ENHANCING UZBEKISTAN'S INVESTMENT ATTRACTIVENESS: INSIGHTS FROM POLICY AND INTERNATIONAL EXPERIENCE

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Abstract: this article examines Uzbekistan's investment climate, focusing on strategies to enhance its attractiveness for foreign direct investment (FDI). Drawing on the analysis of Uzbekistan's investment policies and international best practices, the study evaluates the effectiveness of reforms implemented between 2017 and 2024. The research highlights the role of tax incentives, free economic zones (FEZs), and infrastructure modernization in boosting FDI, which increased from $1.8 billion in 2017 to $11.9 billion in 2024. Despite progress, challenges such as bureaucratic obstacles and a shortage of skilled labor persist, particularly in regions like Surkhandarya.

Keywords: Foreign Direct Investment, Investment Climate, Uzbekistan, Tax Incentives, Free Economic Zones, Digitalization, Green Investments.

ПОВЫШЕНИЕ ИНВЕСТИЦИОННОЙ ПРИВЛЕКАТЕЛЬНОСТИ УЗБЕКИСТАНА: ОБЗОР ПОЛИТИКИ И МЕЖДУНАРОДНОГО ОПЫТА

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Аннотация: в данной статье рассматривается инвестиционный климат Узбекистана, с акцентом на стратегии повышения его привлекательности для прямых иностранных инвестиций (ПИИ). Основываясь на анализе инвестиционной политики Узбекистана и передового международного опыта, в исследовании оценивается эффективность реформ, проведенных в период с 2017 по 2024 год. В исследовании подчеркивается роль налоговых льгот, свободных экономических зон (СЭЗ) и модернизации инфраструктуры в стимулировании прямых иностранных инвестиций, которые увеличились с 1,8 млрд долларов в 2017 году до 11,9 млрд долларов в 2024 году. Несмотря

на прогресс, такие проблемы, как бюрократические барьеры и нехватка квалифицированной рабочей силы, сохраняются, особенно в таких регионах, как Сурхандарья.

Ключевые слова: Прямые иностранные инвестиции, Инвестиционный климат, Узбекистан, налоговые льготы, свободные экономические зоны, цифровизация, "зеленые" инвестиции.

Introduction. Investments are a cornerstone of economic growth, driving capital accumulation, technological progress, and modernization (Smith, 1776; Keynes, 1936). In developing economies like Uzbekistan, foreign direct investment (FDI) plays a pivotal role in economic diversification and regional development, particularly in regions like Surkhandarya. Since 2017, Uzbekistan has implemented significant reforms, including currency market liberalization, tax incentives, and the establishment of free economic zones (FEZs), resulting in FDI growth from $1.8 billion in 2017 to $11.9 billion in 2024 (World Bank, 2024). However, challenges such as bureaucratic hurdles and a lack of skilled labor limit further progress. This article analyzes Uzbekistan's investment policies, drawing on international experiences from Singapore and the UAE, to propose mechanisms for enhancing investment attractiveness. The study focuses on the effectiveness of Uzbekistan's investment policies, the role of digitalization and green investments, and regional development in Surkhandarya.

This study employs a mixed-methods approach, combining qualitative and quantitative analyses. Data were sourced from the State Statistics Committee of Uzbekistan, World Bank, UNCTAD, and IMF reports (2017–2024). Quantitative methods include regression analysis to assess the correlation between FDI and GDP growth ($r = 0.85$, 2017–2023) and ARIMA modeling to forecast FDI trends up to 2026. Qualitative analysis involves a SWOT assessment of Uzbekistan's investment climate and case studies of international best practices from Singapore and the UAE. The study also incorporates cost-benefit analysis (CBA) to evaluate the economic impact of proposed reforms, with a focus on Surkhandarya's logistics and agricultural sectors. Data on FDI inflows, sectoral distribution, and policy reforms were analyzed to identify key drivers and barriers to investment attractiveness.

Analysis and Results

Uzbekistan's investment climate has improved significantly since 2017, driven by reforms in currency liberalization, tax incentives, and FEZ establishment. FDI inflows rose from $1.8 billion in 2017 to $11.9 billion in 2024, with key sectors including energy (32%), agriculture (18%), and textiles (15%) (State Statistics Committee, 2024). Surkhandarya attracted $450 million in FDI in 2024, primarily in agriculture and logistics, leveraging its proximity to Afghanistan. However, outdated infrastructure (30% of railways require modernization) and bureaucratic delays (project approvals take 5 months on average) remain challenges. Regression analysis confirms a strong positive correlation between FDI and GDP growth ($r = 0.85$), with investment-to-GDP ratios rising from 25.2% in 2017 to 29.3% in 2021 (World Bank, 2024). ARIMA forecasts suggest FDI could reach $15 billion by 2026 if reforms continue. The "Invest Uzbekistan" platform reduced project approval times from 10 to 5 days, while blockchain integration increased transparency by 20% (ITU, 2024). Green energy projects, such as the Sherabad solar plant in Surkhandarya, contributed 12% to regional GDP in 2024 (State Statistics Committee, 2024).

Institutional Reforms

To enhance Uzbekistan's investment attractiveness, several institutional reforms are proposed:

1. **Digitalization**:

   ○ Expand the "Invest Uzbekistan" platform with blockchain and AI to increase transparency by 25% and reduce approval times to 3 days. A mobile app for real-time project monitoring could streamline 200 projects by 2026 (ITU, 2024).

○ Implement Big Data analytics in agriculture and industry to boost productivity by 20% and reduce costs by 15%.

2. **Infrastructure Modernization**:

a. Invest $500 million in Surkhandarya's railway modernization to enhance logistics efficiency by 20%.

b. Allocate $300 million to upgrade water distribution systems, improving agricultural project profitability by 15%.

2. **Bureaucratic Streamlining**:

a. Simplify legislation to reduce project approval times from 5 months to 2 months, enhancing investor confidence by 15%.

b. Introduce transparent governance in FEZs, such as Navoi and Jizzakh, to attract $1 billion in additional FDI by 2026.

3. **Human Capital Development**:

a. Fund training programs for 10,000 IT and engineering specialists by 2026 ($200 million) to address the 30% skills shortage.

b. Establish vocational training centers in Surkhandarya for agriculture and logistics, boosting local employment by 20%.

4. **Green Investments**:

a. Attract $3 billion for 5 gigawatts of solar and wind energy by 2030, reducing CO_2 emissions by 25%.

b. Implement ESG (Environmental, Social, Governance) criteria to secure $1 billion in green bonds and international grants.

5. **International Cooperation**:

a. Establish the Tashkent International Financial Center (TIFC) to attract $5 billion in FDI by 2030.

b. Expand partnerships in the Belt and Road Initiative with China, South Korea, and the EU to boost exports by 15%.

Conclusion

Uzbekistan’s investment climate has seen remarkable progress since 2017, with FDI rising from $1.8 billion to $11.9 billion by 2024, driven by reforms in tax policy, FEZs, and currency liberalization. Surkhandarya’s strategic location has made it a hub for logistics and agricultural investments, yet challenges like outdated infrastructure and bureaucratic delays persist. Leveraging digital platforms (e.g., “Invest Uzbekistan”), green energy projects, and international best practices from Singapore and the UAE can further enhance Uzbekistan’s attractiveness. Proposed reforms, including digitalization, infrastructure upgrades, and human capital development, could increase FDI to $20 billion by 2030, fostering economic diversification and regional growth. Addressing bureaucratic hurdles and skills shortages remains critical to sustaining this trajectory.

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