

TOURISM DOING BUSINESS
INVESTING IN



UZBEKISTAN



Tourism Doing Business – Investing in Uzbekistan

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TOURISM DOING BUSINESS **INVESTING IN** **UZBEKISTAN**



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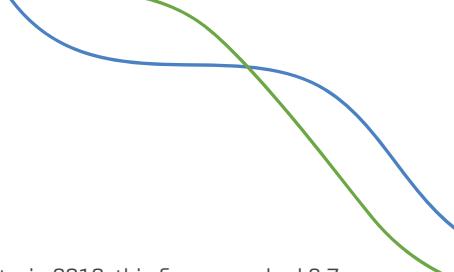
Tourism Doing Business – Investing in Uzbekistan has been developed and prepared by the Innovation, Education and Investments Department of the World Tourism Organization under the supervision of Natalia Bayona, Executive Director of the World Tourism Organization.

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UZBEKISTAN



Tourism, as one of the most promising drivers of economic growth, plays a pivotal role in the transition towards a "green" economy and contributes to sustainable and inclusive development. In turn, the tourism sector, being an intersectoral industry, implies that even minor improvements towards greater sustainability in this domain have a significant impact on economies of all scales: local, national, regional, and global.

Investments and financing constitute a vital part of securing sustainability, stability, and "greening". Today, every country possesses real opportunities to support tourism through the attraction of both public and private investments, including investments in infrastructure, introduction of innovations and new business models, support for local communities as well as for micro, small, and medium-sized businesses as the cornerstone of economic development.

President Mr. Shavkat Mirziyoyev has designated tourism as a strategic sector of the national economy. Uzbekistan, historically situated at the crossroads of civilizations, boasts impressive historical, archaeological, and cultural resources that hold significant value for international tourism. Within the country's borders, more than 8,000 historical and natural landmarks can be found, many of which are included in UNESCO's lists of tangible and intangible cultural heritage.

Today, Uzbekistan is an open country to the world, offering visa-free entry to citizens of 95 nations. By comparison, in 2017, residents of only 9 countries could visit Uzbekistan without the need for an entry visa. In a short span of time, due to the consistent policies pursued by the leadership and government, along with active promotion programs, an unprecedented growth in the number of foreign tourists visiting our country has been observed. While in

2017, Uzbekistan received 2.7 million tourists, in 2019, this figure reached 6.7 million. It is expected that by the end of 2023, this number will reach approximately 7.2 million, surpassing the pre-pandemic level by 7%.

New opportunities in the sector are swiftly being seized upon by local and foreign investors. For instance, there has been a notable increase in the number of hotels operating in our country, yet as of 2021, the room capacity remained relatively low, with 29,000 rooms and 61,500 beds. By 2025, our goal is to provide facilities with more than 3,000 hotels offering 130,000 beds.

To facilitate the broad attraction of investments to the tourism sector, a range of measures have been adopted to incentivize the private sector to invest in hotel construction and other infrastructure projects. This includes the introduction of simplified mechanisms for the registration and operation of tourism businesses, various customs and tax incentives, and mechanisms for cost compensation.

The Silk Road tourism brand, tax benefits, and comprehensive structural and regulatory reforms undoubtedly transform Uzbekistan into an appealing "tourism investment project." Achieving significant tangible results in attracting international business and investments has become the hallmark of the "Invest in Uzbekistan" brand.

I can confidently state that today, investments in our country's tourism sector are a "winning ticket" for every entrepreneur seeking a surefire combination of digits for their "business lottery ticket."

Welcome to Uzbekistan!

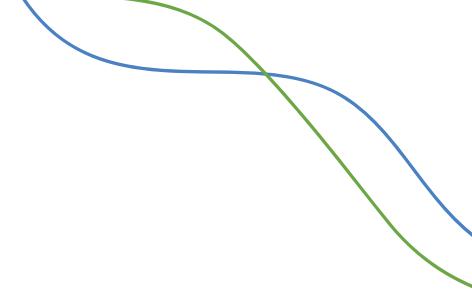
Aziz Abdukhakimov

Deputy Chair of the Government Commission on Tourism Development,
Minister of Ecology, Environmental Protection, and Climate Change of Uzbekistan



Zurab Pololikashvili

SECRETARY-GENERAL
WORLD TOURISM ORGANIZATION (UNWTO)



I am excited to present the latest addition to our series of Tourism Doing Business reports, "Investing in Uzbekistan". This publication by the World Tourism Organization [UNWTO], has been authored in close collaboration with the Ministry of Ecology, Environmental Protection and Climate Change and the Tourism Committee under the Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan. It seeks to illuminate the vast, yet often untapped, tourism potential of Uzbekistan and offers a synthesis of intensive research, and on-the-ground insights.

Uzbekistan offers a rich culture, history, and natural beauty, offering a unique blend of opportunities for tourism and investment. The country's dynamic policies, investor-friendly climate, and unyielding commitment to sustainable and inclusive growth have paved the way for a new era of opportunities.

"Investing in Uzbekistan" is a comprehensive tool designed for investors, policymakers, and stakeholders. It provides a path for informed decision-making, strategic investments, and collaborative efforts aimed at fostering a tourism sector that is resilient, sustainable, and inclusive. Our collaborative endeavor extends beyond the confines of economic growth and investment opportunities. It is rooted in the principles of sustainable development, environmental preservation, and social inclusivity, ensuring that the growth trajectory of Uzbekistan's tourism sector is aligned with the Sustainable Development Goals [SDGs] and contributes to the global agenda of people, planet and prosperity.

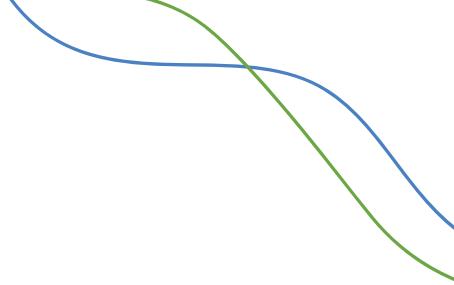
As we launch this report, we invite investors, policymakers, and international partners to join us in this exciting journey. Together, we can script a success story that is not just about economic growth but is also a narrative of a nation that blossomed into a tourism hub, while preserving its cultural heritage, protecting its natural environment, and promoting social equality.

Zurab Pololikashvili
Secretary-General
World Tourism Organization [UNWTO]



Natalia Bayona

EXECUTIVE DIRECTOR
WORLD TOURISM ORGANIZATION (UNWTO)



As the Executive Director of the World Tourism Organization [UNWTO] it is with great pleasure and a sense of profound responsibility that I introduce "Tourism Doing Business – Investing in Uzbekistan", a comprehensive report that underscores the multifaceted opportunities and the conducive environment Uzbekistan offers to the global investment community.

Uzbekistan, a nation characterized by its rich cultural heritage is rapidly emerging as a pivotal tourism destination. This publication analyzes key performance indicators, investment trends, and policy dynamics to offer a foundational insight into the investment landscape of Uzbekistan's tourism sector.

Growing on average 5.32% in the last five years and with a projected continuous annual growth rate of 5% until 2025, Uzbekistan presents a strong economy within Central Asia. The government's commitment to fostering a dynamic and investor-friendly climate is evidenced by its strategic reforms, robust legal frameworks, and transparent policies aimed at enhancing the ease of doing business.

This said, Innovation stands as the cornerstone of sustainable and inclusive growth. In this context, the report looks at Uzbekistan's ecosystem that is conducive to innovation, creativity, and technological advancement. The synergistic alignment between policy imperatives, investment opportunities, and innovation potential is explored, offering investors a roadmap to strategic decision-making. Furthermore, as we delve into the nexus between education and investment, this report shows the strategic imperatives for capacity building, skills development, and educational innovation.

"Tourism Doing Business – Investing in Uzbekistan" is not just a testament to the country's economic potential but is also a strategic tool, crafted to navigate the elaborate landscape of investment opportunities. I am confident that the insights, data, and analyses embedded in this report will serve as a valuable resource for investors, policymakers, and stakeholders alike.

Natalia Bayona
Executive Director
World Tourism Organization [UNWTO]

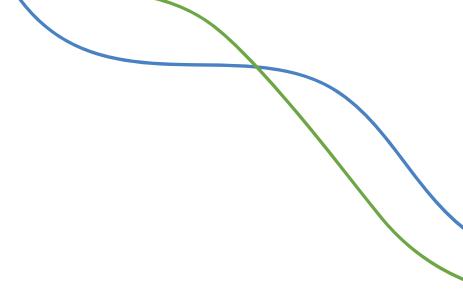
Introduction

Tourism Doing Business – Investing in Uzbekistan highlights the impressive transformation of the country in the last decade towards an open and market-driven economy. Moreover, it describes how its rich endowment of natural resources and cultural heritage, complemented by attractive incentive schemes offered for foreign direct investment [FDI], have been creating a favourable business environment. Uzbekistan, known as the state of the Great Silk Road, stands out for its strategic geographical location in the heart of Central Asia and well-developed infrastructure that facilitate travel and trade across continents.

This report outlines the outstanding economic performance of the country based on accelerated economic reforms since 2017. With an average rate growth above 5% during the last five years, Uzbekistan emerges as a stable and strong economy within the Commonwealth of Independent States [CIS] and other neighbouring countries in Central Asia. The main pillars of the reforms are summarized, recognizing the pivotal role of liberalization, as well as the tax and custom system, which facilitated cross-border trade and private investment. It also describes certain social and economic aspects, including its growing and educated population, the structure of the economy by sector and an analysis of its main export partners.

The second chapter develops on Uzbekistan's performance in terms of foreign direct investment [FDI] showing that FDI inflows have been growing steadily in the last decade. In terms of investments in fixed assets, the country has experienced a positive trend since 2017. Moreover, the chapter displays figures on the distribution of FDI inflows by region, concentration of FDI projects by business activities and the main FDI partners of Uzbekistan, those standing include the Russian Federation, the Republic of Korea, Germany and the Netherlands.

Regarding tourism, the report highlights the outstanding number of tourism-related projects between 2019 and 2023 and the corresponding amounts of investment that exhibited a strong uptrend despite the COVID-19. The type of projects and the source countries investing in Uzbekistan are described. The chapter also includes information on investments in innovation and startups ecosystems, particularly in the ICT industry, the setup of free economic zones [FEZs] dedicated to the production of ICT infrastructure inputs and the promotion of ICT services and digital education. Details about the rapid and promising development of the venture capital sector are also provided.



Chapter 3 describes the main reasons to invest in Uzbekistan, highlighting its remarkable transport infrastructure that facilitates connections between countries across different continents contributing to establishing its reputation as a strategic hub for regional and global trade and travel. It also describes the available natural resources, varied geography and vast biodiversity, as well as the cultural and historic heritage of Uzbekistan, with several architectural sites recognized as World Heritage by UNESCO – all contributing to the development a varied tourism services portfolio.

Moreover, associated to the reforms towards an open economy, Uzbekistan set up a range of incentive schemes to foster private investment. This report offers an overview of the Uzbek tax regime and develops on general tax incentives for FDI. It also presents a summary of the legal framework supporting the development of the tourism sector and the main incentives schemes attracting investment into the sector. These schemes encompass, for instance, concessional loans, specific tax incentives, introduction of ICT in the tourism sector, hotel development, tourism services, film industry incentives, entrepreneurship and innovation regimes, among others.

Finally, this report portrays the commendable determination of the country in pursuing structural reforms albeit it still faces key competitive challenges. Such reforms made Uzbekistan become one of the most stable economies in the CIS, improving considerably its position in certain rankings such as the 'Doing Business' and the 'Index of Economic Freedom'. Regarding competitiveness of the tourism sector, the report highlights the swift increase in the export of tourism-related services and the need for further measures to promote private investment in the sector. It also portrays the Uzbek tourism cluster, including figures about tourist arrivals by country, purpose of travelling, accommodation facilities, among other indicators.

Five reasons to invest in Uzbekistan:

1



NATURAL AND HISTORIC HERITAGE:

Uzbekistan has a continental climate and diverse geography, making it an attractive destination for tourists worldwide. The country is home to a beautiful combination of flat and steep terrain, ranging from plains in the west to large mountains that occupy almost a third of the country. This richness in natural beauty has a strong potential to apply to a diversity of tourist's needs. In addition, Uzbekistan historically represented a crucial crossroad along the ancient silk road trade route. As Uzbekistan became a hub for cultural exchange and trade, cities like Samarkand and Bukhara played a pivotal role in facilitating trade and exchange of ideas between East and West, providing the country with a rich cultural heritage.

2



POLITICAL AND ECONOMIC STABILITY:

Over the past three decades Uzbekistan has established a representative democratic government and pursued a free-market economy. Its efforts resulted in improved rankings in economic indices like 'Doing Business' and the 'Index of Economic Freedom'. Despite recent global events, Uzbekistan's economy is steadily growing and has a projected gross domestic product (GDP) growth above 5% in the following years. The country's economy is diversified, experiencing notable growth in key sectors such as services, industry and agriculture.

**3**

ATTRACTIVE INCENTIVE SCHEME TO INVEST:

Located in Central Asia, Uzbekistan, is actively attracting foreign investment and promoting economic growth, particularly in the tourism sector. The Uzbek Government has implemented incentives and reforms to create a favourable business environment. Free economic zones (FEZs) play a crucial role in this strategy, offering advantages like tax holidays, custom duty exemptions and simplified entry procedures, making them highly appealing to foreign investors.

4

STRATEGIC LOCATION AND INFRASTRUCTURE:

Uzbekistan's strategic geographic location in Central Asia enhances commercial relationships, serving as a key link for trade and connectivity between Europe and Asia. Indeed, the country has positioned itself as a leader in transportation infrastructure in Central Asia, leveraging its strategic location. With 11 airports, 4,500 km of railways and 43,000 km of roads, the country efficiently links neighbouring nations and fosters regional and global trade and travel. With its well-developed network facilitating the movement of passengers and cargo, Uzbekistan has become a crucial player in international transportation which has been instrumental in driving its economic growth.

5

CULTURAL AND HISTORIC HERITAGE

Uzbekistan holds a diverse population of 35 million people and a historical legacy. The country's economically active population constitutes 67% of its inhabitants, with a high literacy rate of 97%. Uzbekistan's architectural sites, including mosques and mausoleums, are designated UNESCO World Heritage sites, acknowledging their cultural significance. They represent the country's historical heritage and contribute to its unique cultural identity. The nation also takes pride in its customs and gastronomy.



Overview of Uzbekistan

Uzbekistan, a populous country in Central Asia with 35 million people, strategically connecting Asia and Europe. Since its independence in 1991, it has made significant improvements by establishing a representative democratic government and pursuing a free-market economy.

Multiple tourist and destinations

Uzbekistan offers a rich history and culture, with tourist attractions such as Samarkand, Bukhara, Khiva and the Tian Shan Mountains. It is also part of the Great Silk Road, featuring ancient caravanserais and trade routes. A destination for travellers from around the world.

Gross domestic product [GDP] growth, 2022: 5.7%

Projected GDP growth [at constant price], 2023 - 2024: 5%

Inflation, 2022: 12.1%

Tourism's direct contribution to GDP, 2019: 2.5%

Total foreign direct investment [FDI], 2022: USD 3.4 billion

Uzbekistan has a diversified and sustainable economy with notable growth in sectors like services, industry and agriculture, driven by abundant natural resources. The country's economy is steadily recovering and has shown improvement in economic rankings.





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Abbreviations

CBU = Central Bank of Uzbekistan

CIS = Commonwealth of Independent States

EBRD = European Bank for Reconstruction and Development

EOP = End of Period

FDI = Foreign Direct Investment

FEZs = Free Economic Zones

GDP = Gross Domestic Product

ICT = Information and Communications Technology

IMF = International Monetary Fund

MIIT = Ministry of Investments, Industry and Trade

SMEs = Small and Medium Enterprises

SOEs = State-owned Enterprises

TTDI = Travel and Tourism Development Index

T&T = Travel and Tourism

UAE = United Arab Emirates

UNCTAD = United Nations Conference on Trade and Development

UNESCO = United Nations Educational, Scientific and Cultural Organization

UNWTO = World Tourism Organization

USA = United States of America

USD = US Dollar

VAT = Value Added Tax

VC = Venture Capital

WEF = World Economic Forum

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01

ECONOMIC OUTLOOK

The Republic of Uzbekistan is located in the heart of Central Asia between the Amu Darya (the Oxus) and Syr Darya (the Jaxartes) rivers which flow into the Aral Sea. Uzbekistan is a very ancient land and – at the same time – a very young nation. It has been the crossroads of the most important trade route in history, the Great Silk Road possessing some of the most favourable natural and geographic conditions in Central Asia positioning the country as hub of the region and strategic juncture at the convergence of Europe and Asia.

With a population of 35 million, Uzbekistan offers a vast consumer base and serves as a pivotal conduit to the markets of the Commonwealth of Independent States (CIS)¹ and neighbouring nations. The vigorous momentum of transformation, ignited by President Shavkat Mirziyoyev's ascent to power in 2016, has propelled the nation into a new era of openness and market-driven dynamism. Anchored by a fervent commitment to privatization and extensive political and economic reforms, Uzbekistan has cultivated an

investment landscape that is both inviting and prosperous as pointed by the Ministry of Investments, Industry and Trade of the Republic of Uzbekistan.²

The nation's rich endowment of natural resources, encompassing reserves of natural gas, gold, uranium, silver and copper, underpins its macroeconomic resilience and holds promise for prudent investments across diverse sectors. This reservoir of resources not only fortifies stability but also fuels a spectrum of alluring investment prospects. Complementing this resource wealth, Uzbekistan boasts a vibrant pool of skilled and youthful labour, harmonizing with a range of incentives encompassing tax benefits and custom advantages. These measures, tailored to optimize cost-effective investment and trade, serve as a beacon for ventures seeking strategic growth in a thriving market, paving the way for its diversification, and blooming of the service sector such as tourism and its value chain.

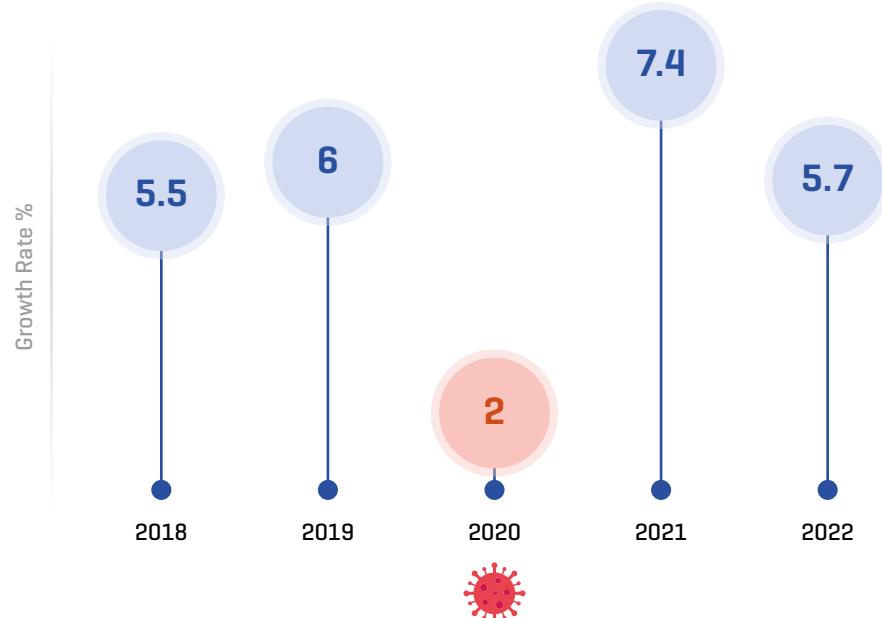


1.1 Economic growth

Uzbekistan has demonstrated remarkable growth in the last five years with an average economic growth of 5.32%. In defiance of the global challenges posed by the COVID-19 pandemic, the nation achieved a 2% increase in gross domestic product (GDP) in 2020, swiftly followed by a resurgent 7.4% rebound in 2021. According to preliminary estimates, in 2022, the GDP at current prices registered UZS 888,341 billion and, compared to 2021, increased in real terms by 5.7% as affirmed by The Agency of Statistics under the President of the Republic of Uzbekistan. Looking at the economic performance of Uzbekistan in 2022 in more detail, the gross value added of the production of goods amounted to UZS 484,679.9 billion (USD 43.9 billion), and services UZS 343,374.3 billion (USD 31.1 billion), and net taxes on products UZS 60,287.5 billion (USD 5.5 billion).

Figure 1.1 Uzbekistan – Gross domestic product (GDP) growth, 2018–2022

(annual growth rate, %)



Source: UNWTO based on Agency of Statistics under the President of the Republic of Uzbekistan [2023], Socio-economic Situation of the Republic of Uzbekistan for January–March 2023, Tashkent, online available at: <https://stat.uz/en/quarterly-reports/39036-2023-eng-2> [13-09-2023].

When calculated in USD at the average exchange rate for the reporting period, nominal GDP represented around USD 80.4 billion in the 2022. It is worth noticing that from 2019 to 2022 the GDP has represented an average volume of USD 66.4 billion presenting some evidence of a balanced economy that has been diversifying.³

Uzbekistan is the most populous country in Central Asia. Its population, currently at 35 million, grows by nearly 2% each year. It is evenly distributed by gender, mostly of working age or younger, and has high graduation and literacy rates. In 2022, GDP per capita at current prices reached to UZS 24,919,700 (USD 2,254.9).⁴

Figure 1.2 Uzbekistan – Gross domestic product (GDP) per capita, 2018–2022

(current prices, UZS thousand)



Source: UNWTO based on Agency of Statistics under the President of the Republic of Uzbekistan [2023].



1.2 Macroeconomic context

In the wake of dynamic economic transformations, Uzbekistan has embarked on a journey of accelerated reform since 2017. Guided by the Action Strategy for 2017–2021, the Government has set in motion a series of strategic initiatives aimed at reshaping its economic landscape. These reforms, underpinned by a commitment to liberalization and private sector empowerment, demonstrate the nation's determination to ascend to upper middle-income status by 2030.

In addition to restate the commitment of authorities to macroeconomic stability and improving the business climate, the package of reforms included six priority policy areas:⁵

1. Improving state and public institutions;
2. Securing the rule of law and reform of the judicial system;
3. Promoting economic development and liberalization;
4. Creating jobs and fostering social development; and

5. Ensuring personal and public security through interethnic and
6. Religious tolerance and constructive foreign policy.

The cornerstone of Uzbekistan's reform has been the liberalization of the foreign exchange market and the unification of previously disparate exchange rates. This not only bolsters investor confidence by eliminating uncertainty but also facilitates cross-border trade and investment, laying a robust foundation for economic expansion. Simultaneously to the market reform, changes to the tax and customs system have streamlined procedures, reducing bureaucratic hurdles for businesses and enhancing the ease of doing business. The evolution of public-private partnerships has unlocked new avenues for collaboration, augmenting infrastructure development and attracting foreign expertise.

Table 1.1 Uzbekistan – Gross domestic product (GDP), 2018–2022

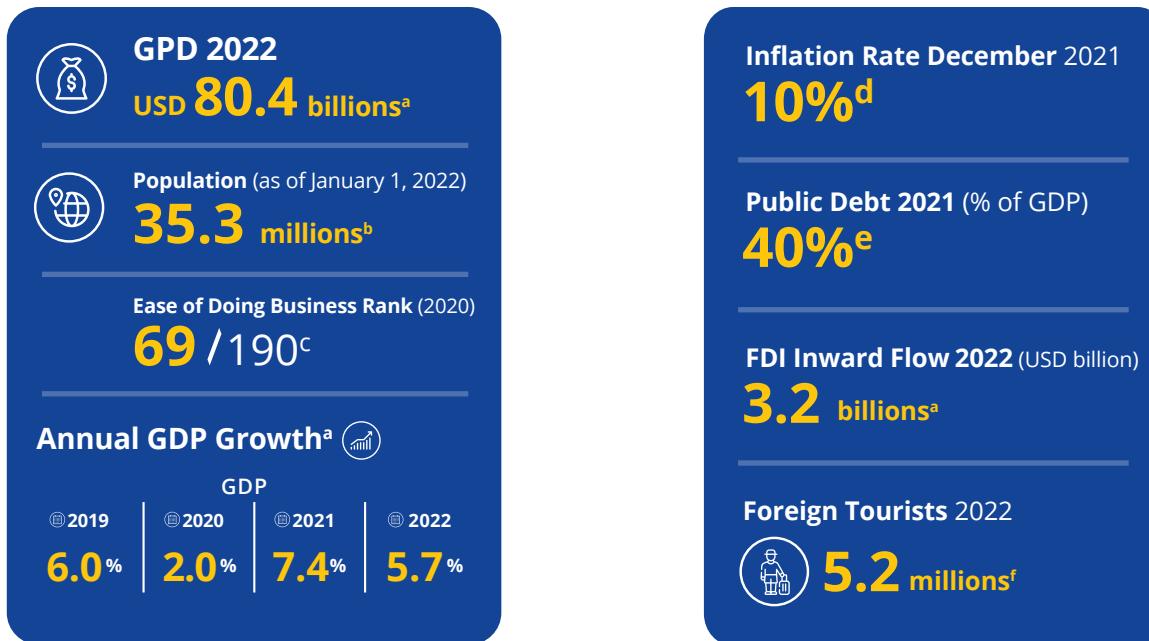
Year: 2018	Year: 2019	Year: 2020
GDP Volume [UZS billion] 426,641.00	GDP Volume [UZS billion] 532,712.50	GDP Volume [UZS billion] 605,514.90
GDP Volume [USD billion] 52.9	GDP Volume [USD billion] 60.3	GDP Volume [USD billion] 60.2
GDP Growth [% rates] 5.50	GDP Growth [% rates] 6.00	GDP Growth [% rates] 2.00
Year: 2021	Year: 2022	
GDP Volume [UZS billion] 738,425.20	GDP Volume [UZS billion] 888,341.70	
GDP Volume [USD billion] 69.6	GDP Volume [USD billion] 80.4	
GDP Growth [% rates] 7.40	GDP Growth [% rates] 5.70	

Source: UNWTO based on Agency of Statistics under the President of the Republic of Uzbekistan [2023].

