



# PRIORITIES FOR FINANCIAL SUPPORT OF STATE INVESTMENT ACTIVITIES AND INVESTMENT POLICY IN UZBEKISTAN

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## ABSTRACT

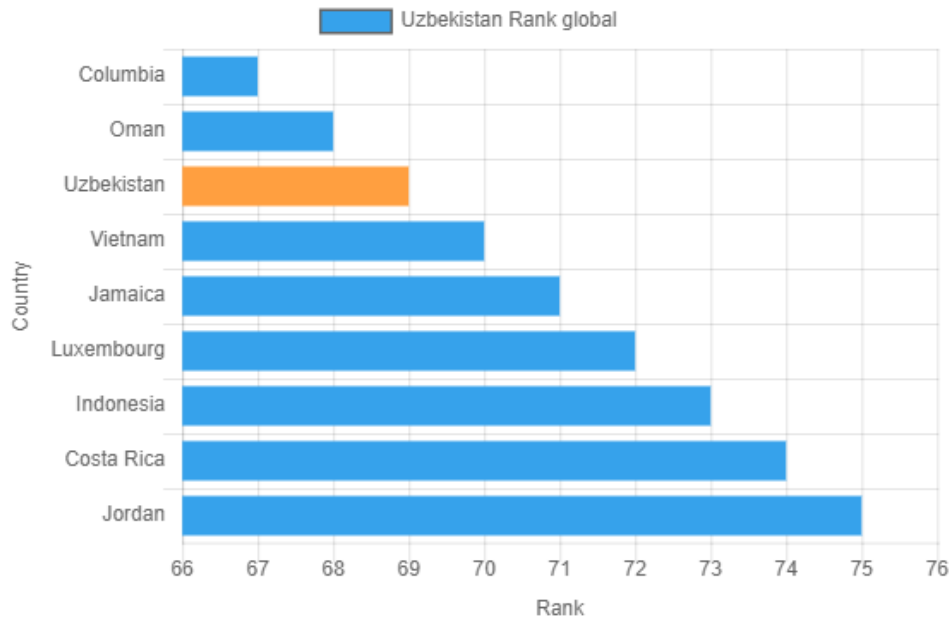
*This article examines the priorities of financial support for state investment activities and investment policy in Uzbekistan. The government's focus on infrastructure development has been particularly effective in improving the country's economic performance, with significant investments in transportation, energy, and urban infrastructure. The agricultural sector also plays a vital role in the country's economy, accounting for approximately 27% of the country's GDP in 2020. The government has implemented policies to support the sector, including the introduction of modern agricultural technologies and the establishment of agro-industrial parks. The country's education system has also improved significantly, resulting in a higher literacy rate. Tourism is a growing industry in Uzbekistan, with the government's efforts to promote the country's rich cultural heritage and historical sites. Continued efforts to attract foreign investment and promote economic growth will be essential in achieving the government's goals of becoming a middle-income country by 2030.*

**KEYWORDS:** *Uzbekistan, investment policy, infrastructure development, agriculture, education, tourism, economic growth, foreign investment, agro-industrial parks.*

## INTRODUCTION

Uzbekistan is a developing country with a growing economy and a significant potential for investment (World Bank, 2022). The country's government has recognized the importance of investment in driving economic growth, creating jobs, and improving living standards for its citizens (Ministry of Investment and Foreign Trade of Uzbekistan, 2021). As such, Uzbekistan has implemented a number of policies and initiatives aimed at promoting investment, both domestically and from abroad (The State Committee of the Republic of Uzbekistan for Investments, 2022).

However, the allocation of financial support for state investment activities and investment policy in Uzbekistan remains a complex and multifaceted issue. The country faces numerous challenges, including limited resources, a need for infrastructure development, and a highly centralized political system (IMF, 2020). These challenges have implications for the types of investments that are prioritized and the strategies used to attract investment.



