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## Compass for investors: Legal guidance on foreign direct investment in Central Asian Countries

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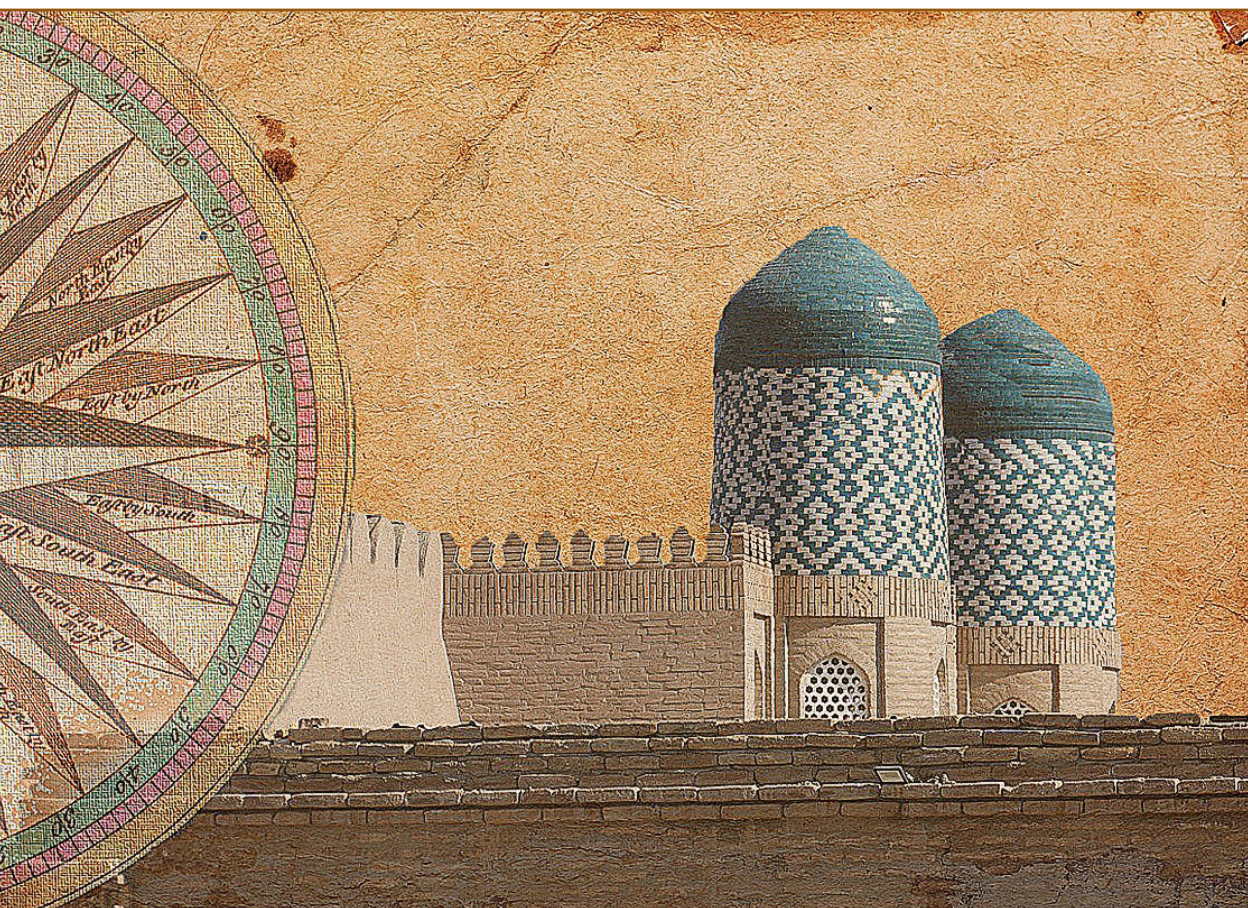
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# Compass for investors

*Legal guidance on foreign direct investment  
in Central Asian Countries*

*Dilaver Khamzaev*

Research Report in Sociology of Law 2024:1





*Dilaver Khamzaev*

# Compass for investors

Legal guidance on foreign direct investment  
in Central Asian Countries

SOCIOLOGY OF LAW  
LUND UNIVERSITY

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# Abbreviations

AIFC	Astana International Financial Centre
BIN	Business identification number
CIS	Commonwealth of Independent States
EAEU	Eurasian Economic Union
EDS	Electronic digital signature
FDI	Foreign Direct Investment
FIC	Foreign Investors Council
IIA	International investment agreement
IIN	Individual identification number
IMF	International Monetary Fund
IPR	Intellectual property rights
IZ	Industrial zone
OECD	Organization for Economic Cooperation and Development
PINFL	Personal Identification Number of an Individual
SEZ	Special economic zone
TIN	Taxpayer's Identification Number
UNCTAD	United Nations Conference on Trade and Development
UPIPS	Unified portal of interactive public services
WIPO	World Intellectual Property Organization
WTO	World Trade Organization



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Dilaver Khamzaev

# 1 Preface

On November 3, 2022, in the city of Samarkand, Uzbekistan, the second Economic Forum is being organized. This event brings together the world's leading economists, investors, and international experts. The primary focus of the forum is to discuss the development strategy for a New Uzbekistan over the next five years. This encompasses goals, prospects, opportunities, and challenges related to economic growth, the development of monetary and macroprudential policies, and the imperative of transitioning to a green economy.

During this forum, Ryan Chilcote, a correspondent, event speaker, host, and moderator with a background as a communications professional and CNN and Bloomberg TV alum, posed the following question to the Minister of Economic Development and Poverty Reduction:

*“Let’s imagine I’m a potential investor. I have come to Economic Forum Uzbekistan second year. Enjoyed everything, particularly the palov. That was amazing. I’m still on the fence. I’m still not convinced that should invest. Let’s imagine... So, what would you say to that investor, about what’s going to happen in this country over the next five years to convince them that now is the time to invest in Uzbekistan?”* (Daryo, 2022, 0:01)

After briefly discussing the green economy and banking policy plans of Uzbekistan, the Minister paused and made the following remark:

*“Ryan, next time we will not invite you to [this Economic Forum]. Ask me easy question...”* (Daryo, 2022, 1:23)

While a delicious pilaf may lure a potential investor to the country, convincing them to invest requires a bit more effort. This specific dialogue became the catalyst that prompted me to work on this book. The question of how to attract potential investors to the country is a complex one. In this context, governments seek evaluations from various international organizations to assess the current investment climate (OECD, 2017; UNCTAD, 2021). They also put significant effort into enhancing their rankings in various international indices. Consequently, addressing

the issue of increasing the country's investment attractiveness demands a comprehensive approach.

This report does not aim to evaluate the performance of any specific country in attracting foreign investments or offer comprehensive recommendations for enhancing investment attractiveness; rather, it focuses on analyzing the current investment climate and providing a concise overview of the existing legislative frameworks for foreign direct investment. To achieve this goal, the structure of this book is organized as follows: The first part delves into terminology and the analytical framework, serving as the basis for presenting information throughout the book. Subsequent sections are dedicated to specific countries, each presenting an analysis of the investment climate and legislation based on the framework introduced in the initial part.