These reforms have been showing results in Uzbekistan's GDP, growing in average 5.32% in the last five years, and a projected 5% growth until 2025 according to the International Monetary Fund (IMF). IMF remarks Uzbekistan's authorities for their decisive policy response to the COVID-19 pandemic. The Government provided sizable fiscal support during the pandemic, totaling about 5% of GDP in 2020–2021. Half

was spent on healthcare, education and a large expansion of the social safety net, and the other half on public investment, notably in 2021. These measures contributed to a strong economic recovery in 2021 and commitment to sound macroeconomic policies and structural reforms, which are critical to ensuring macroeconomic stability and promoting inclusive growth.⁶

Figure 1.3 Uzbekistan – macroeconomic competitive context



Sources:

- a] Agency of Statistics under the President of the Republic of Uzbekistan, 2023.
- b] State Committee of the Republic of Uzbekistan on Statistics [SCS], 2022.
- c] The World Bank Group, Doing Business 2020.
- d] International Monetary Fund [2022], 'Republic of Uzbekistan', IMF Staff Country Reports, No. 22/189, June 2022, IMF, Washington, D.C., online available at: www.imf.org/14-09-2023.
- e] Ministry of Investments, Industry and Foreign Trade of the Republic of Uzbekistan [2022], Investment Guide Uzbekistan, MIFT, Tashkent, <https://uza.uz/posts/413422>.
- f] World Tourism Organization [2023], UNWTO World Tourism Barometer, volume 21, issue 2, may 2023, UNWTO, Madrid, DOI: <https://doi.org/10.18111/wtobarometereng>.



The Uzbek economy has maintained solid fiscal and external buffers, with a state debt of less than 40% of GDP and USD 35 billion in foreign reserves in 2021.⁷ The deficit was financed mostly by public sector borrowing, as foreign direct investment (FDI) remained low. With strong inflows, the pace of depreciation of the sum slowed, helping to dampen inflation to 10% by 2021, and keeping interest rates at 14% due to tight monetary policy monitored by the Central Bank of Uzbekistan (CBU) having a budget deficit that reached 6% of GDP in 2021 according to the IMF Staff Country Reports as of June 2022⁸ as presented in following macroeconomic indicators table:

Table 1.2 Uzbekistan – macroeconomic indicators and projections, 2019–2027

	2019	2020	2021 est.	2022 proj.	2023 proj.	2024 proj.	2025 proj.	2026 proj.	2027 proj.
National income Nominal GDP [in trillions of Sum]									
Nominal GDP [UZS trillion]	529	602	735	848	1,006	1,167	1,309	1,457	1,624
Population [in millions]	33	33	34	35	36	36	37	38	38
GDP per capita [USD]	1,801	1,767	1,902	2,255	2,275	2,554	2,813	3,078	3,361
Real sector									
<i>[Annual % change]</i>									
GDP at constant prices	5.7	1.9	7.4	3.4	5.0	5.0	5.5	5.5	5.5
Consumer price index [end of year]	15.2	11.2	10.0	12.1	11.3	6.2	5.1	5.0	5.0
Money and credit									
<i>[Annual % change]</i>									
Reserve money	17.8	15.4	28.3	10.3	14.8	13.9	11.2	10.7	10.9
Broad money	13.8	17.9	30.3	15.5	23.4	22.1	19.0	18.6	19.0

	2019	2020	2021 est.	2022 proj.	2023 proj.	2024 proj.	2025 proj.	2026 proj.	2027 proj.
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External sector

[% of GDP]

Current account	-5.6	-5.0	-7.0	-8.3	-7.2	-6.5	-5.4	-5.2	-5.0
External debt	42.5	57.5	57.8	61.2	59.0	54.7	52.4	50.7	48.4
<i>[Annual % change]</i>									
Exports of goods and services	20.2	-14.5	-14.5	19.4	14.8	13.0	14.7	11.3	11.3
Imports of goods and services	13.3	-15.0	-15.0	4.0	12.1	11.3	11.6	11.4	11.4
Exchange rate (UZS per 1 USD; EOP)	9,516.0	10,477.0	10,477.0						
Overall fiscal balance	-3.8	-4.4	-4.4	-4.4	-3.4	-3.4	-3.4	-3.4	-3.4

Labor market

Formal sector employment growth (%)	1.8	4.2	8.1	0.8	0.7	0.7	0.7	0.8	0.8
Working-age population growth (%)	0.8	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Unemployment rate (%)	9.0	10.5	9.5	10.0	9.5	9.0	8.5	8.0	7.5

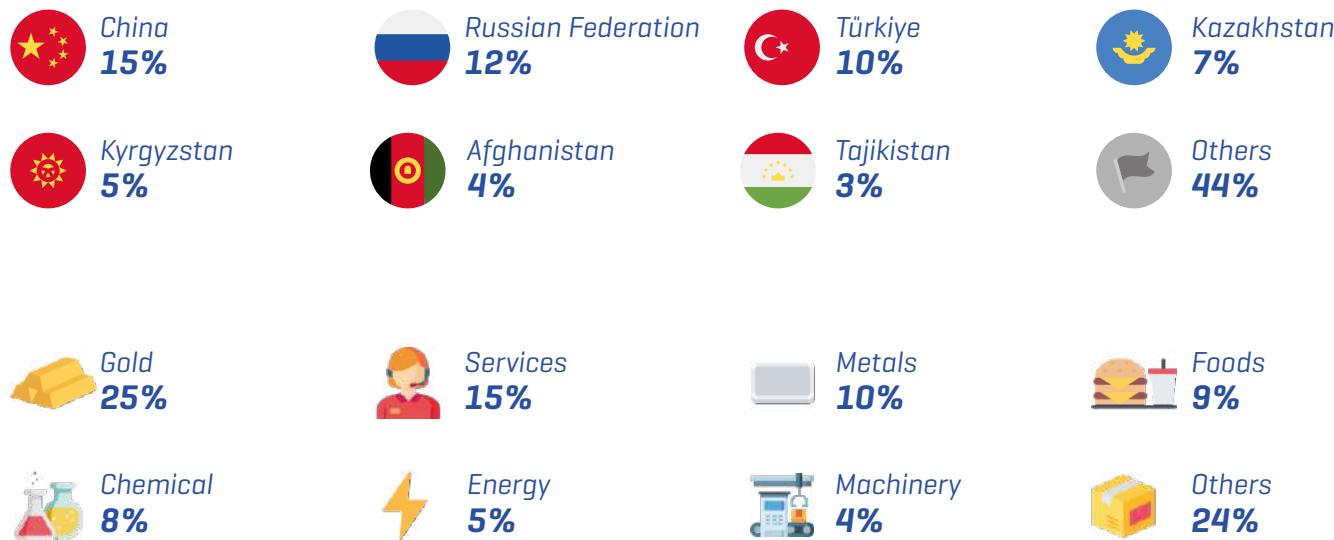
Source: Country authorities; and International Monetary Fund (2022), 'Republic of Uzbekistan', IMF Staff Country Reports, No. 22/189, June 2022, IMF, Washington, D.C., online available at: www.imf.org [14-09-2023].

Since 2017, Uzbekistan has made significant strides towards liberalizing its trade flows and reducing trade barriers and administrative hurdles for importers and exporters. It has opened up to global trade by embracing multifaceted international relations with 47 countries and bilateral investment treaties with 48 countries. In 2022, the main export destinations were China, the Russian Federation, Türkiye and Kazakhstan. Uzbekistan exports around USD 16.6 billion in all sectors and all destinations being gold the main

export, accounting for 25% of the share, followed by services (15%), metals (10%) and agricultural products (9%). Uzbekistan primarily imports machinery (37%), chemical products (17%) and foods (11%). China and the Russian Federation continue to lead in terms of imports into the Uzbek market, followed by Kazakhstan and the Republic of Korea according to data from the Agency of Statistics under the President of the Republic of Uzbekistan.⁹

Figure 1.4 Uzbekistan – main export partners and sectors, 2022

[Share of total exports]



Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].

As presented in the last figure, Uzbekistan is rich in natural resources ranking among the top 30 countries in energy and mineral reserves worldwide, including natural gas, gold, copper, uranium and coal. It has significant potential in renewable energy sources, such as solar and wind, that can cater to the country's growing energy needs and transition to a clean and efficient energy economy. Close to three-quarters of its exports in 2019 came directly from natural resources. This trend remained the same in 2022, but the country has successfully further diversified, specifically in the service sector.¹⁰ Among these is the tourism sector, with a record tourist arrival in 2019 following the visa liberalization. Tourism exports grew by 50% between 2016 and 2019, and accounted for about 10% of total exports prior to the pandemic.¹¹

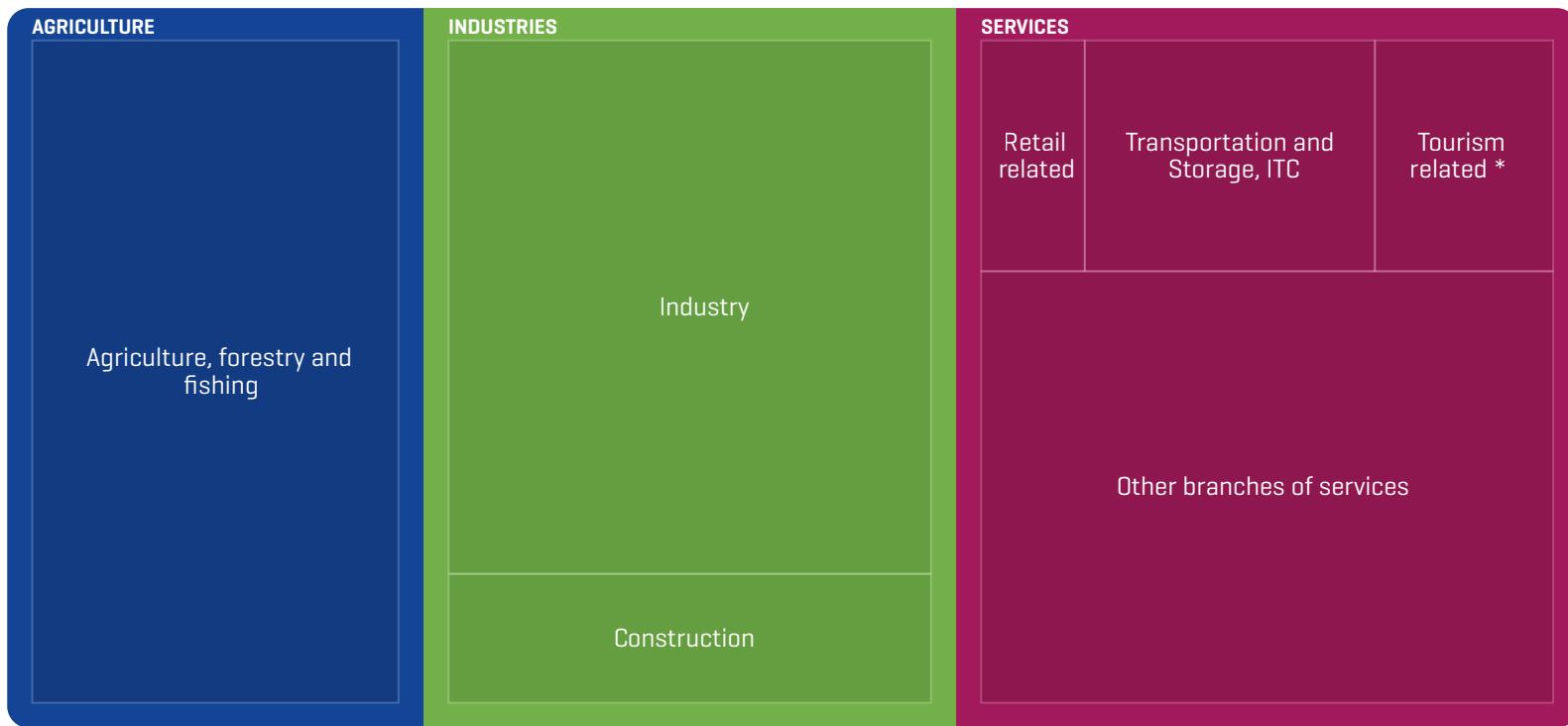




1.3 Contribution of different sectors to the GDP (2019–2021)

Due to its resource-based economy, Uzbekistan main sectors are related to resource industries, contributing with a 33.9% to the GDP in 2021. It is important to mention that the industrial sector contributed 33.4% to the GDP in 2022 and encompasses several subsectors such as: manufacturing, food processing, textiles, chemicals, pharmaceuticals and construction. Similarly, agriculture, forestry and fisheries contributed with 26.5% and 25.1% in 2021 and 2022 respectively.

Regarding the tertiary services sector, it contributed to GDP 39.6% in 2021 and 41.5% in 2022. However, the service sector encompasses three main sub sectors: The first one is 'trade, accommodation and catering services' which contributes around 7% to the GDP; the second is 'transportation and storage, information and communication' with a contribution of gross value of 7%; and the third is 'other several service industries' which represents around 26% of the GDP according to the categorization used by the Agency of Statistics under the President of the Republic of Uzbekistan as exhibit in the follow figure.

Figure 1.5 Uzbekistan – contribution of different sectors to the GDP, 2019–2021

Notes: Weighted data, considering the revised data in accordance with the 2008 SNA methodology.

The values were calculated based on the share of gross value added created in tourism industries in the country's GDP.

Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].

Uzbekistan's services have the potential of diversification,¹² unlike other neighbouring economies that encouraged rapid service sector growth, Uzbekistan's services sector, including transportation, financial services, health care, education, professional services and

most activities related to tourism, have not yet reached their full potential since they were overshadowed by the stronger industrial and agricultural sectors.

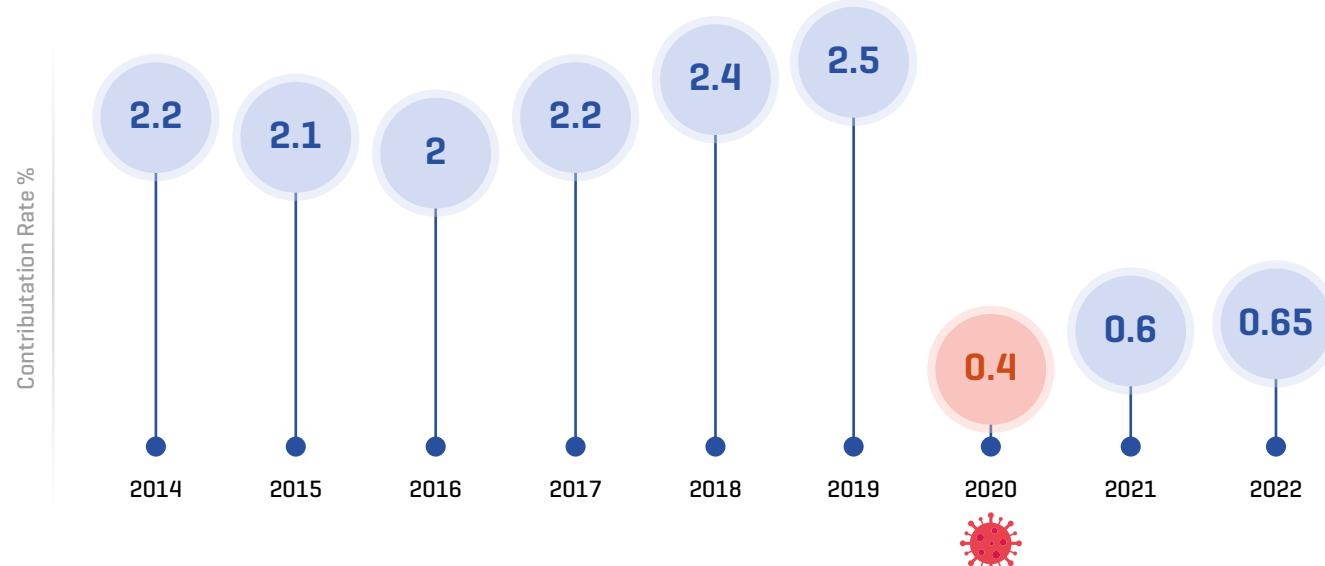
Furthermore, in 2020, the services share of value added in GDP was smaller in Uzbekistan than in any other countries in Europe and Central Asia. Globally, services exhibit the highest average employment-growth elasticity among sectors and are commonly a locus of rising employment in growing economies.¹³

Therefore, the tourism sector offers a great opportunity for diversification, especially considering the multiplier effect of its value chain, and the several industries that are part of its ecosystem.¹⁴ Based on data provided by the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change and data

analysed from the Agency of Statistics under the President of the Republic of Uzbekistan; it shows that average share of gross value added created in the tourism industries in the country's GDP reach to 4.3% from the periods 2019 to 2021. Pre-pandemic, the gross domestic product generated directly in tourism reached UZS 14,102.9 billion [USD 1.6 billion] in 2019. This represented a gross value added directly created by tourism in the country's GDP of around 2.5% which has been constant since 2014, but it is yet to grow as other sectors have done it in the country as presented in the following figure.

Figure 1.6 Uzbekistan – tourism's direct contribution to GDP, 2014–2022

[annual % share to GDP]



Source: UNWTO based on data provided by the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change and data analysed from the Agency of Statistics under the President of the Republic of Uzbekistan, 2023.



02

INVESTMENT OUTLOOK

Policy shifts and reforms on foreign direct investment (FDI) in Uzbekistan have led to increased FDI inflows, a notable shift in investment climate since 2017. Comparative analysis indicates room for further attracting investments despite positive changes. According to the United Nations Conference on Trade and Development (UNCTAD), FDI inflows have nearly tripled and FDI per capita has more than doubled during 2011–2020, surpassing growth rates of comparable economies, even within the Commonwealth of Independent States (CIS).¹⁵ However, Uzbekistan's FDI performance remains below regional peers, with FDI inflows per capita exceeding only Tajikistan's.¹⁶ In absolute terms, Uzbekistan's FDI stock surpasses Kyrgyzstan and Tajikistan, yet remains smaller than other comparators when measured per capita or as a percentage of GDP. This represents an opportunity for the country to continue diversifying and modernizing its economy and allowing policies that enable international investments to the country which has been a priority for the current Government.

For example, the Presidential Resolution on the Investment Programme (2020–2022) provides valuable insights into Uzbekistan's FDI strategy with clear actions on diversification across 24 sectors, and expansion of its investor pool to attract new investors from Europe, Asia and North America, with a notable presence of Asian and Middle East economies like India, Iran, Japan and the United Arab Emirates. These policies are yielding results with the increase of 11% to USD 2.53 billion reaching a record in FDI in 2022 mostly due to doubling reinvested earnings to USD 1.2 billion, comparing with its inflows of USD 2.27 in 2021.¹⁷



2.1 Investments in fixed assets in Uzbekistan

The volume of capital inflows towards Uzbekistan from various financing sources has been remarkable from 2017 to 2019 reaching UZS 392.3 trillion (around USD 51.7 billion) growing on average 65% per year in that period. This monetary commitment underscores the Republic's determination to foster economic vibrancy. To put into perspective, in 2017 the share of investments in GDP was 23.9%, then in 2019 it increased to 38.3%. At the same time, 65% of the disbursed capital investments were directed to industrial and infrastructure projects. Of the total investment, 66.2% were financed through domestic and 33.8% through external investment, including 21.3%

through FDI attracted by the importance for the restructuring of its economy, modernization of industry, increasing the share of high value-added products and their competitiveness.¹⁸

From 2019 to 2022, the investments continue growing with a rate of 11% on average per year despite the COVID-19 effects in the global economy. In general terms, the Republic of Uzbekistan has experienced growth of investment in fixed assets over the past six years, and has almost quadrupled¹⁹ as presented in figure 2.

Figure 2.1 Dynamics of investment in fixed assets into Uzbekistan, all sources, 2017–2022

[UZS trillion]



Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023]

In 2022, the Republic of Uzbekistan has registered UZS 269.9 trillion of investments in fixed assets [equivalent to USD 23.2 billion] from all sources of financing including: centralized investments, non-centralized investments, foreign loans guaranteed by the Republic of Uzbekistan, direct and non-guaranteed foreign

investments and loans, commercial bank loans and other borrowed funds, among other sources of investments.²⁰ As a result, investments made directly at the expense of foreign direct investment (FDI) represented around UZS 37.0 trillion (USD 3.4 billion) representing 13.7% of total volume.

Figure 2.2 Uzbekistan – investments in fixed assets from non-centralized and centralized sources of financing, January – December 2022

[UZS trillion]



Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].

