



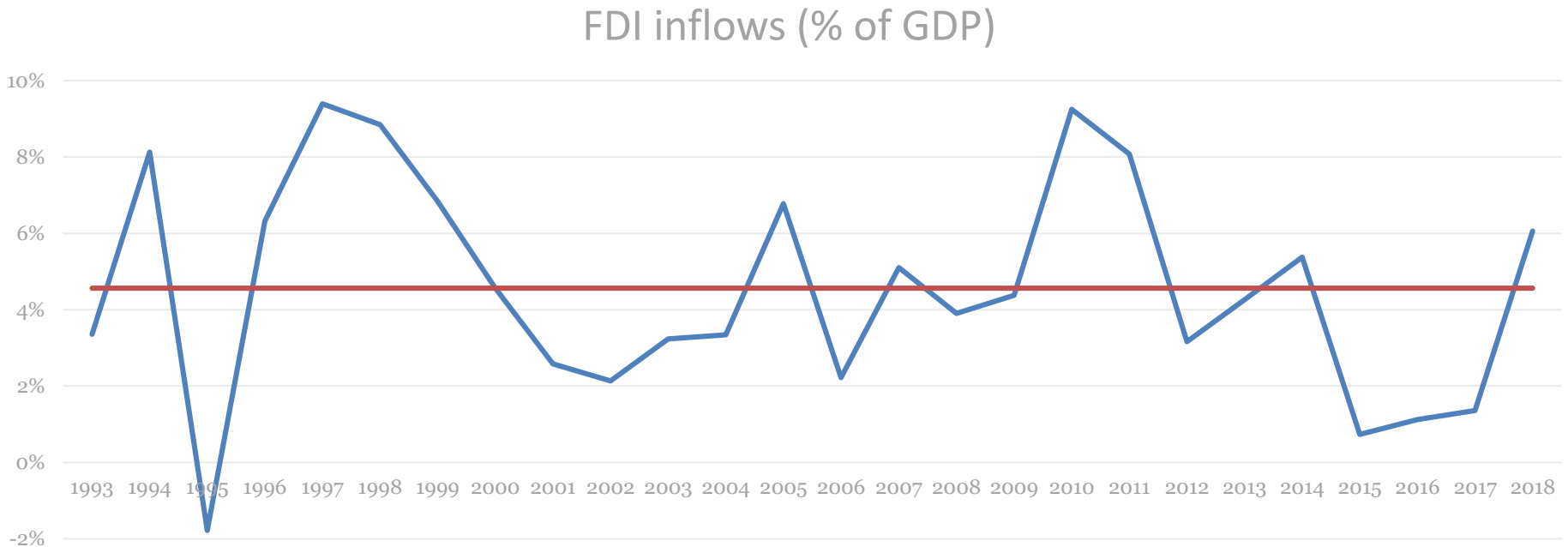
# INVESTMENT POLICY AND PROMOTION IN UZBEKISTAN

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# Uzbekistan has substantial scope to improve its performance in attracting FDI

