



## STRENGTHENING OF UZBEKISTAN POSITION IN THE RATING OF “DOING BUSINESS”

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**Annotation:** this article is about large scale reforms in business sphere in Uzbekistan and its' steps towards strengthening its position in World Bank “Doing Business” ranking. Economic reforms of 2019 in business sector and their positive consequences for businessmen have been discussed and analysed. Besides most of the normative legal documents adopted by the Head of the state – President and Government – the Cabinet of Ministers of Uzbekistan to improve the enterpreneural and investment climate in the country for internal and foreign investors have been considered and analysed. Some conclusions were made at the end of the article to improve the country’s position in World Bank “Doing Business” ranking.

**Keywords:** Business reforms, Business Reports, World Bank, International Finance Corporation, Strategy for Action, World Trade Organization, Roadmap, Eurobonds.

**Аннотация:** ушбу мақолада Ўзбекистоннинг бизнес соҳасидаги кенг қамровли ислоҳотлари ва Жаҳон Банкнинг бизнес юритиш рейтингда мамлакат мавқеини янада мустаҳкамлаш масалалари ёритилган. 2019 йилда олиб борилаётган иқтисодий ислоҳотлар ва уларнинг тадбиркорлар учун ижобий оқибатлари муҳокама этилиб, қисман таҳлил қилинган. Бундан ташқари, Ўзбекистон Республикаси Президенти ҳамда ҳукумати томонидан ички ва ташқи сармоядорлар учун ишбилармонлик ва инвестицион муҳитни такомиллаштиришга қаратилган 2019 йилда қабул қилинган кўпгина норматив-ҳуқуқий ҳужжатлар мазмуни ёритилган. Мақола сўнгида Ўзбекистоннинг Жаҳон Банкнинг бизнес юритиш рейтингдаги мавқеини янада ошириш бўйича хулосалар келтирилган.

**Калит сўзлар:** бизнес ислоҳотлар, бизнес ҳисоботлар, Жаҳон банки, Халқаро молия корпорацияси, Ҳаракатлар стратегияси, Бутунжаҳон савдо ташкилоти, йўл харитаси, евробондлар.

**Аннотация:** в этой статье раскрыты широкомасштабные реформы Узбекистана в области бизнеса, а также уверенные шаги Узбекистана по укреплению своей позиции в рейтинге Всемирного Банка «Ведение бизнеса». Экономические реформы 2019 года и их положительные последствия для предпринимателей были обсуждены и проанализированы. Кроме этого, было рассмотрено и проанализировано большинство нормативно-правовых документов, принятых Главой государства – Президентом и правительством – Кабинетом Министров Узбекистана для улучшения предпринимательского и инвестиционного климата в стране для внутренних и иностранных инвесторов. Некоторые выводы были сделаны в конце статьи для улучшения позиции Узбекистана в рейтинге Всемирного Банка «Ведение бизнеса».

**Ключевые слова:** Бизнес реформы, Бизнес-отчеты, Всемирный банк, Международная финансовая корпорация, Стратегия действий, Всемирная торговая организация, Дорожная карта, Еврооблигации.

Following the collapse of the USSR in 1991, Uzbekistan got stuck a number of problems and had to tackle them especially in economic sphere. Observing this situation from the inside, government of Uzbekistan therefore committed itself above all to preserving and strengthening the sovereignty of a newly independent Uzbekistan. This was Uzbekistan’s main strategic goal, which it pursued with impressive focus. Then Uzbekistan has entered a dynamic new phase of development. Following the

collapse of Communism it was clear to all that the country's future growth would depend on the dynamic development of small business and private entrepreneurship.

After being selected as President in autumn 2016, Shavkat Mirziyoev launched a breathtaking series of reform initiatives. His slogan – “it is high time the government serves the people, not vice versa” – led to large-scale reforms in virtually every sector.

Soon these improvements began to have an impact on various international indexes of competitiveness. Thus, in the International Finance Corporation's (IFC) “Doing Business” report for 2016, Uzbekistan advanced in the ranking category “Credit System” from the 105th place to number 42. In 2016 alone some 31,766 new non-farm enterprises were set up with small business loans; the increase in 2016 was 1,066. As a result, the share of small/medium firms in the country's GDP reached 56.9 % in 2016, and their share of total employment an impressive 78.2 % [1].

