Cabinet of Ministers of the Republic of Uzbekistan Regulation, No.559, 28 July 2017, available online: <http://lex.uz/ru/docs/3295075> (accessed 29 April 2019)

¹⁶ 'On Measures to Improve the Architectural Appearance and Improvement of the Central Part of the City of Tashkent, As Well as the Creation of Appropriate Conditions for the Population and Guests of the Capital', Cabinet of Ministers of the Republic of Uzbekistan Regulation, No.559, 28 July 2017, available online: <http://lex.uz/ru/docs/3295075> (accessed 29 April 2019)

¹⁷ Ibid.

¹⁸ 'Jahongir Artikhodjayev: management in Akfa has already been transferred to other persons', *Uz Report*, 31 January 2019, available online: <https://uzreport.news/society/djahongir-artikhodjaev-upravlenie-v-akfa-uje-peredal-drugim-litsam> (accessed 13 March 2019)

¹⁹ "It doesn't matter when a company is created" - hokim about investors Tashkent City', *Gazeta*, 31 January 2019, <https://www.gazeta.uz/ru/2019/01/31/investors> (accessed 13 March 2019)

²⁰ Letter from B Rizaev, Deputy Director, Tashkent City Directorate, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.



Image 3: Seeing behind the facade of Tashkent City has proven difficult

Taking this approach to due diligence and transparency exposes Uzbekistan to a range of risks including money laundering and corruption. Tashkent City Lot 3 offers an instructive example. An Open Democracy investigation discovered that the owner of Tashkent City's biggest foreign investor, Hyper Partners GmbH – which is providing US\$400 million²¹ – is a teenager, Mustafa Palvan.²² Authorities have failed to explain how a teen could source nearly half a billion dollars. It does not necessarily follow that Hyper Partners GmbH investment comes all, or in part, from illicit origins. The risk though of a revelation coming to light that is extremely damaging to Uzbekistan's fragile reputation is heightened when red flags like this are ignored.

Opaque corporate structures not only shield high risk financial transactions

from the public spotlight, they also potentially conceal conflicts of interest. This has become another topic of importance with respect to Tashkent City, given the alleged involvement of the Akfa-Artel group in a mega-project that falls within the public portfolio of the group's founder, Jahongir Artikhodjayev.

For example, the single biggest beneficiary of construction contracts is Discover Invest LLC.

Discover Invest has been appointed general contractor on four of the eight lots making up Tashkent City according to information published on the Directorate's website during 2018. When the Tashkent City Public Directorate was asked about the high number of general contracts awarded to a single company, they replied: 'Regarding the statement that most of the contracts have been

signed with Discover Invest LLC, we want to stress that it is not true.'²³ The public Directorate claims in a letter dated 25 April 2019, Discover Invest LLC was only awarded contracts for two of the eight lots. However, web archive data kept by the Wayback Machine clearly shows that the public Directorate issued information in 2018 stating Discover Invest LLC was the general contractor on lots 1, 4, 7 and 8. Information on general contractors was then removed from the Tashkent City for lots 1 and 7 during April 2019.

Information collated using Uzbekistan's business register during February-March 2019 indicates that Discover Invest LLC is tied into the Akfa-Artel group structure. Company stock is formally owned by "Ganiyev Abror Axralovich" (86.18%), and "Xakimov Sobirjon Kabildjanovich" (13.82%).²⁴

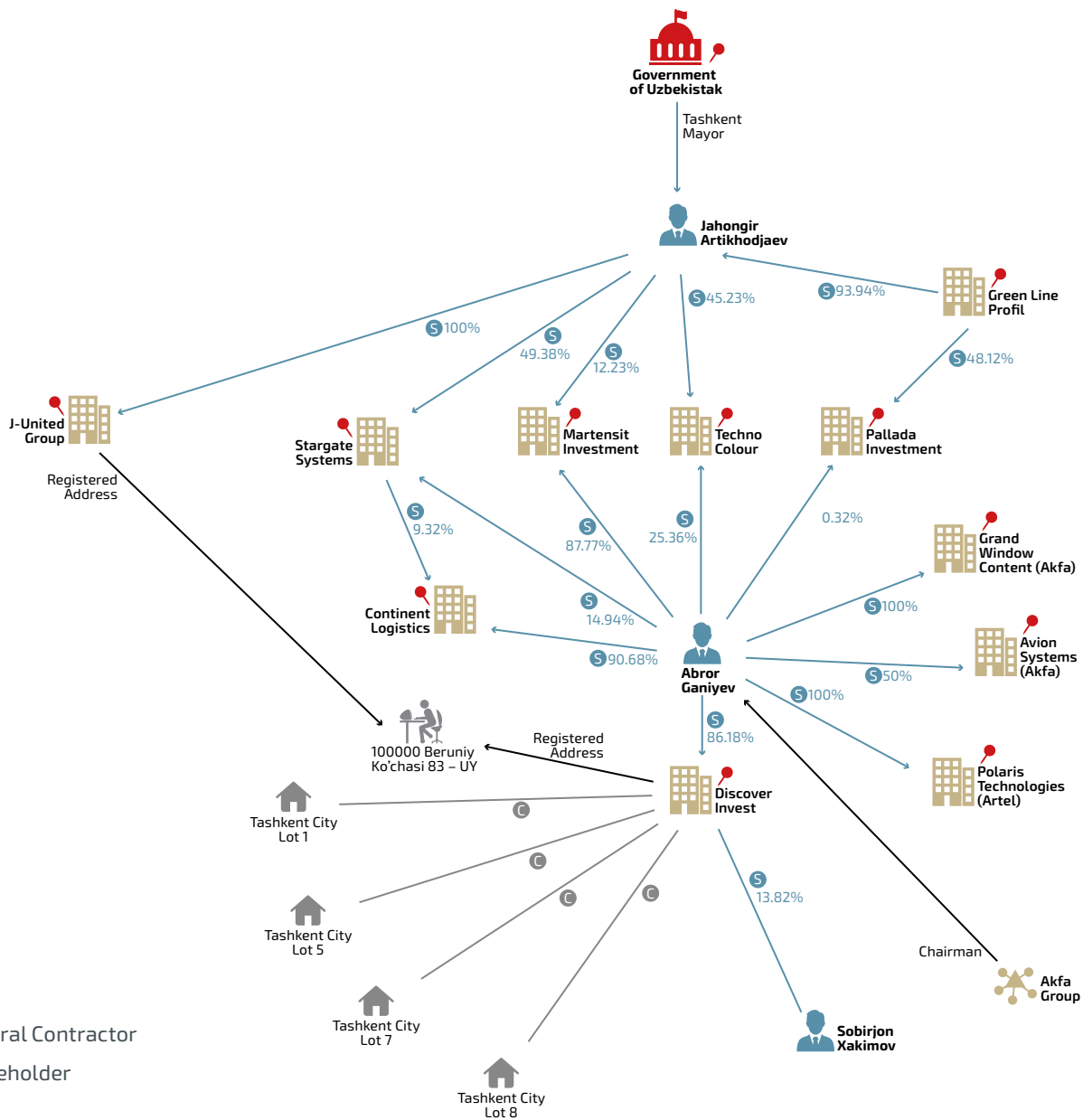
²¹ 'On Additional Measures to Attract Foreign Direct Investment in the Infrastructure Development of the City of Tashkent', Cabinet of Ministers of the Republic of Uzbekistan, Regulation, No.4, 4 January 2019, available online: <http://www.lex.uz/docs/4138936> (accessed 14 March 2019)

²² Open Democracy Investigations, 'Phantom foreign investors for an open new Uzbekistan', *Open Democracy*, 21 December 2018, available online: <https://www.opendemocracy.net/en/odr/tashkent-city-project-uzbekistan-phantom-foreign-investors/> (accessed 13 March 2019)

²³ Letter from B Rizaev, Deputy Director, Tashkent City Directorate, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

²⁴ Discover Invest LLC, Company Extract, 002784-05, accessed 13 March 2019.

Figure 2: Abror Ganiyev's corporate network (Source: Government of Uzbekistan, Business Register)



Key:
 C General Contractor
 S Shareholder

Discover Invest's majority shareholder, Abror Ganiyev, according to the February-March 2019 data-set, jointly owns at least four companies with Jahongir Artikhodjaev, co-owns a further three companies in the Akfa-Artel group (at least three), has been identified as an executive in two Akfa-Artel linked entities, was recently appointed Chairman of Akfa's Board of Directors,²⁵

while the registered address for Discover Invest is the same as J-United Group, a key holding company 100% owned by the Mayor of Tashkent.²⁶ It is unclear whether Ganiyev is the ultimate beneficiary of this stock-holding, or a nominee shareholder who works on behalf of an undisclosed third party. A request for clarification from Ganiyev was not responded to.

²⁵ 'In Artel, Akfa, Akfa Medline, Crafers and Mediapark, the chairs of the board of directors have changed', Gazeta, 20 March 2019, available online: <https://www.gazeta.uz/ru/2019/03/20/akfa-group/> (accessed 30 April 2019)

²⁶ J-United Group, Company Extract, 25132, accessed 14 March 2019.



Image 4: Construction activity Tashkent City

Following new corporate identifier information uncovered by the author in May 2019, it became possible to scrutinise the investors in Tashkent City. The investor in lot 1 of Tashkent City - described by the Directorate as a foreign investor - is High Land City LLC.²⁷ High Land City LLC was incorporated on 5 April 2018. Data on Uzbekistan's business register indicates foreign investors only have a minority share in the company.