This work serves an informational purpose and may not reflect the most current legal developments, judgments, or settlements. Therefore, it should not be considered as legal advice, but rather as a compass for readers to navigate the socio-economic and politico-legal situations of the countries under consideration.

## 2 Language of the Book

In the modern world, investment activities are governed by agreements within the framework of international and national legal regulations. Clarity in terminology is crucial for relationships within any legal framework. Legum, analyzing a broad range of legal treaties and acts on investment, identifies three main reasons for the necessity of establishing clarity in the concepts of “investment” and “investor”:

1. From the perspective of the state exporting investment capital, the concept of “investment” determines the constituents within the country impacted by investment policy, specifying the eligible categories under the investment treaty program.
2. From the viewpoint of a country importing capital, this definition establishes the clients the country aims to attract through its investment policy, identifying the individuals, industries, and groups to boost foreign investment.
3. For the investors themselves, this definition outlines how they can structure their holdings to maximize the protection offered by investment treaties (Legum, 2006).

It can be added that another significant reason for establishing a clear understanding of these terms is:

4. Defining a clear scope of assets falling under the category of objects protected by investment legislation (Crawford & Kotschwar, 2020).

Therefore, establishing clear definitions will precisely delineate the subjects (i.e., for whom the regulations are designed) and objects (what is protected) of the legal acts under consideration.

Concerning the countries of Central Asia, it is noteworthy that investment activities are regulated by separate specialized regulatory acts, and definitions for key concepts vary at the legislative level for each country. However, this book does not aim to establish a universal definition for any term. In this section, we will only examine existing models for defining key concepts used in investment activities. Specific

definitions of what constitutes an “investment” and who qualifies as an “investor” in individual countries will be discussed in dedicated sections devoted to each country.

## 2.1 Investor

“An investor” is a subject who benefits from the rights and responsibilities established by investment legislation and falls under its protection. Defining the term “investor” appears relatively straightforward in this context, as it refers to an entity engaged in investment activities. The Organization for Economic Cooperation and Development (OECD) proposes a definition of an “investor” that encompasses “natural persons (citizens) [and permanent residents] of a Contracting Party and enterprises organized in accordance with the law of a Contracting Party [that seek to make, are making, or have made an investment]” (OECD, 1996, p. 2). This definition is general, however, and it can vary at the national legislative level. This variation primarily stems from legislators either limiting the circle of subjects based on citizenship criteria (Crawford & Kotschwar, 2020) or providing an opportunity to benefit from investment legislation provisions even at the pre-establishment stage of activity (Legum, 2006). This technique allows lawmakers to narrow down the range of subjects whom the country aims to attract for investing in its economy.

Therefore, an “investor” can be seen as a subject who owns investment assets and enjoys the legal rights and privileges provided by the country where they intend to direct their investment funds. However, each state restricts the circle of subjects that can benefit from such legal protection mechanisms by applying legislative techniques. In this regard, it is necessary to examine the legislation of each Central Asian country to determine who falls into the category of an “investor”.

## 2.2 Investment

There is a standard definition of “investment” that outlines it in relation to assets and includes a list of example assets to ensure the highest level of protection for established and emerging investment forms. The OECD suggests understanding “investments” as “every kind of asset owned or controlled, directly or indirectly, by an Investor” and provides a list of properties that may fall under the category of investments (OECD, 1996, p. 2).

An analysis of a broad range of bilateral investment treaties and preferential trade agreements reveals that the definition of investment can be established as either broad, open-ended, and asset-based or narrow and closed. In a broad definition, the concept of investment encompasses “*every kind of asset*,” followed by an indicative list (Legum, 2006). Conversely, a narrow definition provides a detailed list of investment activities, leaving no room for ambiguity or uncertainty about the types of investments protected (ibid.). Additionally, the definition of “investment” can be “enterprise-based,” where investment legislation applies only to a business or professional entity where the investor holds a majority ownership stake or exerts control (Crawford & Kotschwar, 2020). Moreover, countries may strive to find a middle ground by crafting a thorough definition of investment, ensuring it does not encompass assets they do not intend to include (Echandi 2009). Therefore, narrowing the scope of activities and individuals falling under the protection of investment law can also be achieved by blending the aforementioned models of the definition of “investment” (Crawford & Kotschwar, 2020).

Despite the existence of a common understanding of investments, this is not always practical for states. Countries attempt to delineate a clear scope for objects considered “investments” that fall under legal protection at the national level. In this book, we will examine what the legislatures of each individual country mean by the term “investments” and which objects the state provides legal guarantees of protection within the framework of investment legislation.

## 2.3 Foreign Direct Investment

The concept of investment is broad and can encompass both foreign and domestic/internal investments. Considering that foreign direct investment (FDI) holds significant appeal for the importing country, within the scope of this work, it is essential to establish a definition specifically for this term.

There are several internationally accepted definitions of FDI. One of the early efforts to establish a definition was made by the International Monetary Fund (IMF). According to the sixth edition of the IMF’s *Balance of Payments Manual* (2009), FDI can be considered when “an investor resident in one economy makes an investment that gives control or a significant degree of influence on the management of an enterprise resident in another economy.” It is important to note, however, that the fifth edition of the IMF’s *Balance of Payments Manual* (1993) also included a requirement of a “lasting interest” for an activity to be considered an investment.

Another definition was developed by the OECD, which regards FDI as a “cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor” (OECD, 2009, p. 17). It's noteworthy that the OECD classifies “lasting interest” not as a timeframe but as the absence of control by the direct investor over the direct investment enterprise. In this sense, the OECD's definition aligns with that of the IMF. The United Nations Conference on Trade and Development (UNCTAD) has also developed its definition based on established definitions by the IMF and OECD. According to UNCTAD, FDI is considered “an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)” (UNCTAD, 2007, p. 245). In this definition, alongside the requirement for the establishment of control by the foreign investor over the enterprise in the host country, there is also an emphasis on the need for such activity to be conducted on a long-term basis.

While the documents of the IMF and OECD specify that “control” or “lasting interest” implies owning at least 10% of the voting power in an enterprise in the host country by the investor, the UNCTAD document does not specify the duration qualifying as “a long-term relationship.” Nevertheless, the presence of “control,” “lasting interest,” and the engagement in such activity within “a long-term relationship” are pivotal features of FDI (Moosa, 2002). These features precisely distinguish “investments” from “trading.”

Based on the aforementioned definitions, it can be asserted that FDI:

- is conducted by a resident entity from another economy;
- involves directing investment funds into an enterprise resident in an economy other than that of the FDI; and
- necessitates the presence of a long-term relationship, a lasting interest, and control.

Establishing these terminologies within the legislation of individual countries is crucial. These features play a crucial role in demarcating the boundary between the concepts of “investments” and “trade,” helping to determine the scope of objects falling under the protection of investment legislation concerning foreign investments.