It is worth noticing that the investment in the construction of a tourist centre in the Samarkand region was one of the most important investment projects implemented at the expense of foreign loans under the state guarantee of the country according to the The Agency of Statistics under the President of Republic of Uzbekistan. The project covers a total area of over 260 ha built along the rowing canal in Samarkand District with an estimated cost of USD 580 million. The project includes eight hotels (about 1,200 rooms), green areas (30,000 trees planted); a congress hall (3,500 visitors), 31.8 km of paths and roads, and an eco village comprising 14 villas built from wood, among other highlights.²¹

In terms of structure of investments in fixed capital by types of economic activity, 'manufacturing' and 'industries' are the sectors that prevail. Indeed, resulting from major investment projects, reaching UZS 76.4 trillion, in agriculture and in the production of cars, cement, and mineral fertilizers among others, 28.3% of the total investment in fixed capital were disbursed. 'Housing construction' alone reached a total of UZS 22.4 trillion [USD 2.03 billion] of investments in fixed capital which amounted to 8.3% of the total, according to the current 2-types classifier of economic activities. The following table shows the main sectors by volume of contribution to investments in fixed capital.²²

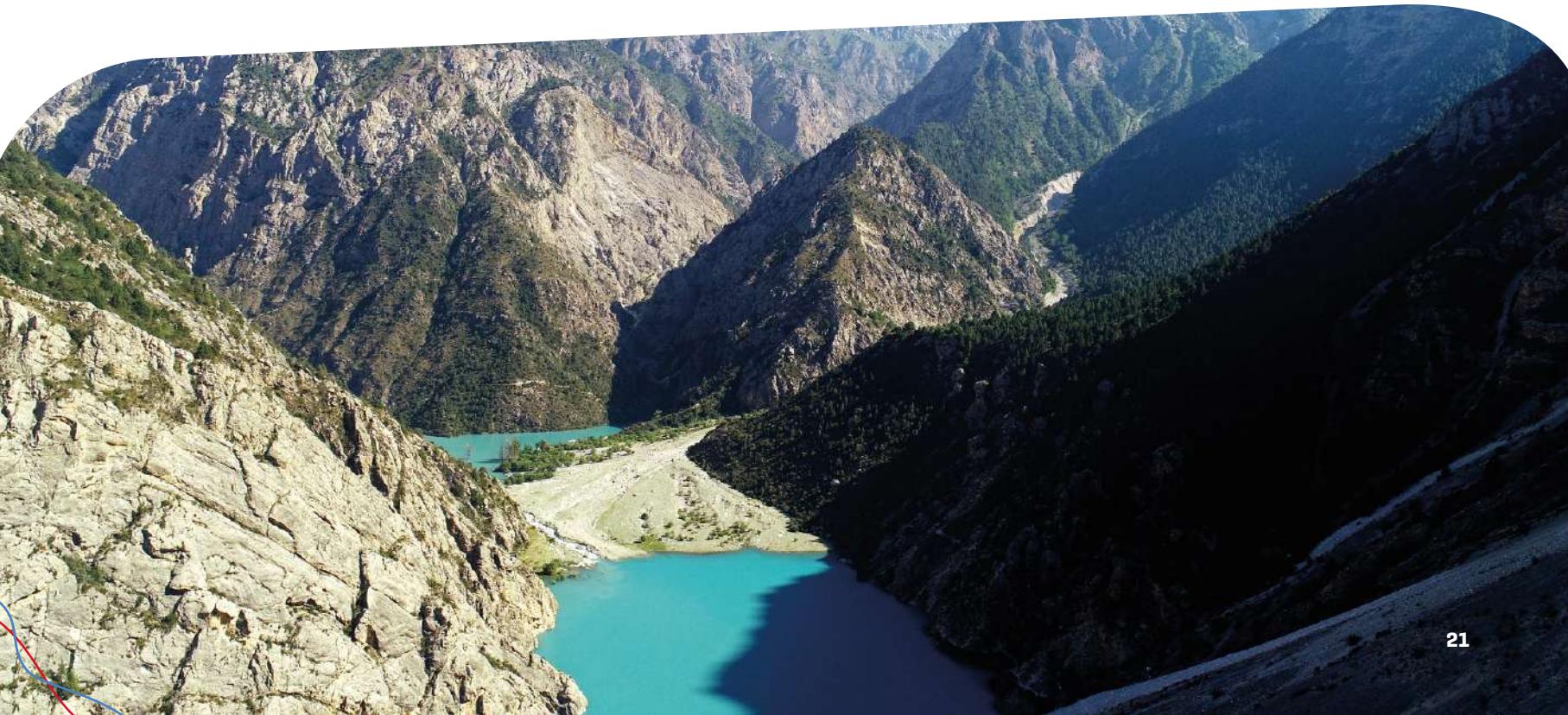


Table 2.1 Uzbekistan – investments in fixed capital by type of economic activity

[% and UZS trillion]

		UZS [trillion]	Share [%]
	Manufacturing industry	76.4	28.31%
	Housing construction	22.4	8.30%
	Mining industry	21.6	8.00%
	Electricity and gas supply	20.2	7.48%
	Agriculture	19.9	7.37%
	Construction	15	5.56%
	Education	8.1	3.00%
	Healthcare	7.8	2.89%
	Information and communication	6.1	2.26%
	Other activities	72.4	26.82%
		269.9	100.00%

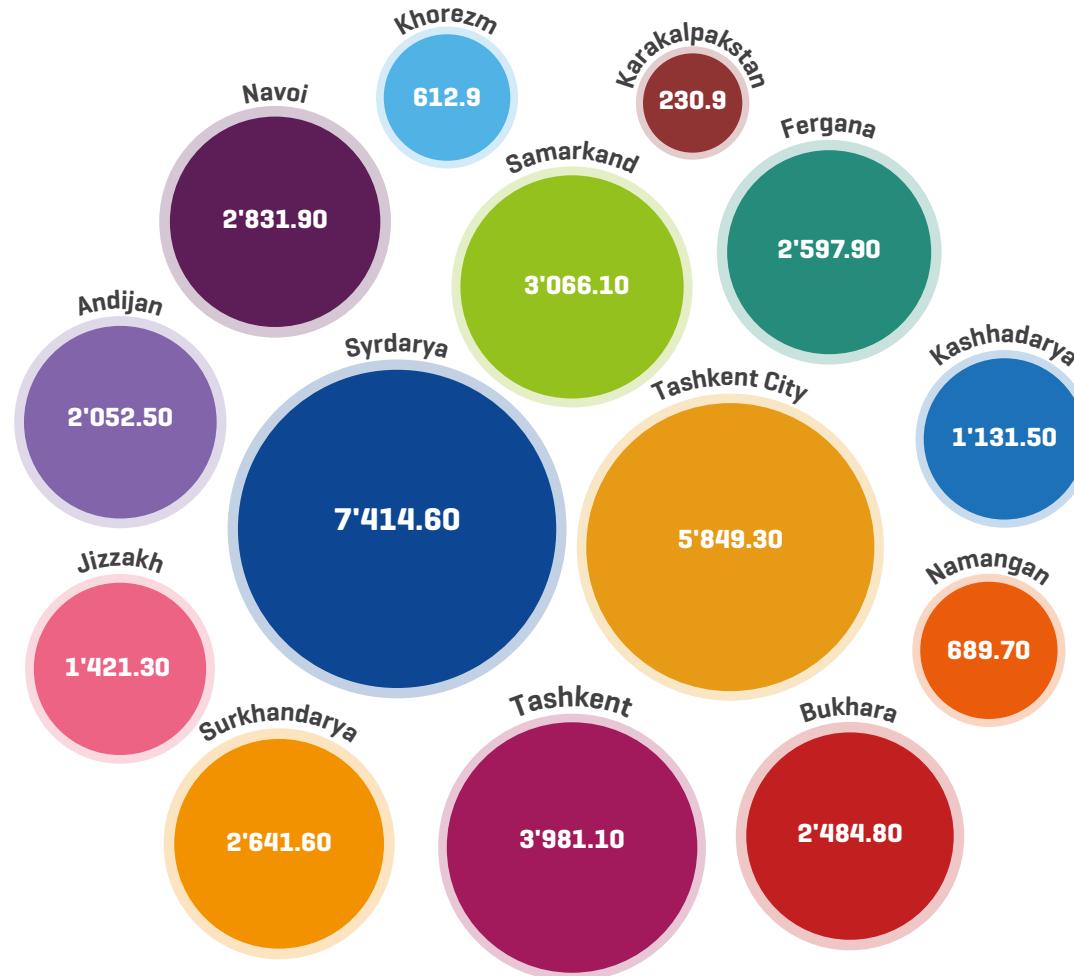
Source: Statistics Agency under the President of the Republic of Uzbekistan [2023.], Socio-economic Situation of the Republic of Uzbekistan 2022.



2.2 Foreign direct investment (FDI) flows in Uzbekistan

According to the Agency of Statistics under the President of Republic of Uzbekistan, from January to December 2022, the volume of assimilated foreign investments and loans in fixed capital reached UZS 112.2 trillion [USD 10.2 billion]. Considering only foreign direct investment (FDI),²³ the Republic of Uzbekistan registered a total of UZS 37.0 trillion [USD 3.4 billion] of FDI disbursed through all sectors or 38.1% of their total volume. Foreign loans guaranteed by the Republic of Uzbekistan represented UZS 15.2 trillion [USD 1.4 billion], and other investments and non-guaranteed loans reached UZS 60.0 trillion [USD 5.4 billion], or 61.9% of the total investments.²⁴ The following figure shows the main regions that received most of the FDI flows during the 2022 period.

Figure 2.3 Uzbekistan – foreign direct investment (FDI) in fixed assets composition by region, January – December 2022
 [share, UZS billion]



Note: Weighted data in UZS billion pondered.

Figure represents only FDI in fixed assets, excluding foreign loans guaranteed by Uzbekistan and other foreign investments and loans.

Source: UNWTO based on Statistics Agency under the President of the Republic of Uzbekistan [2023.], Socio-economic Situation of the Republic of Uzbekistan 2022.

Figure 2.3 shows that Syrdarya is the region that received 20% of total FDI in 2022, followed by Tashkent city with 15.8%, Tashkent with 10.7% and Samarkand with 8.3% of shares on FDI. However, when including foreign loans guaranteed by the Republic of Uzbekistan and other foreign investments and loans, Tashkent city is the top recipient with 14.1%, followed by Bukhara with 10.7% and Tashkent with 10.3% in total shares. It is worth noticing that in 2022, the city of Tashkent made the largest contribution to the formation of the country's GDP, with a specific weight of 16.6%. A significant part of foreign investments and loans in fixed assets was disbursed in the manufacturing industry, which amounted to 42.5% of their total volume, or UZS 4,771 billion [USD 432.6 million], followed by electricity and gas supply reaching to UZS 15,820 billion [USD 1.4 billion], or 14.1% of the total volume of foreign investments and loans.²⁵

Uzbekistan FDI inflows to all sectors between January 2010 and May 2023, from which a total of 304 FDI projects were recorded, represented a total capital investment of USD 42.64 billion, with an average investment of USD 140.30 million per project. During that period, approximately 61,093 jobs were created. The largest number of 55 projects was announced in 2018.²⁶

It is worth noticing that out of a total of 14 business activities, the top five account for the majority of projects. 'Manufacturing' was the top business activity accounting for almost two-fifths of projects tracked, generating the highest number of jobs and greatest investment of estimated USD 24.55 billion investment. Manufacturing is followed by 'electricity' and 'construction' with the largest project size on average in terms of investment and jobs creation, respectively. It is important to note that from as of 2018 on Uzbekistan's economy started to flourish and diversify investments in service sectors such as: 'retail', 'ICT' and tourism-related services which volume of investments peaked during 2018.²⁷



Table 2.2 Uzbekistan – announced greenfield investment trends analysis, all sectors, 2010-2023

Business activity	Nº of projects	Jobs Created ^a Total	Capital investment Total [USD m]
 Manufacturing	118	45,577	24,548.40
 Sales, Marketing & Support	40	1,471	737.10
 Retail	37	2,475	366.00
 Business Services	34	3,553	699.00
 Electricity	34	1,269	12,835.80
 ICT & Internet Infrastructure	13	1,091	1,503.00
 Construction	6	3,146	864.70
 Education & Training	6	298	100.90
 Logistics, Distribution & Transportation	5	788	320.80
 Extraction	4	664	508.80
 Tourism related	4	761	156.10
Other business activities	3	761	156.10
Total	304	61,093	42,640.60

^a: Approximations

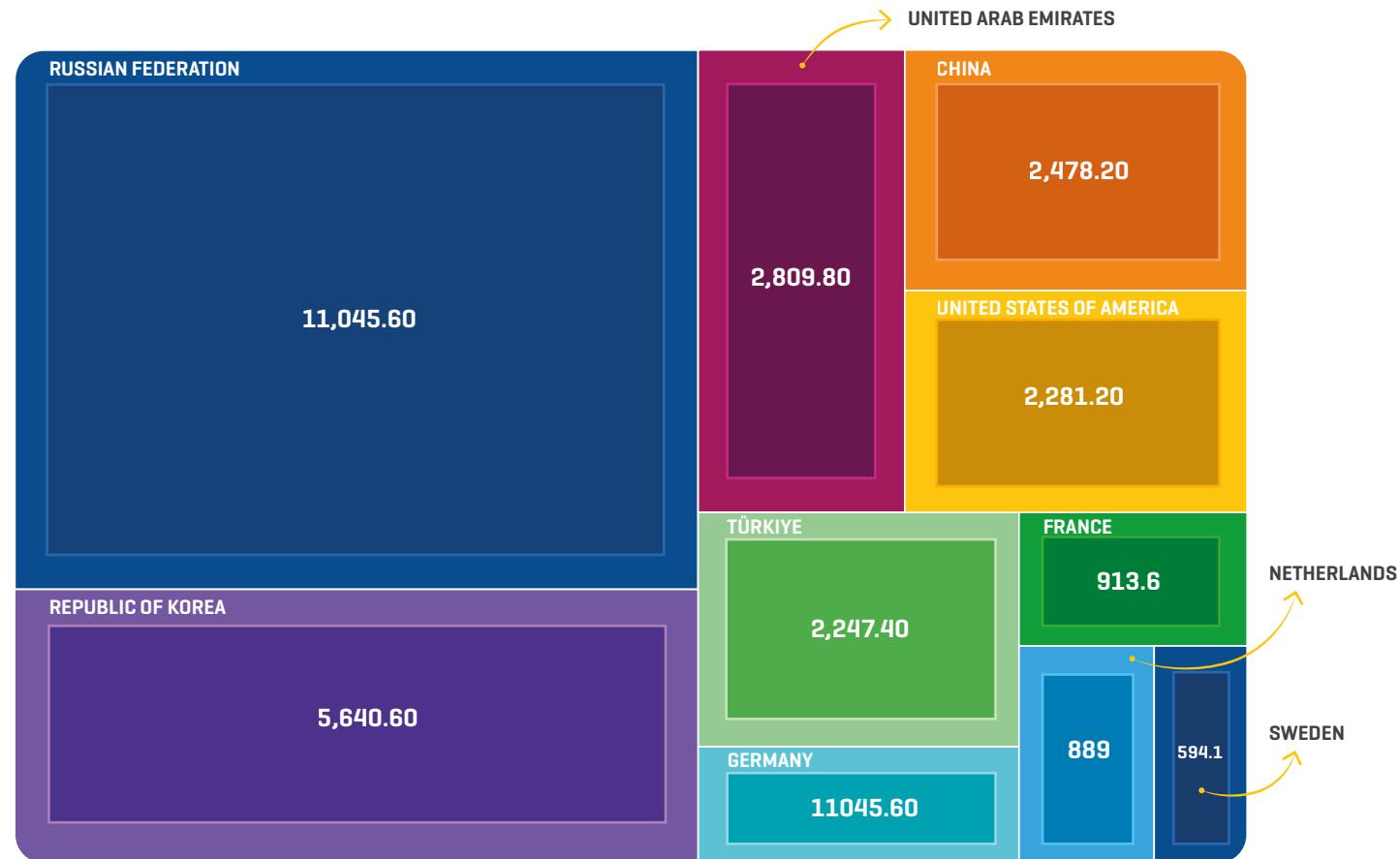
Source: UNWTO, 2023 based on fDi Intelligence from The Financial Times Ltd, accessed in August 2023

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Finally, based on the same analysis, it was identified that out of a total of 44 source countries, the top five account for almost half of projects. The Russian Federation is the top FDI source country accounting for one-eighth of projects tracked with 44 projects recorded, followed by China with 32, the Republic of Korea with 25, Germany with 23, the Netherlands with 20 and the United Arab Emirates and the United States of America with 15 projects respectively. Even though the Russian Federation keeps the lead in terms of number of projects and capital invested, the list changes by capital investment placing the Republic of Korea in second place with more than USD 5.6 billion invested, followed by the United Arab Emirates with USD 2.8 billion, China with USD 2.4 billion, the United States of America with USD 2.3 billion, and Türkiye with USD 2.2 billion. The Russian Federation has both the highest total and highest average investment at USD 11.05 billion overall and USD 276.10 million per project.



Figure 2.4 Uzbekistan – foreign direct investment (FDI) by source country investing in all sectors, 2010–2023
 [USD million]



Notes: Weighed data based on announced capital investment [USD million].

The results presented examines foreign direct investment [FDI] trends by all companies investing in Uzbekistan in ten clusters between January 2010 and May 2023. The data includes estimated values on capital investment and the number of jobs created in cases where information was not available at project announcement.

Source: UNWTO, 2023 based on fDi Intelligence from The Financial Times Ltd, accessed in August 2023.



2.3 Tourism investment in Uzbekistan

According to the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan, from 2019 to 2022 there has been 1083 tourism-related projects completed, and for 2023 481 projects are planned reaching a total value of USD 4.3 billion for the periods of 2019 to 2023. It is worth noticing that 86.21% from this total amount represents FDI commitments reaching a total of USD 3.7 billion showing a strong uptrend despite the COVID-19 backdrop of the global economy. Especially considering the registered projects from 2019 which reached only 37 to the outstanding 481 projects planned to be executed in 2023, as presented in figure 2.5.²⁸

Moreover, the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan registered investments flows towards the Tashkent region in 2021–2023 amounting to USD 903.6 million from which around USD 739.5 million are considered foreign investments in the tourism sector. This FDI allocation includes 90 projects, including 66 hotels, 12 shopping and entertainment centers, and 9 parks.

Figure 2.5 Uzbekistan – foreign direct investment (FDI) trends analysis in the tourism sector, 2019–2023
[USD]



Note: *) Planned investments for 2023.

Source: UNWTO based on information provided by the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan, 2023.

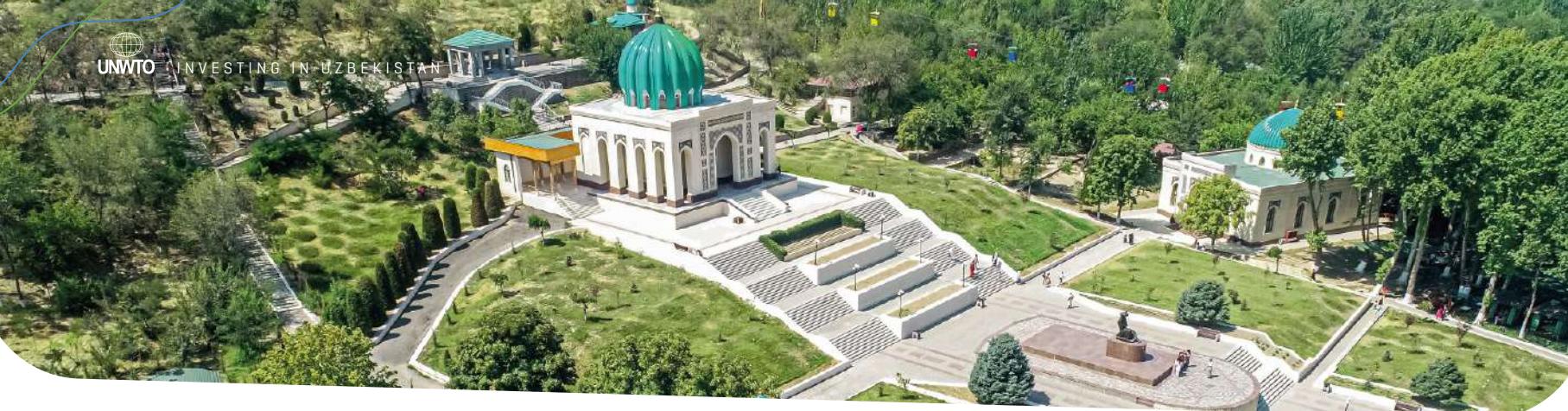
In 2022, around UZS 21.6 trillion [USD 1.9 billion] was allocated to all investment projects in the tourism sector, which represented 727 projects implemented. As previously highlighted, particularly the investment in the construction of a tourist centre in the Samarkand region within the framework of the Summit of the Council of Leaders of the Shanghai Cooperation Organization should be mentioned. This new tourist centre was built on an area of 260 ha, with eight hotels [4- and 5- stars] put into operation, representing an estimated cost of USD 580 million.²⁹

Regarding greenfield FDI in the tourism sector, Uzbekistan has recorded only six FDI announced projects which represented around USD 727,4 million between 2003 and 2023.³⁰ As mentioned earlier, four out of those six projects were invested from 2018 onward, and two projects were invested in 2003. The source countries investing in the sector are the United Sates of America, China, Germany, Kazakhstan and the United Kingdom.³¹

There has been additional investments worth mentioning: For example, the USD 60.0 million investment by Stargate System LLC in Tashkent city into the Magic City Amusement. The tourism project planned will be carried out in two stages: in a first stage for 6.5 ha of land, and in a second stage for 12 ha. A total of 27 facilities will be built and commissioned as part of the Magic City Amusement Park project which will include constructions of cafes, restaurants and shops of world-famous brands, as well as the only laser cinema in Central Asia with a total capacity of 450 people, a Roman Colosseum amphitheater with 650 seats, a musical fountain with an area of 8,500 m², and a large water park on 2 ha of land.³²

Other investments to be mentioned as a track record are: the Japan's H.I.S. Inspira-S hotel in Almazor district – the first robot service provider in a modern national style with 140 total number of rooms;³³ the Panarams Hotel Tashkent – part of the Radisson Group; the Azimut comfort in Mirabad district; and a modern hotel complex Konstantin Plaza designed for 164 beds launched in Samarkand region by Konstantin Itol LLC. Regarding the international hotel brands in Uzbekistan, there can be mentioned: the Radisson, Lotte, Marriott, Hilton, Wyndham and ATECA Hotels chains which are represented in the country. Almost all of them are in Tashkent. Additionally, more than 1,300 hotels, inns and hostels currently operate in Uzbekistan – a total number of rooms of more than 32,000.

Finally, the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan is developing new projects to promote new destinations, for example in Bostanlyk and Tudakul. Currently, 516 guest houses have been created in the Bostanlyk region. One of the promising projects of the Tashkent region is the project of creating the international resort Beldersay-Chimgan-Nanai. Its concept and economic model were developed by a consortium of French companies with a EUR 750,000 grant from the FASEP foundation. The total cost of the Beldersay-Chimgan-Nanai project is estimated at USD 480 million from which USD 280 million are direct investments.³⁴



2.4 Investments in innovation and startups ecosystems

According to data from the Agency of Statistics under the President of the Republic of Uzbekistan. The growth in the volume of investments in fixed assets by the type of activity 'information and communication' which promote the development of the information and communications technology (ICT) industry from the period 2016–2020 increased four times from UZS 1.2 to UZS 4.8 trillion [USD 119 million to USD 476 million], including the volume of foreign investments and loans increased two-and-a-half times from UZS 0.8 trillion to UZS 2 trillion [USD 79 million to USD 198 million].³⁵ Moreover, the expansion of the mobile communication network can be attributed to the strategic installation of new communication stations, which play a pivotal role in ensuring the seamless operation of 3G and 4G networks. Substantial strides have been taken in Tashkent leading to the installation of 15 base stations of 5G technology.

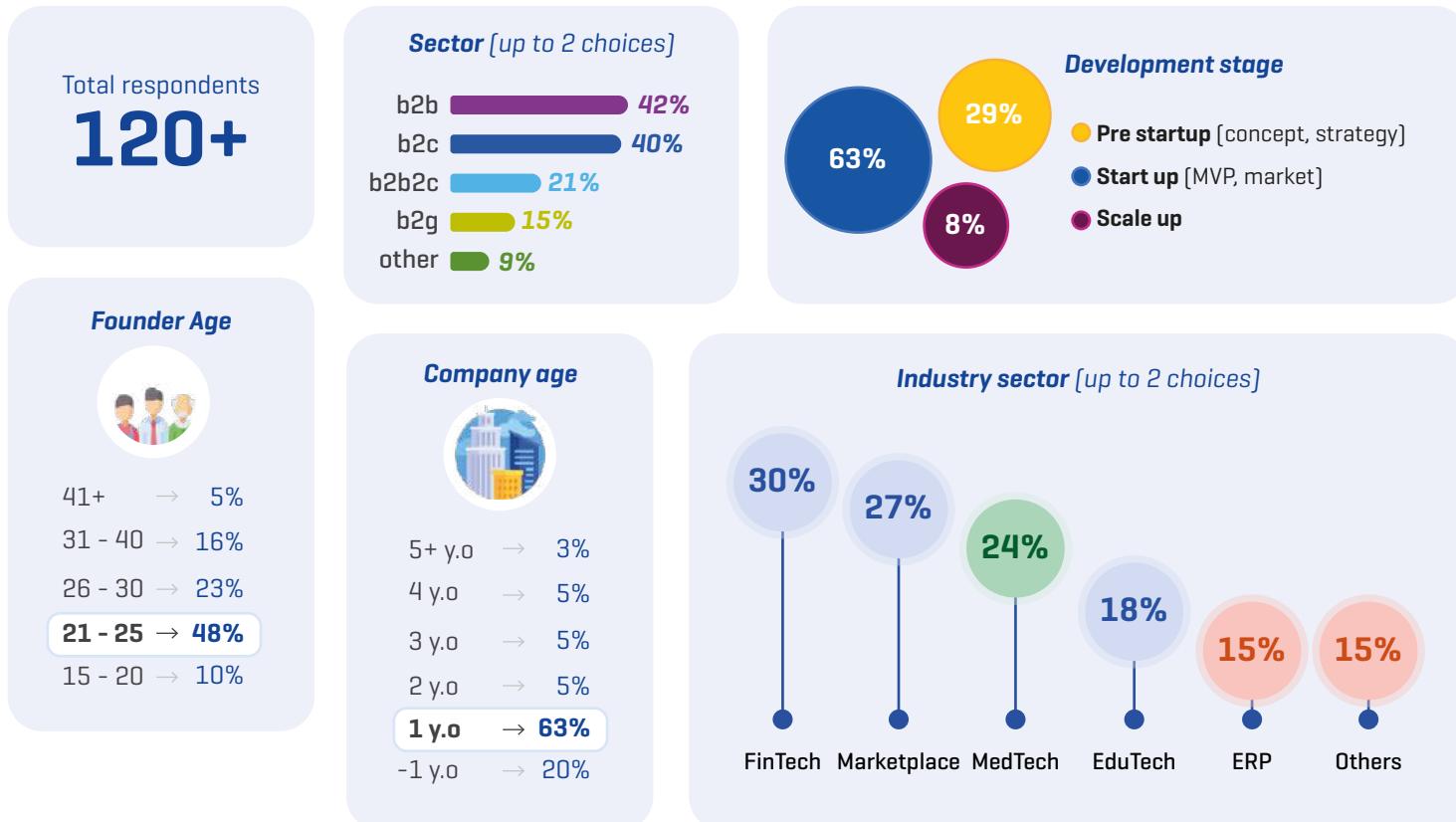
In pursuit of establishing a robust domestic manufacturing base and fostering import substitution, a significant milestone was achieved within the Jizzakh Free Economic Zone. Collaborating closely with the Republic of Korea, a state-of-the-art manufacturing facility was erected at a cost of USD 11 million. This facility is dedicated to the

production of optical fiber cables, boasting a remarkable annual capacity of 50,000 km of cable. This strategic endeavour not only meets the burgeoning domestic demand but also positions Uzbekistan to be a formidable exporter of cable products on the global stage.³⁶

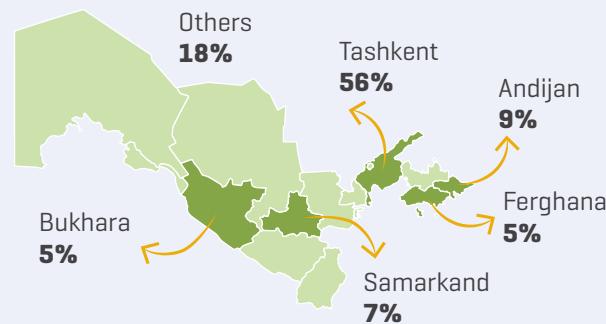
Digital technologies are rapidly developing today. In this vein, there exists an opportune moment to forge a thriving innovation ecosystem in Uzbekistan by extending support to startups and by promoting modern methods of digital education in the ICT field. The role of the state becomes crucial in not only fostering a nurturing environment for innovation but also championing contemporary methods of digital education that amplify our commitment to cultivate a robust digital and innovative landscape.³⁷ From January to March 2023, the share of ICT services in the country's economy amounted to 2.0%. The added value of ICT services consists of communication services – 66.7%; computer programming, consultations and other related services – 19.2%; data hosting and processing services, web portals – 7.5%; repair of computers and communication equipment – 4.4%, and software release – 2.2%.³⁸

Figure 2.6 Uzbekistan – innovation and startup ecosystem

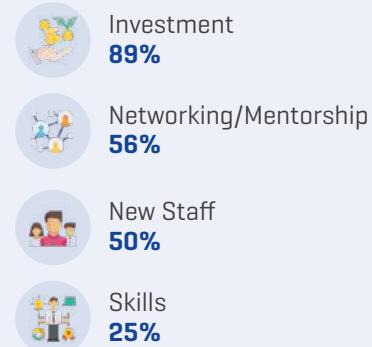
[Share of total respondents]



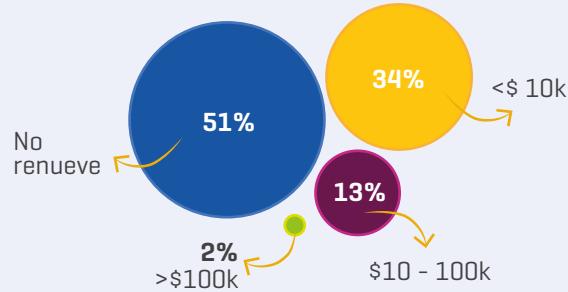
Startup concentration by regions



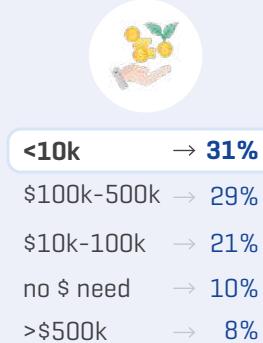
Development needs [up to choices]



Current sales



Capital need



Regarding the non-traditional investments such as venture capital [VC], in September 2019, the Government announced the formation of the first venture fund in Uzbekistan at the Digital Uzbekistan forum.³⁹ According to the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan, this venture fund target size was USD 10 million, the average investment for each project is set from USD 25,000 to USD 100,000. To date, the fund has already established partnerships with such well-known venture players as Aleinikov and Partners [Belarus], Global Venture Alliance [United Sates of America], QazTech Ventures [Kazakhstan], RB Partners [Russian Federation] and others. Furthermore, in May 2021, AVIUz opened a USD 5 million private venture fund [Semurg Ventures]. The investment strategy of the fund covers scalable projects at the initial stage of development in the field of financial, insurance, B2B, SaaS [Software-as-a-Service] and agricultural technologies. From a 2020 decree,⁴⁰ the Government, announced the creation of two venture funds – part of ten funds to be constituted by 2025 – together with the purpose to attract foreign investment to finance innovative developments and startups including travel tech and mobility subsectors.

