



## Institutional Framework for the Formation and Development of the Investment Climate in Uzbekistan

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**Abstract:** In modern conditions of aggravation of global world competition, countries with stable economic growth have an advantage, which cannot be achieved without a sufficient level of financial resources. One of the most important measures to improve the competitiveness of the national economy and ensure economic security is to attract investment resources. This article is the result of a study in the field of investment projects.

**Key words:** Investment environment, investment projects, investment climate, political factors, economic factors, social factors.

### Introduction.

Institutional foundations for the formation and development of the investment climate in Uzbekistan. This direction has been and remains a priority in the policy of the Republic of Uzbekistan. Emphasizing the important role of investments in the implementation of measures to modernize the economy, import technologies and innovations, domestic experts note that Uzbekistan is currently implementing a wide range of measures aimed at forming the institutional framework for integrating the national economy into the global investment market.

In order to radically improve the organizational and legal foundations of public administration on the basis of advanced foreign experience, modern innovative ideas, developments and technologies, the Development Strategy of New Uzbekistan for 2022-2026. the most important measures were identified to further improve and increase the attractiveness of the investment climate in the country, including the establishment of a new system for the efficient use of investments, the development of investment and foreign economic relations with foreign countries, which by 2026 will attract about 50 billion US dollars of domestic investment resources , more than 70 billion US dollars - foreign investment.

In December 2021, the investment program of the Republic of Uzbekistan for 2022-2026 was approved, the main goal of which is the introduction of new approaches and mechanisms for managing investment projects, which will increase the industrial and production potential of the republic, achieve the widespread introduction of high technologies in the economy, create new production capacities, development of exports, employment of the population and reduction of poverty in the regions.

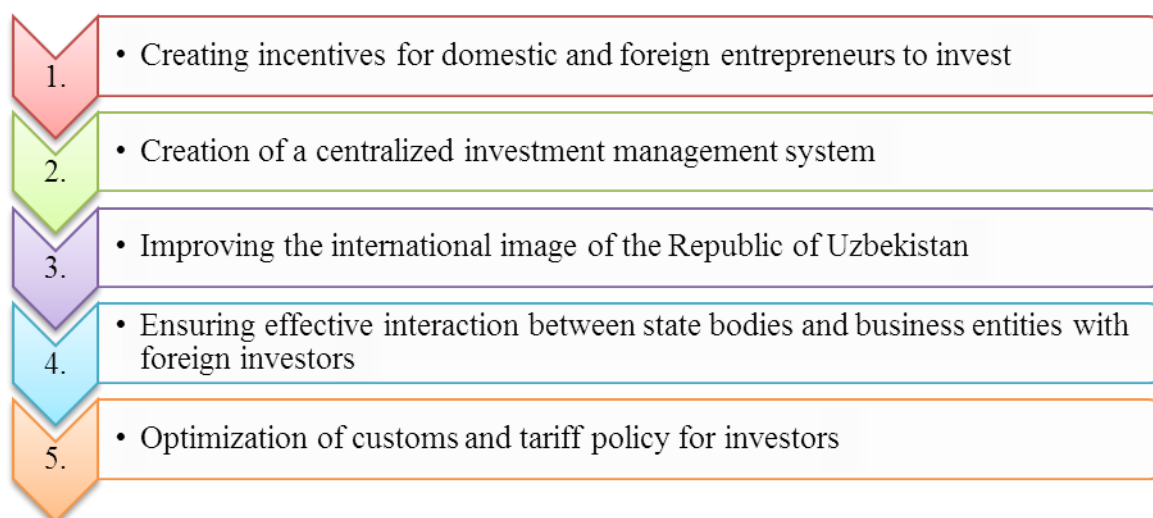
Until the end of 2019, the relationship between the state and business entities in the field of investment was regulated by the provisions of three laws: "On Foreign Investments", "On Guarantees and Measures to Protect the Rights of Foreign Investors" and "On Investment Activities", as well as more than fifty by-laws. An important step in the field of the legislative framework for regulating the investment climate should be considered the adoption in December 2019 of the Law of the Republic of Uzbekistan "On Investments and Investment Activities", which

made it possible to unify the conceptual apparatus, thereby providing a transparent and open environment for investment activities. In particular, the above law provides a classification of investments by destination (capital, financial and social), defines the forms of investment (by creating legal entities, buying shares, shares, acquiring ownership rights, etc.), as well as types of investment resources (cash, movable and immovable property, objects of intellectual property). The Law reflects new, previously not provided for by law forms of investment - copyrights, patents, trademarks, utility models, industrial designs, trade names, know-how, business reputation, goodwill.

**Methods.** The article uses the logical method and modeling techniques, analysis and synthesis, normative approach, systemic and comparative analysis, factor analysis.

**Results.** The Law of the Republic of Uzbekistan “On Investments and Investment Activities” enshrines the right of an investor to receive an investment tax credit, an investment subsidy, as well as advisory services, foreign investors are provided with a residence permit and an “investment visa”; the procedure for ensuring state guarantees of the rights of subjects of investment activity and protection of investments was determined. In addition, for the first time at the legislative level, a requirement was fixed for a minimum share of foreign investment in enterprises in the amount of 15%, for the release of property of such enterprises for two years from customs payments, and a multi-level method for resolving disputes (through negotiations, mediation, through the judiciary) republics and, finally, international arbitration).