# 3 Analytical Framework

There are orthodox (alternatively termed “legal formalism”) and non-orthodox approaches to implementing reforms aimed at enhancing a country's investment attractiveness (Moore & Schmitz, 2008). The orthodox approach assumes that when the state acts as a unified source of authority, it poses significant risks to investors. Therefore, a comprehensive legal framework for investment relations is required to limit such risks. On the other hand, the non-orthodox approach involves the absence of clear regulations, providing the state with the opportunity to establish relations with potential investors. This allows representatives of governance at different levels to build trust between the state and the investor.

While the orthodox approach to understanding the investment climate has faced criticism (Moore & Schmitz, 2008), the World Bank Group (2011) suggests that factors associated with the investment climate, such as robust institutions and investor-friendly regulations, are significant. These elements could potentially enhance the positive developmental effects of investments (World Bank Group, 2011). Consequently, a positive correlation exists between reforming the investment legal regime and increasing the influx of investments into a country.

In this book, we will compare the investment attractiveness of Central Asian countries using the orthodox approach to understanding the investment climate.

## 3.1 Investment attractiveness

Certainly, attracting investments is always a complex question. In turn, evaluating investment attractiveness in different regions holds significant importance in the context of investment strategy. Within a given industry or sub-industry, businesses and products located in various regions often exhibit varying levels of appeal (Wojewnik-Filipkowska, 2014). This discrepancy can be attributed to several factors, including geographic location, the extent of transportation infrastructure development, social and environmental conditions, the state of infrastructure development, climate, and the availability of resources, among other factors (Moore



& Schmitz, 2008). In this regard, enhancing investment attractiveness requires a comprehensive approach, where policies crafted to mitigate the unpredictability experienced by businesses primarily aim to decrease the level of uncertainty that investors encounter regarding their potential future profits stemming from current investment choices (Moore & Schmitz, 2008).

The factors mentioned are consolidated under the terms “investment climate” and “investment environment.” Classic economic theory has long studied the environment where investment processes take place (Smith, 2007; Petty, Smith, & Ricardo, 1993). In turn, the understanding of the terms “environment” and “climate” has remained abstract. Only after the development of Keynesian economic theory, where the analysis of the impacts of specific macro and micro-level factors on a country's investment attractiveness was conducted, did scholars begin to focus on studying the factors that influence the favorability of the investment climate (Danileviča et al., 2018). Despite these terms being sometimes used interchangeably, in this book, we will conceptually distinguish between them.

The term “investment climate” typically refers to the overall conditions, policies, and factors influencing the appeal of a country, region, or industry for investments. It includes aspects like government regulations, tax policies, legal frameworks, political stability, and ease of doing business. “Investment climate” often highlights broader, macro-level conditions that aim to mitigate the unpredictability that businesses can encounter. This emphasis is primarily directed at reducing the level of uncertainty investors face concerning their potential to generate future profits from current investment decisions (Moore & Schmitz, 2008).

“Investment environment” is a slightly broader term that encompasses not only macro-level factors but also micro-level conditions specific to a particular location or industry. It includes factors such as infrastructure, workforce availability and quality, market demand, technological readiness, and other regional or sector-specific aspects. “Investment environment” is often employed to delve deeper into the specific conditions influencing investments in a particular context (Moore & Schmitz, 2008).

Therefore, “investment climate” tends to focus on the overarching conditions at a national or regional level, while “investment environment” encompasses a wider range of factors, including those specific to a particular location or industry.

Additionally, for analyzing the investment attractiveness of countries and specific regions, concepts such as “business climate” or “business environment” are utilized. These terms also have conceptual distinctions.

For instance, “business environment” is defined as “a complex of policy, legal, institutional, and regulatory conditions that govern business activities” (DCED, 2008). The business environment is considered a component within the broader concept of the “investment climate,” with a more specific emphasis on the laws, regulations, and administrative aspects related to initiating and running a business. This narrower focus is distinct from the broader, country-specific, and external factors that constitute the investment climate (Hartwell & Michael, 2015). On the other hand, the “business climate” revolves around lowering expenses and encompasses policies aimed at minimizing operational expenditures of doing business, whereas the investment climate centers on mitigating risks (Moore & Schmitz, 2008). Therefore, “business climate” or “business environment” are part of a broader concept such as the “investment climate,” and encompass both the formal and operational aspects of investment activities.

Given that the aim of this work is to familiarize the reader with the existing economic and legal factors that shape investment attractiveness at the macro level, we will examine the investment climate of each individual country. Additionally, considering the existence of detailed reports and even international rankings evaluating business operations and costs for all Central Asian countries, along with the factors shaping the investment climate of states, the business environment will also be considered. This includes the laws, regulations, and administrative aspects related to initiating and running a business.

## 3.2 Investment climate

After the World Bank stated that “A good investment climate fosters productive private investment,” it began to be considered as an axiom (Vostroknutova, n.d.), and the term “investment climate” became a buzzword. Varying significantly on a global scale and within individual nations, the investment climate is seen as a key indicator that plays a pivotal role in shaping the choices made by various types of businesses (ibid.). Despite the considerable attention given to the term, the factors shaping this concept differ. For instance, according to the World Bank's report, the concept of investment climate includes the following higher-level, longer-term political and strategic actions that the state should take to enhance the investment attractiveness of the country:

- Restraining rent-seeking
- Establishing credibility (of government policies)

- Fostering public trust and legitimacy (in public policy)
- Ensuring policy responses fit local conditions

In turn, such high-level categories are abstract and challenging to assess objectively. In this regard, the World Bank includes in its list the factors that shape the investment climate in more measurable categories, such as:

- Stability and security
  - Verifying rights to land and other property
  - Facilitating contract enforcement
  - Reducing crime
  - Ending the uncompensated expropriation of property
- Regulation and taxation
  - Improving domestic regulation
  - Improving domestic taxation
  - Improving regulation and taxation at the border
- Finance and infrastructure
  - Improving finance
  - Improving infrastructure
- Workers and labor markets
  - Fostering a skilled workforce
  - Crafting market interventions to benefit all workers
  - Helping workers cope with change

These factors have been described by many economists as being “wishy-washy” and did not allow precisely which factors influence the attractiveness of the investment climate to be measured (Moore & Schmitz, 2008). Another attempt to formulate the factors of the investment climate has been made by the OECD. Understanding that there is no one-size-fits-all approach to developing the private sector within its Policy Framework for Investment (2015), the OECD adheres to a broad interpretation of the factors of the investment climate to ensure flexibility in its assessment. In this regard, the factors shaping the investment climate include the development of the following numerous policy dimensions:

- Investment policy
- Investment promotion and facilitation
- Trade policy
- Competition policy
- Tax policy
- Corporate governance
- Policies for enabling responsible business conduct
- Developing human resources for investment
- Investment in infrastructure
- Financing investment
- Public governance
- Investment framework for green growth

These factors can also be considered abstract, but unlike the factors proposed by the World Bank, each one can be assessed within specific indicators. From the above approaches, one thing is clear: The investment climate includes a group of factors that predetermine the socio-economic development trajectory for assessing potential commercial risks and revealing the existing political and legal regime for evaluating regulatory risks. While the presence of commercial risks in any business is a common occurrence, reducing regulatory risks and enhancing policy predictability is the responsibility of those states that seek to increase the investment attractiveness of their countries (OECD, 2015).