Finally, according to the latest report from the Uzbekistan Venture Capital Association, as of 2020, there was more than 1,300 startups in their innovation ecosystem, most of them located in Tashkent (56%). These startups ranged in several sectors including Fintech (30%), Market places (27%), Medtech (24%), Edutech (18%), ERP (15%), and others (15%).⁴¹ More than 1,200 startups from this total are considered pre-seed startups, and around only 20 are considered scaleups which raised capital from VC and other private funds. Among

these startups it is worth mentioning those related to the travel tech value chain. For example: MyTaxi – a business that creates a contemporary cab ordering platform; Jowi is a software platform for restaurant management that allows integration of various mobile features; Stolik offers mobile applications for restaurant reservation automation, restaurant discovery and relationship management with guests; Express24 is an online platform and smartphone app that allows customers to order food for delivery or take-out from restaurants; or Workly – a management platform helping small and medium-sized enterprises [SMEs]; Dolores Travel Group provides segment travel services – hotel reservations in Uzbekistan and transfers, as well as tours to Uzbekistan; and lastly Asta la VISA – a service company, helping to get travel/business/work/immigration visas with professional registered migration agents around the world.⁴²

This growing innovation ecosystem has the potential to develop new industries related to digital startups and ICT. Nevertheless, it should be accompanied by investments in human capital and attracting talent. The World Bank noticed that human capital constraints limit the economy from engagement in greater outward trade and investment orientation. Moreover, it explains that firms in Uzbekistan cannot access the skills they need; therefore, it is recommended to address these gaps by accessing higher education services and by increasing the quality of education and training, encouraging the Government and stakeholders to shift to higher value goods and services and to attract and retain high-quality FDI to move from a resource-based economy to a more efficiency-based economy as it diversifies its economy and increases the quality of its talent and human capital.⁴³





03

VALUE PROPOSITION OF UZBEKISTAN

3.1 Reasons to invest in the Republic of Uzbekistan.

Uzbekistan, with an area of 448,900 km² and a population of approximately 35 million people,⁴⁴ is known as the Great Silk Road – including its capital Tashkent. The country stands out for its cultural heritage, diverse geography, natural resources and varied climatic conditions, making it an attractive destination for international investors and visitors.

Since its independence, Uzbekistan has maintained a stable political system and promoted a free-market economy, creating investment opportunities in various sectors. Given its well-developed infrastructure, very economically active population and attractive fiscal incentives, Uzbekistan is positioned as a strategic destination for investments.

Figure 3.1 Uzbekistan – attractive indicators



Uzbekistan population
35 + million



Squares
448,900 km2



Types of minerals
2,025+



Free economic zones
21



Sunny days per year
320+



Countries with visa free entry
90+



Touristic Zones
2



Length of road system
184,000 km



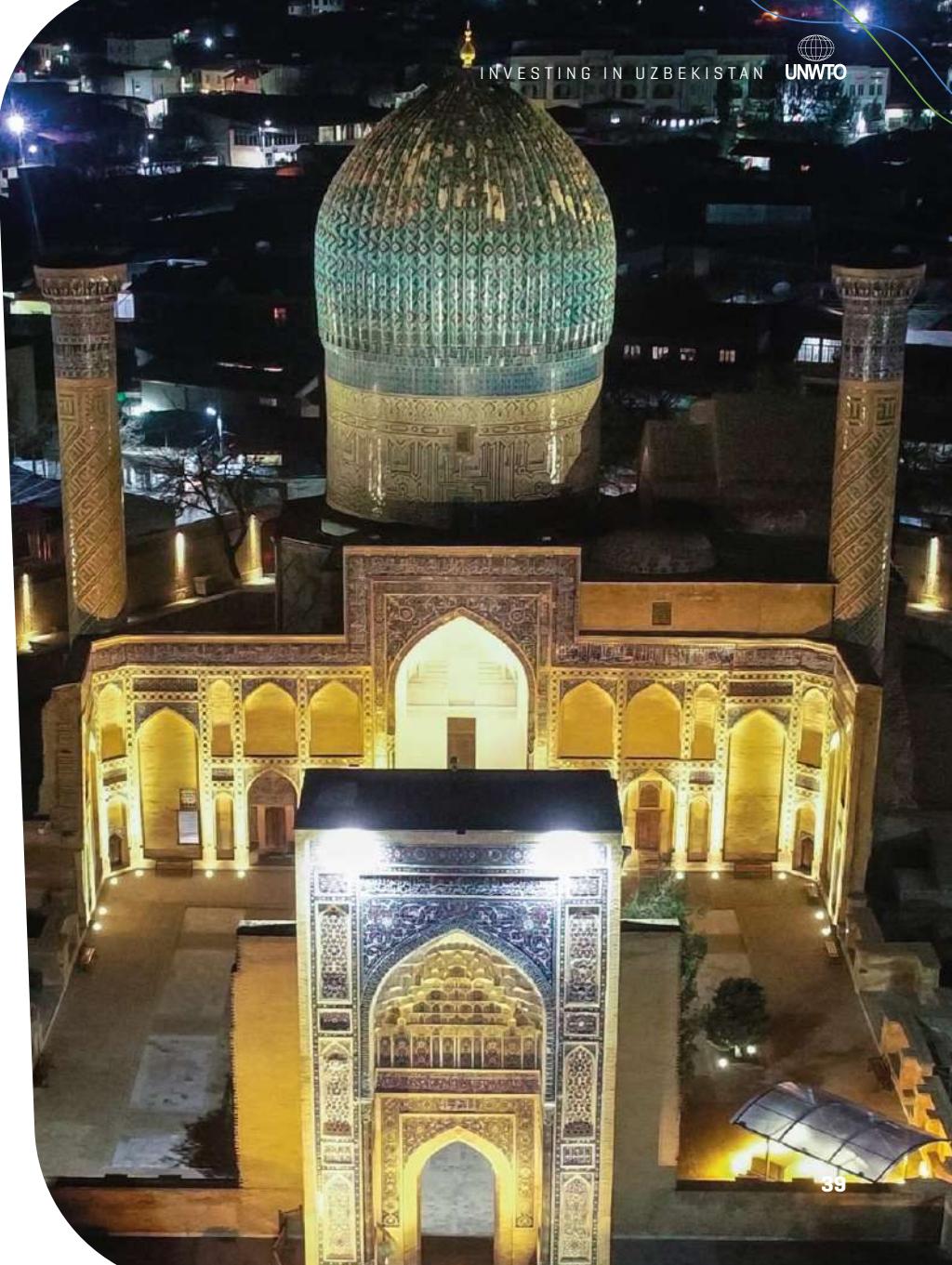
Length of railways
7400+ km

Source: Investment Promotion Agency under the Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan [2023], 'News and events', MIFT, Tashkent, online available at: <https://invest.gov.uz> [18-09-2023].

3.1.1 Uzbekistan's infrastructure

Uzbekistan, a leader in transportation infrastructure within Central Asia, has made remarkable advancements in various sectors, fostering connectivity both domestically and internationally. Known as the state of the Great Silk Road and the bridge between the West and the East, Uzbekistan has capitalized on this historical foundation to develop and modernize its transport and communication infrastructure, facilitating stronger connections between countries across different continents.

The country's focus on enhancing its airways, road transport and railways has been instrumental in establishing its reputation as a strategic hub for regional and global trade and travel. With a well-developed network of internationally recognized airports, reliable road systems, and an extensive railway network spanning over 4,500 km,⁴⁵ Uzbekistan possesses a robust infrastructure, efficiently facilitating the movement of passengers and cargo, thus strengthening its position as a crucial player in international transportation.



Uzbekistan airports



Uzbekistan boasts an impressive aviation infrastructure, comprising eleven internationally recognized airports equipped with state-of-the-art control systems.⁴⁶ Among them, the Tashkent airport stands out as the largest international airport in Central Asia. Over time, the country's national airline, Uzbekistan airways, has experienced significant growth in civil aviation, facilitating global connectivity by offering flights that link Europe, Asia and the Americas. The airline efficiently operates over 60 routes and regularly lands and takes off in more than 50 cities in different continents.⁴⁷

A notable achievement for Uzbekistan airways is its global recognition as a leading operator of Boeing 787 Dreamliner aircrafts.⁴⁸ This accolade has bolstered the country's standing in the aviation industry that plays a pivotal role in Uzbekistan's economy, for it contributes to the development of the country's international, economic, diplomatic and cultural relations with other nations.

Uzbekistan railways



Uzbekistan's railway infrastructure stands out as the most advanced in Central Asia, contributing significantly to the country's economic growth. The railway network has been instrumental in facilitating both passenger and freight transportation. Annually, the railway system transports 3.8 billion passengers/km and over 22,000 million tons of freight,⁴⁹ making it a key player in international cargo transportation, with around 75% of these operations.⁵⁰

Furthermore, the extensive railway network, spanning over 4,500 km, plays a crucial role in establishing connections. This fosters strong economic ties with neighbouring countries, reinforcing Uzbekistan's position as a strategic hub in the region.

Uzbekistan road transport



Uzbekistan boasts an extensive roads infrastructure within the region, with a total road length exceeding 43,000 km. Road transport is a significant player in the country's economic development, contributing to around 6% of international carriage of goods and 88% to internal transportation of passengers and goods. Notably, the private sector handles 90% of this internal transportation.⁵¹ This roads network plays a crucial role as a key link for regional and international trade and travel.



3.1.2 Natural resources, geography and biodiversity

Uzbekistan has a continental climate and diverse geography, including mountains, deserts and plains. It is a landlocked country, bordered by Kazakhstan to the north, Kyrgyzstan to the North-East, Tajikistan to the South-East, Afghanistan to the south and Turkmenistan to the South-West. Its strategic geographic location at the crossroads of Central Asia enhances commercial relationships, serving as a key link for trade and connectivity between Europe and Asia. This advantageous position makes Uzbekistan a favourable destination for international business and investment.

Popular tourist destinations include the mountain ranges of Zaamin, Aktash, En Khojikent, En Charvak and other offering landscapes showcasing Uzbekistan's cultural heritage, making it an appealing destination for travellers worldwide.

Its biodiversity is home to around 27,000 species of flora and fauna, with over 4,500 species of higher plants and more than 2,000 species of mosses. Approximately 65 plant species are cultivated annually for

medicinal, food and technical purposes, such as saffron, cotton, mulberry, grape and pomegranate. The country boasts a diversity of 706 species of vertebrate animals, including mammals, birds, reptiles, amphibians and fish, as well as over 15,000 species of invertebrates.⁵²

Furthermore, Uzbekistan possesses substantial reserves of mineral resources, with over 2,000 deposits and an annual gold production of 90 tons. It is ranked 10th in the world for gold production, 19th for natural gas, 10th for copper and 16th for uranium production, reflecting its significance in the global market.^{53 54}

This said the country's richness in natural beauty and resources has a strong potential to not only apply to a diversity of tourism needs but also push forward a sustainable tourism sector focused on leveraging Uzbekistan's history and natural heritage.



3.1.3 Cultural and Historical Heritage

Uzbekistan with a population of approximately 35 million people is one of the most populous countries in Central Asia. 67% of it falls within the age range of 15 to 60 years, constituting an economically active population. Moreover, it boasts a literacy rate of 97%.⁵⁵ The country's population is culturally and ethnically diverse, with Uzbeks as the dominant ethnic group, followed by Russians, Tajiks and Koreans, among others.

Uzbekistan also holds a rich historical legacy as the renowned Great Silk Road. Indeed, the country historically represented a crucial crossroad along the ancient silk road trade route. As Uzbekistan became a hub for cultural exchange and trade, cities like Samarkand and Bukhara played a pivotal role in facilitating trade and exchange of ideas between East and West, providing the country with a rich cultural heritage. Architecturally, it is home to mosques, mausoleums and other sites that have been recognized and designated as World Heritage by UNESCO, highlighting their significance and contribution to the cultural heritage.

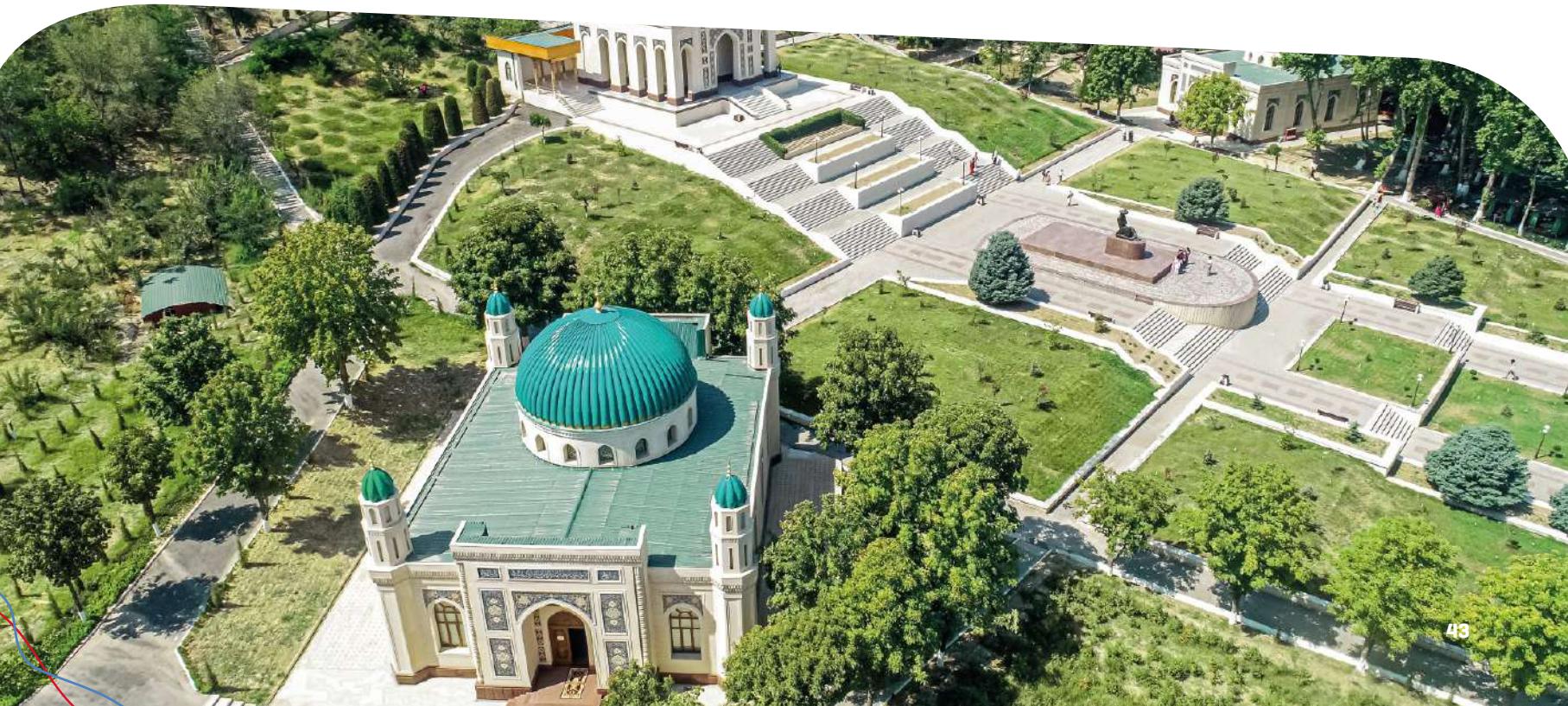


Table 3.1 Architecture of Uzbekistan and UNESCO World Heritage sites

***Itchan Kala* (cultural heritage)**

Year of UNESCO recognition

1990

Features

Protected by a 10-m-high brick wall, Itchan Kala is the citadel of the ancient oasis of Khiva. Notable buildings include the Djuma Mosque and two magnificent palaces constructed in the early 19th century by Khan Alla Kulli, as well as several mausoleums and madrasas.

***Historic Centre of Shakhrisyabz* (cultural heritage)**

Year of UNESCO recognition

2000

Features

The historic centre of Shakhrisyabz features monumental buildings and a series of ancient neighbourhoods that bear witness to its centuries-old history, specifically during its peak under the reign of Amir Timur and the Timurid dynasty [15th and 16th centuries].

***Historic Centre of Bukhara* (cultural heritage)**

Year of UNESCO recognition

1993

Features

Located on the Silk Road, Bukhara is over 2,000 years old and stands as the most complete example of a medieval city in Central Asia. It boasts numerous monuments, among which the renowned Ismail Samani mausoleum stands out.

***Samarkand* (cultural heritage)**

Year of UNESCO recognition

2001

Features

Samarkand, founded as Afrasiab in the 7th century BCE, thrived under the Timurids, boasting impressive monuments like the Registan Mosque and Gur-i-Emir.

Western Tien-Shan

(natural heritage)

Year of UNESCO recognition

2016

Features

This transnational site in Central Asia lies in the Tien-Shan mountain range, with altitudes ranging from 700 m to 4,503 m. The Western Tien-Shan region is globally important for being the centre of origin for various fruit tree species.

Cold Winter Desert of Turan

(natural heritage)

Year of UNESCO recognition

2023

Features

The expansive property spans fourteen sites across Central Asia's arid temperate zone, stretching over 1,500 kilometres from the Caspian Sea to the Turanian high mountains. Despite the extreme climate, with freezing winters and scorching summers, the region is home to a rich variety of flora and fauna adapted to these conditions. The sites collectively showcase diverse desert ecosystems and biodiversity.

Silk Roads: Zarafshan-Karakum Corridor

(cultural heritage)

Year of UNESCO recognition

2023

Features

The Zarafshan-Karakum Corridor is a key section of the Silk Roads in Central Asia that connects other corridors from all directions. Located in rugged mountains, fertile river valleys and uninhabitable desert, the 866-km corridor runs from east to west along the Zarafshan River and further south-west following the ancient caravan roads crossing the Karakum Desert to the Merv Oasis. Channelling much of the east-west exchange along the Silk Roads from the 2nd century BCE to the 16th century CE, a large quantity of goods was traded along the corridor. People travelled, settled, conquered, or were defeated here, making it a melting pot of ethnicities, cultures, religions, sciences and technologies.

Source: United Nations Educational, Scientific and Cultural Organization – World Heritage Convention [2023], 'World Heritage List', Uzbekistan, UNESCO, Paris, online available at: <https://whc.unesco.org/en/list> [18-09-2023].



Itchan Kala (1990)



Bukhara Historical Centre (1993)



Shahrisabz Historical Centre (2000)



Historic Town of Samarkand (2001)



Tien-Shan occidental (2016)

In addition to its historical and cultural heritage, the country features museums, galleries, archaeological sites and observatories, among others. It also offers a diverse range of tourist activities, including various types of tourism activities.

Table 3.2 Main attractions and diverse tourism experiences in Uzbekistan

<p>Main attractions</p> <p>1303 steps to the cave of Hazrat Daud Erkin Vohidov Memorial Museum</p> <p>Sports tourism</p>		<p>Main attractions</p> <p>Virtual galleries Museum of I.V. Savitsky - "The Louvre in the Desert"</p> <p>Gastronomy Tourism</p>	
<p>Main attractions</p> <p>Ensemble Dorut Tilovat - "House of Reflection" Sheikh Zayniddin Mosque</p> <p>Ethnic tourism</p>		<p>Main attractions</p> <p>Gastro symbols of Chorsu bazaar Museum of Islam Karimov</p> <p>Medical tourism</p>	
<p>Main attractions</p> <p>Chorsu Art Gallery Monument "Courage" - a symbol of perseverance and heroism</p> <p>Youth tourism</p>		<p>Main attractions</p> <p>State Museum of Timurid History Museum of the Memory of Victims of Repressions</p> <p>Cultural tourism</p>	
<p>Main attractions</p> <p>Bolshoi Theater named after Alisher Navoi Museum of Geology</p> <p>Ecotourism</p>		<p>Main attractions</p> <p>House-Museum of Jahan-Otin Uvaisi Museum of Applied Arts of Uzbekistan</p> <p>Business tourism</p>	

Main attractions

State Museum of the History of Uzbekistan

Museum of Nature

Religious tourism



Main attractions

House-Museum of Jahan-Otin Uvaisi

Ming Urik Hillfort Museum

Cultural tourism



Main attractions

Kampyrtepa

Monument to the Shamakhmudov family

Industrial tourism



Main attractions

Suzuk-Ota Complex

Monument to Khoja Nasreddin Efendi

Slow tourism



Main attractions

Madrasah Kukeldash

Independence Square

Adventure tourism



Main attractions

Amazing story of Tashkent chimes

Sitorai Mohi-Khosa - the country residence of the last Emir of Bukhara

Geotourism



Main attractions

Uzexpocentre

Tashkent House Photos

Shopping tourism



Main attractions

Humo Arena

Margilan handicraft centers

Main attractions

Observatory of Ulugbek

Source: Web portal Uzbekistan travel. <https://uzbekistan.travel/en/>

3.1.4 Politics and economy

Over the last three decades, Uzbekistan has implemented a political system with a clear separation of powers and established a representative democratic government concentrated in the executive branch. Moreover, the nation has pursued policies aimed at promoting a free-market economy. As a result, the country climbed from 76th to 69th place in the Doing Business ranking among 190 countries in 2020.⁵⁶ Additionally, it has been improving its positions in other rankings, such as the Index of Economic Freedom, the Logistics Performance Index, and the Human Development Index.

