



ENHANCING THE INVESTMENT PROMOTION AND FACILITATION FRAMEWORK IN UZBEKISTAN

Davitova Shakhzoda Doniyor kizi
Phd Student, Tashkent State University of Economics

ABSTRACT	KEYWORDS
This study examines the current state of Uzbekistan's investment promotion and facilitation framework and identifies key measures necessary to strengthen its institutional effectiveness. In recent years, Uzbekistan has pursued extensive reforms aimed at improving the business environment, increasing transparency, and attracting higher volumes of foreign direct investment. Despite notable progress such as the establishment of specialized institutions, expansion of digital public services, and development of regional investment assessment tools structural and institutional challenges continue to hinder the full realisation of the country's investment potential. The analysis highlights persistent issues related to overlapping mandates, weak coordination between core government bodies, limited policy advocacy capacities, and insufficient monitoring and evaluation mechanisms. Special attention is given to the role of the Investment Promotion Agency (UzIPA) and the Ministry of Investments, Industry and Trade (MIIT), whose functions remain fragmented and poorly integrated into national strategic planning. The study argues that strengthening institutional clarity, introducing modern CRM-based investor servicing tools, enhancing aftercare systems, and ensuring evidence-based decision-making are essential steps for building a more coherent and competitive investment climate. The findings contribute to ongoing policy debates and offer practical recommendations to support Uzbekistan's transition toward a more efficient, investor-oriented governance framework.	Investment, investment climate, foreign direct investment, GDP, investment promotion, special economic zone, local investors.

Introduction

As part of its comprehensive agenda to modernize the national business environment, Uzbekistan has achieved significant progress in enhancing the policy and institutional foundations for investment promotion and facilitation. Increasing foreign direct investment (FDI) inflows primarily by improving the investment climate and strengthening mechanisms that support and encourage investor activity is identified as a central priority in major strategic frameworks such as the Uzbekistan 2030 Strategy. Since 2018, more than twenty Presidential Decrees have been enacted with the objective of reforming administrative procedures, including licensing, permitting, and registration processes. The government has also introduced large-scale digitalisation measures, automating a substantial share of public

services and setting a target of reaching 80% automation in the near future. In parallel, work is underway on a new Entrepreneurship Code aimed at consolidating and simplifying the regulatory environment for business entities.

Further institutional strengthening has accompanied these policy reforms. The Agency for Strategic Reforms has recently elaborated a methodological framework for assessing the investment climate across Uzbekistan's 14 regions, providing a basis for evaluating how public institutions address key constraints faced by businesses. Survey-based evidence indicates that private-sector perceptions of government reforms are increasingly positive, signalling growing confidence in the state's business environment agenda¹.

Institutional developments have also been substantial. In 2019, Uzbekistan established the Investment Promotion Agency (UzIPA) through Presidential Decree as an independent structure under the Ministry of Investments, Industry and Trade (MIIT). Additional specialized departments have been created within MIIT to manage investment-related functions. The government has expanded special economic zones (SEZs) to attract foreign and domestic capital and has intensified cooperation with the private sector, civil society, and academic institutions through the formation of the Foreign Investors Council and the Foreign Investment Forum. These initiatives have contributed to improved investor visibility and have facilitated progress in easing business operations for both local and international firms.

Nevertheless, persistent regulatory volatility continues to pose challenges for policy coordination and timely implementation. Frequent amendments hinder inter-agency coherence and delay the effective execution of reforms, thereby impeding improvements in the business climate. For example, the investment portal launched in 2019 to monitor and coordinate investment projects remains insufficiently utilised. Access to finance, unpredictable regulation, the large role of the state in key economic sectors, sector-specific regulatory barriers, and shortages of skilled labour continue to constrain investment activity. These challenges raise operational costs for firms and undermine competitiveness, especially in the construction, manufacturing, and high-technology industries.

At the strategic level, stronger coordination between the Foreign Investors Council and mechanisms that support small and medium-sized enterprises (SMEs) would create a more integrated approach to addressing investment climate challenges. Such alignment would ensure that the broader investment ecosystem encompassing large investors, SMEs, and emerging firms is supported comprehensively and sustainably.