Understanding the need to assess socio-economic and politico-legal factors to form a complete picture of the investment climate of countries, we will use two separate frameworks to assess them.

### 3.3 Socio-Economic Factors of the Investment Climate

The first framework aims to assess the socio-economic factors that influence the investment climate of countries and regions. To evaluate this factor, we will utilize the framework developed by Danileviča et al. (2018). Based on an analysis of existing works on the investment climate, they propose a list of specific indicators for the

socio-economic factors that shape the investment climates of countries and regions. This framework includes a list of 64 indicators, categorized into 15 factors and divided into two directions: Investment Potential and Investment Security (Danileviča et al., 2018, p. 431). Investment Potential is considered a prompt for assessing the investment attractiveness of a country. This section comprises those factors that are deemed attractive for most investment projects, including such elements as natural resources, tourism, labor, infrastructure, production, consumer, finance, institutional and innovation capacity. These factors aim to describe the geographical, demographic, market, financial, and economic attractiveness of the countries under consideration. For the quantification of these factors, authors suggest evaluating 40 indicators to provide a more comprehensive understanding.

On the other hand, Investment Security focuses on factors that contribute to the safety and stability of investments. It encompasses indicators related to social, economic, criminal, financial-legislative, and political security as well as environmental sustainability. From the 24 indicators provided for the aforementioned factors, it can be understood that this approach is aimed at revealing negative socio-political and economic-environmental aspects that may adversely affect the investment climate of a country. In turn, both directions – Investment Potential and Investment Security – collectively allow for a more objective assessment of the investment attractiveness of the studied countries.

In this work, I will be analyzing the socio-economic factors that determine the investment climate of countries within this framework for the following reasons:

- The factors proposed by Danileviča et al. align with those suggested by the World Bank and the OECD. Moreover, they form a specific list of indicators that allow for the specification and quantification of abstract factors proposed by the World Bank and the OECD.
- Their research establishes correlations between the proposed indicators, showing the justification for including each indicator within the considered factors.
- Additionally, the proposed measurement of investment climate factors has been tested in the post-Soviet regions, providing us with the ability to apply factors that are relevant to countries that emerged after the dissolution of the USSR.

It is important to consider, however, that Danileviča et al. focus on examining and comparing the investment attractiveness of individual regions within countries such as Latvia, Lithuania, and Belarus. Given that my research focuses on the

attractiveness of individual countries, specific adjustments have been made to the proposed list of indicators, taking into account the peculiarities of statistical reporting in the countries under consideration.

In the category of “Investment Potential,” and specifically under the “Natural Resource Potential” factor, I propose replacing the indicator “the area of a region's territory in proportion to the area of the territories of Latvia, Lithuania, Belarus” with “the area of a country's territory in proportion to the area of Central Asia.” This adjustment aligns with my focus on comparing entire countries rather than specific regions within them. Additionally, modifications have been applied to the “Tourist Potential” and “Labor Potential” factors, specifically by excluding the indicators “number of tourist organizations per 100,000 people” and “economic activity,” since such statistical data is unavailable in one or more of the countries under consideration.

Additionally, under the “Institutional Potential” factor, changes have been made to the classification of enterprise categories. Instead of specifying the number of micro, small, medium-sized, and large enterprises, the information now includes the number of entities in the small business and entrepreneurship category and other enterprises and organizations that do not fall into this category. Despite the legislative division of entrepreneurship entities into small, medium, and large categories in the Central Asian countries, some of the countries under consideration, particularly Uzbekistan, officially report only the total number of entrepreneurship entities and the number of small entrepreneurship entities. This is due to the fact that Uzbekistan introduced new criteria for classifying enterprises into these categories at the legislative level in 2023. Consequently, the statistical classification of enterprises based on these new criteria has not yet been implemented. Therefore, under the “Institutional Potential” factor, the indicator includes the total number of enterprises per 1,000 people as well as the number of small business and entrepreneurship entities and other enterprises and organizations not falling into this category.

Furthermore, changes have been introduced to the indicators in the “Investment Security” direction. Due to the absence of identical practices in statistical data reporting, the breakdown by the percentage of financial insolvency levels in the “Economic Security” indicator has been excluded. Instead, the overall poverty level in the country is now provided. Additionally, the breakdown of air pollution levels into separate elements in the “Ecological Security” factor has been excluded because such statistics are collected for individual cities or regions rather than at the national level.

The remaining indicators were not altered and were fully reflected during the analysis of countries for investment attractiveness. As a result, the analytical framework for the socio-economic factors of the investment climate will be represented in the form indicated in Table 1.

**Table 1 The Indicators of the Socio-Economic Factors of the Investment Climate**

<b>INVESTMENT POTENTIAL</b>	<b>(1) Natural resource potential</b>
	(1.1.) area of a country's territory in proportion to the area of the territory of Central Asia; (1.2.) agricultural lands; (1.3.) lands with marshes and waters; (1.4.) wooded lands; (1.5.) other lands.
	<b>(2) Tourist potential</b>
	(2.1.) number of museums per 100,000 people; (2.2.) number of theatres per 100,000 people; (2.3.) number of museum visits per 1,000 people; (2.4.) number of theatre visits per 1,000 people; (2.5.) number of culture centers per 100,000 people; (2.6.) number of hotels per 100,000 people; (2.7.) hotel capacity, average number of rooms per 1 hotel; (2.8.) number of rural guest houses per 100,000 people.
	<b>(3) Labor potential</b>
	(3.1.) population density; (3.2.) natural population growth; (3.3.) migration balance; (3.4.) working-age population; (3.5.) infant life expectancy; (3.6.) employment level; (3.7.) number of students in higher education (colleges, universities) per 10,000 people.
	<b>(4) Infrastructure potential</b>
	(4.1.) density of roads, km per 1,000 km <sup>2</sup> ; (4.2.) number of educational establishments (colleges, universities) per 100,000 people; (4.3.) number of libraries per 100,000 people; (4.4.) number of secondary schools per 100,000 people.
	<b>(5) Production potential</b>
	(5.1.) GDP per capita.
	<b>(6) Consumer potential</b>
	(6.1.) average salary (gross); (6.2.) average retirement pension; (6.3.) average income per 1 household member; (6.4.) availability of automobiles per 1,000 people.
	<b>(7) Finance potential</b>
	(7.1.) amount of FDI stock per resident; (7.2.) non-financial investments, in actual regional price in relation to general volume.
<b>(8) Institutional potential</b>	
(8.1.) total number of enterprises per 1,000 people; (8.2.) number of small enterprises; (8.3.) number of other enterprises.	
<b>(9) Innovation potential</b>	
(9.1.) number of science-research centers per 100,000 people; (9.2.) number of staff employed at science-research centers.	