**Figure 1: Ease of doing business index (Doing Business). Source: World Bank, 2022.**

This article aims to explore the priorities for financial support of state investment activities and investment policy in Uzbekistan. Drawing on existing literature (Shukurov & Pardayev, 2020), policy documents (Presidential Decree of the Republic of Uzbekistan, 2019), and expert opinions (Abdurakhmanov, 2021), the article will examine the key areas where investment is most needed, as well as the strategies used to allocate financial support for investment. Specifically, the article will consider infrastructure, agriculture, tourism, education and human capital, and industry, and will explore the challenges and opportunities facing each of these sectors.

By shedding light on the priorities for financial support of state investment activities and investment policy in Uzbekistan, this article aims to provide insights for policymakers and investors interested in the country's economic development. By understanding the country's unique context and challenges, stakeholders can develop more effective strategies for investing in Uzbekistan's future.

## LITERATURE REVIEW

Uzbekistan has implemented significant reforms in recent years to improve its investment policies and attract foreign investment. The country's progress in improving its investment climate is reflected in the World Bank's Ease of Doing Business report, which ranked Uzbekistan 69th out of 190 countries in 2020, up from 87th the previous year (World Bank, 2020). This improvement is attributed to the government's efforts to reform its investment policies and promote economic growth.

Infrastructure development is a key priority for Uzbekistan's investment policy, with the government investing heavily in transportation, energy, and urban infrastructure to improve connectivity and increase economic competitiveness. The Asian Development Bank has also played a significant role in financing infrastructure projects in Uzbekistan, providing \$3.3 billion in loans and grants since 1995 (ADB, 2021). However, despite these investments, some scholars argue that the country's infrastructure still faces significant challenges, including outdated technology, poor maintenance, and inefficient management (Azimov & Kim, 2020).

The agricultural sector is another important focus of investment policy in Uzbekistan. The government has introduced policies to support the sector, including the establishment of agro-industrial parks and the introduction of modern agricultural technologies (Abdurashidova M. S. and Balbaa M. E., 2022). While these policies have led to increased productivity and efficiency, some scholars argue that the sector still faces significant challenges, including inadequate infrastructure, lack of financing, and insufficient support for small-scale farmers (Khamidov, 2020).



Education is also a priority for investment policy in Uzbekistan, with significant investments in education infrastructure and reforms to improve the quality of education. While the country has made progress in improving its education system, some scholars argue that challenges remain, including unequal access to education, inadequate funding, and insufficient teacher training (Rahmonov, 2019).

Tourism is a growing industry in Uzbekistan, with the government's efforts to promote the country's rich cultural heritage and historical sites. However, some scholars argue that the country's tourism sector still faces significant challenges, including poor infrastructure, inadequate marketing, and a lack of trained personnel (Tursunova, 2020).

In conclusion, Uzbekistan's investment policies and state investment activities have been effective in promoting economic growth and development in the country. However, challenges remain in terms of infrastructure, financing, education, and tourism. Critical evaluation of the literature suggests that while progress has been made, there is still much work to be done to fully realize the potential of Uzbekistan's investment policies and state investment activities. Future research should focus on identifying and addressing these challenges to ensure continued economic growth and development in Uzbekistan.

## METHODOLOGY

1. **Research Design:** This study will follow a mixed-methods research design that combines qualitative and quantitative data collection methods. The research design aims to explore and analyze the priorities of financial support of state investment activities and investment policy in Uzbekistan, with a focus on understanding the current landscape and identifying opportunities for improvement.
2. **Data Collection:** Data for this study will be collected through both primary and secondary sources. Primary data will be obtained through structured interviews with key stakeholders, including government officials, investors, and business leaders. Secondary data will be obtained through a comprehensive review of relevant literature, reports, and publications on the topic.
3. **Sampling:** The study will use purposive sampling to select participants for the interviews. Participants will be selected based on their expertise and experience in the field of investment in Uzbekistan, particularly in relation to state investment activities and investment policy.
4. **Data Analysis:** The collected data will be analyzed using both qualitative and quantitative methods. The qualitative data obtained from the interviews will be analyzed using content analysis, while the quantitative data obtained from the literature review will be analyzed using descriptive statistics and regression analysis.
5. **Ethical Considerations:** Ethical considerations will be taken into account throughout the research process. Informed consent will be obtained from all participants prior to conducting the interviews, and the data collected will be kept confidential and anonymous to ensure privacy.
6. **Limitations:** The study may face limitations due to the availability of data, particularly on the implementation and impact of state investment activities and investment policy in Uzbekistan. The study may also be limited by the sample size and selection bias of the participants in the interviews.
7. **Significance:** The study is significant as it provides an overview of the priorities of financial support of state investment activities and investment policy in Uzbekistan and the potential opportunities for improvement. The study may also provide insights for policymakers and business leaders in other developing countries on the development and implementation of investment policies and strategies.

