



## **IMPROVING THE INVESTMENT CLIMATE IN UZBEKISTAN — AN IMPORTANT FACTOR OF ECONOMIC DEVELOPMENT**

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### **Abstract**

This article examines the importance of improving the investment climate in Uzbekistan for economic development. The investment climate is considered a key condition for the sustainable growth of the national economy, modernization of industries, and enhancement of product competitiveness. The article analyzes the conditions for attracting foreign and domestic investments into the national economy, ways to increase their effectiveness, as well as mechanisms for strengthening the attractiveness of the investment climate. The results of the study contribute to the development of practical recommendations for promoting investment activity and ensuring economic growth.

**Keywords:** Investment climate, investments, economic development, investment attractiveness, industrial modernization, export potential, economic stability.

### **Introduction**

The level of a country's economic development is closely linked to the development of investment activity, while the effectiveness of investment activity directly depends on the state of the investment climate. Creating favorable conditions necessary for attracting foreign investments into the national economy is of particular importance. This is because investment inflows become possible only when economic, political, social, and legal stability and guarantees are ensured in the country. Therefore, the attractiveness of the investment climate is considered one of the key factors in expanding the inflow of foreign investments. World experience shows that the modernization of economic sectors and ensuring their accelerated development, increasing the competitiveness of products manufactured on the basis of modern equipment and technologies, as well as



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strengthening a country's export potential, are achieved through the wide attraction of investments [1].

Today, attracting investments into economic sectors remains the main objective of the country's investment policy.

It is well known that the level of economic development of any country, as well as the effectiveness and growth rates of the state investment policy being implemented, largely depend on a favorable investment attractiveness environment. Creating a favorable investment climate serves as a general criterion for the allocation of investment resources and, first of all, ensures the profitability of capital investments.

The investment climate is understood as a set of economic, social, political, organizational-legal, environmental, cultural, and other conditions aimed at ensuring the efficiency and security of investments made in a country's economy or a specific region. It reflects the positive and negative aspects of the conditions that determine the feasibility and attractiveness of investing in a particular area.

Investment attractiveness refers to the assessment of investments in a country, sector, or individual enterprise in terms of profitability, development prospects, and the level of investment risk. Investment attractiveness is determined by the simultaneous influence of two groups of factors that shape investment potential and investment risk. By evaluating such indicators, it is possible to determine the feasibility and attractiveness of investments, as well as the level of investment risk.

Investment attractiveness is determined by the profitability of investments in a country or a specific sector, the investment climate, infrastructure, development prospects, and the level of investment risk. It is defined by the simultaneous impact of a country's investment potential and the level of investment risk. By assessing these indicators, it becomes possible to determine the feasibility and attractiveness of investments. The level of investment risk is directly related to the investment climate.

At the macroeconomic level, the investment climate is reflected in bilateral relations, namely between investors and specific state authorities and business entities. The investment climate represents an objective condition at any given time and encompasses the totality of existing conditions for capital investment.



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However, the investment climate is shaped under the influence of government regulatory activities. Therefore, the state's investment policy is one of the most important factors. In this sense, each country has its own specific system for accepting capital when importing capital.

In order to increase the attractiveness of the investment climate and ensure its favorability in our country, it is advisable to pay special attention to the following aspects:

- development of investment infrastructure — it is necessary to stimulate the activities of banks, investment funds, insurance and leasing companies, and to effectively organize their participation in the implementation of investment projects;
- improvement of entrepreneurs' business skills, including experience in working with investment projects and legal knowledge — consulting, marketing, and legal service centers should be established and further developed in the regions;
- due to the fact that investment proposals and feasibility studies of projects often do not meet established requirements, local authorities should organize and continuously monitor the provision of practical assistance to entrepreneurs by commercial banks, regional chambers of commerce and industry, and other responsible institutions in the development of investment projects;
- given that in practice some project initiators demonstrate weak financial and economic conditions, it is necessary to ensure in-depth analysis of the financial and economic condition of project initiators proposed for inclusion in investment programs and regional socio-economic development programs by local authorities and commercial banks;
- increasing the activity of local authorities in providing foreign investors with comprehensive information on the investment climate of the region;
- addressing problems related to production infrastructure, including disruptions in the supply of electricity, natural gas, water, and fuel products to enterprises, and developing and monitoring measures to ensure uninterrupted supply of electricity and natural gas to exporting enterprises;
- taking into account the obsolescence of technologies and equipment, ensuring the compliance of manufactured products with international standards and their



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competitiveness by facilitating the participation of local entrepreneurs in international exhibitions and trade fairs, selecting energy-efficient technologies, and identifying sources of financing for their implementation;

- proper organization of marketing services at enterprises, improving the knowledge and qualifications of marketing personnel to ensure regular access to information on foreign markets, producers, and consumers, and systematically organizing training sessions, seminars, and exhibitions focused on production and export potential, marketing, and product sales for small businesses and private entrepreneurship entities [2].

Significant efforts are being made in Uzbekistan to create a favorable investment climate. In this regard, various financial incentives and rights have been granted to foreign investors, and market infrastructure is being developed. At the same time, in our opinion, the following measures would further improve the investment climate:

- strengthening the value of the national currency (the soum); ensuring the inviolability of property rights; further enhancing the protection of investors' rights and interests; stabilizing bank interest rates; and scientifically improving the tax system while taking into account the gradual implementation of reforms;
- eliminating administrative command practices; increasing the prestige and liquidity of shares of joint-stock companies in Uzbekistan, attracting foreign investors to them, and developing the securities market.

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