<b>INVESTMENT SECURITY</b>	<b>(1) Social security</b>
	(1.1.) pre-working age population; (1.2.) coefficient of potential demographic burden; (1.3.) coefficient of pensioner demographic burden; (1.4.) number of divorces per 100 marriages; (1.5.) divorce rate coefficient (number of divorces per 1,000 people); (1.6.) mortality rate coefficient (number of deaths per 1,000 people).
	<b>(2) Economic security</b>
	(2.1.) unemployment rate; (2.2.) youth unemployment rate; (2.3.) population with a shortage of financial resources (%).
	<b>(3) Ecological security</b>
	(3.1.) tons in average per km <sup>2</sup> .
	<b>(4) Criminal security</b>
	(4.2.) number of reported crimes per 10,000 people; (4.3.) road traffic accidents per 10,000 people.
	<b>(5) Financial and legislative security</b>
	(5.1.) inflation; (5.2.) number of closed enterprises.
	<b>(6) Political security</b>
	(6.1.) expert assessment.

The “Investment Security” category does not comprehensively reveal the prevailing political and legal landscape within the investment sector of the countries under discussion; instead, it offers a broad overview of the socio-economic conditions in a given country. This statistical data predominantly addresses the socio-economic aspect of the investment climate in the countries under examination, providing potential investors with a general understanding of the nation's social conditions. Consequently, to scrutinize the politico-legal dimension of the investment climate and foster a more holistic comprehension of the circumstances in the countries being assessed, we will employ an alternative analytical framework.

### 3.4 Politico-Legal Factors of the Investment Climate

Alongside efforts directed at the development of socio-economic factors, achieving improvements in the investment climate requires adjustments to existing laws and policies (Vostroknutova, n.d.). Moreover, for an investor, it is not only the presence of legal norms regulating the investment process that is crucial but also the rule of law, which ensures “predictability, transparency, credibility, accountability, and fairness” (OECD, 2015). According to research, overly bureaucratic or ambiguous



regulation can impede the process of attracting FDI to a country (Dollar et al., 2006; Zhang & Van Den Bulcke, 2014). From an investor's standpoint, the crucial aspect of regulatory quality lies in its need to establish clear objectives and implementation frameworks. Regulatory policies should articulate principles that offer robust guidance and reference points for government actions, distinctly outlining what investors can anticipate from the government in terms of regulation (OECD, 2015).

In this context, the next aspect covered in this book is the politico-legal factors of the investment climate, which include the prevailing political direction in attracting investments and the legislative regulation of the investment process. While all relevant legislation can be found in the respective legal databases, investment laws lack systematization. Therefore, this work attempts to systematize existing investment legislation in Central Asian countries based on the phases of investment activity. Besides creating a clear structure of existing regulatory acts, such classification serves two main purposes:

1. Establishing a clear understanding of how the investment process is regulated at each stage of activity.
2. Predicting which national mechanisms can be utilized during the implementation of investments for each country.

Given that investment is a complex process involving various comprehensive actions, different literature offers various approaches to classifying the investment process. From an economic standpoint, the investment process is typically divided into pre-investment, investment, and operational phases (Memedovic, 2018):

- **Pre-investment:** This phase encompasses the preparatory aspect, involving the identification and analysis of the feasibility of the future investment project.
- **Investment:** During this stage, negotiations are conducted, investment agreements are concluded, and preparations are made for the operation of the business on the territory of the importing party.
- **Operational:** This phase marks the commencement of the business, where the planned investment project is implemented.

From a legal perspective, however, analyzing the pre-investment phase is challenging because this stage involves an internal preparation process for the investment project and is not subject to regulation by the national legislation of the importing country. In various literature, there is a distinction in the investment process between the pre-investment/pre-establishment and post-investment/post-establishment phases

(Crawford & Kotschwar, 2020; Zhang & Van Den Bulcke, 2014; Zhou, 2000). Nevertheless, they all follow the same logic: The investment process is divided into the initial phase, where the process of investing funds occurs, and the subsequent phase, where the operation of the business is carried out based on the invested funds.

In this book, we need to analyze the national legislation of the countries under consideration that regulates the investment process. A detailed analysis of national legislation addressing FDI-related issues is conducted within the FDI Regulatory Restrictiveness Index (FDI RR Index) of the OECD. The FDI RR Index assesses the legal limitations imposed on FDI entering a country. It evaluates how stringent a nation's FDI regulations are by examining four primary categories of restrictions that fall into the two phases of investment activity (Zhang & Van Den Bulcke, 2014):

- Pre-establishment conditions:
  - Foreign equity limits
  - Screening and prior approval
- Post-establishment operations:
  - Restrictions on foreign key personnel
  - Other restrictions on the operation of foreign-controlled entities

The first two categories analyze how liberal the legislation is regarding attracting investment capital from abroad even before the commencement of business activities on the territory of the country (pre-establishment conditions). Specifically, “Foreign equity limits” imply the establishment of any restrictions on attracting foreign investments in specific sectors through the complete exclusion of foreign involvement, limitations on holding a majority share, and restrictions on full foreign ownership. These three thresholds represent the primary restrictions typically encountered in legislation. “Screening and prior approval” concentrate solely on regulatory constraints related to specific investment amounts and the proportion of foreign ownership that trigger reviews of foreign investments. Screening procedures that exclusively target foreign investors serve multiple purposes and exhibit significant variations in their extent. In their most stringent form, they might employ tests such as economic necessity, net economic advantage, or assessments of national interest for both new ventures and takeovers. However, in certain instances, these mechanisms are automatic and essentially function as a mere prerequisite for investor notification.

The last two categories analyze the provisions of national legislation regulating business activities established within the framework of FDI on its territory (post-

establishment operations). “Restrictions on foreign key personnel” involve assessments of economic requirements for hiring foreign managers, constraints on the duration of foreign manager employment, and stipulations regarding the nationality of board members. “Other restrictions on the operation of foreign-controlled entities” include limitations impacting the prospective operations of foreign investors, such as:

- limitations on establishing branch offices;
- the acquisition of land for business use, including situations where foreigners may not have property ownership rights but can enter into lease agreements;
- reciprocity requirements within specific sectors; and
- constraints on the repatriation of profits or capital.

The division into phases in the FDI RR Index is designed to measure statutory restrictions on FDI and does not fully cover the dispute resolution process.<sup>1</sup> However, the existing legal mechanism for protection and dispute resolution significantly influences investment attractiveness (OECD, 2015). Therefore, for a comprehensive approach to analyzing the legislation of countries in this area, existing legal acts will be considered not only by classifying them into acts regulating pre-establishment conditions and post-establishment operations, but also by analyzing the existing legal protection mechanisms in specific Central Asian countries. This category will include an analysis of the existing legal frameworks regulating pre-trial and judicial processes of legal protection.