Despite recent global events, the Uzbek economy is steadily recovering. In 2022, it experienced a GDP growth of 5.7% [amounting to USD 80.4 billion] and is projected to achieve a growth rate of 5% in 2023 and 5.5% in 2025.⁵⁷ Additionally, the country has made significant progress in reducing inflation, which has decreased from 14.4% in 2017 to 12.3% in 2022.⁵⁸

Uzbekistan's economy is characterized by its diversification across various sectors. In the last nine months of 2022, the GDP was predominantly concentrated in 'services', accounting for 37.1% of the total, followed by the industrial sector with 25.8%, and 'agriculture' with 22.9%. This trend continued in the first quarter of 2023, with the services sector leading the GDP at 50.5%, followed by 'industry' at 26.8%, and 'agriculture' at 11.8%.⁵⁹

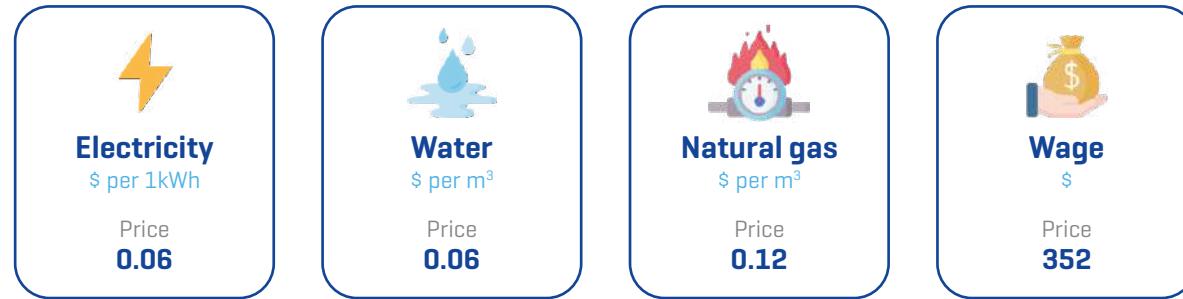
The sustained growth in the services sector is also driven by tourism in the country. In 2022, Uzbekistan welcomed a total of 5,232,800 foreign visitors, experiencing a remarkable increase of 2.8 times compared to the previous year. Most travellers come from the countries of the Commonwealth of Independent States (CIS), accounting for 94.9% of the total, while 5.1% come from other nations.⁶⁰ This upsurge in international tourism contributes to Uzbekistan's economic vitality and opens new opportunities to invest in the sector.

Uzbekistan's dynamic economy must be partly explained by its abundant natural resources which contribute significantly to its economic growth [see section 3.1.2].⁶¹ Another advantage that further solidifies Uzbekistan's position as an attractive destination for businesses is its potential for energy development and competitive electricity, water and natural gas prices. This makes Uzbekistan a favourable choice for both domestic and foreign investors seeking profitable ventures in the region.

Table 3.3 Uzbekistan's international rankings

Positions of the Republic of Uzbekistan in international ratings		Year	Position
<i>Ease of Doing Business</i>		2020	69
<i>Index of Economic Freedom</i>		2019	140
<i>Human Development Index</i>		2017	189
<i>Logistics Performance Index</i>		2018	99
<i>The Environmental Performance Index</i>		2018	136
<i>Knowledge Economy Index</i>		2017	105
<i>Rating of the countries of the world in terms of scientific-research activity</i>		2017	82
<i>ICT Development Index</i>			95

Source: Investment Promotion Agency Under The Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan.

Figure 3.2 Uzbekistan – competitive business costs


Source: Investment Promotion Agency [n.d.], 'Invest in Uzbekistan', Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan, Tashkent, p. 10, online available at: <https://miit.uz/en/menu/investirujte-v-uzbekistan> [18-09-2023].



3.2 Incentives for investing in Uzbekistan and Tourism

Uzbekistan has been actively working to attract foreign investment and promote economic growth, including real estate and the tourism sector. The real estate market of Uzbekistan is becoming more attractive to local, as well as to foreign investors due to its rural-urban migration, and the entrance of foreign companies and international organizations have increased the demand for offices and apartments.⁶² The growth has risen dramatically in the last decades making construction one of the most important types of investment activities, especially the housing construction registering a total of UZS 22.4 trillion of investments in fixed capital which amounted to 8.3% of total investments in fixed assets.⁶³

With a series of incentives and reforms, the Government aims to create a favourable environment for businesses interested in investing in the country. Free economic zones (FEZs) play a strategic role in this effort, offering significant advantages, such as tax custom duty exemptions, and simplified entry procedures, making them highly appealing options for foreign investors. As of July 1st, 2022, Uzbekistan has 24 economic zones (of which 2 are touristic zones) offering export-oriented enterprises special benefits and infrastructure, in which 559 investment projects with a value of USD 905.6 million were implemented between 2008 and 2021. This section explores Uzbekistan's key incentives to encourage foreign investment and boost the tourism sector.

3.2.1 Tax overview

Economic activities in Uzbekistan are charged by a set of taxes either under the standard tax regime or special tax regimes. The standard tax regime comprises the following nine taxes:

Table 3.4 Taxes in Uzbekistan

Corporate income tax (CIT)

Tax rate

15% in general

20% for specific sectors or activities:

- cement/polyethylene granules production
- mobile communication services
- banks, markets and shopping malls.

Social tax

Employment income paid to employees

Tax rate

General rate: 12%

For budgetary organizations and state enterprises, 25%

Water use tax

Applied to the Volume of water used.

Tax rate

Rates vary depending on type of activity and type of water source

Property tax

Applied to immovable property on the territory

Tax rate

2%, double rate may apply in certain cases.

Land taxes

Tax rate

Rates vary depending on the location of land and the type of land.

Personal Income tax

Tax rate

12% for residents

20% for non-resident

6% for highly skilled labor force

Value added tax (VAT)

Tax rate

General rate: 15%

Withholding tax

Applied to foreign organisations and individuals that receive Uzbek-sourced income

Tax rate

Various rates, according to the nature of the income and activity:

- 5% for residents and 10% for non-residents to dividend and interest
- 10% to insurance premium
- 6% to telecommunication and transportation
- 20% to royalty, rent.

Source: Adapted from Investment Promotion Agency under the Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan [n.d.], 'Benefits and preferences for foreign investors', Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, Tshkent, online available at: <https://invest.gov.uz/invest/ligoty-i-preferentsii-dlya-priyatij-s-uchastiem-inostrannogo-kapitala/> [18-09-2023].

General tax incentives for foreign direct investment

According to the Uzbek Tax Code, there are some benefits in specific taxes for legal entities created to attract foreign direct investment:

Table 3.5: General tax incentives

Type of benefit Tax Exemptions applied to entities specialized in production of goods or provision of services or works in certain industries defined in the legislation Taxes <ul style="list-style-type: none">● Land tax● Property tax● Water use tax Conditions <p>Tax exemptions are granted to entities attracting foreign direct investments. Exemptions are granted for a period of time, depending on investment amount:</p> <ul style="list-style-type: none">○ from USD 300,000 to USD 3 million, for 3 years○ more than USD 3 million up to USD 10 million, for 5 years○ over USD 10 million, for 7 years.	Type of benefit Financial Assistance to exporter organizations Taxes <p>Accelerated 7 days VAT refund process.</p> Conditions <p>The financial assistance and VAT refund apply to the:</p> <ul style="list-style-type: none">● Introduction of international standardization and certification systems both in the country and abroad;● Registration of national products in foreign authorized bodies;● Creation of exhibition stands and participation in international exhibitions and fairs;● Presentations and promotional campaigns● Participation in international tenders and competitions.
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Additional tax incentives may be provided under an Investment Agreement concluded by a foreign investor with the Government of the Republic of Uzbekistan under the Law of Uzbekistan on Investments and Investment Activity. Moreover, special tax regimes are available for participants of special economic zones, entities attracting foreign direct investments, etc.⁶⁴

Table 3.6 Key incentives to promote investment in Uzbekistan

<p>Incentives</p> <p>1. State Shares in Major Companies</p> <p>Description</p> <p>Foreign investors can acquire state shares in 29 significant companies across various sectors.</p>	<p>Incentives</p> <p>4. Tax Concessions for Production Companies</p> <p>Description</p> <p>Production companies attracting foreign investments receive tax concessions in various sectors.</p>
<p>Incentives</p> <p>2. "Investment Visa" and Investment Residence Provision</p> <p>Description</p> <p>Investors contributing at least USD 200,000 can obtain an "investment visa" and residency permits based on specific investments depending on the location.</p>	<p>Incentives</p> <p>5. Exemption from Corporate Profits Tax, Property Tax, and Unified Tax Payment</p> <p>Description</p> <p>Qualified companies are exempt from certain taxes for 3 to 7 years.</p>
<p>Incentives</p> <p>3. Tax and Customs Incentives in Free Economic Zones (FEZ)</p> <p>Description</p> <p>Tax and tariff exemptions in FEZs to attract foreign capital.</p>	<p>Incentives</p> <p>6. Flexible Investment Location</p> <p>Description</p> <p>Incentives apply to companies in all areas of Uzbekistan, except Tashkent and Tashkent Region.</p>

Incentives**7. Foreign Investment Conditions without State Guarantees****Description**

Investors must make direct private investments without state guarantees.

Incentives**8. Acceptance of Diverse Investment Forms****Description**

Foreign investments can be made in foreign currency or modern production equipment.

Incentives**9. Customs Duty Exemption on Raw Materials in Free Economic Zones (FEZ)****Description**

Companies in FEZs are exempt from customs duties on imported raw materials.

Incentives**10. Financial Incentives for Tourism Businesses****Description**

Financial support, grants, or low-interest loans offered to tourism-related businesses to stimulate investment and growth in the sector.

Incentives**11. Simplified Visa Processing****Description**

Streamlined visa procedures for tourists from targeted markets to encourage more foreign visitors.

Source: Deloitte, Doing Business in Uzbekistan (2019) and Investment Promotion Agency under the Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan (n.d.), 'Benefits and preferences for foreign investors', Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, Tshkent, online available at: <https://invest.gov.uz/investor/-goty-i-preferentsii-dlya-predpriyatiy-s-uchastiem-inostrannogo-kapitala/> [18-09-2023].

3.3.2 Incentives to promote FDI in tourism

Uzbekistan has approved a set of incentives to attract foreign direct investment to the tourism sector, in its various forms: cultural, educational, natural, ecological, sports, water and rural. Moreover, investment in tourism infrastructure can be promoted through direct financing from the state budget, as well as the attraction of private investment.

These mechanisms to attract FDI inflows into tourism have been complemented during the COVID-19 pandemic by sound measures aimed at strengthening the capabilities of the tourism sector, such as the improvement of human capital of the sector, stimulation of demand for tourism services, diversification of products and markets, digitalization of the sector, and promoting a greener and safer tourism sector, among others.

Measures to improve the conditions to develop a competitive tourism sector in the country encompasses a sound legal framework that has been nourished mainly since 2017, as can be observed in table 3.7.

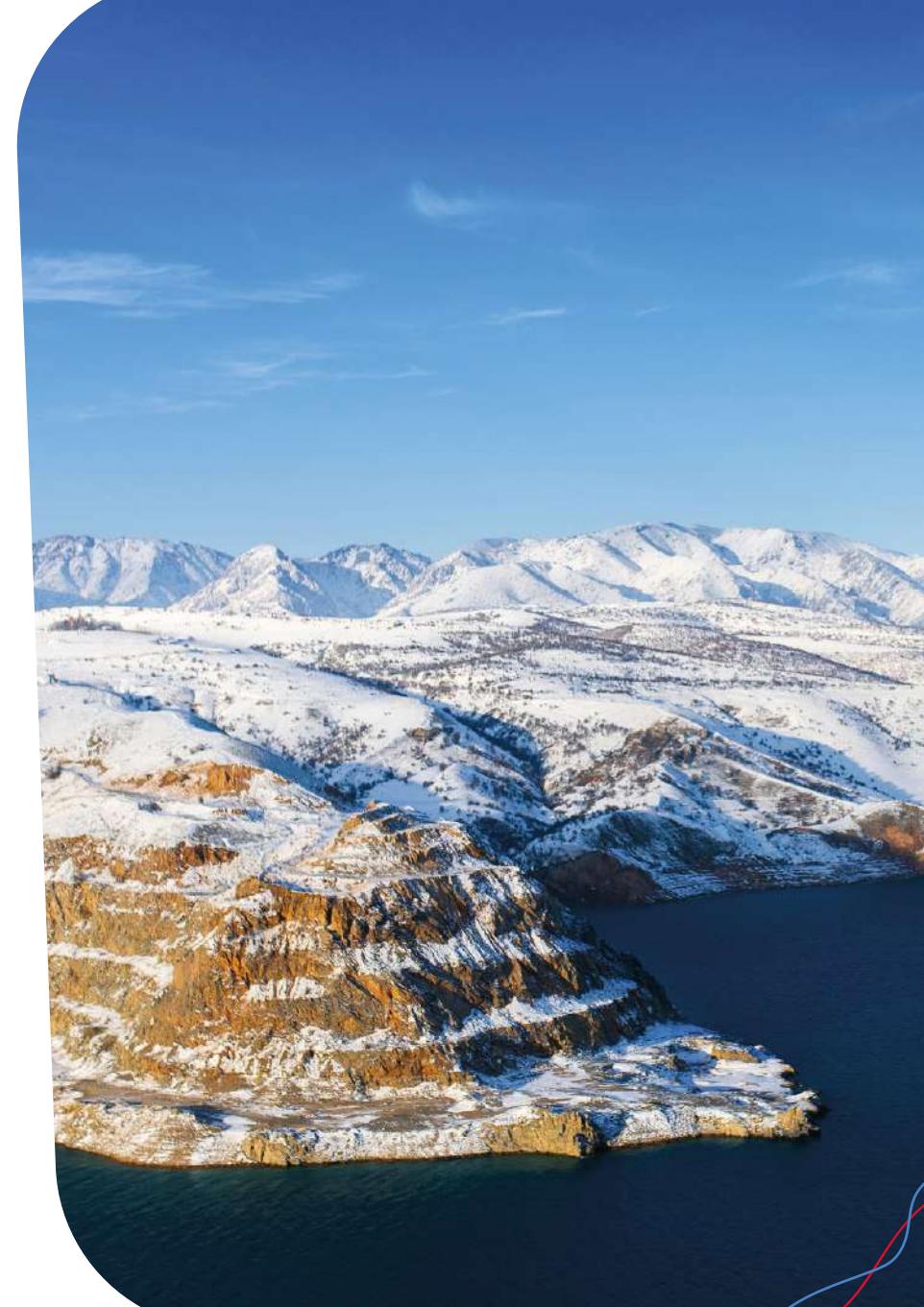


Table 3.7 Uzbekistan – legal framework for tourism***Decrees of the President of the Republic of Uzbekistan***

Nº	Document name	Number	Date Issued
1	On additional organizational measures to create favourable conditions for the development of the tourism potential of the Republic of Uzbekistan	5326	03.02.2018
2	On additional measures for rapid development of tourism in the Republic of Uzbekistan	5611	05.01.2019
3	Uzbekistan Tourism sector in the Republic more development measures about	5781	13.08.2019
4	On the measures for the rapid development of tourism by introducing a special management procedure in the Bostonliq district	6053	27.08.2020
5	Uzbekistan In the Republic of Internal and pilgrimage tourism more development measures about	6165	09.02.2021
6	On the measures for the establishment of the "Zomin" tourist and recreational zone and the international all-season resort	6201	06.04.2021

Decisions of the President of the Republic of Uzbekistan

Nº	Document name	Number	Date Issued
7	On measures for the comprehensive development of the tourism potential of the city of Khiva and Khorezm region in 2017-2021	2953	04.05.2017
8	On the measures to rapidly develop the tourism potential of Bukhara city and Bukhara region in 2017-2019	2980	19.05.2017
9	On the primary measures for the development of the tourism sector in 2018-2019	3217	16.08.2017
10	On measures to establish the "Old City" tourism zone in Tashkent	3260	07.09.2017
11	On measures to develop inbound tourism	3509	06.02.2018
12	On measures to ensure rapid development of domestic tourism	3514	07.02.2018
13	About additional measures to further develop tourism in Samarkand region in 2018-2019	3609	16.03.2018
14	On measures for the rapid development of the tourism network	4095	05.01.2019

Decisions of the Cabinet of Ministers of the Republic of Uzbekistan

Nº	Document name	Number	Date Issued
15	On measures to further support and develop the tourism sector in the Republic of Uzbekistan	137	15.03.2017
16	On the measures to rapidly develop the tourism potential of Samarkand city and Samarkand region in 2017-2019	450	30.06.2017
17	About the organizational measures for the implementation of the project "Building the tourism zone of Ancient Bukhara".	825	14.10.2017
18	About measures for the development of tourism in Surkhandarya region	324	03.05.2018
19	About measures to organize the activity of the free tourist zone "Chorvok".	365	15.05.2018
20	On additional measures for rapid development of hotel business in the Republic of Uzbekistan	954	24.11.2018
21	On measures to improve the procedure for the development of ecotourism and the allocation of land plots within the water protection zones of reservoirs	978	03.12.2018
22	On additional measures for the development of tourism in the Khorezm region in 2019-2020	119	13.02.2019
23	About the measures of effective use of tourism potential of Kashkadarya region	198	08.03.2019
24	On effective use of tourism potential of Samarkand region and additional measures for its development	828	30.09.2019

25	On rapid development of tourism in Tashkent region in 2019-2021	1053	31.12.2019
26	On effective use of tourism potential of Surkhandarya region and additional measures for its development	332	27.05.2020
27	On measures to create favourable conditions for the restoration and development of tourism in the Republic of Uzbekistan	433	10.07.2020
28	On additional measures for the development of tourism infrastructure in mountainous areas	559	17.09.2020
29	About the measures for the effective use of vacant, unused and inefficiently used objects and land plots in Bostanlyk district, and the organization of tourism and service infrastructure based on them.	560	17.09.2020
30	About additional measures for the development of domestic and pilgrimage tourism	100	24.02.2021
31	About measures to organize the activity of the "Zomin" tourist and recreational zone	254	04/28/2021

Source: Uzbekistan: Facilitating Tourism Recovery in the Aftermath of COVID-19. UNWTO, 2022.

The main incentive schemes can be summarized in the following table.

Table 3.8 Uzbekistan – main incentive schemes for tourism

Incentive scheme	Benefits	Conditions
Concessional loans	<p>Preferential loans to firms</p>	<p>The loan term is up to 15 years and a grace period of 5 years, for entities involved in the construction of new hotels and other tourism infrastructure facilities, modernizing the existing ones.</p> <p>Lending is provided for the purchase of imported equipment and technologies for hotels and objects of the adjacent road, engineering and communication infrastructure.</p> <p>The amount of credit allocated to one client at the expense of the target credit line funds shall not exceed 50 percent of the project amount. The loan amount should not exceed USD 10 million for one investment project.</p> <p>Loans are granted on the basis of positive decisions of authorized commercial banks on the economic and financial feasibility of implementing an investment project.</p>
Business entities that attract foreign direct investment	<p>Exemptions from paying:</p> <ul style="list-style-type: none"> ● corporate income tax ● land tax ● property tax <p>It includes a single tax payment for legal entities as they enter commissioned hotels and motels of at least 4 stars.</p>	<p>Exemptions are granted for a period of time, depending on investment amount:</p> <ul style="list-style-type: none"> ● from USD 300,000 to USD 3 million, for 3 years ● more than USD 3 million up to USD 10 million, for 5 years ● over USD 10 million, considered individually. <p>Applied to tourism, which includes hotel services, tourism services, organization of thematic avenues.</p>

Incentive scheme	Benefits	Conditions
Customs benefits	<p>Exemption from paying customs duties (except for customs clearance fees)</p>	<p>For entities developing projects in:</p> <ul style="list-style-type: none"> ● Thematic parks ● Hotels ● Other accommodation facilities <p>Applied to the following items:</p> <ul style="list-style-type: none"> ● For imported equipment, equipment, raw materials, components and spare parts, construction and other materials not produced in the Republic of Uzbekistan ● For construction, reconstruction and equipping thematic parks, hotels and other accommodation facilities according to the lists approved in the established manner.
	<p>Exemption from the payment of customs duties for imported products into the territory of the Republic of Uzbekistan.</p>	<p>For business entities in the sphere of tourism.</p> <ul style="list-style-type: none"> ● The import of Tourist class vehicles designed to carry 8 or more people, including the driver. ● Permission to pay customs duties in the amount of 25% of the current rate by paying in installments for a period of 5 years of the imported vehicles.
Introduction of ICT in the tourism sector	<p>Taxable base has been reduced by the amount of expenses</p>	<p>The benefit applies as follows:</p> <ul style="list-style-type: none"> ● On introduction of electronic services, including electronic payments, reservations, acquiring and others ● Specialized Internet sites and portals offering modern types of tourism services. ● The taxable base of business entities that have established free Wi-Fi zones on their territory reduces the amount of expenditures aimed at purchasing equipment and acquiring Internet traffic to deploy wireless access zones of appropriate quality. The reduction of taxable base is also established for single tax payers. ● Operators and providers who have created Wi-Fi zones in public areas are given the right to install an advertising banner or banner of no more than 18 square meters in this area at no cost.

Incentive scheme	Benefits	Conditions
Organization of thematic avenue services	<p>Exemption from income tax, land tax and property tax, single tax payment.</p>	<p>For 3 years from the date of commissioning of thematic avenues</p>
Development of Hotel services	<p>Exemption from the payment of a single social contribution for the remuneration of qualified foreign specialists engaged as management staff.</p>	<p>Until December 2023</p>
	<p>Incomes of qualified foreign professionals employed as management staff in hotels — exemption from personal income tax.</p>	<p>Until December 2023</p>
Business entities that provide services for the sale of tourism products and/or online booking of tourism services	<p>Reduction of taxable base</p>	<p>The taxable base of entities that provide services for the sale of tourism products and/or online reservation (booking) of tourism services includes electronic services, including electronic payments, booking (booking), acquiring other services, as well as modern types of tourism services. Reduction in the amount of expenses aimed at setting up specialized websites and portals.</p> <p>It is applied during the performance period.</p>

Incentive scheme	Benefits	Conditions
Tourism services	Subsidy	A part of the expenses of business entities in the territories of the republic (except the city of Tashkent) for the establishment of themed restaurants specializing in foreign cuisine or a particular direction, as well as "karaoke" halls and tourist entertainment establishments, is paid from the funds of the extra-budgetary Tourism Sector Support Fund under the State Committee for Tourism Development. compensation in the amount of UZS 10 million for each project.
	Subsidy to Tour operators and travel agents residents.	Subsidies in the amount of 15 US dollars for each foreign tourist brought and served to the Republic of Uzbekistan, except for those brought through compensable charter flights, provided that they stay in the territory of the Republic of Uzbekistan for at least five days.
Foreign film companies	Subsidy	Part of the expenses of foreign film companies in creating audiovisual products (cinema, television and video films, clips, cartoons, anime) in the territory of the Republic of Uzbekistan ("rebate") from the state budget of the Republic of Uzbekistan up to 20% of the expenses incurred in the territory of the Republic of Uzbekistan, but for one product Reimbursement in an amount not exceeding USD 300,000.
	Grants	In the amount of 30% of the project cost, but not exceeding UZS 3 billion (USD 250,000), for the filming of feature-length, short-length, feature-length documentary films about historical and legendary personalities of Uzbekistan from the extra-budgetary Tourism Sector Support Fund under the State Tourism Development Committee.

Incentive scheme	Benefits	Conditions
Entrepreneurship and innovation	Grants	30% of the project value, but not exceeding UZS 100 million [USD 8,000], to project initiators for the purpose of implementing innovative business ideas and start-ups for tourism at the expense of the non-budgetary Tourism Sector Support Fund under the State Committee for Tourism Development of the Republic of Uzbekistan.
	Subsidy	30% of the project value, but not exceeding UZS 100 million [USD 8,000], to project initiators for the purpose of implementing innovative business ideas and start-ups for tourism at the expense of the non-budgetary Tourism Sector Support Fund under the State Committee for Tourism Development of the Republic of Uzbekistan.