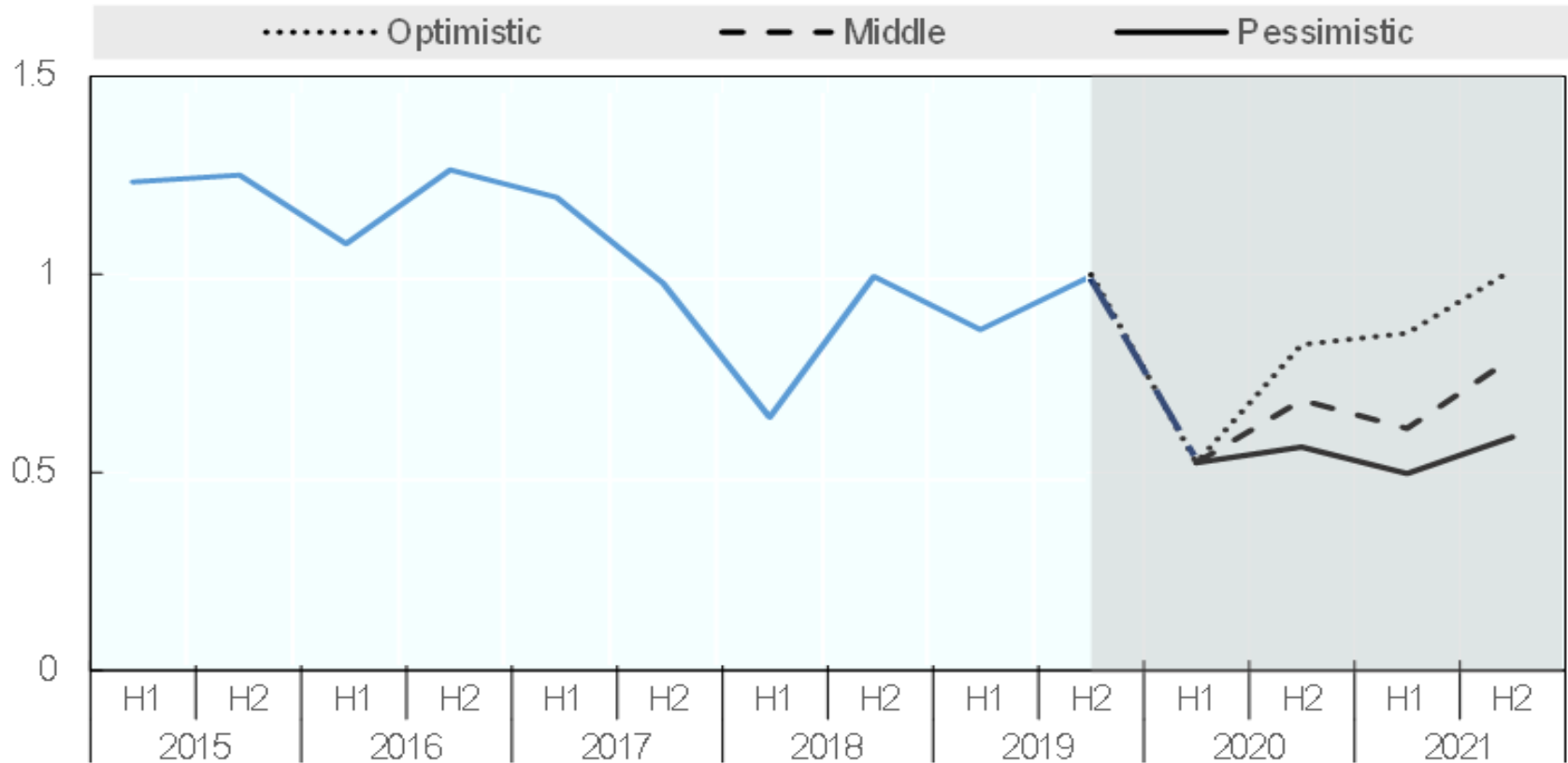


Uzbekistan has underperformed its regional peers in FDI attraction: relative to GDP, it has the lowest stock of FDI in the region and there has been no clear upward trend in inflows over time.