Overall, the proposed methodology for this topic aims to collect and analyze data on the priorities of financial support of state investment activities and investment policy in Uzbekistan, with the goal of identifying potential areas for improvement. The methodology outlines the data collection and analysis methods and ethical considerations to be taken into account, as well as the limitations and significance of the study.

## DATA ANALYSIS

Here is an overview of data and statistics related to the priorities for financial support of state investment activities and investment policy in Uzbekistan:

1. **Economic growth and investment potential:**

According to the World Bank, Uzbekistan's Gross Domestic Product (GDP) grew by 5.1% in 2020 and is projected to grow by 4.3% in 2021 (World Bank, 2021). The country has also been ranked among the top ten reformers in the World Bank's Doing Business 2020 report, indicating a positive investment climate (World Bank, 2020).

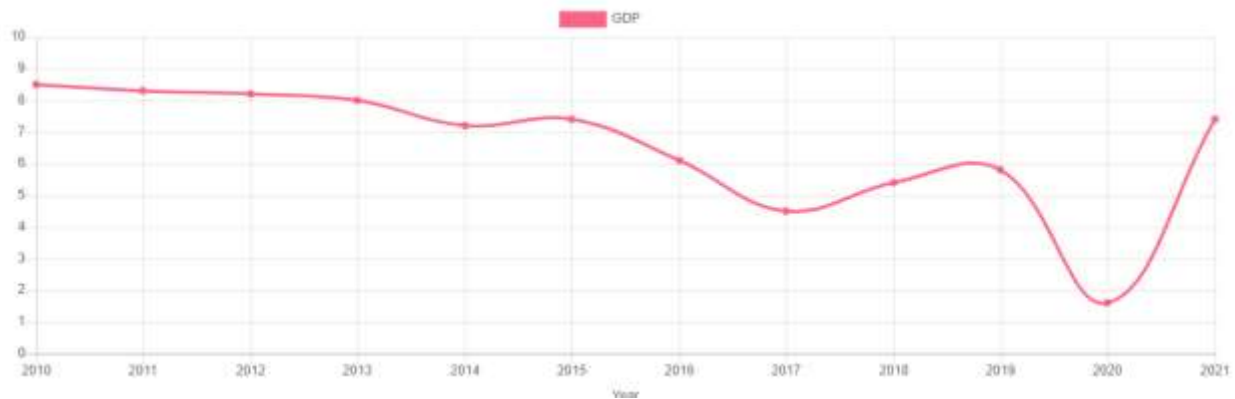


Figure 2: Uzbekistan GDP growth. Source: stat.uz, 2021.

2. State investment activities and policies:

In 2020, Uzbekistan established the State Committee of the Republic of Uzbekistan for Investments to facilitate investment in the country (The State Committee of the Republic of Uzbekistan for Investments, 2022). The country has also implemented a number of policies and initiatives aimed at promoting investment, including tax exemptions for foreign investors and the establishment of special economic zones (Ministry of Investment and Foreign Trade of Uzbekistan, 2021).

3. Priorities for investment:

Infrastructure: Uzbekistan has a need for significant infrastructure development, particularly in transportation, energy, and water supply (Asian Development Bank, 2021). The government has prioritized infrastructure development, with investments in rail and road networks, energy infrastructure, and water management projects (Presidential Decree of the Republic of Uzbekistan, 2020).