The foreign²⁸ minority stakeholders hold their stock in High Land City through two Uzbekistani joint-stock companies. Techno Continental has an 8.19% interest in High Land City, while Next Generation Product has an 8.17% stake. Stock in Techno Continental and Next Generation Product, in turn, are owned by opaque offshore entities. For example, Techno Continental, which was registered in Uzbekistan on 27 January 2018, is 100% owned by Wynex Innovation LLP an English Limited Liability Partnership registered on 19 June 2014.²⁹

Wynex Innovation was reported in 2015 to be spearheading a joint venture that would manufacture mobile phones through a US\$2 million investment with Infinity Electronics, a local company producing consumer electronics under

the Artel Brand.³⁰ At the time it had no declared assets, and an operating net loss of £419.³¹ In its latest annual accounts for 2018 Wynex Innovations declares its principal activity is 'cargo forwarding agent as well as trade of household appliances and received commission'.³² It has no reported income, and an operating loss of £1,500. Wynex Innovations states it has £300 in cash.

Next Generation Product's registered email address is @artelgroup.org. It is owned by MacMerry Management LP (50%), a Scottish Limited Partnership registered on 23 October 2012, and Singapore Syndicate Group International Pte Ltd (50%), a Singaporean company which was incorporated on 9 March 2012. Under their respective regulatory regimes, neither MacMerry Management, Singapore Syndicate Group or Wynex Innovations have to publicly declare beneficial owners (the UK has implemented a more limited significant control register, see section VI). Therefore, it is impossible to determine who are the ultimate owners of these foreign companies investing in Tashkent City Lot 1 through High Land City LLC.

However, according to Uzbekistan's business register the largest shareholder in High Land City LLC is in fact an individual, Ismail Israilov. He has an 81.24% share in the firm.

Like Ganiyev, Israilov is a key player in the Akfa-Artel group. According to data collated from Uzbekistan's Business Register in February-March 2019, he is, for instance, listed as the Manager of Akfa Engineering and Management, a firm at the time 100% owned by Jahongir Artikhodjayev. In addition to this, this data-set revealed that Israilov co-owns at least four companies with Artikhodjayev, he is sole stockholder in six companies linked to the Akfa-Artel group, and co-owns at least four companies with Abror Ganiyev. It is unclear whether Israilov is the ultimate beneficiary of this stock-holding, or a nominee shareholder who works on behalf of an undisclosed third party. Requests for clarification from Mr Israilov were not responded to.

²⁷ High Land City LLC, Company Extract, 597138, accessed 19 May 2019.

²⁸ Without a public register of beneficial owners in the jurisdictions concerned (UK and Singapore), there is no way of verifying that the ultimate beneficiaries of these companies are in fact foreign citizens.

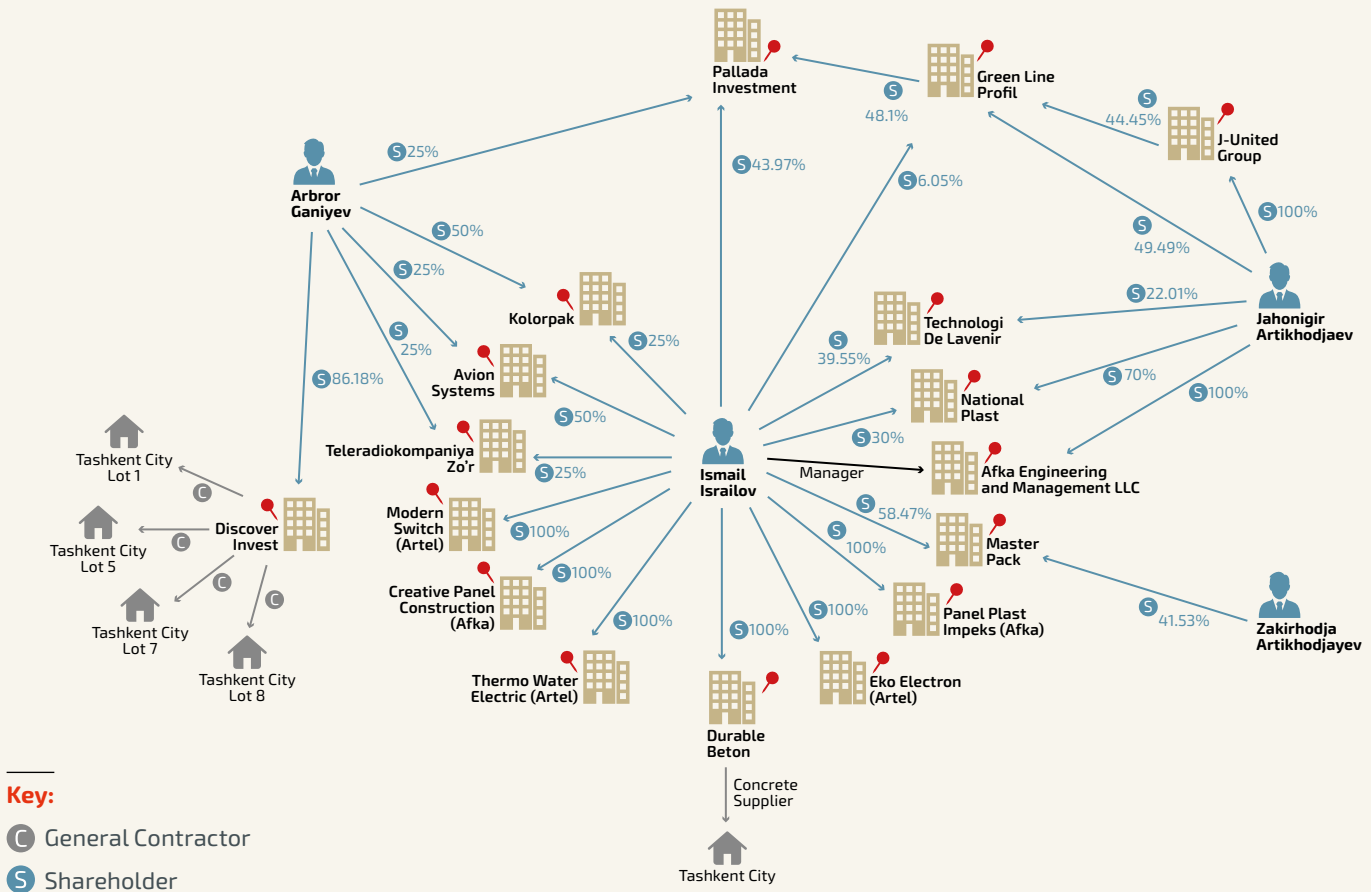
²⁹ Techno Continental, Company Extract, 569933, accessed 19 May 2019.

³⁰ 'A new joint venture for the production of mobile phones created in FIEZ "Navoi"', *Gazeta*, 4 July 2015, available online: <https://www.gazeta.uz/ru/2015/07/04/phones/> (accessed 15 March 2019)

³¹ Wynex Innovation LLP, Accounts, Companies House, 22 March 2016, available online: <https://beta.companieshouse.gov.uk/company/OC393843/> (accessed 15 March 2019)

³² Wynex Innovation LLP, Accounts, Companies House, 24 October 2018, available online: <https://beta.companieshouse.gov.uk/company/OC393843/> (accessed 19 May 2019)

Figure 3: Ismail Israilov's corporate network (Source: Government of Uzbekistan, Business Register)



Israilov appears again in lot 7 of Tashkent City. According to the Tashkent City public Directorate lot 7 will feature nine mixed-use buildings, constructed through investment provided by three local companies, one of which is Premium Village LLC.³³ Premium Village LLC was registered on 22 August 2017. It shares a registered address with

Artel Engineering and Management LLC. Premium Village's current shareholders include Ismail Israilov (23.28%), in addition to Quality Electronics (37.20%) (a company registered on 4 January 2018), Asia Electron (28.51%) (a company registered on 19 July 2017), and Factory of Technologies (9.30%) (a company registered on 13 April 2018). Both Quality

Electronics and Factory of Technologies use @artelgroup.org as their registered email address.³⁴ Asia Electron's gmail account is the same used by Dream Production, a company owned by the Mayor, Jahongir Artikhodjaev.³⁵

³³ Premium Village LLC, Company Extract, 538977, accessed 19 May 2019.

³⁴ Quality Electronics, Company Extract, 561905, accessed 19 May 2019; Factory of Technologies, Company Extract, 600187, accessed 19 May 2019.

³⁵ Asia Electron, Company Extract, 533066, accessed 19 May 2019; Dream Production LLC, Company Extract, 1304, accessed 19 May 2019.

Quality Electronics, Asia Electron and Factory of Technologies are each 50% owned by MacMerry Management LP.³⁶ The other 50% of Quality Electronics and Asia Electron is owned by Commerce Standard Pte Ltd, a Singaporean company incorporated on 11 June 2012. While the remaining 50% in Factory of Technologies is owned by Singapore Syndicate Group International Pte Ltd.

MacMerry Management LP and the Singapore Syndicate Group were also part of the ownership structure for High Land City LLC, the investor in lot 1. For the reasons already noted, no beneficial owner could be identified for any of these three investors. However, all three firms are tied into the Akfa-Artel group structure.