The legislation aimed at ensuring the protection of investors' activities in the specified phases will be examined by dividing it into three levels (OECD, 2017, p 105):

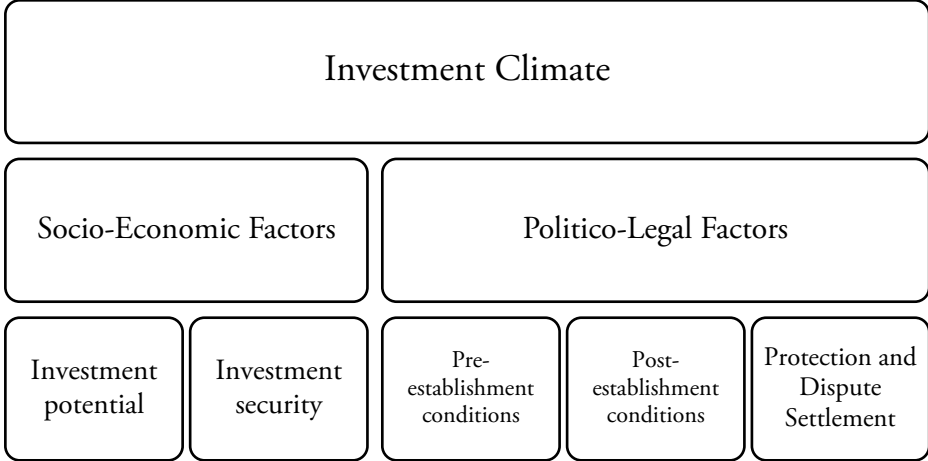
1. The first level encompasses domestic laws and procedures that apply to people, as well as businesses generally.
2. The second level involves laws that apply specifically to investors and investments and provide them with additional protection.
3. The third level includes investment treaties or international investment agreements (IIAs) that can offer extra protection to foreign investors covered by the treaties.

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<sup>1</sup> See FDI Regulatory Restrictiveness Index, via OECD. Retrieved 20 December 2023, from <https://www.oecd.org/investment/fdiindex.htm>

In summary, the analytical framework for the investment climate in this work (Table 2) includes the analysis of economic aspects of the investment attractiveness of countries through the collection of statistical data on specific factors outlined in the evaluation of the investment climate in individual countries as per Table 1. Additionally, the legal framework for investment activities in individual Central Asian countries is analyzed, utilizing the existing classification of phases of investment activity based on the FDI RR Index of the OECD, with a particular focus on sectors in which the state actively seeks foreign investment.

**Table 2 The analytical framework for the investment climate**



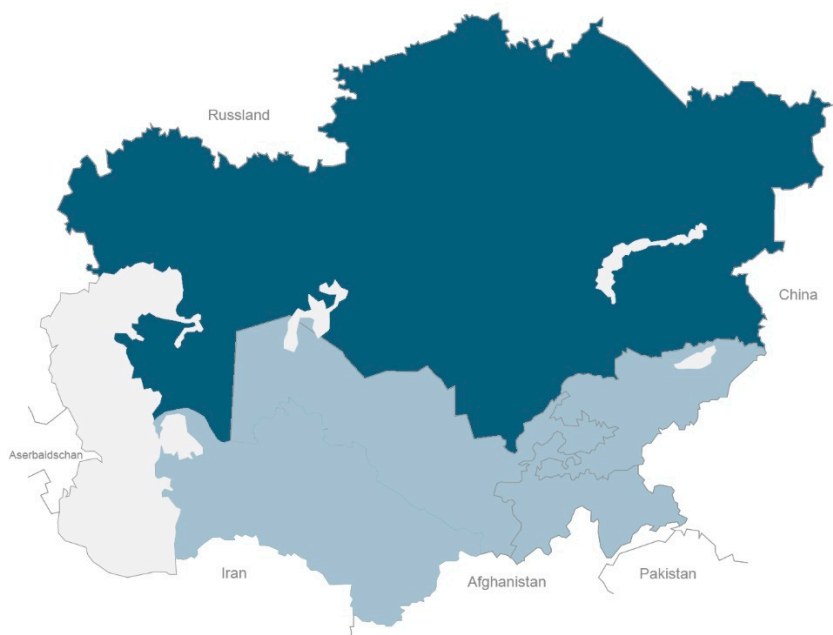
The systematic organization of information through this approach will offer potential investors a clear understanding of the socio-economic and politico-legal situation in the country in which they intend to invest. It will delineate the specific phases of investment activity governed by legislation, facilitating the more precise planning of investment activities in the countries under consideration. Consequently, the objective of this book is to cultivate a comprehensive understanding of the investment climate and the formal aspects associated with conducting investment activities in Central Asian countries.

# 4 The Investment climate in Kazakhstan

## 4.1 General Information

Kazakhstan, officially the Republic of Kazakhstan, is a unitary, democratic, secular, legal, and social state with a presidential form of government. It gained independence on December 16, 1991. Its administrative-territorial structure includes 17 regions and 3 cities of republican significance, with the capital being Astana.

Figure 1. Geographical location of Kazakhstan



Geographically, Kazakhstan is primarily located in Central Asia but extends into Eastern Europe. Often termed the world's largest landlocked country, it boasts a diverse and extensive terrain covering 2,724,902 square kilometers, equivalent in size to Western Europe. Ranked as the ninth-largest country globally by land area, it occupies 68% of the Central Asian region's territory. Despite a population exceeding 19 million, the vast landmass has a relatively low population density of 7 people per square kilometer.

To the north and west, Kazakhstan shares borders with Russia (7,591 km, the world's longest continuous land border), to the east with China (1,783 km), in the southeast with Kyrgyzstan (1,242 km), to the south with Uzbekistan (2,351 km), and to the southwest with Turkmenistan (426 km). The total length of the country's land borders is more than 13,000 km, and it has a coastline along the Caspian Sea (EAG, 2021).

The official state language is Kazakh, with Russian also officially used in state organizations and local self-government bodies on an equal basis (Constitution of the Republic of Kazakhstan, 1995, Article 7).