The recent years' large-scale economic reforms in Uzbekistan are aimed at improving the living conditions of the population, developing entrepreneurial activity, increasing investment attractiveness. Over the past few years, measures have been taken to improve the regulatory framework and regulatory procedures in the field of entrepreneurial activity, creating a favorable business environment and a positive image of the country in the international arena. Thanks to the measures taken over the past 5 years Uzbekistan has risen from 146th to 76th place among 190 countries of the world at the rating of the World Bank' and International Finance Corporation' Doing Business Reports.

In fact, the basis of these successes of the reforms are the strong legislation framework and regulatory processes adopted over the past few years in order to improve the sphere of entrepreneurship activity and to create a favorable business environment and the positive image of the country in the international arena.

In particular, according to the Strategy for Action in five priority areas of development of the Republic of Uzbekistan in 2017–2021, 2019 was declared the "Year of Active Investment and Social Development" and adopted the State Program which includes the implementation of a number of measures [2].

One of the main goals of the State Program is to increase the investment potential of Uzbekistan, to attract investments to the priority sectors and areas of the economy, and to ensure that the investment process is interconnected with the production of competitive export-oriented products.

In order to improve the international prestige of the Republic, integrate to the World Trade Organization, enhance managing system in investment and foreign trade area the Ministry of Investments and Foreign Trade was established. The functions of Ministry of Foreign Trade and the State Committee for Investments were delegated to the newly established Ministry by the Presidential Decree No. PF–5643 of 28 January 2019 [3].

Among the main tasks of the Ministry the implementation of a unified state policy in the field of foreign trade, assistance to the effective functioning of the national export support networks, expansion of trade relations of the Republic of Uzbekistan with foreign countries, the country's accession to the WTO and cooperation with other multilateral economic organizations coordination have been added.

Besides, in order to improve the Rating of the Republic of Uzbekistan in the Annual Report of the World Bank and International Finance Corporation "Doing Business" separate Resolution of the President No 4160 was adopted on February 5, 2019 by which additional measures were determined.

In this document it was mentioned that there are still obstacles and excessive bureaucratic procedures faced by entrepreneurs in the practice, particularly in obtaining permits for construction, for property registration and for foreign trade transactions [4].

In order to eliminate these issues and for further improving the rating of the Republic of Uzbekistan in the "Doing Business" annual reports of the World Bank and International Financial Corporation, and other international financial institutions the special "Roadmap" was approved. According to the “Roadmap” by taking necessary measures Uzbekistan is aiming to take place in top 20 countries by 2022.

In addition to the newly established Ministry of Foreign Trade and Investments several other state and economic governance organs were established or reorganized in 2019 in order to achieve the country's goals in that direction. For example, the Ministry of Economy and Industry of the Republic of Uzbekistan, the Antimonopoly Committee, the State Property Management Agency, Consumer Rights Protection Agency, Capital Markets Development Agency, the Competition Promotion Foundation have been organized by legal documents which were signed by the President Sh.Mirziyoyev.

One of the main priorities of these organizations is the further development of the business environment in the country, increase the investment attractiveness, strong support of entrepreneurial activity, improve the welfare of the population. Such important issues are detailed in the draft Conception of Socio-economic development of the Republic of Uzbekistan until 2030.

Furthermore, in order to establish a strict procedure for eliminating unlawful interference by state bodies, law enforcement and regulatory agencies in business activities on March 15 2019 another Presidential decree № 5690 "On measures to fundamentally improve the system for protecting business activities and optimizing the activities of prosecution organs" was adopted [5]. According to this document from April 1, 2019, the Prosecutor General's Office will cease to coordinate checks. Powers transferred to the Commissioner under the President for the protection of the rights and legitimate interests of business entities. The decisions of the business ombudsman on inspections are binding on the regulatory authorities. The business ombudsman will monitor the legality of business inspections. Besides, the exercise of public control over the legality of inspections in the activities of business entities is entrusted to the Chamber of Commerce and Industry. It should be noted that, the powers of the Chamber in these matters are enshrined in Article 14 of the Law "On the Chamber of Commerce and Industry of the Republic of Uzbekistan" [6].