These challenges are further intensified by the complexity of the institutional architecture, which is characterized by ambiguous and overlapping mandates between UzIPA and the Ministry of Investments, Industry and Trade (MIIT). In practice, the functional role of UzIPA remains insufficiently defined and inadequately embedded within national strategic planning. Although MIIT, the Ministry of Economy and Finance, and other sectoral institutions are assigned clear responsibilities for designing, implementing, and monitoring the annual Investment Programme an official document that sets forthcoming priorities for investment projects the involvement of the Investment Promotion Agency (IPA) is neither formally stipulated nor systematically incorporated into this process.

The lack of harmonised decision-making among the Cabinet of Ministers, MIIT, and UzIPA results in delays in approving investment strategies, fragmented strategic orientations, and inconsistent

¹ OECD, 2023

prioritisation of investment sectors. This misalignment is evident in the divergence between sectors targeted for tax incentives and those prioritised for investment promotion (see Chapter on Tax Incentives), ultimately diminishing the overall impact and coherence of the country's investment promotion framework.

While national development strategies exist, the exclusion of UzIPA from their formulation constrains its capacity to contribute substantively and to ensure coherence between national objectives and investment promotion activities. Moreover, the absence of explicit references to UzIPA or to any dedicated state body responsible for investment promotion in the draft investment law poses the risk of further weakening institutional clarity and undermining the strategic role of investment promotion within the broader governance system.

Further contributing to institutional uncertainty is the gradual expansion of MIIT's mandate into areas traditionally managed by investment promotion agencies (IPAs), including investment promotion, policy advocacy, and aftercare services. This consolidation of functions within MIIT has weakened UzIPA's institutional role, as the agency has faced a notable decline in both financial and human resources. As a result, UzIPA is no longer able to effectively carry out several core initiatives most prominently, the development of the Investor Centre. In parallel, MIIT has continued to enlarge its investment-related departments, with some subdivisions now employing twice as many staff as UzIPA in its entirety, thereby centralising responsibilities that, in many international contexts, fall exclusively within the remit of IPAs.

Additional structural barriers continue to impede effective investment promotion and facilitation, particularly in the domains of policy advocacy and monitoring and evaluation (M&E). The absence of a functional Customer Relationship Management (CRM) system and the lack of clearly defined priority performance indicators significantly constrain evidence-based policy formulation. UzIPA's limited resources further restrict its ability to engage meaningfully in policy advocacy. Although MIIT's aftercare division nominally performs this function, its efforts remain concentrated primarily on large-scale investment projects, leaving smaller investors without adequate support. This gap highlights an area where UzIPA could assume a complementary role by applying its expertise across the full investment cycle to represent a broader spectrum of investor interests.

M&E mechanisms also remain insufficiently developed. Data collection and information-sharing practices are fragmented across regional administrations, various MIIT departments, and project contract managers. While MIIT's strategic planning unit conducts regular monitoring of investment data, these insights are not systematically shared with UzIPA, resulting in misalignment and weakened institutional coordination. Establishing a comprehensive M&E framework is critical for identifying priority sectors, assessing project outcomes, and ensuring value-for-money in investment promotion initiatives.

The lack of an integrated CRM platform further limits the capacity for data-driven decision-making. Although a 2019 legislative mandate called for the creation of an electronic investment project portal under MIIT's management, implementation has been slow and incomplete. Existing databases capture new investment proposals but operate in isolation, as UzIPA does not have access to these systems nor the ability to contribute data. This fragmentation undermines efforts to build a coherent, unified, and efficient structure for investment facilitation across institutions.

To sum up, several recommendations can be given to promoting and facilitating investment:

- consider restructuring the institutional framework for investment promotion and facilitation;

- restore and reinforce resource allocation by increasing financial and human resources of UzIPA;
- establish a comprehensive and unified government-wide strategic plan for investment promotion and facilitation that aligns the objectives of MIIT, UzIPA, and other relevant bodies;
- streamline and consolidate legislative processes by reducing the frequency of legislative changes and enhancing the clarity and consistency of existing regulations to ensure better alignment with institutional capacity and reform priorities;
- develop comprehensive linkage programmes between multinational enterprises (MNEs) and domestic firms to facilitate the integration of local businesses into global supply chains.