Given its corporate name, the investor in Tashkent City lot 5, Akfa Dream World would appear a more straightforward example of a company tied to the Akfa-Artel group. However, it was impossible to access Akfa Dream World's business register record, owing to search restrictions placed on the database.³⁷

The shareholders in this company, therefore, could not be comprehensively identified. However, an examination of joint stock company disclosures revealed that Akfa Dream World is part owned (20.4%) by Perfect Plast Profil, a corporation tied to the Akfa-Artel group.³⁸

Perfect Plast Profil's stock is owned by the Esperansa Group LP, a Scottish Limited Partnership registered on 13 April 2016. Under recent transparency reforms Scottish Limited Partnerships must declare persons or entities with significant control (PSC) (see section VI). Esperansa Group LP has declared one PSC.³⁹ Esperansa Incorporated LP, an English Limited Partnership registered on 6 October 2017. Limited Partnerships in England do not need to declare PSCs. Under the transparency reforms, it is unlawful to declare opaque forms such as this as a PSC (see section VI).

³⁶ Quality Electronics, Company Extract, 561905, accessed 19 May 2019; Asia Electron, Company Extract, 533066, accessed 19 May 2019; Factory of Technologies, Company Extract, 600187, accessed 19 May 2019.

³⁷ In order to access company extracts on Uzbekistan's official business register users require the firm's tax identification number. This can be acquired on some occasions through open source databases. Where it is unavailable, the researcher can ask the company, but may not receive a reply. In the case of Akfa Dream World, there was no company website or contact details listed in the Yellow Pages. Requests for the tax identification number made to the Tashkent City Directorate and the Akfa group were not responded to.

³⁸ Perfect Plast Profile, Conclusion of Transaction with Affiliated Persons, 11 April 2019, available online: <https://openinfo.uz/ru/facts/25860/> (accessed 19 May 2019)

³⁹ Esperansa Group LP, Notification of a Person with Significant Control, Companies House, 12 October 2017, available online: <https://beta.companieshouse.gov.uk/company/SL025982/persons-with-significant-control> (accessed 19 May 2019)



Image 5: Dream City has marshalled an expansive retail campaign for Tashkent City

Then there is the question of the subcontractors that have been employed by investors selected to lead on the different lots. For example, the company Durable Beton LLC claims it is a key supplier of concrete to the US\$1.3 billion dollar development.⁴⁰ At the time the data-set was compiled in March 2019, its stock was owned by Ismail Israilov.⁴¹ If we turn to the enterprises involved in handling property sales at Tashkent City, a prominent player is Dream City. No corporate record could be found for this entity. However, its website domain is registered to J-United Group, and its contact address is admin@akfa.uz.⁴² It will be recalled J-United Group is 100% owned by Artikhodjayev.

In summary, the data indicates that companies linked into the Akfa-Artel group structure are investors in three of the eight lots making up Tashkent City, and have been appointed general contractor on four of the eight lots according to information published in 2018. Because these interests, in part, are layered through opaque offshore structures it is impossible to determine the beneficial owners. Compounding matters, the local stockholders, who are managers within the Akfa-Artel group, did not respond to queries submitted on the nature of their interests. However, the business register data at the very least suggests that Ganiyev and Israilov are business partners of Tashkent's Mayor.

This triggers a number of concerns, once mapped against Uzbekistan's anti-corruption law.

For example, has the Mayor of Tashkent made a full and frank disclosure of any direct or indirect interest he has in companies benefiting from the Tashkent City development? Has Jahongir Artikhodjayev disclosed any other conflicts of interest he may possess, such as direct business relations with key parties selected to benefit from the project? Did these relevant parties and companies they own obtain their stakes in Tashkent City, through an open, transparent and competitive process?

⁴⁰ 'Concrete mixes and concrete products from Durable Beton', Stroyka, 31 January 2019, available online: https://stroyka.uz/publish/doc/text147843_betonnye_smesi_i_betonnaya_produkcija_ot_durable_beton (accessed 14 March 2019)

⁴¹ Durable Beton LLC, Company Extract, 008101-5, accessed 14 March 2019.

⁴² Verified via <https://www.whois.net>

Do the contract prices represent value for money? Has Artikhodjayev openly recused himself from all decisions that might benefit companies owned by himself, or immediate business partners? What is the extent of the tax and customs exemptions granted to corporate entities associated with Artikhodjaev? Have associated entities directly or indirectly been provided with public finance? If so, under what conditions and terms? Has land or other state assets been granted on a zero cost basis to entities associated with Jahonghir Artikhodjayev? Were conflicts of interest openly declared and deliberated on before the provision of state aid to these associated entities? Was state aid delivered in an open, transparent manner on the basis of a clear selection criteria, applied at arm's length? Will companies owned by Artikhodjayev or his business partners benefit from the US\$400 million invested by Hyper Partners GmbH?

In response to queries submitted by the author, the Mayor's office states that Jahonghir Artikhodjayev does not have a private interest in Tashkent City, and has no business relationship with Discover Invest LLC.⁴³ Because the Mayor's Office claims there was no conflict of interest, no information was provided on whether conflicts were declared, or whether mitigating steps were taken. It is impossible to determine what impact

this conflict of interest may have had on Tashkent City, given that requests for planning and procurement information were denied.

It should not be overlooked either, that Tashkent City has been associated with evictions and displacement of city residents, potentially in violation of international human rights norms. Atkhan Akhmedov writes: 'In December 2017, construction works on the new project led to the mass eviction of residents of the Ukcha-Almazar mahalla of Tashkent, who were literally thrown out onto the street ...'⁴⁴ Similar accounts featured in a story by Marc Bennetts published in *The Guardian*.⁴⁵ This points to why conflicts of interest in public life require strong regulation. It is difficult to conceive how the Mayor is in a position to impartially hear the concerns of Tashkent citizens over a contentious urban development, if he, or a closely linked business partner, has a significant, direct interest in the venture. And even if Jahonghir Artikhodjayev possesses an exceptional personal constitution that might permit impartiality in these difficult situations, the optics nonetheless would be such as to erode public confidence in the Mayor's office.

Tashkent City, though, is not the only major urban project underway in Tashkent where these difficult questions arise.

⁴³ Letter from E Iminov, Head of Administration Tashkent Mayor's Office, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

⁴⁴ Akhmedov, A. 'Dispossession and urban development in the new Tashkent', *Open Democracy*, 21 December 2018, available online: <https://www.opendemocracy.net/en/odr/dispossession-and-urban-development-in-the-new-tashkent/> (accessed 14 March 2019)

⁴⁵ Bennetts, M. 'Evicted without warning: Sudden Tashkent demolitions spark anger', *The Guardian*, 2 April 2019, available online: <https://www.theguardian.com/cities/2019/apr/02/evicted-without-warning-demolitions-spark-activism-in-tashkent-uzbekistan>(accessed 15 April 2019);

IV.

THE NAVOI NATIONAL PARK REDEVELOPMENT

The redevelopment of the Navoi National Park is a second major project in Uzbekistan's capital over which Jahongir Artikhodjayev has Mayoral responsibility. Named after Alisher Navoi, a celebrated Uzbek intellectual and artist, the park is a popular open space in Tashkent. During 2015 it was named the first Eco Park in Central Asia by the UN country office in Uzbekistan.⁴⁶

The proposed US\$60 million venture will convert the national park into a 'high-tech recreation' facility.⁴⁷ It will include an amphitheatre, a shopping and entertainment centre, an amusement park, and dolphinarium. Developers have been granted a lease over the 20.79 hectare property for a period of 49 years. The Cabinet of Ministers regulation governing this arrangement does not disclose if any payment was made to secure the state lease.⁴⁸ The Mayor's office confirmed no purchase price was paid for the lease, but annual rental will be charged.



Image 6: Construction activity at the Navoi National Park

There is no mention of an open, public tender in the regulation either. The Cabinet of Ministers regulation does, however, set out the state aid being provided to the recreation park's developer. It includes custom duty exemptions, and fee exemptions when bringing in foreign specialists. The decree also allows the developer to initiate construction work in parallel with the development of design and

estimate documentation until 1 January 2020, a highly unusual scenario where a project appears to be starting before essential planning documentation has been approved. The Deputy Prime Minister, Minister of Culture, and Mayor of Tashkent, are charged with oversight responsibility.

⁴⁷ 'On Measures to Create a Modern and High-Tech Recreation Park in the City of Tashkent', Cabinet of Ministers of the Republic of Uzbekistan, Regulation, No.694, 4 September 2017, available online: <http://www.lex.uz/docs/3332461> (accessed 14 March 2019)

⁴⁸ Ibid.