04

COMPETITIVENESS OUTLOOK

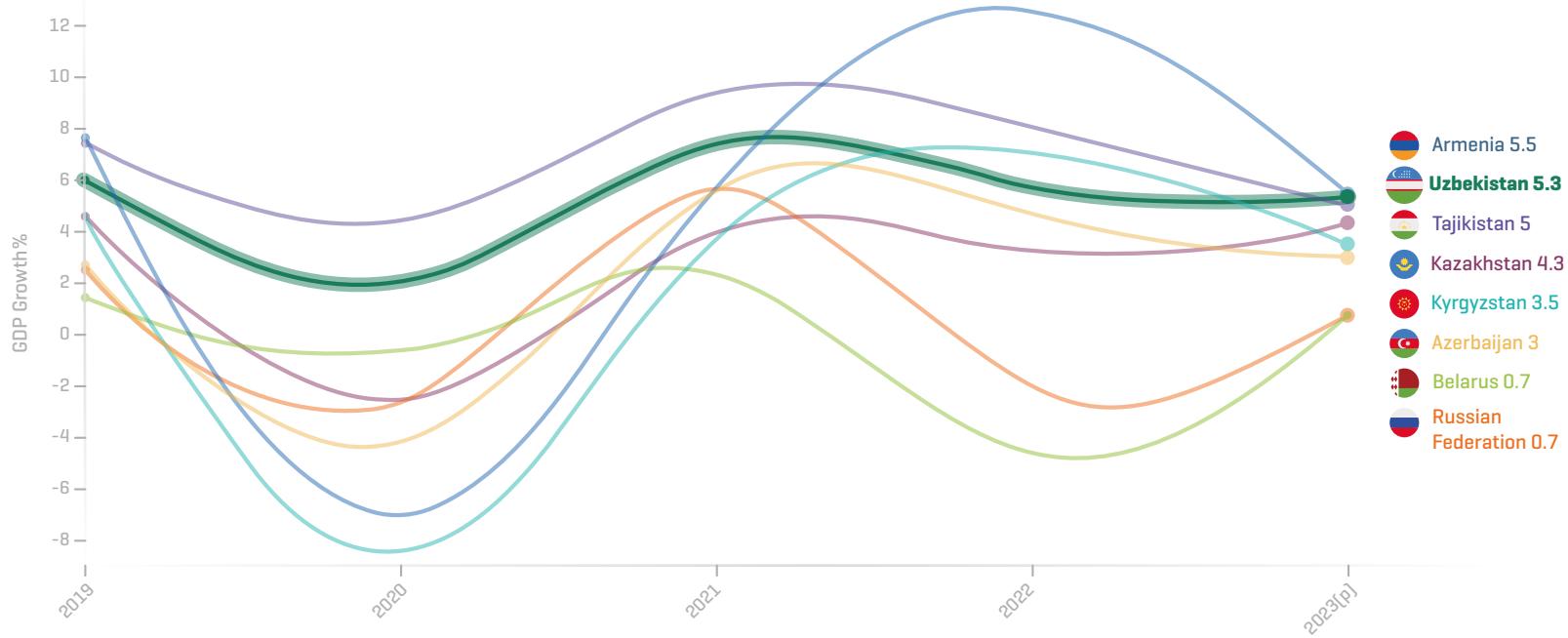
4.1 Attractiveness and positioning: country benchmarking

Uzbekistan has shown commendable determination in pursuing structural reforms, resulting in significant progress as shown in the first two chapters of this report. However, the journey towards a more competitive economy is ongoing, demanding further efforts to foster a vibrant private sector.

This chapter highlights key competitiveness challenges and offers actionable recommendations for Uzbekistan's steadily sustainable growth to a rate of 5.25% on average since in the past five years reaching a peak of 6% in 2019 previous the COVID-19 pandemic. This GDP growth makes it one of the most constant and stable economies in the CIS and neighbouring nations as demonstrated in the following figure which also projects a 5% GDP growth for 2023.

Figure 4.1 Gross domestic product (GDP) from CIS countries, 2020–2023

[annual GDP growth, %]

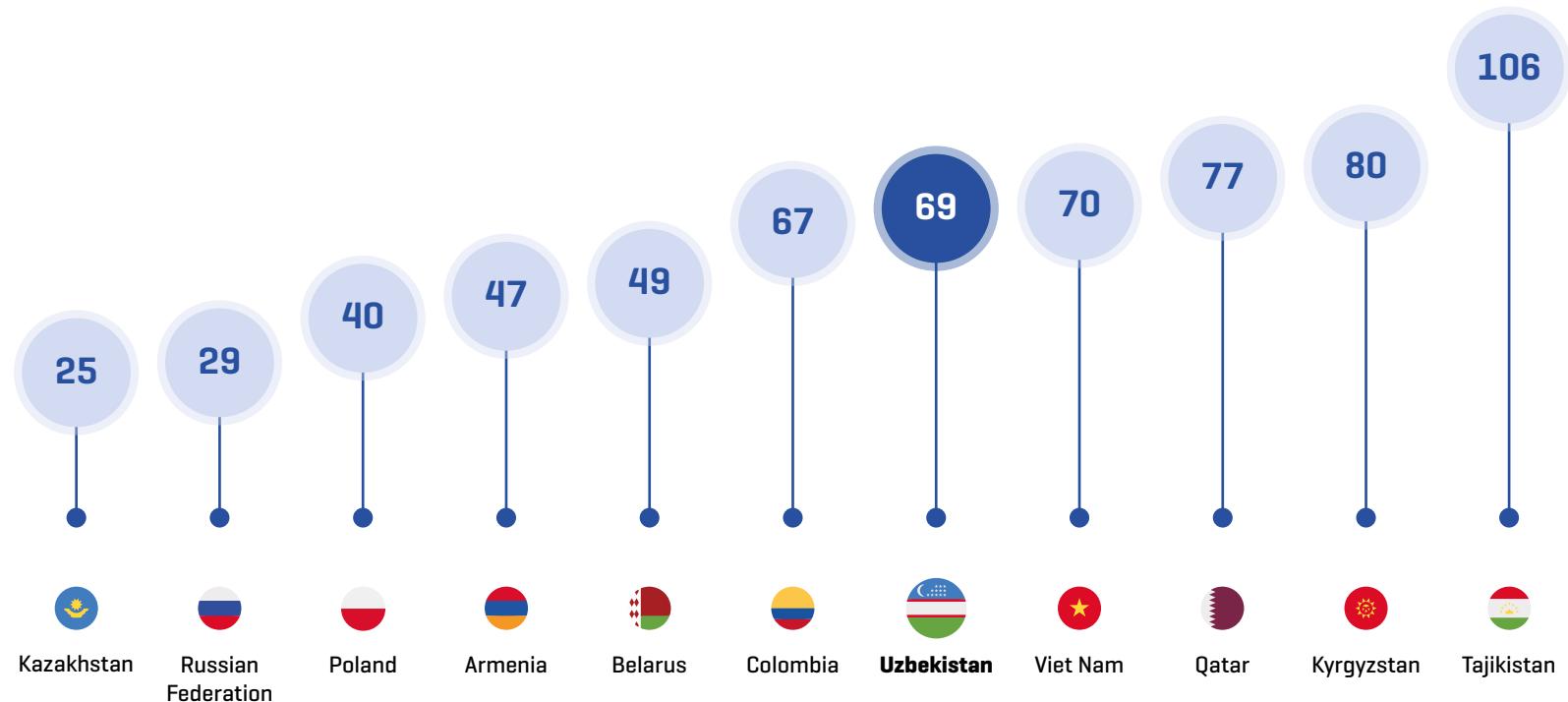
**Note:** (p) projected IMF data**Source:** UNWTO based on International Monetary Fund data base, 2023.

While considerable progress has been made in recent years, much remains to be done to reduce the still large role of the state in the economy and to create an open and level-playing field for businesses. There are recommendations to continue with structural reforms, such as privatization of larger state-owned enterprises [SOEs], especially to support the fast-growing labour force, and small and medium-size enterprises [SMEs]. Markets need to be opened up further to private entry and regulated efficiently, firmly entrenching the rule of law and improving governance, to ensure fair competition and create a vibrant private sector.⁶⁵

Uzbekistan's perceptions of market competition have improved due to business environment reforms. Uzbekistan was placed on rank 69 in 2020, reflecting progress in creating a more favourable business environment, placing it just behind Colombia (67th) and Oman (68th). According to the World Bank report, Uzbekistan has improved in protecting minority investors by increasing shareholders' rights and role in major corporate decisions, clarifying ownership and control structures, and requiring greater corporate transparency. A lighter tax administration improved payments by merging the infrastructure tax with the corporate income tax (see chapter 3). Other reforms have facilitated trading across borders by introducing risk-based inspections and simplifying import documentary compliance, and implementing a consolidated law on voluntary mediation that eases contract negotiations and establishes financial incentives for the parties to attempt mediation, as well as publishing performance measurement reports on local commercial courts.⁶⁶



Figure 4.2 Uzbekistan's ranking for Ease of Doing Business in comparison to some CIS and other countries



Source: UNWTO based on World Bank Group Doing Business Report, 2020.

To mention are also the steps that Uzbekistan is making to diversify its economy, especially in the service industries, including the tourism value chain which also has a great impact towards a green transition – collaborative efforts involving both the public and the private sector which could help Uzbekistan's journey towards economic diversification.⁶⁷ There is high potential of governmental influence in nurturing a competitive private sector by emphasizing structural shifts and enhanced diversification strategies.

As Uzbekistan embarks on this pursuit of economic diversification, a symbiotic relationship between the public and private sectors, coupled with strategic experimentation and a global market outlook, holds the potential to advance the nation's economic trajectory. Resources allocated toward impactful endeavours could fostering a thriving, diversified economy. For example, the prioritization of export-oriented strategies by cultivating a focus on global markets, or the diversification strategies related to activity-centric targeting redirecting subsidies towards critical growth constraints within specific activities, or sub sectors.⁶⁸

In this context, tourism offers a great opportunity for diversification, not only for its gross value to the GDP, but also for its multiplier effect in the economy due to its several industries that are part of its value chain. Tourism exports in Uzbekistan grew by 50% between 2016 and 2019, this represented around 10% of total exports prior to the pandemic.⁶⁹ When analysing data from the The Agency of Statistics under the President of Uzbekistan, it is worth noticing that tourism related activities contribute considerably to the export services. The travel sector contributed 40.7% of share of all the services exported in 2022 representing around USD 1,610.2 million just behind the transport services (44.3%), and more than ICT services (6.8%) as shown in the follow figure.⁷⁰

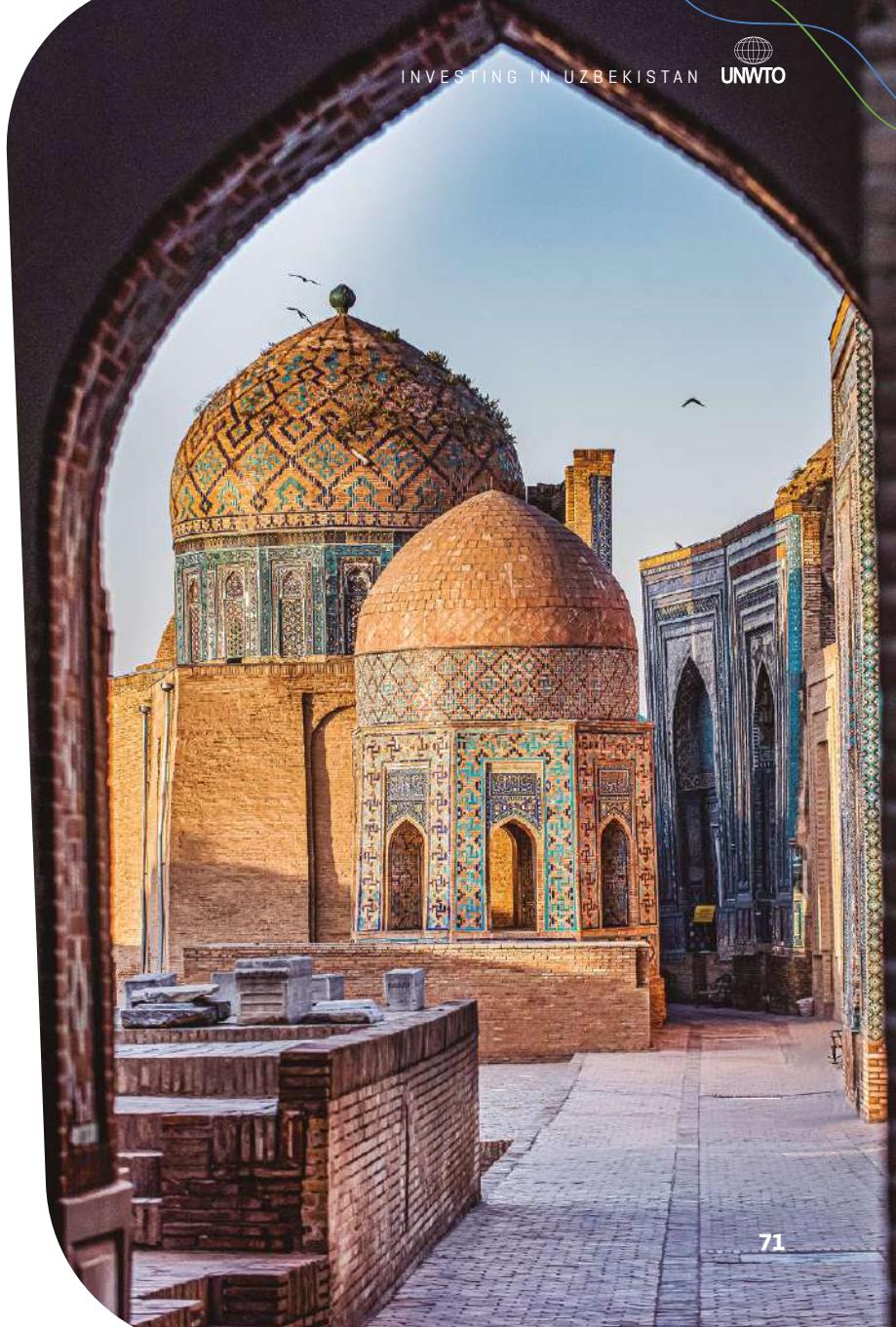
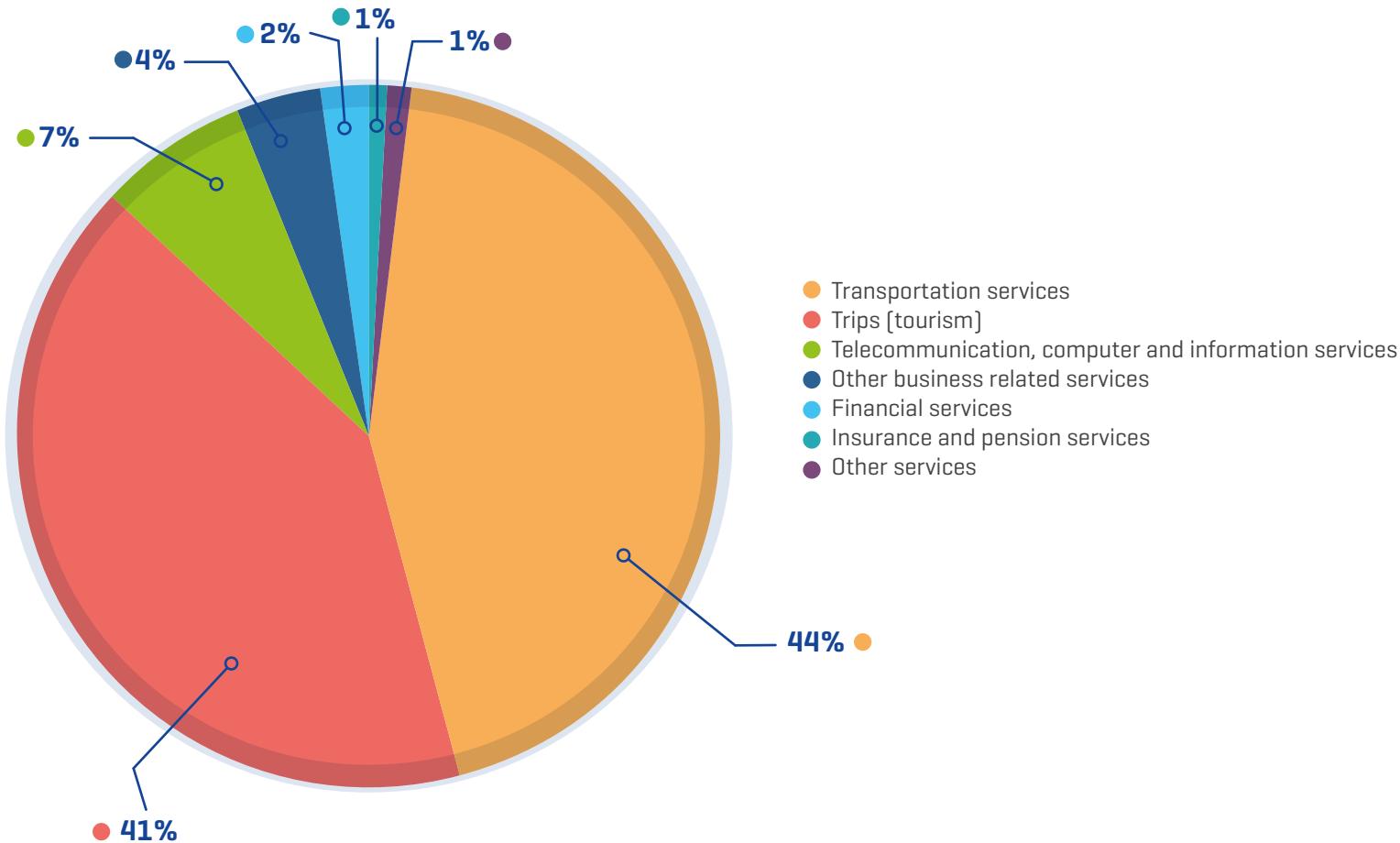


Figure 4.3 Uzbekistan – export structure of services, January – December 2022

[share, %]



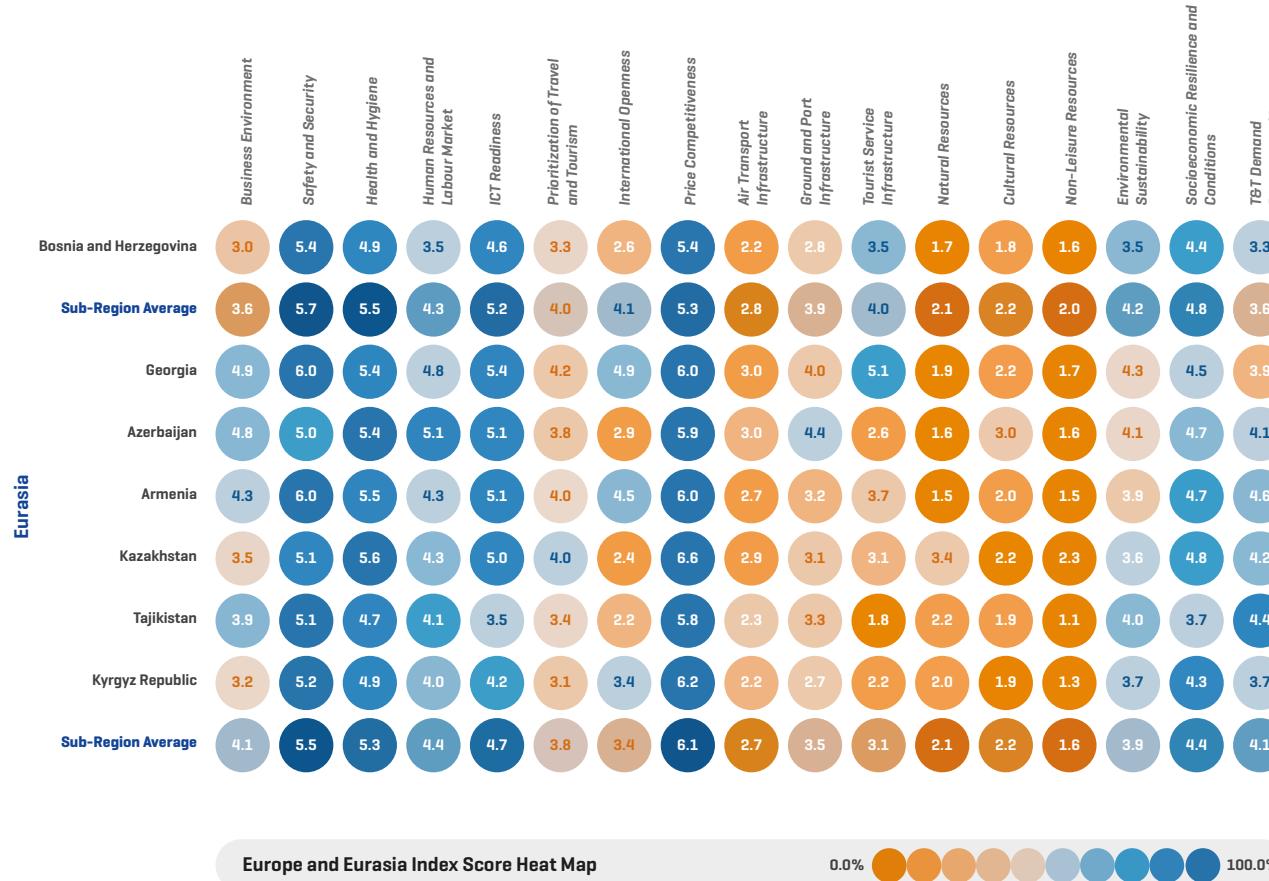
Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].

Nevertheless, Uzbekistan's tourism sector has a lot of potential that needs to be leveraged and explored. Indeed, according to the Travel and Tourism Development Index (TTDI) developed by the World Economic Forum (WEF), Uzbekistan is not even mentioned, or there is no existing data on tourism comparing with similar destinations from neighbouring countries such Azerbaijan, Kazakhstan, Tajikistan or Kyrgyzstan.

The TTDI evaluates and assesses a range of factors and policies that support the sustainable and resilient growth of the travel and tourism (T&T) sector, thereby contributing to the overall progress of a country. Each country's performance is evaluated based on 17 pillars and 113 individual indicators, which are divided into five main themes: 'enabling environment'; 'travel and tourism policy and enabling conditions'; 'infrastructure'; 'travel and tourism demand drivers'; and 'travel and tourism sustainability'.⁷¹



Figure 4.4 Eurasia score heat map for the Travel and Tourism Development Index (1-7 best), 2021



Note: Data not found for Uzbekistan.

Source: Uppink, L. and Soshkin, M. [2022], Travel & Tourism Development Index 2021 – Rebuilding for a Sustainable and Resilient Future, WEF, Geneva, online available at: <https://www.weforum.org/reports> [19-09-2023].



In this context, the Government of the Republic of Uzbekistan has recognized the potential of tourism for diversification. To this extend, it has accelerated the development of its tourism industries and related infrastructure resulting in the issuance of numerous legislative documents with the aim of stimulating tourism growth in the next seven years: In April 2022, the President of the Republic of Uzbekistan issued new legislation, Decree N 232, to diversify domestic tourism under its flagship programme “Travel in Uzbekistan!”. The document not only focusses on domestic tourism promotion, but also provides substantial funding for the development of tourism infrastructure.

The importance of tourism for the country is also reflected in the 25th General Assembly of the World Tourism Organization (UNWTO) hosted by Uzbekistan in October 2023. This is an outstanding achievement and key milestone for the country showing its commitment and investments to the sector, its value chain, and institutions around it.

4.2 Tourism cluster overview

The Government of Uzbekistan has officially designated tourism as a vital strategic sector for the nation's economy. Recent years have witnessed remarkable tourism growth, driven by governmental support and incentives. This led to several investments across the country (see chapter 2), anticipating a surge in foreign visitors. However, the COVID-19 pandemic significantly curtailed international tourism, pressuring these new investments and established hotels. To bolster the burgeoning hotel industry, the Government pivoted to fortify domestic tourism, countering the impact of reduced foreign visitors. Under this strategy, the Government directly reimburses authentic domestic tourists for a portion of their travel expenses, including transportation, lodging and museum fees. Additionally, initiatives such as adjusted public transport schedules for long weekends and discounts on domestic flights have been introduced.⁷² These proactive measures have fostered the growth of domestic tourism, cementing it as a prime concern for both public and private sector stakeholders.

The pandemic prompted valuable insights, leading to the adoption of policies that not only address the crisis but also accelerate the evolution of the tourism sector. Notably, the adoption of contactless payment methods and online bookings has surged countrywide due to the lessons learned from the COVID-19 experience.