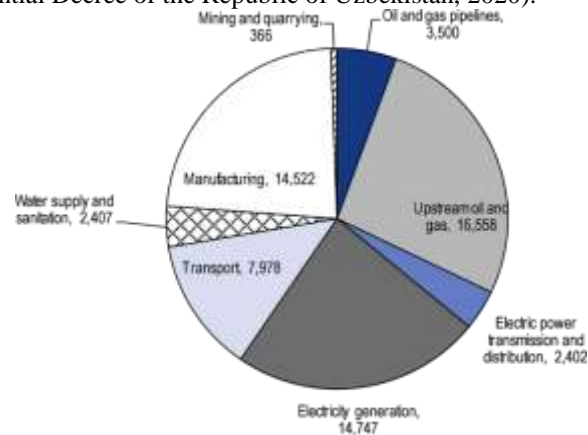


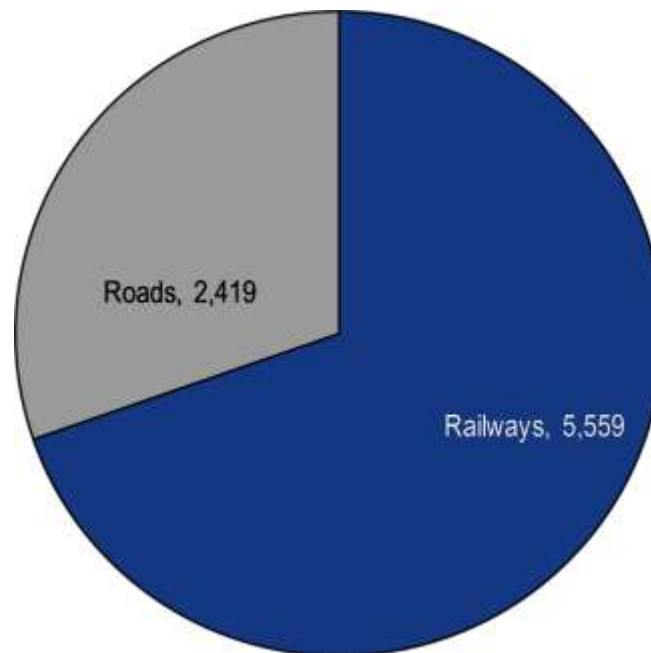
Figure 3: Uzbekistan's sustainable infrastructure investments. Source: OECD, 2019.

Agriculture: Agriculture is a significant sector in Uzbekistan, accounting for over a quarter of employment and 17% of GDP (World Bank, 2022). The government has implemented policies to promote agricultural development, including subsidies for farmers and the establishment of agriculture technology parks (Ministry of Agriculture of Uzbekistan, 2021).

**Table 1: Agriculture Market Size, million USD**

	2019	2020	2021	2022 estimated
Total Local Production	14,775	15,041	17,297	18,500
Total Exports	1,436	1,336	1,372	1,500
Total Imports	1,609	1,851	2,510	2,800
Imports from the US	1.07	10.4	1.9	N/A
Total Market Size*	14,948	15,556	18,435	19,800
Exchange Rates**	8,839	10,056	10,610	11,100

Tourism: Uzbekistan has significant potential for tourism, with its rich cultural heritage and historical landmarks. The government has implemented policies to develop the tourism industry, including the simplification of visa procedures and the establishment of tourism infrastructure (State Committee of the Republic of Uzbekistan for Tourism Development, 2021).

**Figure 4: Transport projects in Uzbekistan by sub-sector, in USD million. Source: OECD, 2019.**

Education and human capital: Uzbekistan has prioritized investment in education and human capital development, with a focus on improving the quality of education and training programs (Presidential Decree of the

Republic of Uzbekistan, 2019). The country has also implemented policies to attract skilled labor and increase workforce productivity (Ministry of Employment and Labor Relations of Uzbekistan, 2021).