The investor selected to undertake this state supported urban redevelopment is Stargate Systems, a company closely tied to the Akfa group. According to Akfa's then financial director, Kamola Miraaliyeva, who spoke on behalf of the investor during 2017, no public tender for the project took place. She observes: 'We took our concept to the city administration and the culture department, outlining the amount of investments, all the stages. The project was studied and approved'.⁴⁹

According to Uzbekistan's official business register, Stargate Systems was registered on 7 August 2017, less than a month before the Cabinet regulation was passed awarding the company rights to the Navoi Park redevelopment.⁵⁰

Its shares are held by Jahongir Artikhodjayev (49.38%), Abror Ganiyev (14.94%), and Preston Impex LP (35.68%).⁵¹ In other words, the Mayor of Tashkent, currently has responsibility for overseeing a major urban redevelopment in which he has a significant private interest, alongside a close business partner from the Akfa-Artel group whose

firm Discover Invest LLC has won a series of general contracts at Tashkent City. Like with Tashkent City, we also observe investment being channelled through a highly opaque offshore legal form, the Scottish Limited Partnership (SLP). All we do know from the limited reporting requirements placed on SLPs is that Preston Impex's starting capital was £100.⁵²

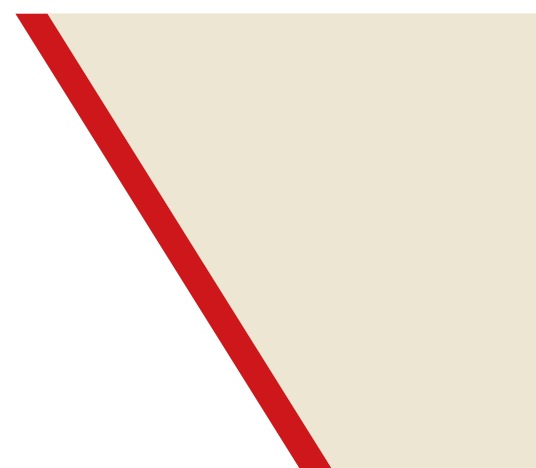
It has declared an entity with significant control.⁵³ In this instance the entity with significant control over Preston Impex is another SLP, Preston Impex Holdings LP, registered on 11 December 2018. It has declared no person or entity with significant control.⁵⁴ Its registered partners are nominee entities incorporated in the Seychelles.

We, therefore, encounter a situation with the redevelopment of Navoi National Park where conflicts of interest, state aid, opaque corporate structures, and a lack of open competition fuse in a problematic mix. Once Jahongir Artikhodjayev became Mayor in April 2018, it was incumbent on him to declare his private interest in Stargate Systems,

given that one of his responsibilities as Mayor was to oversee the Navoi National Park redevelopment.

The Mayor's office rejects the assertion that Artikhodjayev has a 'private interest' in the Navoi Park Redevelopment.⁵⁵ The public record suggests otherwise.

So far the focus has centred on construction and urban redevelopment. The dynamics mapped here can also be witnessed in the private health sector.



⁴⁹ Bartlett, P. 'Uzbekistan: Tashkent revamp tests official pledge on public dialogue', *Eurasianet*, 4 October 2017, available online: <https://eurasianet.org/uzbekistan-tashkent-revamp-tests-official-pledge-on-public-dialogue> (accessed 29 April 2019)

⁵⁰ Stargate Systems LLC, Company Extract, 21432, accessed 14 March 2019

⁵¹ *Ibid.*

⁵² Preston Impex LLP, Certificate of Registration of a Limited Partnership, Companies House, 25 January 2017, available online: <https://beta.companieshouse.gov.uk/company/SL029993> (accessed 14 March 2019)

⁵³ Preston Impex LLP, Notification of Person with Significant Control, Companies House, 7 January 2019, available online: <https://beta.companieshouse.gov.uk/company/SL029993> (accessed 14 March 2019)

⁵⁴ See <https://beta.companieshouse.gov.uk/company/SL033434>

⁵⁵ Letter from E Iminov, Head of Administration Tashkent Mayor's Office, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

U. PREFERENTIAL TREATMENT AND UNFAIR ADVANTAGE? THE CASE OF AKFA MEDLINE

Since assuming the Presidency in 2016, Shavkat Mirziyoyev has advocated for policy, legal and institutional arrangements that will, in his view, maximize freedom for entrepreneurs. One sector, in particular, has received special focus – health care. The Mirziyoyev government has passed a raft of decrees and regulations that aim to rapidly expand the private provision of health care services.⁵⁶

This policy agenda is being pump-primed through considerable state aid, including generous tax and customs holidays, zero-cost awards of public infrastructure and land, the initiation of a state sponsored fund for investment in the private health care sector, and recommendations that banks advance preferential loans to private health care providers.⁵⁷ One private health care provider, Akfa Medline, has been granted a range of privileges by the Mirziyoyev government.⁵⁸ The Tashkent city administration has been charged with overseeing part of the state aid being channelled to Akfa Medline.⁵⁹

According to business registry records Akfa Medline is majority owned by “Artikhodjayeva Nigoraxon Baxromxo’ja” (61.60%). She is the wife of the current Mayor of Tashkent. A minority stake is held in Akfa Medline by “Mirzaliyeva Kamolat Kukanbayevna” (38.40%). Mirzaliyeva is an Akfa executive who

has also been involved in managing the Navoi National Park redevelopment.⁶⁰ As its corporate name denotes, Medline is part of the Akfa group. Its website is registered to the J-United Group, one of the main holding entities employed by Jahongir Artikhodjayev.⁶¹

The special treatment meted out by the Mirziyoyev government to Akfa Medline has a number of elements. For example, a December 2018 Presidential Decree, appoints Akfa Medline’s Director and minority shareholder, Kamolat Mirzaliyeva, to a Working Commission which has been set up to draft regulations and formulate practical measures for advancing the national healthcare strategy 2019–2025.⁶² Akfa Medline is the only private sector actor permitted representation on the Commission. It sits alongside Ministers and senior civil servants. The company, therefore, is in an unparalleled position within the sector to influence public investment and state regulations that will potentially pump-prime, subsidise and grow the private consumption of health care services.

When Akfa Medline was asked about the selection process that led to this appointment, the company observed: ‘The [Presidential] decree gives special attention to medical practices using the innovative potential of specialized centers and the development of e-health. Akfa Medline is the largest multi-functional modern medical clinic

that meets these requirements’.⁶³ The inference appears to be that Akfa Medline’s selection was on the basis of its unique expertise in the area. However in the absence of any public documentation, or a response from the Ministry of Health to written inquiries made by the author, it is impossible to verify this decision was made transparently, using an objective process, that did not give unfair advantage to a particular market actor.

While the above privilege appears to have gone largely unnoticed, a subsequent Cabinet of Ministers regulation dated 15 February 2019, has triggered more audible public concern. The regulations establish a new private higher education institution, Akfa University, which will specialise in the medical sciences. The private university is a joint venture between Akfa Medline and Gachon University in South Korea. The regulations promise significant state aid to this for-profit venture. This state aid includes, granting at zero cost the Shaykhantakhur Medical College for use by Akfa University – current students will be forced to conclude their studies at Tashkent Economic College. Additionally, the private university will be exempted from custom duties and from paying all types of taxes.

⁵⁶ ‘On Comprehensive Measures to Fundamentally Improve the Health Care System of the Republic of Uzbekistan’, Decree - President of the Republic of Uzbekistan, No.PP-5590, 7 December 2018, available online: www.lex.uz/docs/4096199 (accessed 14 March 2019)

⁵⁷ ‘On the Creation of Additional Conditions for the Further Development of Private Medical Organizations’, Regulation - President of the Republic of Uzbekistan, No.PP-3450, 29 December 2017, available online: www.lex.uz/docs/3480499 (accessed 14 March 2019)

⁵⁸ Ibid.

⁵⁹ ‘On the Formation of Akfa University’, Cabinet of Ministers of the Republic of Uzbekistan - Regulation, No.130, 15 February 2019, available online: www.lex.uz/docs/4202158 (accessed 14 March 2019)

⁶⁰ Akfa Medline LLC, Company Extract, Registration No. 520218, accessed 14 March 2019

⁶¹ Verified via <https://www.whois.net/>

⁶² ‘On Comprehensive Measures to Fundamentally Improve the Health Care System of the Republic of Uzbekistan’, Decree - President of the Republic of Uzbekistan, No.PP-5590, 7 December 2018, available online: www.lex.uz/docs/4096199 (accessed 14 March 2019)

⁶³ Email from N Abdusalimova, Akfa Medline, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

Image 7: Work begins at Shaykhantakhur Medical College in preparation for Akfa University.



The regulations also instruct the Tashkent city administration to support and monitor the project: 'To the hokimiyat of the city of Tashkent to assist the University in preparing the necessary design and estimate documentation for the reconstruction and overhaul of the University's buildings and facilities, building a dormitory for teachers and students, equipping it with the necessary teaching and laboratory equipment, medical training machines, computer equipment and library stock, with university to begin operating before the beginning of the 2019/2020 academic year'.⁶⁴

Mapping the state aid provided to Akfa Medline, against the national law on anti-corruption, prompts a number of key questions. Has the state aid channelled to Akfa Medline been provided in an open and competitive fashion at arm's length, using a clear and objective selection criteria? Have all conflicts of interest been declared and transparently managed? Was the appointment of Kamolat Mirzaliyeva to the Working Commission conducted in an open and competitive manner, employing objective criteria?

Echoing Stargate Systems and the Navoi National Park redevelopment, Akfa Medline claims it formulated the Akfa University concept, and then won government support: 'Based on the results of the study of consumer demand and the high demand for highly qualified medical personnel, Akfa Medline launched an initiative to create a modern University. The Ministry of Health supported this initiative'.⁶⁵

Attempts to obtain access to documents setting out the business case made to the Ministry of Health were unsuccessful. Akfa Medline argues the business case is 'confidential'.⁶⁶ The Ministry of Health did not respond to a request for information. However, the Tashkent Mayor's office argued that the decision to support the university, with state aid, was made 'objectively'.⁶⁷

A lack of publicly available information on the business case and processes underpinning the government's decision to support the project with state aid, prohibits any attempt to verify that the decision was made on an objective basis, according to a transparent and rigorous criteria, applied through an open evaluation process.