***For information:** Institute of Business Ombudsman was created back in 2017 by the initiative of the President of the Republic of Uzbekistan. Primary duties of Business Ombudsman are protection of rights of entrepreneurs and ensuring implementation of their legitimate interests by governmental bodies.*

*In accordance with the legislation, Business Ombudsman reviews enquiries and complaints of entrepreneurs against the decisions of governmental bodies and other organizations, actions and inactions of their officials that have violated rights and legitimate interests of entrepreneurs [7].*

The Cabinet of Ministers of Uzbekistan, the executive organ of the state is also performing large-scale activities and efforts to ensure the implementation of the decrees and resolutions adopted by the head of the state.

In particular, Cabinet of Ministers adopted Resolution № 40 on January 16, 2019 "On improvement of mechanism of use of international financial institutions' funds". This document was adopted for the purpose of attracting foreign investments, including international financial institutions and foreign financial organizations, for implementation of projects aimed at increasing investment projects, first of all, improving people's living standards and quality of life in Uzbekistan [8].

Besides, Uzbekistan is rich in natural resources, cultural objects and labour forces. Thus, in order to improve business activity, provide extra jobs (employment) in regions number of reforms have been started by the Government in 2019. For instance, by the Resolution of Cabinet of Ministers of Uzbekistan "Termez" free economic zone was established in Surkhandarya, southern region of Uzbekistan, where many firms and companies started their work with local employees.

Moreover, in Karakalpakstan, north of Uzbekistan, Muynak town was specially selected for complex development. Government Resolution № 37 on 17 January, 2019 considers number of measures in order to develop Muynak town in economic and social spheres [9].

At the same time, in order to integrate the country into international capital markets, to attract additional sources of external financing and to obtain corporate ratings by leading banks and large enterprises of Uzbekistan and to obtain sovereign credit rating of the country, Government Resolution

“On measures for issue and placement of international bonds of the Republic of Uzbekistan” was adopted. As a result, on February 13, 2019 Uzbekistan for the first time in its history, issued international bonds (XS1953916290) with a 4.75 % for USD 500.0m maturing in 2024 and international bonds (XS1953915136) with a 5.375 % for USD 500.0m maturing in 2029. All bonds were sold at the London Stock Exchange at a price of 100 % with an initial yield of 4.75 % and 5.375 % respectively. Bookrunners are famous international companies such as, Citigroup, Gazprombank, JP Morgan. Depositories were Clearstream Banking S.A., Euroclear Bank [10].

The most of the 5-year and 10-year eurobonds purchased by the UK investors (39 percent and 32 percent, respectively), and American investors purchased 23 and 31 percent of the bonds. European investors bought 32 percent and 27 percent, while investors from Asia, the Middle East and North Africa purchased 6 and 10 percent. Most of the Eurobonds – 75 % and 78 % - were managing funds, 20 % and 16 % of insurance companies and pension funds are 5 % and 6 % respectively [11].

As a conclusion, it should be noted that Uzbekistan's successful bid for the Eurobond market is a result of the above-mentioned large-scale reforms carried out in the country. One should note that it is the first sovereign bonds of Uzbekistan among the CIS countries in 2019 is also important factor. At the same time, this is the main benchmark for the future release of the eurobonds for the state companies, corporations and other financial institutions of Uzbekistan.

Besides, adopted legislation only in 2019 to establish a strict procedure for eliminating unlawful interference by state bodies, law enforcement and regulatory agencies in business activities and transferred powers of coordinate checking of business entities from Prosecutor General's Office to the Business-ombudsman under the President will definitely play substantial role in protection of the rights and legitimate interests of business entities and, of course, to attract more internal and foreign investors to business activity sphere.

All these above mentioned reforms will undoubtedly create a solid foundation for further improvement of the rating of the Republic of Uzbekistan in the Annual Report of the World Bank and International Finance Corporation “Doing Business”. And consequently, as Alan Wolff, Deputy Directors-General of the World Trade Organization mentioned, Uzbekistan may join the WTO within two years.

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