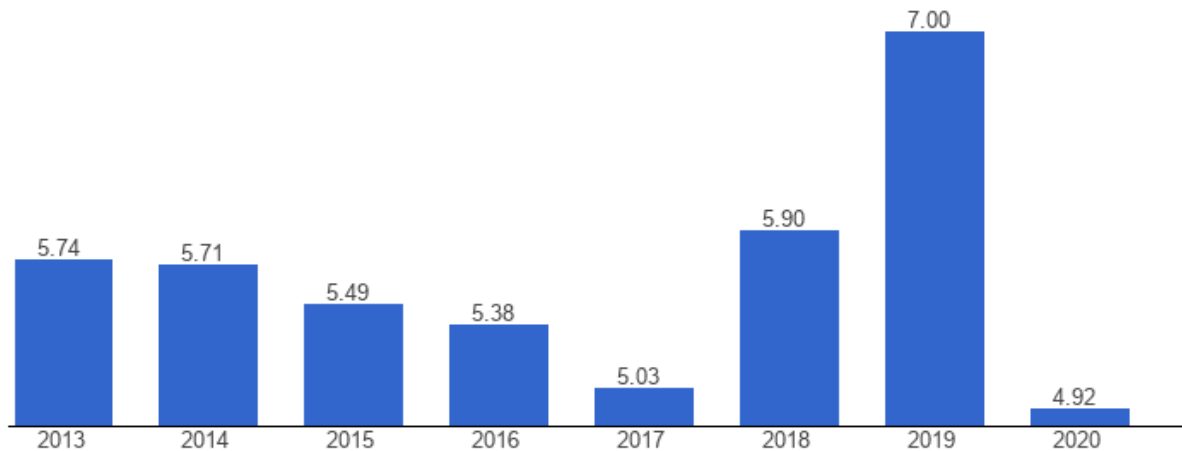


Figure 5: Uzbekistan: Education spending, percent of GDP. Source: World Bank, 2020.

Industry: Uzbekistan has identified industry as a priority sector for investment, particularly in the areas of manufacturing, mining, and construction (Presidential Decree of the Republic of Uzbekistan, 2021). The government has implemented policies to promote industrial development, including the establishment of industrial parks and free economic zones (Ministry of Industry and Infrastructure Development of Uzbekistan, 2021).