Akfa Medline acknowledges the Mayor's wife is a majority shareholder. It rejects the assertion that this presents a conflict of interest for the Mayor. The Mayor's administration agrees, arguing that responsibility for implementing the Cabinet of Ministers regulation establishing Akfa University lies with the Deputy Prime Minister and Minister for Health. Article 10 of the regulations, cited above, clearly apportions some responsibility for the project to the Tashkent city administration.

Like with the other Akfa linked projects analysed above, Akfa University impacts on the rights and interests of public stakeholders, including the academic community generally, and the staff and students at Shaykhantakhur Medical College in particular. Akfa Medline was asked if the wider academic community was consulted, they responded: 'The

creation of the Akfa University in the city of Tashkent was supported by the Ministry of Health, under which the draft government decision on the creation of the University of Akfa was coordinated with all ministries and departments based on the regulations for the development and adoption of legislation of the Republic of Uzbekistan'.⁶⁸

Akfa Medline was also asked about any consultation conducted with Shaykhantakhur Medical College staff and students. They responded: 'According to the Ministry of Health, the Shaykhantakhur Medical College was planned to be closed as part of the transition to 11-year schooling and a reduction in the number of colleges and academic lyceums. The Ministry of Higher Education has agreed that students at Shaykhantakhur Medical College will be transferred to the building of the Tashkent Economic College until the completion of the educational process. The teaching staff of the Shaykhantakhur Medical College will be employed in other educational institutions, which will strengthen the teaching staff of these institutions'.⁶⁹

Set against this precarious context of state aid, conflicts of interest, a lack of transparency and closed procurement/selection practices, the final noteworthy feature of the Akfa-Artel case, is the group's use of opaque offshore entities.

⁶⁴ 'On the Formation of Akfa University', Cabinet of Ministers of the Republic of Uzbekistan - Regulation, No.130, 15 February 2019, available online: www.lex.uz/docs/4202158 (accessed 14 March 2019)

⁶⁵ Email from N Abdusalimova, Akfa Medline, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

⁶⁶ Ibid.

⁶⁷ Letter from E Iminov, Head of Administration Tashkent Mayor's Office, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019.

⁶⁸ Email from N Abdusalimova, Akfa Medline, to K Lasslett, Professor of Criminology, Ulster University, 25 April 2019

⁶⁹ Ibid.

VI. A DANGEROUS DALLIANCE WITH THE OFFSHORE WORLD

The use of opaque offshore entities registered in jurisdictions with weak compliance records, is not in itself evidence of wrongdoing or criminality. It does, however, raise red flags that merit heightened levels of scrutiny, especially given the documented role such entities have played in facilitating bribery, money laundering and fraud in Central Asia.

Companies within the Akfa-Artel group were found, during this investigation, to be owned by offshore entities that were opaque and staffed by nominees linked to major money-laundering scandals and aggravated fraud. In addition to this, on at least two occasions an offshore holding entity used an illegal ploy to conceal the identity of persons/entities with significant control.

Table 4: Offshore entities tied to the Akfa-Artel group

Name	Type	Date of Registration	Address	Current Members	Person with Significant Control
Bergman Ltd	Limited Liability Company, England	16/10/2007	13 John Prince's Street, 2nd Floor, London, England, W1G 0JR	Directors: Trendmax Inc, Youngsam Kim. Secretary: Starwell International Ltd	No PSC (2/3/2018)
Dalston Management LP	Limited Partnership, Scotland	06/03/2013	Room 12 Alva Business Centre, 11 Alva Street, Edinburgh, Scotland, EH2 4PH	General Partner: Aurora Marketing Limited. Limited Partner: Venus Consultancy Limited.	No PSC (25/8/2017)
Dartlex Impex LLP	Limited Liability Partnership, England	15/09/2009	Suite B, 11 Churchill Court, 58 Station Road, North Harrow, Middlesex, HA2 7SA	Designated Member: Neocorp Experts LP, Bondwest AG, Unitwell Technology Ltd	Neocorp Experts LP (17/8/2017)
Esperansa Group LP	Limited Partnership, Scotland	13/04/2016	Office 8 44-46 Morningside Road, Edinburgh, United Kingdom, EH10 4BF	General Partner: Lajos Balog. Limited Partner: Eva Bodnar	Esperansa Incorporated LP (12/10/2017)
Esperansa Incorporated LP	Limited Partnership, England	06/10/2017	85 Great Portland Street, London, United Kingdom, W1W 7LT	General Partner: Fiorteks Impex. Limited Partner: Dumstreks Impex	N/A
Grandes Investment Group Holdings Lp	Limited Partnership, Scotland	25/10/2018	64a Cumberland Street, Edinburgh, EH3 6RE	General Partner: Fiorteks Impex Limited, Sturari Impex Limited. Limited Partner: Dumsteks Impex Limited. Ferrton Impex Limited.	No PSC (24/10/2018)
Grandes Investment Group LP	Limited Partnership, Scotland	27/01/2017	101 Rose Street South Lane, Edinburgh, United Kingdom, EH2 3JG	General Partner: Silvano Alliance Ltd. Limited Partner: Tormex Alliance Ltd.	Grandes Investment Group Holdings Lp (5/11/2018)

Name	Type	Date of Registration	Address	Current Members	Person with Significant Control
MacMerry Management LP	Limited Partnership, Scotland	23/10/2012	25 2f1, Crighton Place, Edinburgh, EH7 4NY	General Partner: Kingsley Business Services Ltd. Limited Partner: Longford Solutions Ltd	Dalston Management LP (26/6/2017)
Maryon Investment LP	Limited Partnership, Scotland	28/02/2013	43 Duke Street, Edinburgh, United Kingdom, EH6 8HH	General Partner: Maxfino Industries Ltd. Limited Partner: Carberry Investments Limited.	Dalston Management LP (24/7/2017 - 25/7/2018)
Neocorp Experts LP	Limited Partnership, Wales	29/11/2016	Suite 7 209 City Road, Cardiff, CF24 3JD	General Partner: Altimex Ltd. Limited Partner: Crestberg Ltd	N/A
Nordlink LLP	Limited Liability Partnership, England	08/01/2008	" 788/790 Finchley Road, London, England, NW11 7TJ"	Designated Member: Exponet GMBH, Unitwell Technology Ltd	Crawley Business LP (1/9/2017-31/12/2018)
Preston Impex Holdings LP	Limited Partnership, Scotland	11/12/2018	64a Cumberland Street, Edinburgh, EH3 6RE	General Partners: Fiorteks Impex Limited, Sturari Impex Limited Limited Parnters: Dumstek's Impex Limited, Ferton Impex Limited.	No PSC (11/12/2018)
Preston Impex LP	Limited Partnership, Scotland	25/01/2017	1 Lochrin Square, 92-98 Fountainbridge, Edinburgh, United Kingdom, EH3 9QA	General Partner: Konstantins Golubeckis. Limited Partner: Anna Borisova	Preston Impex Holdings LP (18/12/2018)
Pyramid Merchants LLP	Limited Liability Partnership, England	24/11/2014	175 Darkes Lane 2nd Floor, Suite B, Potters Bar, Hertfordshire, England, EN6 1BW	Designated Member: Eurointer AG; Maxinfo Industries Ltd.	Stuart Projects LP (6/10/2017-1/11/2018)
Worldpoint Sales Limited	Limited Liability Company, England	06/08/2008	48 Queen Anne Street, London, W1G 9JJ	Directors: Fynel Limited, Juchun Lee. Secretary: Unitwell Technology Ltd	Wildlux Solutions LLP (1/09/2017)
Wynex Innovation LLP	Limited Liability Partnership, England	19/06/2014	Olympia Industrial Estate Coburg Road, Unit 5, London, England, N22 6TZ	Designated Member: Hillmont Inc, Maxfino Industries Ltd. Member: Bergman Ltd.	Bergman Ltd (19/6/2017)
Singapore Syndicate Group International Pte Ltd	Limited Liability Company, Singapore	09/03/2012	634A Enja Road, 13-223, Senja Gateway, Singapore	Directors: Seet Mei Siah, Wong Yueh Yan.	Shareholder: Seet Mei Siah (14/11/2017)
Commerce Standard Pte Ltd	Limited Liability Company, Singapore	11/06/2012	275C Compassvale Link, 13-216, Aspella, Singapore	Directors: Ng Lee Siew, Borovik Rimma.	Shareholder: Ng Lee Siew (13/03/2017)

To evidence these claims, a useful starting point is Dartlex Impex LLP, an English Limited Liability Partnership,⁷⁰ and Worldpoint Sales Limited, an English Limited Liability Company. Media reports from 2015 identify Dartlex Impex LLP as the British partner of J-United Group – one of Jahonghir Artikhodjayev’s principal holding entities – in a US\$35.2 million joint-venture focusing on the production of aluminium products within the Navoi Free Economic Zone.⁷¹ The Navoi Free Economic Zone grants investors significant tax and customs exemptions.

In addition to being a foreign partner Dartlex Impex LLP is also a direct investor in the Akfa-Artel Group. For instance, Dartlex Impex LLP has held a 95.7% stake in White Machine Technology, which is an Artel brand company involved in the production of vacuum cleaners and microwave ovens.⁷²

In the case of Worldpoint Sales Limited, up until recently it has held 100% of the shares in Eko Elektron (the shares have been transferred to Ismail Israilov).⁷³ Eko Elektron is an important local company used by the Artel brand in Uzbekistan for its electronics and white good interests.