The Decree of the President of the Republic of Uzbekistan dated January 28, 2019 “On measures to improve the management system in the areas of investment and foreign trade” identified the main achievements and problems in the field of investment activity, classifying the large-scale government measures aimed at increasing the efficiency of attracting investment resources as the first - weak interconnection of the investment process with the final indicators of the promotion of products to foreign markets, which requires a revision of the organizational and legal mechanisms in these areas. In order to solve the above problems, on the basis of the Ministry of Foreign Trade and the State Committee of the Republic of Uzbekistan for Investments, the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan was formed, the main tasks of which were defined: the implementation of a unified state investment policy, ensuring coordination of the development and effective implementation of state development programs and investment programs; coordination of work to attract foreign investment; ensuring constant feedback with investors, assistance to regions and domestic companies in attracting investments, organizing the development of investment proposals (Fig. 1).



**Fig. 1. The most important areas for creating a favorable investment climate in Uzbekistan**

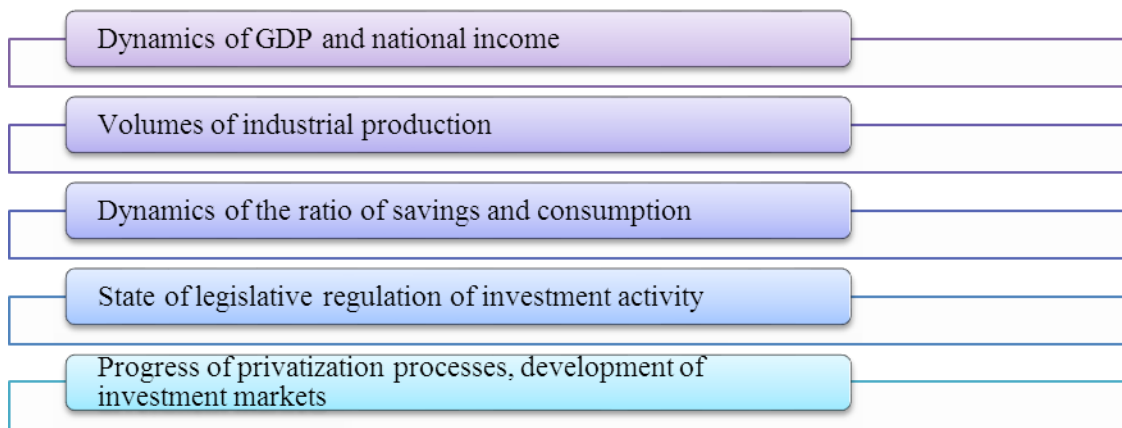
Domestic experts note that along with the undoubted successes achieved in the field of attracting foreign investment in the economy of our country, there are a number of obstacles and shortcomings, among which they highlight: poor infrastructure development, lack of advertising of investment attractiveness in the countries of the world community, a high level of differentiation in the

distribution investments between regions, lack of free and full currency conversion, etc. In accordance with the above, the priority areas of state policy are the timely renewal of production technologies and equipment, which is difficult to achieve without attracting internal and external investment resources.

### Analyses.

In general, the institutional framework for the formation of a favorable investment environment is predetermined by the following indicators: the volume of investment in fixed capital per capita, the growth rate of investment in fixed capital, the volume of attracted investment resources, including foreign ones, and the number of enterprises with foreign investments.

According to experts, the following macroeconomic indicators are used to assess the effectiveness of investments:



**Fig. 2. Indicators for assessing the institutional framework for the formation and development of the investment climate**

Judging by the indicator of the tax burden on the economy, Uzbekistan has relatively low tax rates, which predisposes to the formation of a favorable investment climate (Fig. 2.5). However, the big drawback of the tax system of Uzbekistan, which negatively affects the investment environment in the republic, is the instability of tax rates.

Compared with some countries of the world with a developed economy, the external debt of Uzbekistan has an acceptable value (in 2021 - 30.5% of GDP), which can also have a positive impact on the formation of a favorable investment climate in the country (Table 1).

**Table 1. Public external debt of certain developed countries of the world and countries of Central Asia in 2017-2021, % of GDP**

Страна	2017 y.	2018 y.	2019 y.	2020 y.	2021 y.	Change over 10 years
Japan	231,4	232,5	236,1	259,0	263,1	44,0
Singapore	107,7	109,4	128,2	152,0	132,8	29,7
USA	106,2	107,5	108,8	134,2	132,6	33,1
China	51,7	53,8	57,2	68,1	73,3	39,5
Kyrgyzstan	58,8	54,8	51,6	67,6	61,0	10,9
Tajikistan	47,7	46,3	43,1	50,4	46,5	11,0
Uzbekistan	19,3	19,7	28,4	37,6	36,8	30,5
Kazakhstan	19,9	20,3	19,9	26,4	25,9	15,7
Russia	14,3	13,6	13,7	19,2	17,0	6,7
Turkmenistan	19,8	18,9	15,3	13,1	10,6	0,5

In terms of the development of investments in fixed capital of Uzbekistan, a growth trend has been observed over the past few years: in 2021, compared to 2017, their volumes increased by more than

3.3 times, the same indicator per capita increased by 3.1 times , reaching almost 7 million sums by the beginning of 2022.

### Discussion

Thus, the study showed that in recent years, Uzbekistan has created all the conditions for the formation and development of a favorable investment climate in Uzbekistan, including the reforms of the regulatory framework aimed at protecting the rights of investors, reducing tax rates and all-round support from government agencies. In addition, an important factor in attracting investment resources to the republic is relatively high volumes of industrial production and their share in GDP, low tax rates, and an acceptable value of external debt. In addition, political stability in the republic also predisposes to the formation of a favorable investment climate. However, a significant problem in the development of the economy of Uzbekistan, which negatively affects the investment environment in the country, is the low level of GDP per capita, as well as the instability of the tax system.

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