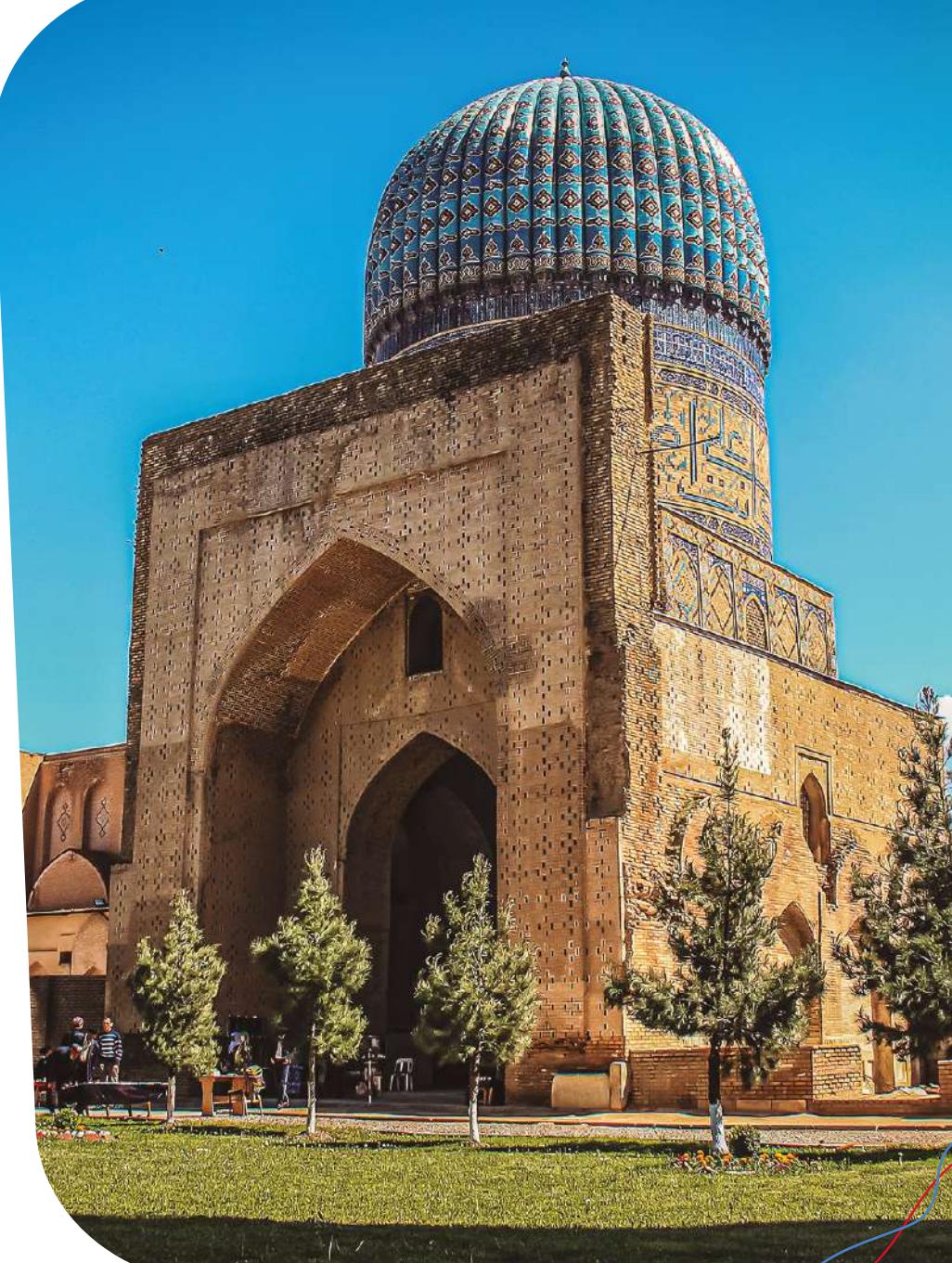
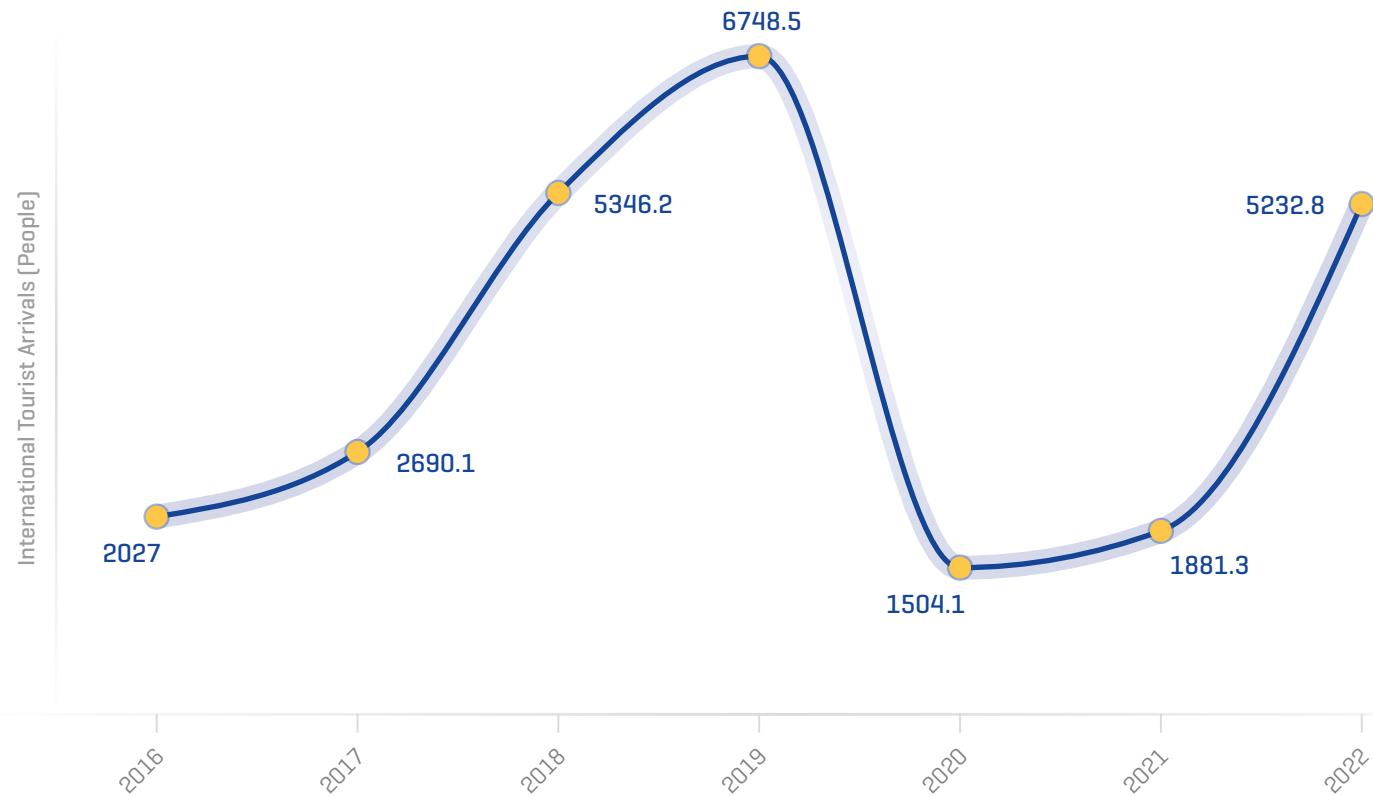


Figure 4.5 Uzbekistan – International tourist arrivals, 2016–2022[$\times 1,000$]

Source: UNWTO based on data provided by the Tourism Committee under The Ministry of Ecology, Environmental Protection and Climate Change and data analysed from the The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.

From 2016 to 2019, Uzbekistan underwent a remarkable tourism revolution, driven by ambitious industry reforms. During this four-year span, the influx of foreign tourists surged from 2.3 million to 6.75 million, accompanied by a substantial domestic tourism upswing from 8.85 million to 14.75 million travellers. However, the COVID-19 pandemic posed a setback, pushing the numbers below the 2016 baseline. Despite ongoing travel restrictions, domestic tourism asserted its significance, registering 7.5 million domestic travellers in 2021 and 5.23 million of international tourist arrivals in 2022.⁷³

Uzbekistan's response has been steadfast, with both the Government and private sector collaborating to advance the tourism sector amid the pandemic's challenges. Even prior to the COVID-19 pandemic, the potential of domestic tourism had already been officially acknowledged via Resolution RP-3514 of the President of the Republic of Uzbekistan on the accelerated development of domestic tourism in February 2018.⁷⁴ The decree contains 52 actions aimed at supporting overall tourism development, and functions as a primary source document for the promotion of domestic tourism. Furthermore, in January 2019, Decree DP-5611] set specific targets to be achieved by 2025.⁷⁵ The following table illustrates these targets for 2025 aiming for an approximate three-fold increase.



Table 4.1 Uzbekistan – targeted tourism indicators, 2018–2021

Targeted Indicators	To be achieved by 2025	2018	2019	2021	Target achievement in 2021 (%)
International tourist arrivals	11,810,000	5,346,200	6,748,500	1,881,300	9.6
Exports of tourist services (USD x 1,000)	2,170,000	1,041,089	1,313,000	273,033	12.6
Domestic tourism	25,010,000	12,487,000	14,748,000	3,717,000	14.9
Number of hotels and similar accommodation facilities	3,050	914	1,188	1,361	44.6
Rooms in accommodation facilities	64,000	20,947	21,758	31,388	49.0
Number of beds in accommodation facilities	128,000	42,291	42,891	66,904	52.3
Number of tour operators	1,450	502	1,482	1,434	98.9

Source: World Tourism Organization (2022), based on Uzbekistan: Facilitating Tourism Recovery in the Aftermath of COVID-19, Domestic Tourism Marketing Strategy and the State Committee of the Republic of Uzbekistan for Tourism Development.



4.2.1 Uzbekistan's tourism profile

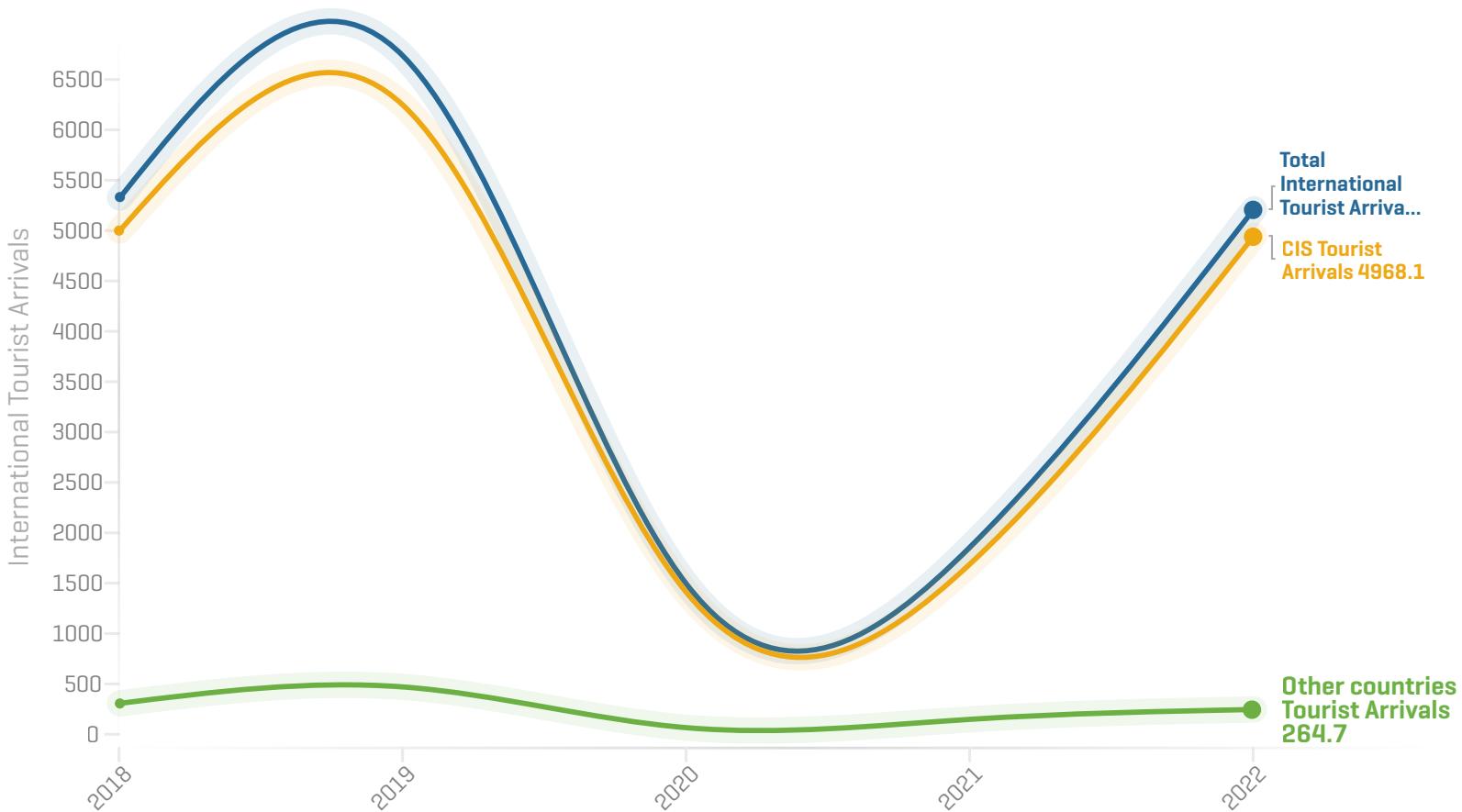
Origin of tourist who visit Uzbekistan

In 2022, the number of international tourists who arrived in Uzbekistan reached 5,232,800 people increasing by 2.8 times compared with 2021. The largest number of arrivals in 2022 falls on the third quarter with 1,710,900 people, which amounted 32.7% of their total number. It

is worth noticing that the number of international tourists from the CIS countries in 2022, compared to 2021, increased by 2.9 times, representing 4,968,100 people and 94.9% of the total number of all international tourist arrivals.⁷⁶

Figure 4.6 Uzbekistan – international tourist arrivals, 2018–2022

[× 1,000]

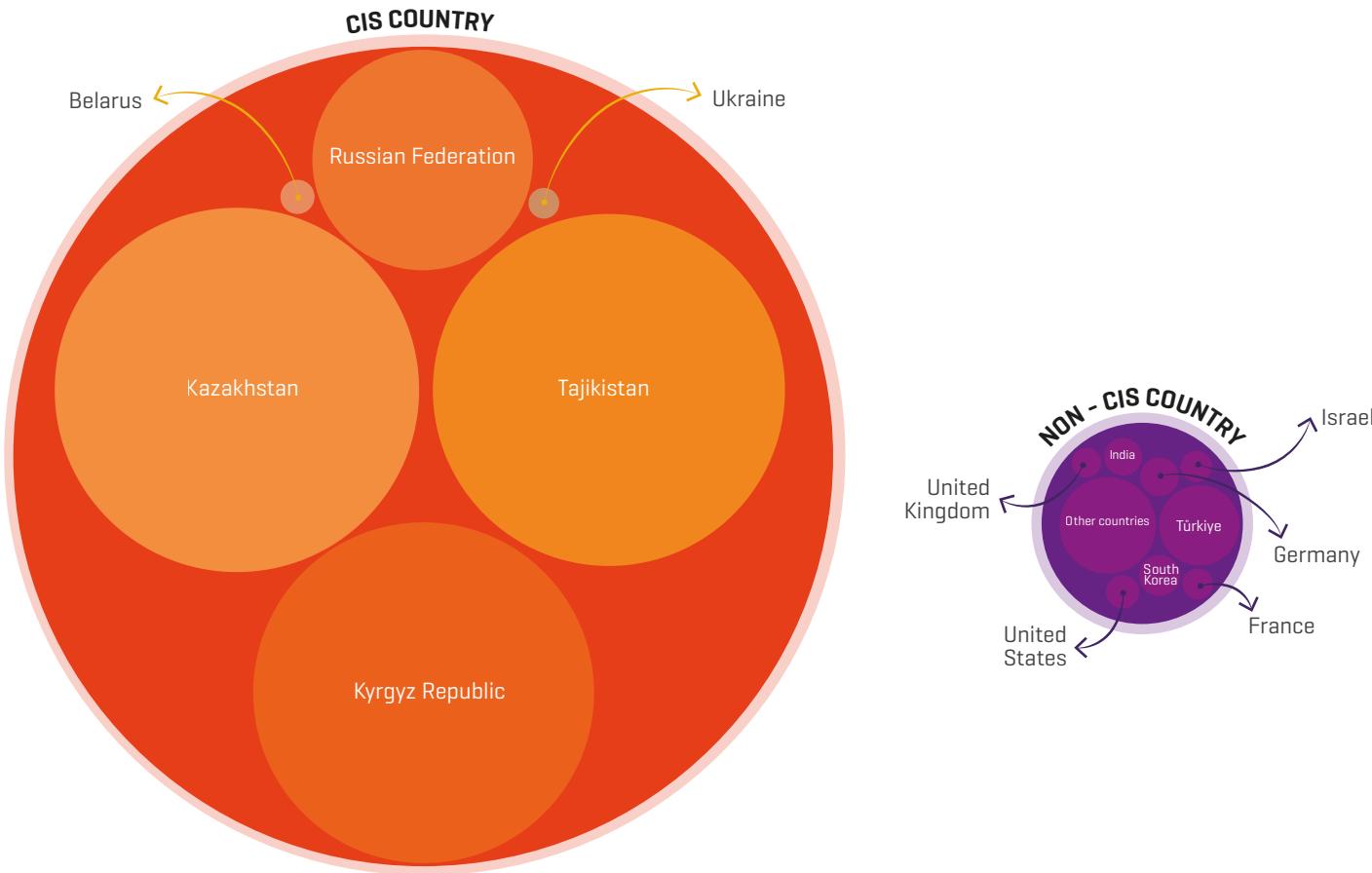


Source: UNWTO based on from the Agency of Statistics Agency under the President of the Republic of Uzbekistan, 2023.



Furthermore, the period 2018–2022, it is evident that more than 93% on average of the total market share for Uzbekistan depends on CIS countries. For example, as of December 2022, Kazakhstan, Tajikistan, Kyrgyzstan, and the Russian Federation demonstrated a share of international tourist arrivals of 30%, 28%, 26, and 11% respectively. Other countries such as, Türkiye, the Republic of Korea, Germany, and India represented a share of 1.44%, 0.38%, 0.34%, and 0.32% respectively.⁷⁷ It is also important to notice that the largest number of international tourists arrived to Uzbekistan with the purpose to visit relatives, represent around 4,657,600 people or 89.0% of the total share, demonstrating an opportunity regarding the tourism offers and marketing strategy for the future.⁷⁸

Figure 4.7 Uzbekistan – share of international tourist arrivals by country, 2022



Note: Weighted data bases on % share.

Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.

Purpose of visiting Uzbekistan

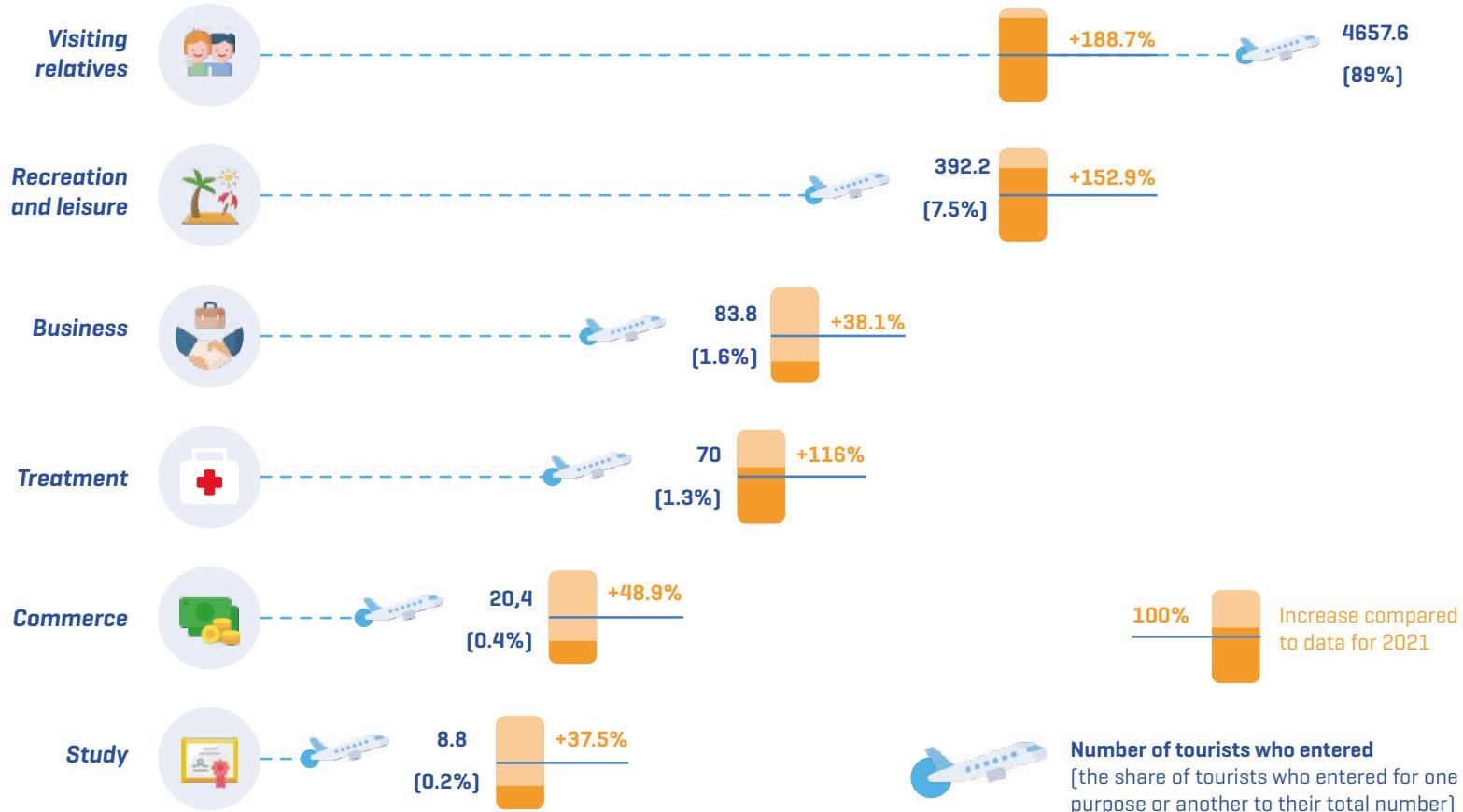
Analysing the main purpose for visiting Uzbekistan – besides the main purpose for visiting relatives (89.0%) – one can observe that around 7.5% of international tourists went for recreational or leisure purposes, being the majority from the Russian Federation (157,400 people), followed by Kazakhstan (37,900 people) and Türkiye (23,300 people), and only 1.6% for business reasons. During 2022, foreign citizens on official business mainly came from the Russian Federation (14,600 people), followed by Tajikistan (12,500 people) and Türkiye (11,700 people).

On the other hand, arrivals for study trips increased by 37.5%. The largest number of tourists came to study from India (3,800 people), Pakistan (1,200 people) and Tajikistan (600 people).

The trips for medical purposes increased 2.2 times. People mainly came from Tajikistan (37,200), Kazakhstan (24,700) and Kyrgyzstan (6,800); and finally visits for commercial purposes surged by 48.9% international arrivals who came from Tajikistan (10,800 people), Turkmenistan (2,400 people) and Afghanistan (1,700 people) which provides good information for the development of marketing and investment strategies to target new demand and new investors.

It is suggested to see the recommendations formulated in the report “UNWTO (2022), Tourism Recovery Plan: Creating the conditions for the sustainable development of tourism in Uzbekistan in collaboration with the European Bank for Reconstruction and Development (EBRD)”.

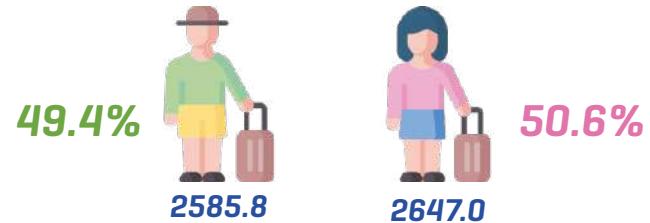

Figure 4.8 Uzbekistan – international tourist arrivals, purpose of travel, January – December, 2022 (× 1,000), and share compared to 2021(%, share)



Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].

Figure 4.9 Uzbekistan – tourist's profile, 2022

[× 1,000]





- Number of tourists who entered from the **CIS countries**
- Number of tourists who entered from the **other countries**

Source: UNWTO based on The Agency of Statistics under the President of the Republic of Uzbekistan [2023].



4.2.2 Uzbekistan's tourism offer

As presented previously, Uzbekistan's tourism sector is undergoing a comprehensive modernization drive, guided by the "Concept for the development of the tourism sector in Uzbekistan for 2019–2025." By 2025, this visionary programme aims to elevate the sector's contribution to the national GDP to 5%, escalate tourism exports to USD 2.1 billion, and attract almost 12 million tourists, including 2 million from non-CIS countries.

Over the past years, a robust framework has emerged, with more than 90 regulations enacted to bolster Uzbekistan's tourism landscape. These measures encompass strategies to mitigate COVID-19 impacts, accompanied by several government facilitating access initiatives such as streamlined visa and registration procedures. The tourism sector has also reaped substantial tax, customs, and credit incentives, which remain adaptable in response to pandemic-driven shifts.

Furthermore, diverse accommodations have significantly expanded. Regulatory frameworks for licenses in this domain have been streamlined, fostering its growth. Between 2016–2021, tourist room numbers surged by 2.4 times, with beds increasing by 2.7 times. This data vividly captures the industry's transformative strides according to UNWTO reports developed in collaboration with the EBRD to enhance the formulation of strategies for a tourism recovery plan for Uzbekistan.⁷⁹ The following infographic shows the impact of this regulations and the growth in terms of facilities.

As a consequence, the volume of exports in tourism services reached a total of USD 1.3 billion approximately and tripled from 2016–2019. In the same period, the number of tourism organizations increased three times and the number of employees in the tourism sector increased 1.5 times.



Table 4.2 Uzbekistan – accommodation facilities base on economic activities, 2019–2021

[units]

 Hotels and similar accommodation facilities	2019	2020	2021
Hotels	1,013	1,111	1,085
Motel	894	975	1,034
Boarding house (hotel type)	12	9	3
Other places of short-term residence	107	107	38

 Recreation organizations	2019	2020	2021
Recreation boarding house	26	33	6
Houses and recreation centres	73	62	44
Camping	10	9	7
Tourist base	8	8	3
Other types of recreation organizations	142	135	67

 Individual recreation organizations	2019	2020	2021
Other recreation organizations	150	185	157
 Other recreation organizations	2019	2020	2021
Total accommodation	76	92	81
 Total accommodation	2019	2020	2021
1,699	1,838	1,629	

NA: No available data.