Basic due diligence inquiry into both offshore entities raise numerous concerns. Dartlex Impex LLP was established on 15 September 2009.⁷⁴ Its formation agent was Ireland & Overseas Acquisitions Ltd. According to the Organised Crime and Corruption Reporting Project (OCCRP), Ireland & Overseas Acquisitions has ‘played a role in frauds in the arms trade, pharmaceuticals and other businesses’.⁷⁵ Examination of Dartlex Impex’s filings lodged with the UK’s Companies House, reveal that Juri Vitman, Stan Gorin and Ali Moulaye have been directly involved in the firm’s administration.⁷⁶ They sit alongside current and previous members of Dartlex Impex LLP, which are nominee companies registered in the Marshall Islands, Cyprus, Seychelles, and Belize, jurisdictions known for corporate and financial secrecy.⁷⁷

Worldpoint Sales Limited was incorporated a year before Dartlex Impex, on 6 August 2008. But they share a number of common links.⁷⁸ For example, Juri Vitman sat on Worldpoint Sales’ Board of Directors. Worldpoint Sales current Directors includes Fynel Limited, and Juchun Lee, while Unitwell Technology Ltd is the Company

Secretary. Unitwell is also a current designated member of Dartlex Impex LLP. A past Director of Worldpoint Sales, worth mentioning, is Danny Banger. More on him shortly.

Juri Vitman is one common denominator linking both registered UK legal entities. He has been implicated in a range of corruption scandals. According to OCCRP:

Vitman is an ex-employee of the Latvia-based Parex Bank and, together with two infamous fronts for corrupt companies named Erik Vanagels and Stan Gorin [also linked to Dartlex Impex LLP], acted as a proxy in the “Proxy Platform,” a massive money-laundering operation identified by OCCRP in 2011. The Proxy Platform was a set of offshore companies which provided money-laundering services for criminals all over the world including Mexican drug cartels, Asian Triads, Russian and Moldovan organized crime and state companies and officials in Russia and Ukraine during the reign of Viktor Yanukovich. Some of the money stolen from the Russian treasury in the Sergey Magnitsky case used the Proxy Platform.⁷⁹

⁷⁰ Transparency International UK have flagged LLPs as high risk entities, see *Hiding in Plain Sight: How UK Companies are Used to Launder Corrupt Wealth*, Transparency International UK, available online: www.transparency.org.uk/publications/hiding-in-plain-sight/ (accessed 15 April 2019)

⁷¹ ‘New Uzbek-British joint venture created at FIEZ Navoi’, *Uz Daily*, 5 July 2015, available online: www.uzdaily.uz/en/post/32782 (accessed 14 March 2019)

⁷² White Machine Technology LLC, Historical Company Extract, Registration No. 1178, accessed 14 March 2019

⁷³ Eko Elektron LLC, Historical Company Extract, Registration No. 5079-11, accessed 14 March 2019

⁷⁴ Partnership information is available through its online Companies House file, <https://beta.companieshouse.gov.uk/company/OC348606>

⁷⁵ Radu, P. ‘Russia: The cellist and the lawyer’, Organized Crime and Corruption Reporting Project, 26 April 2016, available online: <https://www.occrp.org/en/panamapapers/russia-the-celist-and-the-lawyer> (accessed 20 May 2019)

⁷⁶ Investigative journalists Oliver Bullough and Jane Bradley link Moulaye to a network of 127 companies implicated in ‘large-scale tax evasion, fraud, or corruption’. When they tracked him down it was revealed that Moulaye is now a suburban dentist in Brussels. Moulaye told the reporters ‘I have no clue what these companies are, where they are based, and what’s their business’. See: Bradley, J. and Bullough, O. ‘The ghost companies connected to suspected money laundering, corruption, and Paul Manafort’, BuzzFeed, 23 August 2018, available online: <https://www.buzzfeed.com/janebradley/shell-companies-money-laundering-uk-paul-manafort> (accessed 15 May 2019)

⁷⁷ The most recent accounts are signed by Dong-Hee Kang for Bondwest AG, both are discussed by industry expert Graham Barrow: Barrow, G. ‘Goodbye Ali Moulaye, hello Kang Dong-Hee!’, no date, available online: <https://grahambarrow.com/goodbye-ali-moulaye-hello-kang-dong-hee/> (accessed 15 April 2019)

⁷⁸ Corporate information is available through its online Companies House file <https://beta.companieshouse.gov.uk/company/06665418>

⁷⁹ Sukhotin, A. and Anin, A. ‘Russian football under scrutiny on coaches contract’, *Organized Crime and Corruption Reporting Project*, 4 May 2015, available online: <https://www.occrp.org/en/investigations/3915-russian-football-under-scrutiny-on-coaches-contract> (accessed 14 March 2019)

Then there is the former Worldpoint Sales Director, Danny Banger. The UNDP has blacklisted Banger until 2023 for his role in a 'fraud with aggravating circumstances' which took place in Uzbekistan.⁸⁰

Many of these individuals and companies linked both to Dartlex Impex LLP and Worldpoint Sales Limited, appear to be nominee office holders, who provide their services to dozens of entities.⁸¹ In practice, they often know little about the company they are signing accounts for, and other documents. However, owing to regulatory weaknesses in the UK it is impossible to reach past this nominee layer and examine the real network of individuals administering these offshore vehicles.

In the case of Dartlex Impex LLP, it uses an illegal manoeuvre to conceal from the public persons with significant control. Under 2015 reforms to the UK's Companies Act 2006 Part 21A, registrable legal entities must take active steps to disclose on a public register persons with significant control (PSC). A PSC may be an individual, or a 'relevant legal entity'. The latter category captures entities subject to legal regimes that also require transparency

with respect to PSCs. This in effect means the public, by following the chain of control, can find the ultimate individual or individuals with significant control over a registered UK legal entity.

In the case of Dartlex Impex LLP, its designated PSC is a Welsh Limited Partnership, Neocorp Experts LP.⁸² It is not a 'relevant legal entity'. Welsh Limited Partnerships are currently under no legal obligation to declare PSCs. Any attempt to discover the ultimate PSC of Dartlex Impex LLP, in effect, has been prevented through this ploy.

This was not the only example of this apparently illegal ploy being used by an offshore company tied to the group. In section III it was noted that the Uzbekistani joint stock company, Perfect Plast Profil, is a shareholder in Akfa Dream World a firm investing in Lot 5 of Tashkent City. Perfect Plast Profil's stock, in turn, is owned by the Esperansa Group LP, a Scottish Limited Partnership. Esperansa Group LP has declared one PSC,⁸³ Esperansa Incorporated LP, an English Limited Partnership registered on 6 October 2017.

In the instance of Worldpoint Sales Limited, it has declared one PSC, Wildlux Solutions LLP, an English Limited

Liability Partnership.⁸⁴ This is a 'relevant legal entity' under the Companies Act. However, Wildlux Solutions LLP made a PSC declaration on 12 February 2017, stating that 'the company knows or has reasonable cause to believe that there is no registrable person or registrable relevant legal entity in relation to the company'.⁸⁵ In other words Wildlux Solutions LLP is claiming there is no one involved in the business who fits within the legal definition of a PSC – which stipulates a PSC should own or control over 25% of the entity. The UK government makes no attempt to verify the accuracy of these statements.⁸⁶

In a 2018 report Global Witness observes: 'One of the biggest weaknesses of the UK PSC register is the lack of systematic verification of data submitted – i.e. it is solely self-reported data from companies'.⁸⁷ Global Witness add in a 2019 update: 'It remains all too easy for someone to lie about their true ownership, by simply saying the company has no ultimate owner, listing a secretive offshore company as their ultimate owner, or by putting forward a fake person or nominee'.⁸⁸ In effect a system of self-regulation is in operation. This is a high risk compliance strategy, given the historical evidence of abuse.

⁸⁰ 'UNDP entries to the UN ineligibility list', United National Development Programme, no date, available online: <https://www.undp.org/content/undp/en/home/operations/procurement/business/protest-and-sanctions/ineligibility-list/> (accessed 14 March 2019)

⁸¹ Open Democracy Investigations 'The strange connections of Tashkent City's "British investor"', Open Democracy, 21 February 2019, available online: <https://www.opendemocracy.net/en/odr/strange-connections-of-tashkent-city-s-british-investor/> (accessed 20 May 2019)

⁸² Dartlex Impex LLP, Notification of a Person with Significant Control, Companies House, 20 August 2017, available online: <https://beta.companieshouse.gov.uk/company/OC348606> (accessed 14 March 2019)

⁸³ Esperansa Group LP, Notification of a Person with Significant Control, Companies House, 12 October 2017, available online: <https://beta.companieshouse.gov.uk/company/SL025982/persons-with-significant-control> (accessed 19 May 2019)

⁸⁴ Worldpoint Sales Limited, Notification of a Person with Significant Control, Companies House, 8 September 2017, available online: <https://beta.companieshouse.gov.uk/company/06665418> (accessed 8 September 2017)

⁸⁵ Wildlux Solutions LLP, Confirmation Statement, 23 February 2017, Companies House, available online: <https://beta.companieshouse.gov.uk/company/OC398287> (23 February 2017)

⁸⁶ An excellence source of analysis on the enduring weaknesses in the UK's corporate disclosure system is *The Dark Money Files* podcast: <http://thedarkmoneyfiles.com>

⁸⁷ Global Witness *The Companies We Keep: What the UK's Open Data Register Actually Tells Us About Company Ownership*, Global Witness, 2018, available online: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep> (accessed 15 April 2019); see also Bradley, J. and Bullough, O. 'The ghost companies connected to suspected money laundering, corruption, and Paul Manafort', BuzzFeed, 23 August 2018, available online: <https://www.buzzfeed.com/janebradley/shell-companies-money-laundering-uk-paul-manafort> (accessed 15 April 2019)

⁸⁸ Global Witness *Getting the UK's House in Order*, Global Witness, May 2019, available online: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/getting-uks-house-order/> (accessed 20 May 2019)

Indeed, once the PSC chain was followed for all 18 offshore entities registered in the UK linked to the Akfa-Artel group, 100% resulted in an ultimate declaration that there was no person with significant control. This in itself is not illegal. However, it is irregular. Global Witness found that less than 10% of entities which must comply with the PSC regime, declared no PSC.⁸⁹ 100% stands in notable contrast to this.

