

## **Issues of Optimizing the Attraction of Foreign Investments to the Economy of Uzbekistan**

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**Abstract:** Uzbekistan, a nation with immense potential and a strategic location in Central Asia, has embarked on a transformative journey to attract foreign investments and bolster its economic growth. However, the country faces several challenges in optimizing its attractiveness to foreign investors. This article delves into these challenges and proposes actionable strategies to unlock Uzbekistan's full potential as an investment destination.

**Keywords:** decision, foreign investments, investors, financial challenges, strategies.

**Introduction:** Decision of the President of the Republic of Uzbekistan dated July 15, 2008 No. PQ-916 "On additional measures to encourage the implementation of innovative projects and technologies" Based on this decision, the Republican fair of innovative ideas, technologies and projects is being implemented. This fair was organized by the Ministry of Economy, the Science and Technology Development Coordinating Committee under the Cabinet of Ministers, the Academy of Sciences and the Ministry of Foreign Economic Relations, Investments and Trade. The Republican fair of innovative ideas, technologies and projects serves as a mechanism influencing the introduction of the results of scientific and innovative activities to the enterprises of our country and increasing their efficiency.

With the opening of the way to the development of various forms of ownership in Uzbekistan, real socio-economic conditions for the development of entrepreneurship were created:

- private ownership has a special position in the economy and ensuring equality of property forms;
- entrepreneurship and freedom of choice;
- seeking profit and profit;
- competition and competitive environment;
- price freedom;
- limited state intervention in the economy, in particular, in business activities;

The socio-economic conditions of entrepreneurial activity determine the following qualities:

- freedom to run an independent business, produce products, provide services, set prices and dispose;
- provision of ownership rights to means of production, manufactured products and income;
- the presence of certain general legislation, tax benefits, and the interest of society in the development of entrepreneurship, which ensure free entrepreneurship;

- sufficient financial resources, material and technical resources, having high qualifications, ability to take economic risks, etc.

Regardless of the forms of ownership, all business entities have equal rights and have the opportunity to conduct their activities in a competitive environment. The creation of an environment of free competition and its ever-increasing burden imposes on the subjects of economic management, regardless of their form of ownership, constant development, renewal, and competitiveness.

Under such conditions, running a simple business does not bring profit, does not ensure competitiveness, and leads to bankruptcy. That is why operating in an environment of free competition imposes a lot of responsibilities on the shoulders of economic operators and their provision. Achieving competitiveness and its constant maintenance imposes the tasks of being an entrepreneur, choosing the path of development, and determining the economy, regardless of the form of ownership. The main task of economic entities in such conditions is to achieve their goals while ensuring competitiveness.

The innovation strategy is formed based on the organizational, production, technological, management and other structural potential of the enterprise. The innovation strategy differs in its scope, terms, sectors, directions. The innovation strategy is formed based on the company's own capabilities and the market infrastructural capabilities of the economy. In many cases, the innovation strategy is formed based on the general environment in the economy, the state of the free competition environment, the situation in the industry and sectors, production, technological, entrepreneurial potential and available opportunities. Organization of enterprise activity on the basis of selection encourages it to develop one or another innovation strategy. The formation of the innovation strategy is formed as an innovation project, as mentioned above. In most cases, the portfolio of innovative projects provides an opportunity to organize a selection from among them.

Innovative projects are structured for certain periods and differ in their various aspects. What they have in common is that all innovative projects have their own life cycle and phases. Innovative projects are based on technical and economic aspects, the possibilities of their implementation are evaluated, the sources are analyzed, and the results of their specific goals are calculated. The future results of innovative projects are effectively compared, the risks in the phases of the life cycle process are measured, and measures to reduce them are developed by managing them.

The innovation strategy ensures development in specific directions for the enterprise, business entities, strengthening their position in the environment of free competition, ensuring the stability of the financial situation, obtaining high incomes and expanding other opportunities. The innovation strategy is formulated as an innovation project, its business plan is developed and its perspective is determined.

### **Challenges:**

#### **1. Lack of Transparency and Predictability:**

One of the primary challenges hindering foreign investment in Uzbekistan is the perceived lack of transparency and predictability in the regulatory and legal framework. Investors often express concerns about the clarity and consistency of regulations, as well as the potential for arbitrary decision-making. Establishing a transparent and predictable investment environment is crucial for instilling confidence among potential investors.

#### **2. Limited Infrastructure and Connectivity:**

Uzbekistan's infrastructure, particularly in the transportation and energy sectors, requires significant upgrades to meet the demands of modern businesses and industries. Inadequate infrastructure can impede the efficient movement of goods and services, increase production

costs, and discourage investors from establishing operations in the country. Improving infrastructure and enhancing connectivity are essential for attracting foreign investment.

### 3. Skills Gap and Labor Market Inefficiencies:

The availability of a skilled and educated workforce is a key factor in attracting foreign investment. However, Uzbekistan faces challenges in aligning its education and training systems with the needs of the evolving job market. The mismatch between the skills possessed by the workforce and those demanded by industries can hinder productivity and competitiveness, making the country less attractive to foreign investors. Addressing the skills gap and improving labor market efficiency are critical for attracting sustainable investment.

### 4. Bureaucratic Hurdles and Administrative Barriers:

Foreign investors often encounter bureaucratic hurdles and administrative barriers when operating in Uzbekistan. Lengthy approval processes, excessive paperwork, and a lack of streamlined procedures can discourage investors and hinder the smooth implementation of investment projects. Simplifying administrative procedures, reducing bureaucratic obstacles, and establishing a more efficient investment approval process are essential for improving the investment climate.

#### Strategies for Optimization:

##### 1. Enhancing Transparency and Predictability:

To optimize the attraction of foreign investments, Uzbekistan should prioritize enhancing transparency and predictability in its regulatory and legal framework. This involves providing clear and accessible information about investment policies, regulations, and procedures. Establishing a stable and consistent legal environment, ensuring the protection of property rights, and promoting fair and transparent dispute resolution mechanisms are crucial for building investor confidence.

##### 2. Investing in Infrastructure Development:

Uzbekistan should allocate resources to upgrade its infrastructure, particularly in the transportation, energy, and telecommunications sectors. By investing in modern infrastructure, the country can improve connectivity, reduce transportation costs, and create a more conducive environment for businesses to operate. This will not only attract foreign investment but also enhance the overall competitiveness of the economy.

##### 3. Addressing the Skills Gap and Labor Market Inefficiencies:

To address the skills gap and improve labor market efficiency, Uzbekistan should focus on reforming its education and training systems. This involves aligning curricula with industry needs, promoting vocational education and training, and providing opportunities for continuous skill development. Additionally, the government should facilitate collaboration between academia and industry to ensure that graduates possess the skills and knowledge required by the job market.

##### 4. Streamlining Administrative Procedures and Reducing Bureaucratic Hurdles:

To streamline administrative procedures and reduce bureaucratic hurdles, Uzbekistan should implement reforms aimed at simplifying investment approval processes, reducing paperwork, and establishing clear timelines for approvals. Establishing a dedicated investment promotion agency or a one-stop-shop for investors can facilitate the investment process and provide comprehensive support to foreign investors.

## Conclusion

Uzbekistan has the potential to become a major investment destination in Central Asia. However, to fully unlock this potential, the country needs to address the challenges it faces in attracting foreign investments. By enhancing transparency and predictability, investing in infrastructure

development, addressing the skills gap, and streamlining administrative procedures, Uzbekistan can create a more attractive and conducive environment for foreign investors. Embracing these strategies will not only boost economic growth and job creation but also contribute to the long-term prosperity and sustainable development of Uzbekistan.

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