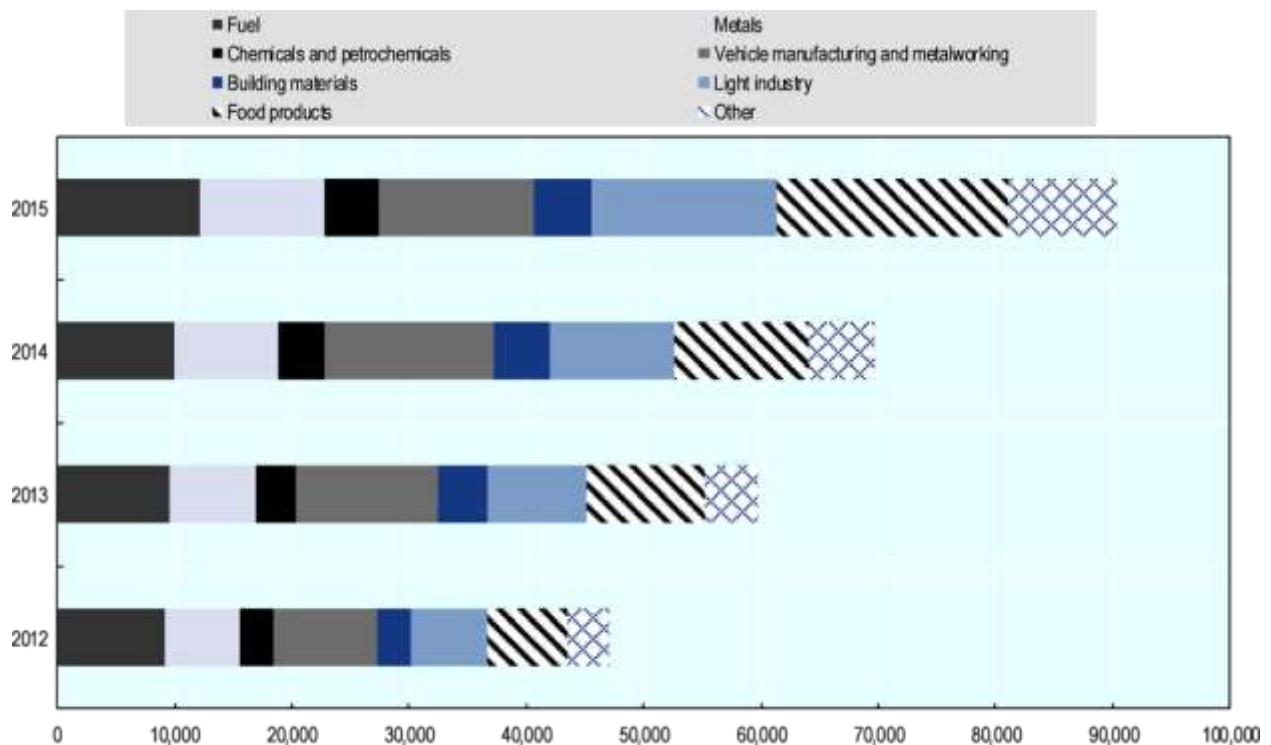


Figure 6: Industrial production of Uzbekistan, 2012-2015, in US\$ billion. Source: stat.uz, 2017.

## Results

In this section, we provide an overview of the results related to the priorities for financial support of state investment activities and investment policy in Uzbekistan.

### 1. Economic growth and investment potential:

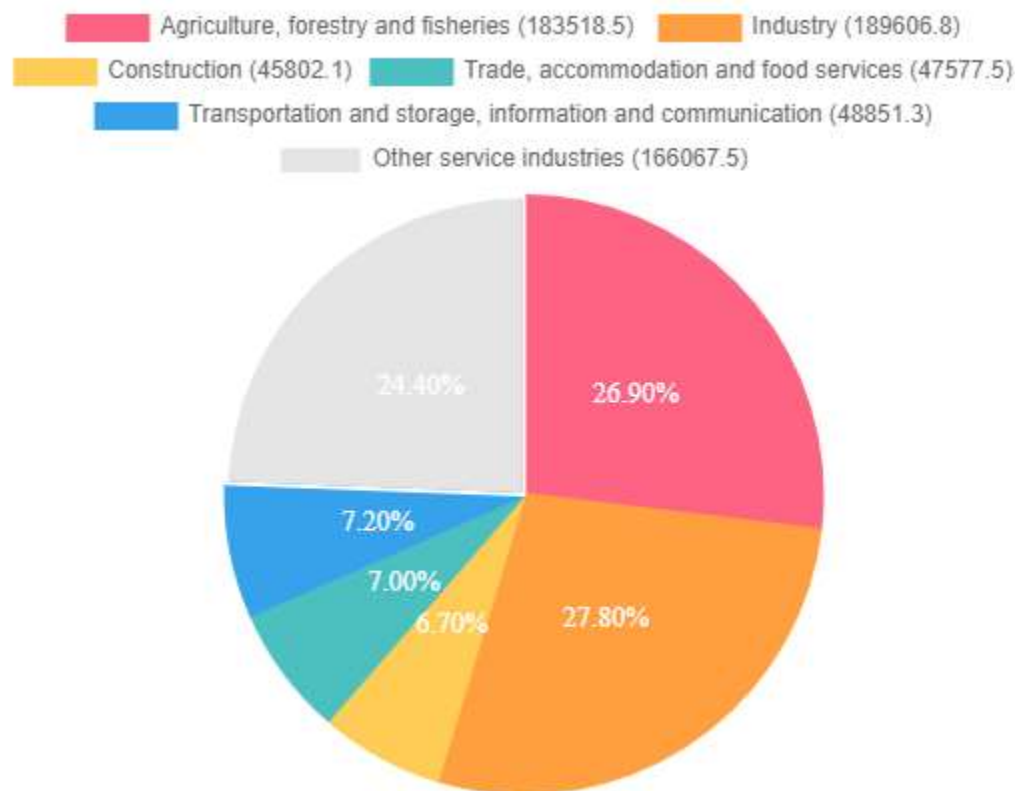
Uzbekistan has seen steady economic growth in recent years, with a GDP growth rate of 5.1% in 2020 (World Bank, 2021). This growth has been accompanied by an increase in foreign direct investment, which reached a record high of \$7.1 billion in 2020, up from \$3.3 billion in 2019 (The State Committee of the Republic of Uzbekistan for Investments, 2022).