The problem of accuracy and transparency extends to annual financial reporting. Worldpoint Sales and Dartlex Impex, have both reported owning minimal assets, and earning negligible profits. Yet both firms have been the beneficial owners of key corporate vehicles in the highly successful Akfa-Artel group. While Dartlex Impex, for instance, was part of a US\$35.2 million joint-venture.

These are not isolated examples. Another registered UK legal entity examined during this investigation is Wynex Innovation LLP, an English Limited Liability Partnership registered on 19 June 2014. During 2015 Wynex Innovation was reported to be spearheading a joint venture that would manufacture mobile phones through a US\$2 million investment with Infinity Electronics, a local company producing consumer electronics under the Artel Brand.⁹⁰ At the time it had no declared assets, and an operating net loss of £419.⁹¹

Wynex Innovation LLP appears more recently as a foreign investor in Tashkent City lot 1, through its 100% shareholding in Techno Continental. Techno Continental is a joint stock company which was registered in Uzbekistan on 27 January 2018. It has an 8.17% stake in High Land City LLC, which is the sole stated investor in Tashkent City lot 1 (see section III). In its latest annual accounts for 2018 Wynex Innovation declares that its principal activity is 'cargo forwarding agent as well as trade of household appliances and received commission'.⁹² It reportedly has no income, and an operating loss of £1,500. The LLP states it has £300 in cash.

Unfortunately, it is impossible to determine whether such accounts submitted to Companies House contain substantial inaccuracies. There is no verification procedures currently operating in the UK.

In the case of UK Limited Liability Partnerships there is, at the very least, enough financial disclosure for vigilant members of the public to identify and report irregularities. However, with respect to Limited Partnerships, there is generally no such requirement.

Take the example of MacMerry Management LP. It has an extensive Uzbekistani stock portfolio including a 78.73% interest in Technic Globe, and 50% stakes in Quality Electronics, Factory of Technologies, Asia Electron and Next Generation Products which

are investors in Tashkent City (see section III). Despite operating from UK shores, the British public cannot access financial information on this Scottish Limited Partnership linked to a group in Uzbekistan which is making major investments in an area under the direct public responsibility of the group's founder. For MacMerry Management LP, we only know it has £50 in starting capital contributed by its Seychelles based partner Longford Solutions Ltd.⁹³

The offshore reach of Akfa-Artel also goes beyond the UK. Notably, the Singaporean registered firms, Commerce Standard Pte Ltd, and Singapore Syndicate Group International Pte Ltd, both own Uzbekistani companies in the Akfa-Artel group structure. It was also noted in section III, Commerce Standard is an investor in lot 7 of Tashkent City, while Singapore Syndicate Group is an investor in lot 7 and lot 1.

There is no requirement in Singapore that companies publicly disclose persons with significant control. It is, therefore, impossible to verify who stands behind either firm.

However, from the small digital imprints available in Uzbekistan it is apparent that Commerce Standard, is issuing high interest loans (14%), for the term of one year, from an Uzbekistani subsidiary to another company in the Akfa-Artel group, owned by Singapore Syndicate Group International.⁹⁴ In another digital imprint, a Commerce Standard

⁸⁹ Global Witness *The Companies We Keep: What the UK's Open Data Register Actually Tells Us About Company Ownership*, Global Witness, 2018, available online: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep> (accessed 15 April 2019)

⁹⁰ 'A new joint venture for the production of mobile phones created in FIEZ "Navoi"', *Gazeta*, 4 July 2015, available online: <https://www.gazeta.uz/ru/2015/07/04/phones/> (accessed 15 March 2019)

⁹¹ Wynex Innovation LLP, Accounts, 22 March 2016, available online: <https://beta.companieshouse.gov.uk/company/OC393843/> (accessed 15 March 2019)

⁹² Wynex Innovation LLP, Accounts, 24 October 2018, available online: <https://beta.companieshouse.gov.uk/company/OC393843/> (accessed 19 May 2019)

⁹³ MacMerry Management LP, Application for Registration of a Limited Partnership, 23 October 2012, available online: <https://beta.companieshouse.gov.uk/company/SL011585/filing-history> (accessed 19 May 2019)

⁹⁴ 'Decision - Software Partner Foreign Enterprise in the Form of Joint-Stock Company "Quality Electronics"', 2 May 2018, No. 11/2018.

subsidiary received a loan from Kapital Bank in the amount of US\$5 million, at a more modest 8% rate of interest. Real property belonging to Nukus Remmash LLC, Technic Globe LLC and Art Sunrise LLC was put up by Commerce Standard as security. Nukus Remmash is owned by Technic Globe, Technic Globe in turn is majority owned by MacMerry Management LP, while Art Sunrise LLC is owned by the Mayor of Tashkent, Jahongir Artikhodjayev.⁹⁵

With the exception of Dartlex Impex LLP and Esperansa Group LP's PSC declarations, none of the activities and practices presented here are necessarily unlawful in nature, or directly denote corruption – although annual accounts submitted by Worldpoint Sales, Dartlex Impex, and Wynex Innovation LLP, exhibit limited signs of commercial activity, despite considerable business interests in Uzbekistan. Nevertheless, when opaque structures are used to hold shares within a group that is in receipt of significant state aid and is linked to a senior public official, it raises serious governance concerns.


DARTLEX IMPEX LLP			
United Kingdom, Registered Company No. OC348606			
PROFIT & LOSS ACCOUNT			
for the period ended			
30 September 2010			
	Notes	GB£	GB£
INCOME			
1 Income from ordinary activities			
1 1 Commission			5 715
OPERATING EXPENSES			
1 Administrative Expenses			
1 1 Office costs		300	
1 2 Director's fees		700	
1 3 Professional fees		500	
TOTAL OPERATING EXPENSES			(1 500)
OPERATING PROFIT			4 215
PROFIT FOR PERIOD			4 215
			
Jun VITMAN for Ireland & Overseas Acquisitions Ltd. Designated member			
Approved by the members on 11 November 2010.			

Image 8: Annual accounts for Dartlex Impex LLP signed by Juri Vitman.

⁹⁵ 'Decision Software Partner Foreign Enterprise in the Form of Joint-Stock Company "Quality Electronics"; 19 June 2018, No 14/2018.

VII.

CONCLUSIONS AND RECOMMENDATIONS

The Mirziyoyev government, with international support, has initiated a rapid programme of privatisation, deregulation, and public investment, that includes the provision of substantial state aid to business. This investigation into the commercial interests of rising political power-broker, Jahongir Artikhodjayev, and the group he founded, signals the serious risks this strategy courts when implemented through administrative and transnational market structures that are opaque, and weakly regulated.

It has established in this report that a major business group, linked to a senior government office holder, is in receipt of significant state aid across a range of sectors, including zero cost awards of public assets. In several notable instances public responsibility for oversight of this aid has been placed in the hands of the group's founder, the Mayor of Tashkent. It appears that conflicts of interest were not reported to a superior or managed through special procedures. Complicating matters further, the transnational ownership and financial structures making up the Akfa-Artel group are opaque and exhibit numerous red flags.

During the final draft of this report, it was observed that Jahongir Artikhodjayev's shares in the Akfa-Artel group are beginning to be transferred into the name of his wife, managers and existing stockholders within the group, including Kamolot Mirzaliyeva and Abror Ganiyev.⁹⁶ Given that conflicts of interest regulations include business partners and family members, these share transfers would not necessarily exempt the Mayor from declaring a conflict of interest, were these companies to become involved in transactions falling within his public portfolio. Additionally, because Uzbekistan does not operate a public (or any) beneficial owners register, unless the Mayor chooses to voluntarily disclose information, we have no way of knowing if he retains a beneficial interest in these affected companies through a trust agreement with the legal stockholders.

The red flags noted in this report are compounded by the opaque and inconsistent methods used in Uzbekistan's public administration. For instance, there is an absence of open and transparent information, that is accessible, which details the objective criteria, arms-length process, and open mechanisms used to award contracts, and state aid, as required under the national anti-corruption law. Public procurement requirements set out in anti-corruption and procurement laws, are being circumvented through the official granting of exceptions. Exacerbating matters, despite a stated commitment to freedom of information, in practice the government of Uzbekistan is hesitant to release information pertaining to decision making processes that are of critical public significance. There is also a failure to consult with the public before taking decisions that impact on key rights and interests. It is apparent that the current broad requirements pertaining to conflicts of interest need to be operationalised through laws, regulations, policies, and procedure, that provide a clearer set of standards and processes for declaring, and managing conflicts of interest, and sanctioning those officials which breach requirements. Finally Uzbekistan's system of corporate disclosure and transparency, is limited, and there is a lack of an observable reform agenda. There is also a concerning lack of transparency and scrutiny of the financing behind large projects sponsored, in part, by government. When beneficial ownership and the origin

⁹⁶ Akfa Engineer and Management LLC, Company Extract, 20708, accessed on 19 May 2019; Jako Industrial Group, Company Extract, 872, accessed on 19 May 2019.

of capital is hidden, it creates a fertile opportunity structure for a range of illicit practices.