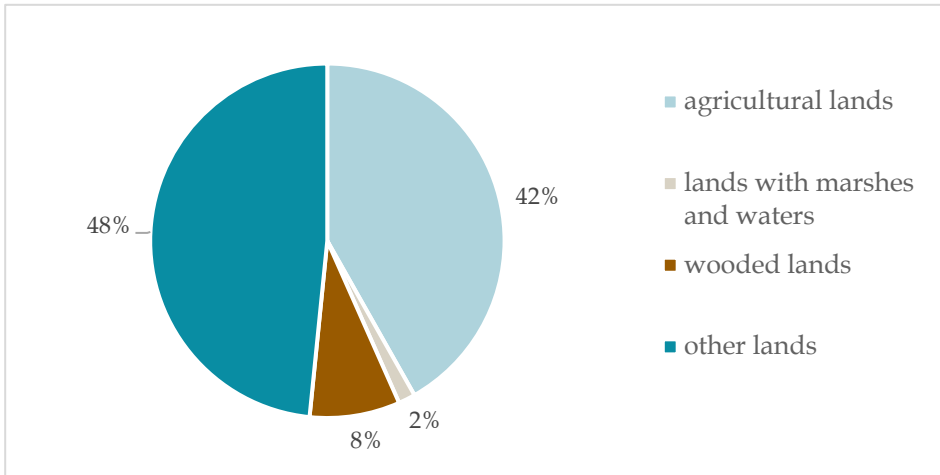
## 4.2 Socio-Economic Factors

### Stimulants

#### *Geography*

Kazakhstan, with its diverse landscapes encompassing vast deserts, plains, and forested and aquatic zones, presents a unique terrain. Approximately 44% of the country's territory is covered by arid deserts, while an additional 14% is characterized by semi-desert regions. The expansive steppes, embodying the landscapes of the Eurasian continent, occupy around 26% of Kazakhstan's territory and are renowned for their hills, endless horizons, and unique flora and fauna, making them an integral part of the country's identity. In place of limited forested areas, Kazakhstan's land includes an impressive network of rivers – totaling 8,500 watercourses – that play a crucial role for both humans and ecosystems. The northeastern part of the Caspian Sea extends into Kazakhstan, providing the country with access to this vast water expanse that serves not only as a source of economic activity but also as a unique ecological zone.<sup>2</sup>

Figure 2. Kazakhstan's Land Structure



In accordance with the Land Code of the Republic of Kazakhstan (2003), the land fund is classified by purpose and includes categories such as agricultural land,

<sup>2</sup> See The Republic of Kazakhstan, via Official website of the President of the Republic of Kazakhstan. Retrieved 25 December 2023, from [https://www.akorda.kz/en/republic\\_of\\_kazakhstan/kazakhstan](https://www.akorda.kz/en/republic_of_kazakhstan/kazakhstan)

settlements, industrial areas, transportation, communication, specially protected natural areas, forest, water fund, and reserve land.

The land sector reform, initiated in 1991, led to a redistribution of land. It is essential to note that agricultural land, which plays a crucial role in the country's economy, has decreased from 80.1% in 1990 to 42%, according to statistics from the State Statistics Committee, as a result of the phased transition of land plots into reserve land and their subsequent use in other categories.<sup>3</sup>

In 2021, agriculture accounted for approximately 5.1% of Kazakhstan's economic production. However, about 45% of the country's population resides in rural areas, and nearly 30% of the economically active population generates income through employment in agriculture.<sup>4</sup> Nevertheless, due to abundant natural resources, Kazakhstan also plays a crucial role in the global supplies of energy resources and metals. The northern region of the country is a significant hub for aluminum, gold, and iron ore extraction; the eastern region specializes in polymetallic ores; the central region supplies copper, manganese, coal, and other metals; while the southern region is involved in uranium and phosphate raw material extraction using advanced technologies. The western regions, in turn, serve as an important source of oil and gas resources and other valuable minerals.<sup>5</sup> As a result of this diversity in natural resources, Kazakhstan holds high positions in the global reserves of oil, gas, copper, gold, uranium, chromium, tungsten, zinc, and other valuable minerals, which confirms its crucial role in the global economic context (KAZENERGY, 2021, p. 122).

### *Population*

An extensive and diverse country, Kazakhstan possesses a significant labor force that plays a key role in shaping its economic and social landscape. Despite a population exceeding 19 million people, the vast land area of 2,724,902 square kilometers allows for a relatively low population density of 7 people per square kilometer, providing ample room for development and growth across the entire country. Additionally, Kazakhstan's demographic indicators show a moderate natural population growth rate of 1.3%, indicating a gradual but steady increase in population.

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<sup>3</sup> See Dinamika zemel'nogo fonda respubliky kazahstan v period nezavisimosti, via Kadastr. Retrieved 25 December 2023, from <https://kadastr.org/conf/2015/pub/monitprii/dinamika-zemelnogo-fonda-respubliki-kazahstan.htm>

<sup>4</sup> See Kazakhstan - Agricultural Sector, via International Trade Administration. Retrieved 25 December 2023, from <https://www.trade.gov/country-commercial-guides/kazakhstan-agricultural-sector>

<sup>5</sup> See Geological data, via Central Asian Countries Geoportal of Kazakhstan, Retrieved 25 December 2023, from <https://geoportal-kz.org/geological-data/>



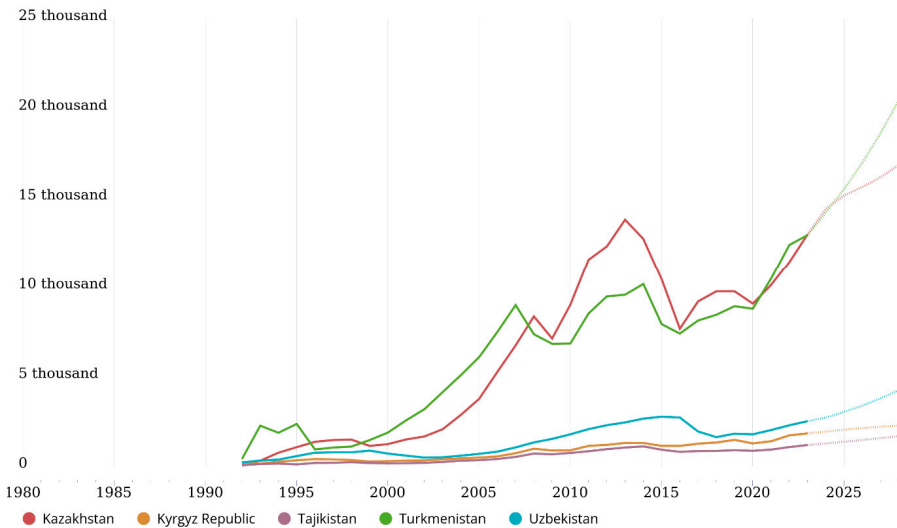
A substantial 57.5% of Kazakhstan's population falls within the working-age bracket, comprising approximately 11,358,152 individuals. This demographic, coupled with an infant life expectancy of 74.4 years, drives the national labor market. Despite this, Kazakhstan maintains a relatively low unemployment rate of 4.7%, reflecting employment stability in the country. This is a key factor in maintaining economic and social equilibrium.

Kazakhstan's labor potential is characterized by a significant working-age population, low child mortality, and a relatively low unemployment rate. These factors, coupled with an emphasis on higher education, contribute to the country's economic and social progress. As the country develops, its labor force remains a key driver of growth and development. This data can explain the reasons behind restrictions on the recruitment of foreign labor, as will be discussed later.

*Economy*

As a vast and resource-rich country in Central Asia, Kazakhstan shows impressive economic, financial, and consumer potential that propels its progress and development. Its GDP per capita, reflecting the country's economic output on a per-person basis, stands at \$12,970.00 USD. According to this indicator, Kazakhstan boasts the highest GDP per capita among Central Asian countries (Figure 3).