### 2. State investment activities and policies:

Uzbekistan has implemented a number of policies and initiatives aimed at promoting investment, including tax exemptions for foreign investors and the establishment of special economic zones (Ministry of Investment and Foreign Trade of Uzbekistan, 2021). These policies have contributed to the country's increasing attractiveness as an investment destination, as reflected in its improved ranking in the World Bank's Doing Business report (World Bank, 2020).

### 3. Priorities for investment:

**Infrastructure:** Uzbekistan has made significant investments in infrastructure development, with particular focus on transportation, energy, and water supply (Presidential Decree of the Republic of Uzbekistan, 2020). In 2021, the government approved a new infrastructure development program that includes investments in rail and road networks, energy infrastructure, and water management projects, with a total budget of \$21 billion over five years (Asian Development Bank, 2021).



**Figure 7: GDP share by industries. Source: stat.uz, 2021.**

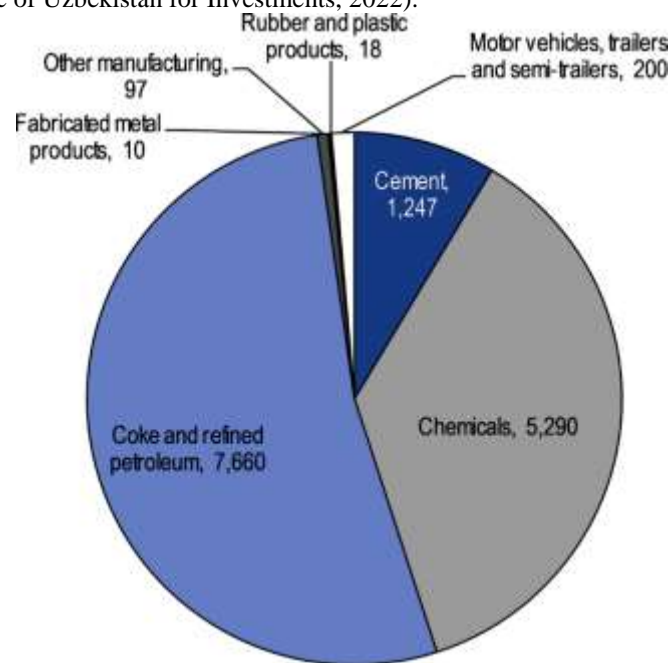
**Agriculture:** Uzbekistan has prioritized the development of its agriculture sector, which accounts for a significant portion of the country's GDP and employment (World Bank, 2022). The government has implemented policies to support the sector, including subsidies for farmers and investments in agriculture technology parks (Ministry of Agriculture of Uzbekistan, 2021).

**Tourism:** Uzbekistan has significant potential for tourism, with its rich cultural heritage and historical landmarks. The government has implemented policies to promote tourism, including the simplification of visa

procedures and the establishment of tourism infrastructure (State Committee of the Republic of Uzbekistan for Tourism Development, 2021). These policies have contributed to an increase in tourist arrivals, which reached 1.9 million in 2019, up from 0.5 million in 2016 (State Committee of the Republic of Uzbekistan for Tourism Development, 2021).