There is, however, a welcomed preparedness on the part of select public and private actors to engage with civil society, and the media, on challenging topics. The Mayor of Tashkent, in particular, has demonstrated a clear willingness to engage with criticism, and has welcomed public and private dialogue. This reflects a wider preparedness within the Mirziyoyev government to consider some of the more sensitive human rights and public integrity issues that have hindered Uzbekistan over the past two decades. Despite the serious limitations observed above, this change in culture, potentially provides a basis on which substantive new reforms can be designed, discussed and implemented.

In response to the findings presented in this report a number of recommendations are made, which complement and reinforce recommendations recently made by the OECD, Global Witness and Uzbekistani civil society.⁹⁷ Critically, Uzbekistan's

anti-corruption laws need to be consolidated through applied measures, that are designed to ensure there is full transparency, open competition, and regulatory compliance, within the public and private sector. This can be achieved, in part, by drawing on examples of good practice from other jurisdictions, including full and open online registers for corporate disclosure, public tenders, and the financial interests of senior public officer holders, strengthened through investment in compliance, prosecution and public reporting. Responsibility also falls on jurisdictions such as the United Kingdom and Singapore, that supply opaque offshore holding structures, to invest in more rigorous compliance cultures, including through the prosecution of those entities which violate regulations, alongside legal reform designed to tackle loopholes that frustrate transparency and integrity. Finally, in addition to the above Uzbekistan should implement practical legal and administrative measures for managing conflicts of interest, and sanctioning those who fail to comply with the law, with rigorous public data kept on compliance.

⁹⁷ Global Witness (2018) *The Companies We Keep: What the UK's Open Data Register Actually Tells Us About Company Ownership*, available online: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep> (accessed 15 April 2019); OECD (2019) *Anti-corruption Reforms in Uzbekistan: 4th Round of Monitoring of the Istanbul Anti-Corruption Action Plan*, available online: https://www.oecd.org/corruption/acn/OECD-ACN-Uzbekistan-4th-Round_Monitoring-Report-2019-ENG.pdf (accessed 19 May 2019); 'Uzbek activists' proposal: Principles for responsible asset repatriation to Uzbekistan', 9 August 2018, available online: <https://corruptionandhumanrights.org/publications/uzbek-activists-proposal-principles-for-responsible-asset-repatriation-to-uzbekistan/> (accessed 19 May 2019)

RECOMMENDATIONS TO POLICY MAKERS IN UZBEKISTAN

Based off the evidence there is a need for progress on the following fronts:

OPEN AND COMPETITIVE TENDERS:

All public procurement and the sale/ lease of state owned assets above a threshold, should be executed through a fair and open tender process, except in clearly circumscribed emergency situations.

CEASE ANTI-COMPETITIVE AWARDS:

The government should cease all public-private initiatives and the granting of state aid, that are agreed without a formal and open tender process. This practice does not assure value for money or ensure the best operator is selected to lead major projects.

TRANSPARENT AND FAIR STATE AID:

State aid should be governed by a clear selection criteria and a transparent selection process, set out in regulations and documented publicly.

ACCESSIBLE INFORMATION:

To enhance transparency, and accountability to the public, all tenders and government contracts should be published on a dedicated website, governed by clear rules of disclosure.

FREEDOM OF INFORMATION:

Existing freedom of information laws should be rigorously enforced by the Government of Uzbekistan, with sanction for those public agencies that fail to comply with their legal obligation to provide information upon request within fifteen days. Having dedicated Freedom of Information officers within government departments may also help to expedite requests. A public register should be kept of Freedom of Information requests, the government's response, and digital copies of the documents supplied.

CORPORATE DISCLOSURE:

Registered entities in Uzbekistan should be governed by an open and rigorous system of corporate disclosure, where the public can freely access current and historical information on beneficial owners, persons with significant control, senior office holders, and annual accounts.

DUE DILIGENCE:

The state should attempt to incentivise best practice in the private sector, by only contracting with actors who meet certain transparency, fiscal, and professionalism benchmarks.

REGISTER OF FINANCIAL INTERESTS:

All senior office holders and elected members of government, should disclose annually in a public register of interests, their financial interests.

CONFLICTS OF INTEREST:

There should be dedicated legal provisions that provide a more precise set of governance mechanisms for declaring and handling conflicts of interest, and sanctioning those who violate anti-corruption rules on this front. Additionally, there needs to be rigorous data kept and published publicly on compliance.

PUBLIC CONSULTATION:

In those instances where the rights and interests of particular individuals or groups will be impacted by public decisions it is critical that those affected are consulted, provided with detailed information, have their feedback incorporated into the decision making process, and have recourse to remedy.

ENHANCED COMPLIANCE:

It is important that a culture of accountability and compliance is fostered through an independent system of audit and inspection, that is open and accessible to the public, to ensure government agencies and registered legal entities are in compliance with regulations/laws.

FREEDOM OF THOUGHT AND SPEECH:

Journalists and activists in Uzbekistan are forced to practice self-censorship in order to avoid persecution. There should be protections in place that assure, without caveats, journalists, and civil society can report on good governance, corruption, market abuse, and human rights related issues, without fear of reprisals.

VETTING OF FOREIGN INVESTMENT:

Concessions should only be granted to foreign investors, when clear proof is provided that the ultimate beneficial owners of these companies, and those providing the capital, are foreign citizens. Additionally, concessions should be granted on the basis that the investors meets certain minimum standards with respect to transparency and corporate governance.



RECOMMENDATIONS TO POLICY MAKERS IN THE UNITED KINGDOM

This investigation into the Akfa-Artel group and its founder, again, demonstrates how businesses globally draw on the United Kingdom's lax system of corporate compliance, to build opaque legal structures. While some progress has been made in improving transparency requirements, critical loopholes remain. For example, there is a notable lack of enforcement. What exists in effect is a system of self-regulation. Those who choose to disobey the law currently face no risk of sanction, and minimal risk of detection. It is also important that certain company formation agents enjoy impunity while providing legal entities and nominees, that allow their customers to frustrate global efforts to improve corporate transparency and disclosure.

Based off the evidence there is a need for progress on the following fronts:

ENFORCEMENT OF THE COMPANIES ACT 2006:

Companies Act 2006 reforms demanding greater levels of disclosure, must be enforced proactively through risk based audits and the prosecution of those in serious breach of the law. The reforms proposed by Global Witness in its 2018 report *The Companies We Keep* offer a powerful foundation for strengthening corporate transparency.⁹⁸

LEGISLATIVE REFORMS:

2015 PSC reforms to the Companies Act 2006 and regulations governing limited partnerships in Scotland, need to be complemented by reforms that tackle the ownership structures of English, Welsh and Northern Irish Limited Partnerships. There is also a need to tackle financial transparency loopholes, that for instance allow SLPs to avoid financial reporting. Finally, there is a need to remove the 25% threshold required for declaring a PSC, a loophole that is being exploited to circumvent transparency requirements.

REGULATING INTERMEDIARIES:

Steps must be taken to prevent law firms and company formation agents from operating in the UK or offshore, which provide company formation and nominee services in a high-risk manner.

Recent and ongoing public consultations in the UK related to corporate transparency are welcomed, and may lead to important reforms that partially or fully address the above concerns.⁹⁹

⁹⁸ 'On Global Witness *The Companies We Keep: What the UK's Open Data Register Actually Tells Us About Company Ownership*, Global Witness, 2018, available online: <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep>(accessed 15 April 2019)

⁹⁹ Department for Business, Energy & Industrial Strategy, *Limited Partnerships: Reforms of Limited Partnership Law*, 2018, available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762849/government-response-limited-partnerships.pdf (accessed 20 May 2019); Department of Business, Energy & Industrial Strategy, *Corporate Transparency and Register Reform: Consultation on Options to Enhance the Role of Companies House and Increase the Transparency of UK Corporate Entities, 2019*, available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/799662/Corporate_transparency_and_register_reform.pdf (accessed 20 May 2019)

RECOMMENDATIONS TO POLICY MAKERS IN SINGAPORE

Based off the evidence there is a need for progress on the following fronts:

OPEN AND TRANSPARENT REGISTER

Singapore is currently moving against the global tide when it comes to corporate transparency. As a business and financial hub with a lax corporate disclosure regime, Singapore is setting itself up as an enduring beacon for money launderers, organised crime and kleptocrats, as other jurisdictions tighten their regimes. It is apparent in the case of Akfa-Artel, key entities are using Singapore as an offshore location, where it can operate without declaring persons/entities with significant control. It is essential that Singapore reforms its laws, so that registered legal entities must publicly disclose persons with significant control. Singapore should also look to strengthen the accessibility of corporate disclosure information by removing paywalls.

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About

CHRI is an international collaborative project which investigates the relationship between corruption and human rights and advocates for policy, legislative and social reforms that strengthens the rights and capacity of victims. It is managed by the International State Crime Initiative a research centre based at Ulster University and Queen Mary University of London.

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