Source: UNWTO based on data from The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.

At the same time, the surge in tourist inflows highlighted accommodation gaps, prompting the incentivization and legal recognition of family guest houses. As of September 2021, there were 2,365 such guest houses, offering over 20,000 beds. This innovative approach addresses lodging shortfalls, particularly during peak occupancy months. Operating family guest houses demands minimal hurdles, as aspiring entrepreneurs only need to register as individuals and fulfill flat tax obligations, without the need of a licence.

The emergence of new accommodation facilities was enabled by a programme to subsidize the construction of hotels, which started in 2019 and runs until the end of 2023. Hereby, the state covers up to a certain amount invested by developers: up to UZS 40 million [USD 4,600] for one room in a 3-star hotel, and up to UZS 65 million [USD 7,600] for a 4-star hotel room. To increase the number of high-class hotels, incentives are allocated as follows: for the first 50 hotels of a 3-star category built, an annual incentive equivalent to USD 200 per room is paid, whereas for the first 30 4-star hotels developed, an annual incentive of USD 400 per room is offered.⁸⁰



Table 4.3 Uzbekistan – accomodation facilities as per number of people accommodated, 2019–2021

[number of people accommodated]

 <i>Hotels and similar accommodation facilities</i>	2019	2020	2021
	2,193,394	702,838	1,216,976
Hotel	2,137,837	690,708	1,196,918
Motel	NA	1,113	4,191
Boarding house [hotel type]	9,376	1,279	1,760
Other places of short-term residence	46,181	9,738	14,107
 <i>Recreation organizations</i>	2019	2020	2021
Recreation boarding house	43,354	15,753	19,375
Houses and recreation centres	86,265	31,095	218,109
Camping	2,840	260	1,262
Tourist base	4,365	956	1,970
Other types of recreation organizations	141,996	17,598	49,220
 <i>Individual recreation organizations</i>	2019	2020	2021
	52,203	52,203	28,638
 <i>Other recreation organizations</i>	2019	2020	2021
	67,641	46,681	85,594
 <i>Total accomodation</i>	2019	2020	2021
	1,699	1,838	1,629

NA: No available data.

Source: The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.

Tourism employment and jobs

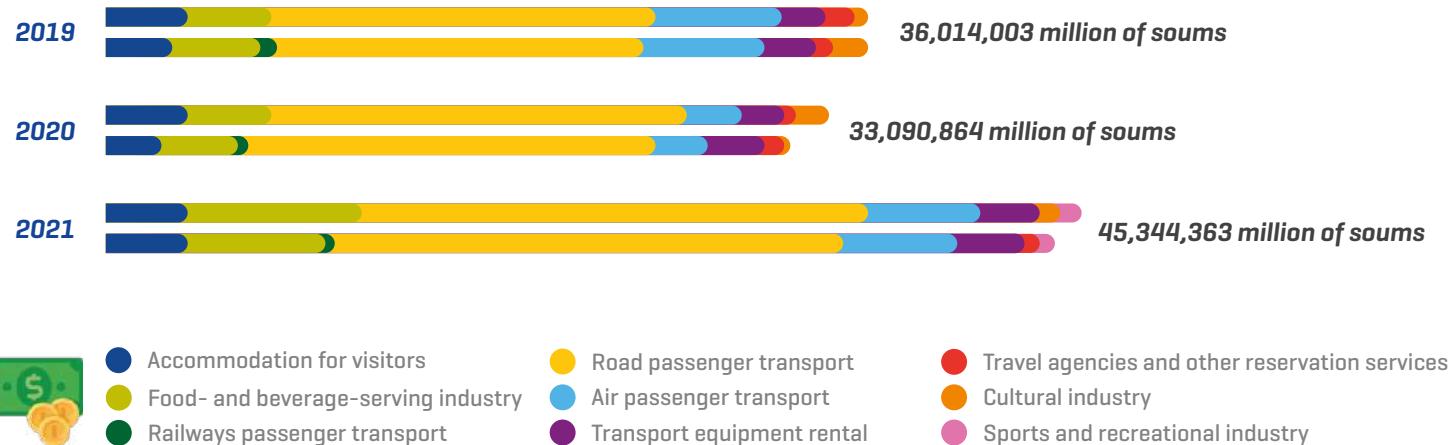
As pointed out before, the tourism sector generated a gross value added in all its industries of around UZS 31,988.2 billion [USD 3.02 Billion] in 2021, considering nine industries. In employment and job creation this represents around 210,000 jobs in average considering the employment data from 2019 to 2021.⁸¹

It is worth noticing that the top tourism industries that generate employment are the 'food and beverage-serving services' employing 62,898 people; 'road passenger transport' with 56,430 jobs; 'accommodation services' with 51,955 employees, followed by 'sports and recreationa'l with 16,236 people; and 'cultural services' employing up to 11,693 people in average considering 2019 to 2021. For more insights regarding marketing strategies and talent demand, it is recommended to explore the recommendations provided in the reports developed by UNWTO and EBRD *Tourism Recovery Plan: Creating the conditions for the sustainable development of tourism in Uzbekistan and Tourism human resource needs assessment report*.



Figure 4.10 Production accounts of tourism industries and other industries, 2019–2021

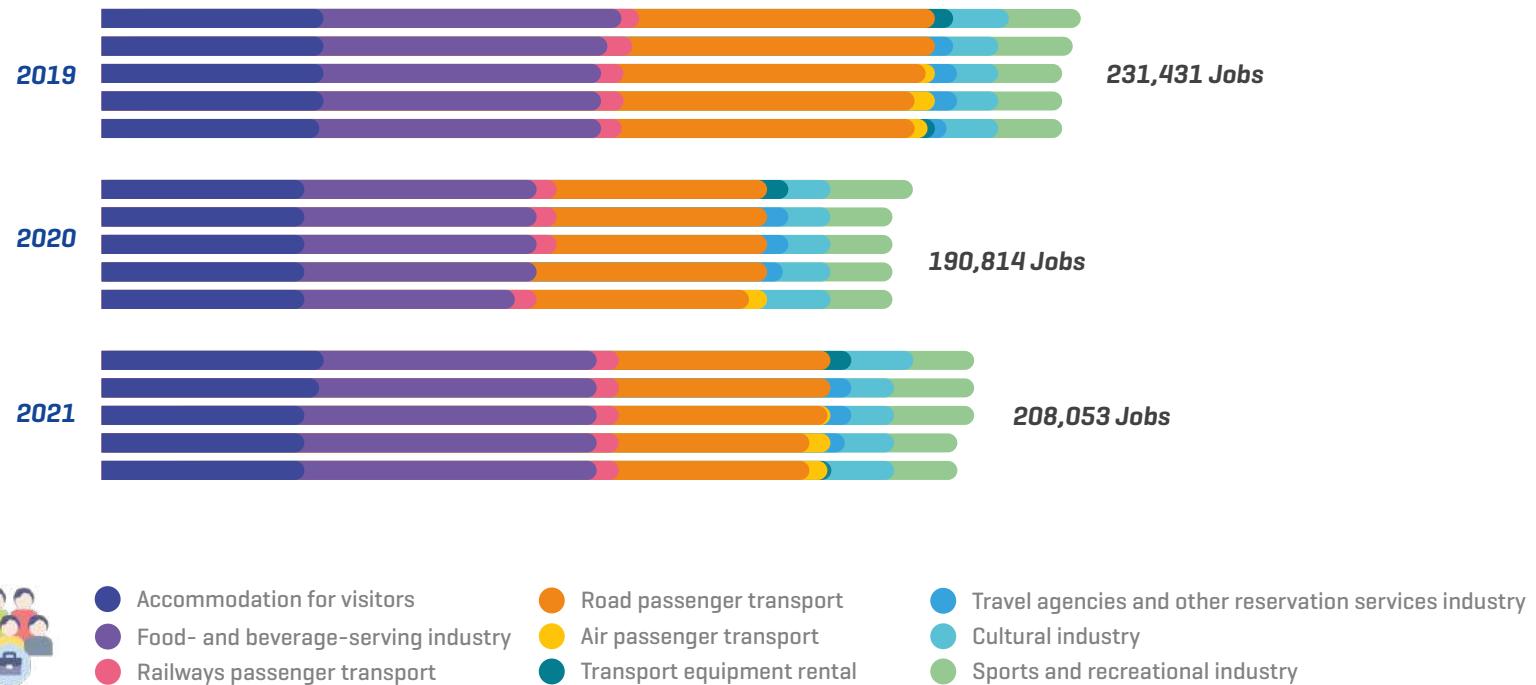
[UZS million]



Source: UNWTO based on data from The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.

Figure 4.11 Uzbekistan – employment in the tourism industries, 2019–2021

[number of employees in legal entities]



Source: UNWTO based on data from The Agency of Statistics under the President of the Republic of Uzbekistan, 2023.



Culture and leisure offers

In 2019, Uzbekistan was home to 139 museums, 366 pilgrimage sites, 427 tourist routes, 3,755 handicraft workshops, 623 souvenir shops, 191 amusement parks, 26 theme parks, 28 water parks, 54 water attractions, 186 folklore ensembles, 24 tasting rooms linked to the gastronomic tourism offer, and 101 tourist information centres.

By 2019, 193 ecotourism facilities had been created. Ecological parks are actively involved in the tourist turnover, the total number of which amounted to 26 at the end of 2019.⁸²

4.3 Portfolio of tourism investment opportunities

Name of the project	Location	Information about the project	Total investment in USD
1. International all-season resort "Chimgan"	Bostanlyk district, Tashkent region	<p>The International all-season resort "Chimgan" is located in the Tashkent region just 98 km away from Tashkent city. Feasibility study for the project was developed by "KPMG".</p> <p>The resort encompasses a total area of 1278 ha. 20 ha is allocated for the construction of hotels, restaurants and outlets.</p> <p>The resort concept includes four villages. All external engineering and technical communications in the project area will be provided.</p> <p>The project will include three cable car stations located at altitudes of 1660 m, 2515 m and 3309 m. The summit station, located at 3309 m, will be the highest visiting point by cable car in Central Asia. In addition, there will be a 2255 meters long pendulum type and 2800 meters long gondola type of cable cars.</p> <p>Lastly, the resort will include various outdoor activities, such an alpine coaster, XXL zip line, adventure tower and summer tubing tracks.</p>	USD 480 million
2. International all-season resort "Plato Suffa 2400", "Oriklisoy" and "Zamin Ultra" touristic zones	Zomin district, Jizzakh region	<p>The International all-season resort "Plato Suffa 2400" is located in the Jizzakh region and will be implemented in three stages.</p> <p><i>First Development Stage</i> In the first Development stage involves the International all-season resort "Plato Suffa 2400". The "Plato Suffa 2400" encompasses an area of 1326 ha and will include three-, four-, and five-star hotels that offer a total of 4258 beds (fifty-one villa suites with 564 beds). In addition, the resort will include a 1210 m² large shopping center and seven restaurants.</p> <p>Three hotels - Ramada Encore by Wyndham; Wyndham Trait; Wyndham Garden - are already implemented.</p>	Approx. USD 970 million

		<p>The offer for winter tourism will be wide. With lifts, cable cars, a snowmaking system (41 hectares), and artificial lighting (41 hectares), offering visitors access to ski slopes of 10.36 km length and cross-country slopes. Moreover, summer activities involve mountaineering, horseback riding, rock climbing, mountain biking, zip line, bungee jumping.</p> <p>Second Development Stage</p> <p>The Zamin Ultra tourist zone will encompass a total area of 3195 ha and include:</p> <ul style="list-style-type: none"> ● Three-, four-, and five-star hotels with a total of 3814 rooms ● Six restaurants, bars and cafes with 2670 seats ● A concert hall ● Eighteen summer attractions. ● Four ski lifts and cable cars ● Ski slopes (16.23 km), snowmaking system (61.9 hectares), and artificial lighting (15.7 hectares) <p>Third Development Stage</p> <p>The area of Oriklisoy tourist zone is 1326 ha and involves:</p> <ul style="list-style-type: none"> ● Three-, four-, and five-star hotels with a total of 4258 beds ● Fifty-one villa suites with 564 beds ● An international congress hall and a five-star hotel located at 2306 m above sea level. ● Shopping center (1210 m²) ● Restaurants. ● Eight lifts and cable cars, ski slopes (23.20 km), snowmaking system (90.7 hectares), artificial lighting (26.8 hectares) 	
3 "Bukhara City" multifunctional complex	Bukhara city	<p>The "Bukhara City" multifunctional complex is located in Bukhara city with a total area of 83 ha. The Feasibility study for the project was developed by "Studio Vertebra".</p> <p>The complex includes residential buildings (commercial objects on the first and second floors) consisting of 43 LOTs in 24.4 ha, a hotel building on 7 LOTs in 3.7 ha, office and commercial buildings on 6 LOTs in 3.05 ha, five educational institutions in 3 LOTs in 4.2 hectares.</p> <p>Other offers:</p> <ul style="list-style-type: none"> ● Sport's complex ● Medical clinic ● Museum ● Fountain square ● Youth center 	USD 500 million

4. Nanay, Zarkent and Paromon tourism villages	Nanay district, Namangan region	<p>Nanay, Zarkent and Paromon tourism villages are located in Nanay district of Namangan region and 206km away from Tashkent. The project will be implemented in 4 stages and include 4 touristic zones. The area of the project is 67.5 ha with:</p> <ul style="list-style-type: none"> ● Nanay touristic zone [14.5 ha] including two five star hotels with 920 beds, Seventy-eight villa suits with 1174 beds, a shopping center [9000 m²] and restaurants. ● Zarkent village [5.8 ha] including a class room [54 000m²], hostel, conference hall and food court. ● Paramon village [19.3 ha] including a four-star hotel with 571 beds, gas station, and exhibition center. 	USD 400 million
5. Boysun Tourism Center	Boysun district, Surkhandarya region	<p>Boysun Tourism Center is located in Boysun district of Surkhandarya region and will be implemented in 4 stages, involving 3 touristic zones. Total area of the center is 138.8 ha.</p> <ul style="list-style-type: none"> ● First stage will be implemented in an area of 57.6 ha with a 23 550 m² cultural hotel complex, a multi-use conference Hall, as well as restaurants and cafés. ● Second stage with an area of 68.2 ha includes a 27 480 m² building area designated for the construction of villas, administrative buildings, shopping malls and mosques. ● Third stage will be implemented in the remaining 13 ha. This stage involves building a restaurant as well as a cable car with a capacity of 1200 pax/hour. ● Fourth stage includes the construction of a cable car with the capacity of 1200 pax/hour. 	USD 400 million



1. International all-season resort “Chimgan”

Location

Bostanlyk district, Tashkent region

Information about the project

The International all-season resort “Chimgan” is located in the Tashkent region just 98 km away from Tashkent city. Feasibility study for the project was developed by “KPMG”.

The resort encompasses a total area of 1278 ha. 20 ha is allocated for the construction of hotels, restaurants and outlets.

The resort concept includes four villages. All external engineering and technical communications in the project area will be provided.

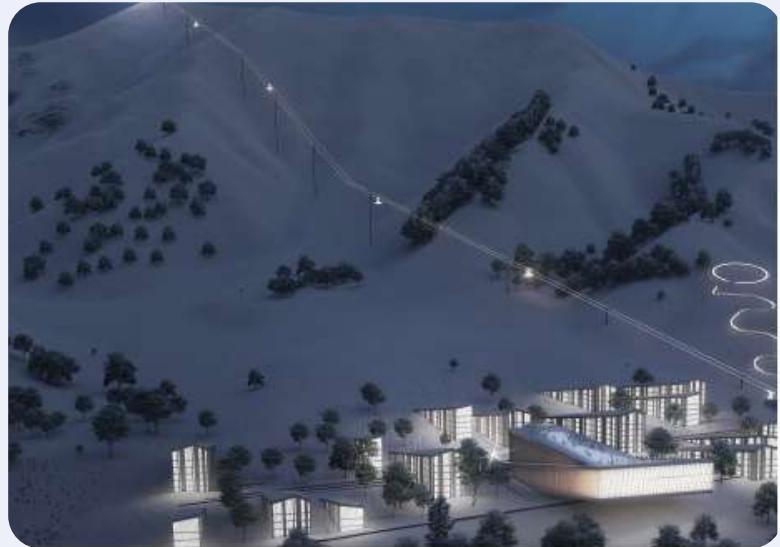
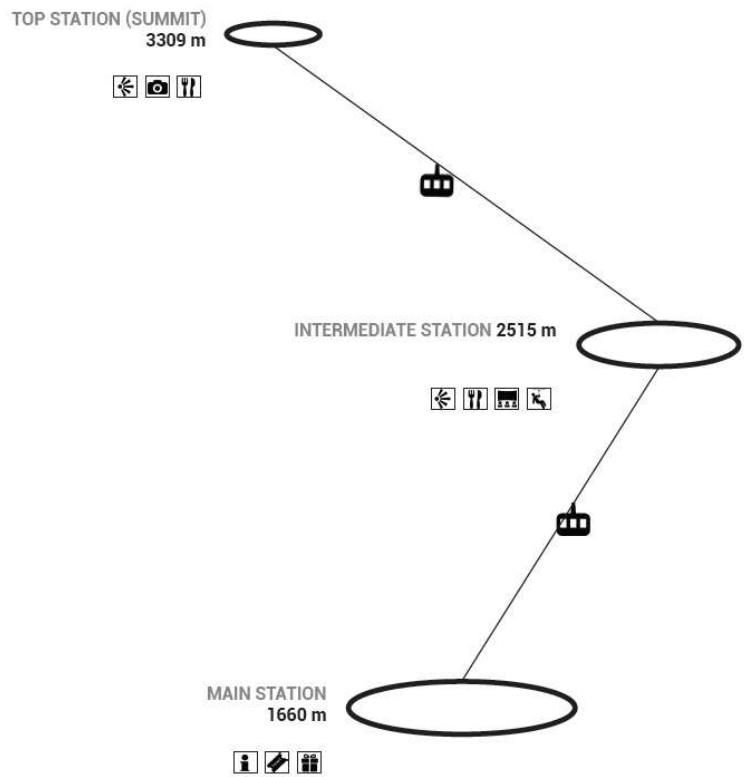
The project will include three cable car stations located at altitudes of 1660 m, 2515 m and 3309 m. The summit station, located at 3309 m, will be the highest visiting point by cable car in Central Asia. In addition, there will be a 2255 meters long pendulum type and 2800 meters long gondola type of cable cars.

Lastly, the resort will include various outdoor activities, such an alpine coaster, XXL zip line, adventure tower and summer tubing tracks.

Total investment in USD

USD 200 million





2. International all-season resort “Plato Suffa 2400”, “Oriklisoy” and “Zamin Ultra” touristic zones

Location

Zomin district, Jizzakh region

Information about the project

The International all-season resort “Plato Suffa 2400” is located in the Jizzakh region and will be implemented in three stages.

First Development Stage

In the first Development stage involves the International all-season resort “Plato Suffa 2400”. The “Plato Suffa 2400” encompasses an area of 1326 ha and will include three-, four-, and five-star hotels that offer a total of 4258 beds [fifty-one villa suites with 564 beds]. In addition, the resort will include a 1210 m² large shopping center and seven restaurants.

Three hotels - Ramada Encore by Wyndham; Wyndham Trait; Wyndham Garden - are already implemented.

The offer for winter tourism will be wide. With lifts, cable cars, a snowmaking system [41 hectares], and artificial lighting [41 hectares], offering visitors access to ski slopes of 10.36 km length and cross-country slopes. Moreover, summer activities involve mountaineering, horseback riding, rock climbing, mountain biking, zip line, bungee jumping.

Second Development Stage

The Zamin Ultra tourist zone will encompass a total area of 3195 ha and include:

- Three-, four-, and five-star hotels with a total of 3814 rooms
- Six restaurants, bars and cafes with 2670 seats
- A concert hall
- Eighteen summer attractions.
- Four ski lifts and cable cars
- Ski slopes [16.23 km], snowmaking system [61.9 hectares], and artificial lighting [15.7 hectares]

Third Development Stage

The area of Orikli soy tourist zone is 1326 ha and involves:

- Three-, four-, and five-star hotels with a total of 4258 beds
- Fifty-one villa suites with 564 beds
- An international congress hall and a five-star hotel located at 2306 m above sea level.
- Shopping center [1210 m²]
- Restaurants.
- Eight lifts and cable cars, ski slopes [23.20 km], snowmaking system [90.7 hectares], artificial lighting [26.8 hectares]

Total investment in USD

Approx. USD 970 million



3. "Bukhara City" multifunctional complex

Location

Bukhara city

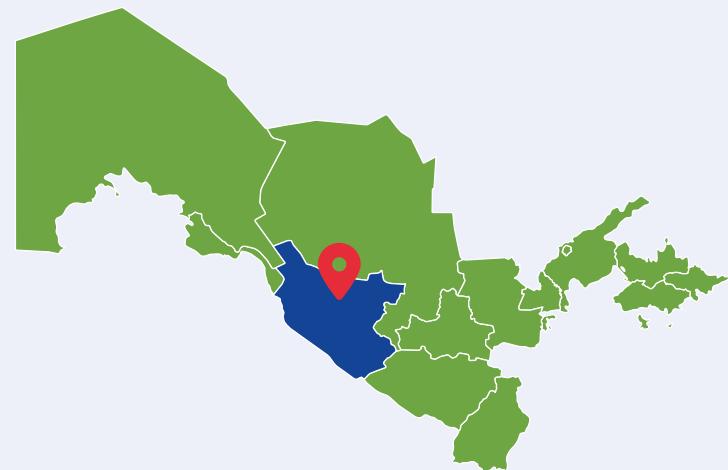
Information about the project

The "Bukhara City" multifunctional complex is located in Bukhara city with a total area of 83 ha. The Feasibility study for the project was developed by "Studio Vertebra".

The complex includes residential buildings (commercial objects on the first and second floors) consisting of 43 LOTs in 24.4 ha, a hotel building on 7 LOTs in 3.7 ha, office and commercial buildings on 6 LOTs in 3.05 ha, five educational institutions in 3 LOTs in 4.2 hectares.

Other offers:

- Sport's complex
- Medical clinic
- Museum
- Fountain square
- Youth center



Total investment in USD

USD 500 million



4. Nanay, Zarkent and Paromon tourism villages

Location

Nanay district, Namangan region

Information about the project

Nanay, Zarkent and Paromon tourism villages are located in Nanay district of Namangan region and 206km away from Tashkent. The project will be implemented in 4 stages and include 4 touristic zones. The area of the project is 67.5 ha with:

- Nanay touristic zone [14,5 ha] including two five star hotels with 920 beds, Seventy-eight villa suits with 1174 beds, a shopping center [9000 m²] and restaurants.
- Zarkent village [5.8 ha] including a class room [54 000m²], hostel, conference hall and food court.
- Paromon village [19.3 ha] including a four-star hotel with 571 beds, gas station, and exhibition center.



Total investment in USD

USD 400 million



5. Boysun Tourism Center

Location

Boysun district, Surkhandarya region

Information about the project

Boysun Tourism Center is located in Boysun district of Surkhandarya region and will be implemented in 4 stages, involving 3 touristic zones. Total area of the center is 138.8 ha.

- **First stage** will be implemented in an area of 57.6 ha with a 23 550 m² cultural hotel complex, a multi-use conference Hall, as well as restaurants and cafés.
- **Second stage** with an area of 68.2 ha includes a 27 480 m² building area designated for the construction of villas, administrative buildings, shopping malls and mosques.
- **Third stage** will be implemented in the remaining 13 ha. This stage involves building a restaurant as well as a cable car with a capacity of 1200 pax/hour.
- **Fourth stage** includes the construction of a cable car with the capacity of 1200 pax/hour.



Total investment in USD

USD 400 million





06

CONCLUSION

Uzbekistan has recently been transiting towards a more open and market-oriented economy. Reforms launched since 2017 created sound foundations to build a stable and growing economy, as well as a favourable environment for private investment and foreign direct investment [FDI]. Besides, the country counts with rich natural resources, a vast biodiversity and varied cultural heritage that make it attractive for visitors and investors.

Uzbekistan's unique geographical location in the heart of Central Asia and its well-developed transportation infrastructure have facilitated trade, travel and exchange of cultures across continents since the beginnings of the Great Silk Road.

The country has been implementing a set of incentive schemes for promoting private investment and FDI in several industries. Tourism is one of the most thriving sectors, particularly in terms of tourism-related services. Even though the country still faces certain challenges to promote long-lasting sustainable FDI, the country has been taking measures to create a favourable environment and foster a competitive tourism sector, including a very promising regulatory framework.

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The World Tourism Organization (UNWTO), a specialized agency of the United Nations, is the leading international organization with a central and decisive role in the promotion and development of responsible, sustainable and universally accessible tourism. It provides a global forum for tourism policy issues and a useful source of tourism expertise. It is composed of 159 countries, 6 Associate Members, 2 permanent observers and more than 500 Affiliate Members.



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