# Covid-19 will affect global FDI flows

Projections of FDI flows through the end of 2021, H2 2019=1

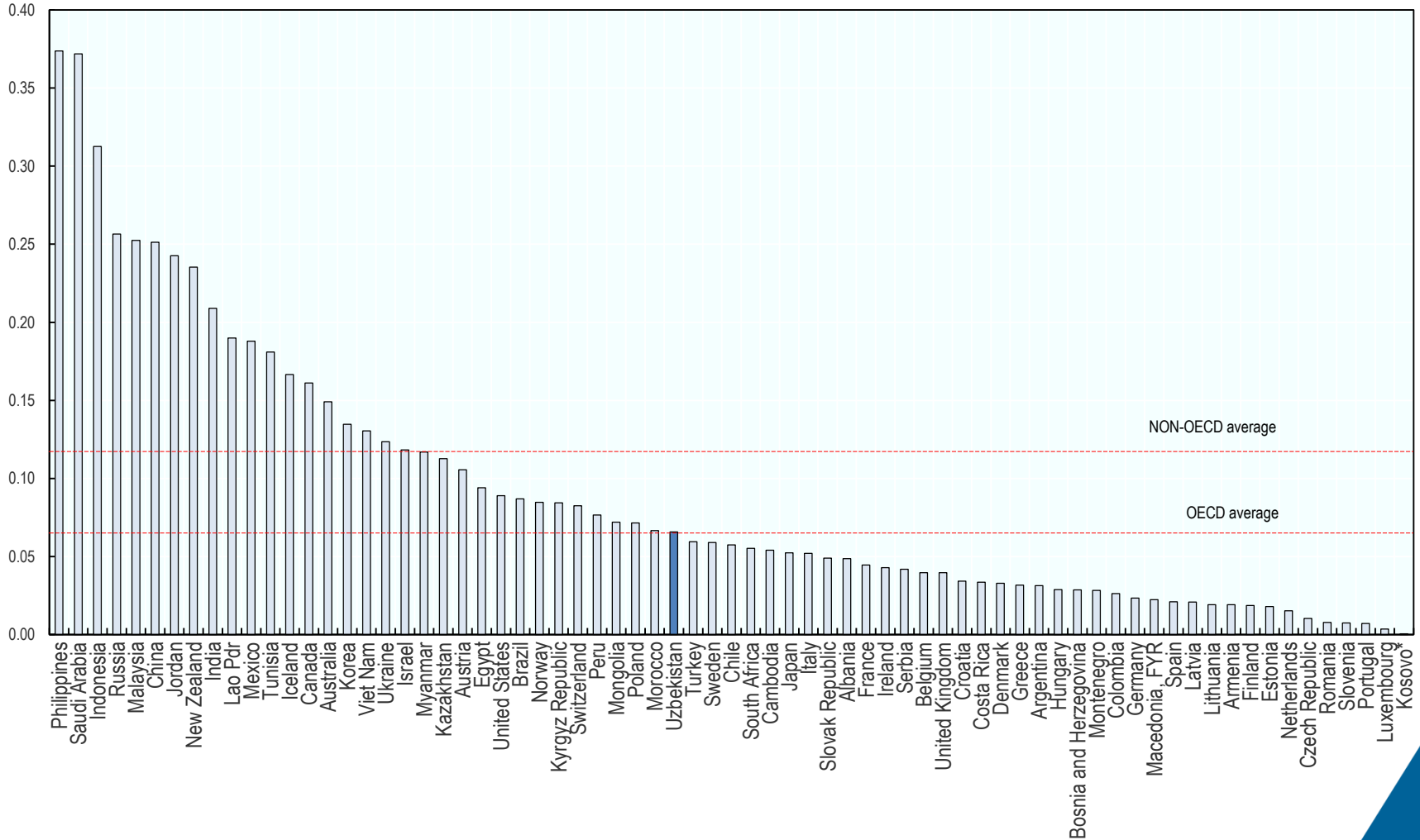


Source:  
OECD



# Uzbekistan has little discrimination against foreign investors

2018 OECD FDI Regulatory Restrictiveness Index (open=0; closed=1)

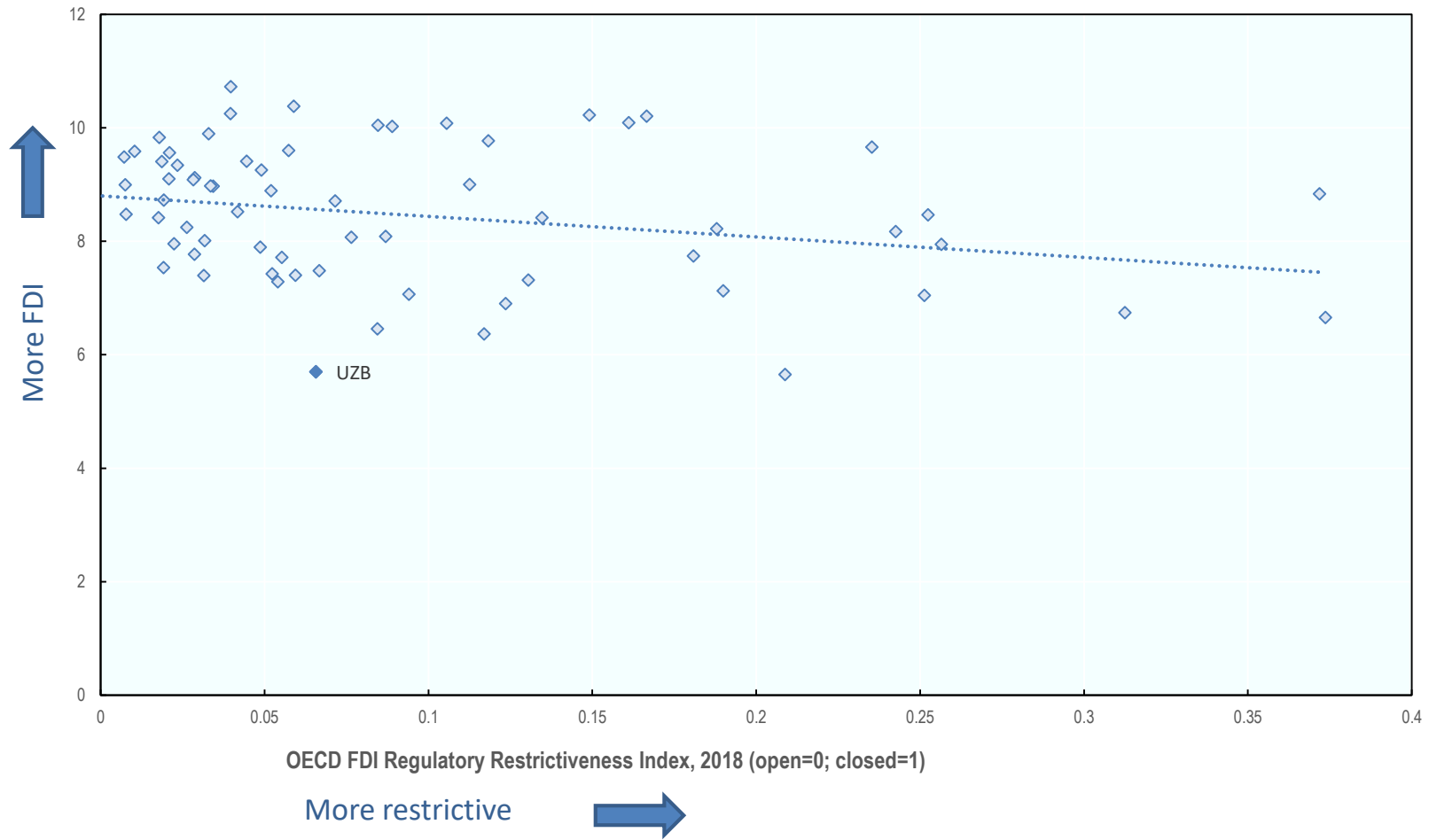




# Uzbekistan attracts less FDI than expected given its relative openness

FDI instocks, 2017, current US dollar per capita (log)

$R^2 = 0.0662$





# Recent reforms will have a positive impact

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- The **liberalisation of the Uzbek som in 2017** and the removal of **strict currency conversion controls**
- In 2018 the government established the **Ministry of Investment and Foreign Trade**, consolidating the **policy making and administration functions** of the State Committee on Investments and the Ministry of Foreign Trade.
- In November 2019, the government approved the establishment of the **Presidential Council of Foreign Investors**.
- **Law on Investment and Investment Activities, 2019**
- **New Investment Promotion Agency** created 2019.
- Ongoing **consideration of SOE reform** and reduction of state presence in the economy, particularly the remaining **highly-regulated sectors** such as transport, banking and energy.



## The Investment Law will help provide clarity

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- Over 100 countries worldwide have investment laws which vary greatly in coverage
  - Conditions for market access, protection of investment, settlement of disputes, incentives
- The new law consolidates three previous laws
- Increases transparency & serves as a signalling device
- But many foreign investors will still come through other channels
  - PSAs, concessions, PPPs, special economic zones



# Elements of the new Investment Law

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The new law covers both foreign and domestic investors and provides for:

- Non-discrimination and national treatment
- Free transfer of funds in foreign currency
- Nationalisation guarantees
- Regulatory stability
- Dispute settlement: negotiation, mediation, Uzbek court, international arbitration

The law does not cover indirect expropriation which could provide a more flexible alternative to regulatory stability guarantees

Other areas:

- One stop shop
- Commissioner for Protection of Rights and Legitimate Interests of Entrepreneurs