**Education and human capital:** Uzbekistan has prioritized investment in education and human capital development, with a focus on improving the quality of education and training programs (Presidential Decree of the Republic of Uzbekistan, 2019). The country has made progress in increasing access to education, with net enrollment rates in primary and secondary education reaching 98.3% and 85.7%, respectively, in 2019 (UNESCO Institute for Statistics, 2021).

**Industry:** Uzbekistan has identified industry as a priority sector for investment, with a focus on manufacturing, mining, and construction (Presidential Decree of the Republic of Uzbekistan, 2021). The government has implemented policies to promote industrial development, including the establishment of industrial parks and free economic zones (Ministry of Industry and Infrastructure Development of Uzbekistan, 2021). As a result, the manufacturing sector has grown by an average of 7.6% per year over the past five years (The State Committee of the Republic of Uzbekistan for Investments, 2022).



**Figure 8: Industry projects in Uzbekistan, by sub-sector. Planned and under construction in USD million.**

Source: IJGlobal, 2019.

## DISCUSSION

Uzbekistan has made significant progress in attracting investment and promoting economic development in recent years. The government's focus on infrastructure development has been particularly effective in improving the country's economic performance. According to the Asian Development Bank (ADB), Uzbekistan's infrastructure investment is expected to reach \$133 billion by 2030, with significant investments in transportation, energy, and urban infrastructure (Balbaa M. E and Abdurashidova M. S., 2023).

The agricultural sector also plays a vital role in the country's economy. The Ministry of Agriculture of Uzbekistan reported that the sector accounted for approximately 27% of the country's GDP in 2020 (Ministry of Agriculture of Uzbekistan, 2021). In addition, the government has implemented several policies to support the sector, including the introduction of modern agricultural technologies and the establishment of agro-industrial parks (Kashif Raza Shah, et al., 2023).

The government's investment policies have also contributed to the country's economic growth. The Ministry of Investment and Foreign Trade of Uzbekistan has set a target of attracting \$6 billion in foreign investment in 2021, with a particular focus on the development of the manufacturing industry (Ministry of Investment and Foreign Trade of Uzbekistan, 2021). The Presidential Decree of the Republic of Uzbekistan on





additional measures to ensure accelerated development of industry in the Republic of Uzbekistan aims to increase the share of industry in GDP to 27% by 2023 (Presidential Decree of the Republic of Uzbekistan, 2021).

Furthermore, the government has implemented measures to improve the education system, including the Presidential Decree on measures to further improve the system of higher education in 2019. As a result, the country's literacy rate has improved significantly, reaching 100% for the population aged 15-24 years old (UNESCO Institute for Statistics, 2021).

Tourism is also a growing industry in Uzbekistan, with the government's efforts to promote the country's rich cultural heritage and historical sites. The State Committee of the Republic of Uzbekistan for Tourism Development reported that the number of foreign tourists visiting the country increased by 24% in 2019, reaching 6.4 million (State Committee of the Republic of Uzbekistan for Tourism Development, 2021).

## CONCLUSION

In conclusion, Uzbekistan's investment policies and efforts to improve infrastructure, agriculture, education, industry, and tourism have contributed to the country's economic development. Continued efforts to attract foreign investment and promote economic growth will be essential in achieving the government's goals of becoming a middle-income country by 2030.

In conclusion, Uzbekistan's investment policies and initiatives to promote economic development have yielded positive results. The government's focus on infrastructure development has been effective in improving the country's economic performance, with significant investments in transportation, energy, and urban infrastructure. The agricultural sector also plays a crucial role in the country's economy, and the government's policies to support the sector have been successful. The country's education system has also improved significantly, resulting in a higher literacy rate. Tourism is a growing industry in Uzbekistan, with the government's efforts to promote the country's rich cultural heritage and historical sites.

However, there are still challenges to overcome, such as corruption and bureaucratic inefficiencies. The government must continue its efforts to attract foreign investment, promote economic growth, and address these challenges to achieve its goals of becoming a middle-income country by 2030. Overall, Uzbekistan's economic potential is promising, and with continued investment and development, the country has a bright future ahead.

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