# A new investment promotion agency was created in 2019

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- Uzbekistan's IPA was **created by Presidential decree on 28 January 2019**. It is a governmental IPA, **part of the Ministry** of Investments and Foreign Trade
- It has **3 formal mandates (less than Eurasia and OECD average – resp. 6.5 and 5.7)**: FDI promotion, negotiation of international trade and investment treaties and agreements, and promotion of regional development
- It has **41 staff** (more than Eurasia average of 19 and on par with OECD). **75% of HR resources focus on promotion** (image building and investment generation functions). Facilitation and aftercare activities are very limited (4) vs Eurasia average (7.4) and OECD average (7.6)
- **Other Uzbek agencies operate as one-stop-shops** for investors at both national and regional levels



## Land is central to business climate

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- Land and property rights are essential parts of the business climate
- Core element of national sovereignty and for the livelihood of farmers
- State ownership of land and restrictions on foreign ownership of land are common in CIS countries, and throughout Asia.
- Land reform can be contentious, as in Kazakhstan in 2016



## Land issues in Uzbekistan

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- Foreigners can own land if locally incorporated and with the approval of Cabinet of Minister
- 72/190 for “registering a property” in World Bank Doing Business rankings
- 7% of firms listed access to land as top constraint in WB Enterprise Survey 2019
- Land allocation issues are top complaint to Business Ombudsman
- Land Code to be amended



## Agricultural land

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- FDI in the agricultural sector can raise productivity in a vitally important sector and thereby potentially contribute to greater income equality
- Assess the extent to which restrictions on foreign ownership of agricultural land are impeding FDI



# Thank You

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## Contact

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## For further information

OECD Covid analysis

<http://www.oecd.org/coronavirus/en/>

Policy Framework for Investment

[www.oecd.org/investment/pfi.htm](http://www.oecd.org/investment/pfi.htm)

Investment Policy Reviews

[www.oecd.org/investment/countryreviews.htm](http://www.oecd.org/investment/countryreviews.htm)

FDI Index

[www.oecd.org/investment/fdiindex.htm](http://www.oecd.org/investment/fdiindex.htm)