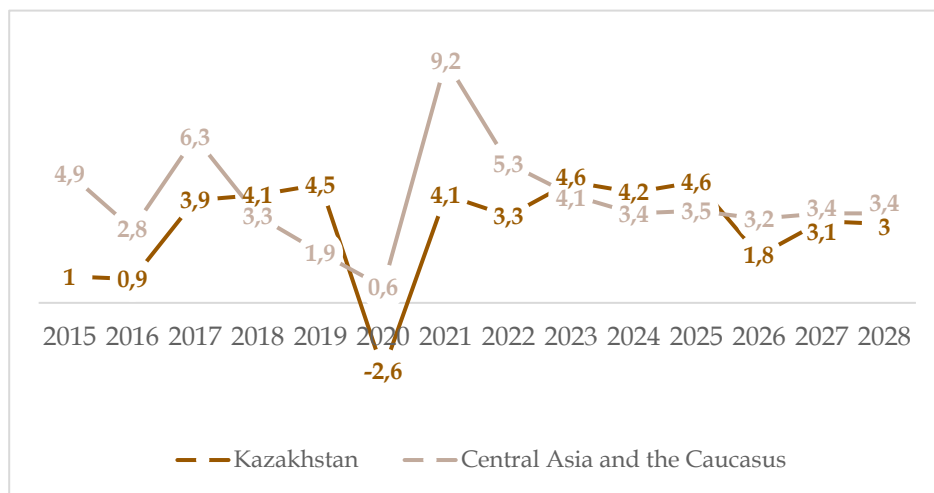
**Figure 3. GDP per capita trend (1980-2028) of Central Asian countries<sup>6</sup>**



<sup>6</sup> Source: <https://www.imf.org/external/datamapper/NGDPDPC@WEO/KAZ/TKM/UZB/KGZ/TJK>

This figure is further supported by the country's consistently robust GDP growth, except for the year 2020, which saw a decline due to the COVID-19 pandemic. By the end of 2023, Kazakhstan surpassed the average indicator of Central Asian and Caucasus countries.

Figure 4. Real GDP growth trend (2015-2028) of Kazakhstan<sup>7</sup>



In 2022, the average monthly salary in Kazakhstan was \$754 USD, representing the income earned by the workforce and contributing to consumer spending and savings. The average retirement pension is \$159 USD, while the average income per household member is \$1,051.4 USD.

Kazakhstan possesses a thriving institutional potential that serves as the backbone of its economic landscape. There is an annual growth in the number of registered legal entities, averaging 5% over the last ten years (2012-22), increasing from 317,926 to 507,238 – a growth of 189,312 units or 59.5%. Notably, the primary growth is attributed to small legal entities, with their numbers steadily increasing by an average of 4.9% each year. In contrast to small enterprises, the dynamics of medium and large legal entities are less stable. While the total number of medium and large legal entities has increased annually, there were slight declines in 2016, 2017, and 2019 (1.3%, 1.4%, and 3.1%, respectively). As of October 2023, the total number of

<sup>7</sup> Source: [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/CAQ/KAZ?year=2024](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/CAQ/KAZ?year=2024)

enterprises is 529,411, consisting of 520,382 small, 6,559 medium-sized, and 2,470 large enterprises.<sup>8</sup>

Kazakhstan's economic and financial potential is underscored by its GDP per capita, salary levels, retirement pension provisions, household incomes, consumer trends, FDI attractiveness, and investment dynamics. As the nation continues to evolve and diversify its economy, these factors will play pivotal roles in shaping its future and ensuring the well-being of its citizens.

### *Innovation*

In contrast to other Central Asian nations, Kazakhstan experienced a continuous rise in its per-capita GDP until 2014, resulting in the emergence of a burgeoning middle and upper class among the youth who were enthusiastic about international travel and pursuing education abroad. Nevertheless, the repercussions of multiple currency devaluations in 2014 and 2015 had negative effects on Kazakhstani families. Large multinational corporations have frequently highlighted a noticeable “skills gap,” indicating a deficiency in technicians, engineers, scientists, and professional managers. This has consequently fueled a growing need for education in related fields.<sup>9</sup>

According to Kazakhstan's Bureau of National Statistics, as of July 2022, the population of the country has reached 19,397,998, and 90% of the populace has completed at least secondary education. Since gaining independence in 1991, Kazakhstani citizens have increasingly opted for overseas study opportunities. The nation places a significant emphasis on higher education, boasting a considerable number of students enrolled in various colleges and universities. According to the Kazakhstan Committee on Statistics, for the Academic Year 2022-23, there were 1,149,669 students registered in higher education institutions across 116 universities and 718 organizations offering technical and professional education nationwide. Additionally, there are 3,917 libraries and 7,481 secondary schools. In addition to secondary and higher education, Kazakhstan also prioritizes scientific research. As of 2023, there are 414 science research centers in the country, employing 22,456 staff.<sup>10</sup>

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<sup>8</sup> See Osnovnye pokazateli kolichestva sub'ektov v Respublike Kazahstan (na 1 oktjabrja 2023 goda), via Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/ru/industries/business-statistics/stat-org/publications/5026/>

<sup>9</sup> See Kazakhstan - Education Services and Technologies, via International Trade Administration. Retrieved 25 December 2023, from <https://www.trade.gov/country-commercial-guides/kazakhstan-education-services-and-technologies>

<sup>10</sup> See Statistics of education, science and innovation, via Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/en/industries/social-statistics/stat-edu-science-inno/>

## Destimulants

Despite the presence of numerous incentives to attract foreign direct investment, Kazakhstan is not devoid of disincentives that may impact the decision-making process regarding investment in the country's economy.

### *Society*

Several demographic factors in Kazakhstan contribute to specific challenges for the economically active population. The pre-working-age population stands at 6,162,276, resulting in a potential demographic burden coefficient of 74. Additionally, the pensioner demographic burden coefficient is 19.76. Despite these factors, family relationships in Kazakhstan remain relatively stable, as evidenced by a moderate divorce rate of 13.78 divorces per 100 marriages and a divorce rate coefficient of 0.89 (divorces per 1,000 population). The low mortality rate, with a coefficient of 6.8 (deaths per 1,000 people), further supports positive population growth.<sup>11</sup>

In evaluating the investment landscape, the crime situation is a pertinent consideration. According to Numbeo data, Kazakhstan has a moderately low level of criminal activity.<sup>12</sup> It is crucial to acknowledge that the Crime Index from Numbeo relies on user-contributed data and perceptions. Nevertheless, when compared with official statistics, it provides a realistic portrayal of the crime situation in the country.

According to data from the Legal Statistics and Special Records Portal in the Republic of Kazakhstan, there has been a consistent annual decrease in criminal offenses. Over the past five years, the registered offenses have decreased by 32%. As of 2023, the number of reported crimes stands at 121,990, which is equivalent to 61.7 per 10,000 people.<sup>13</sup>

Contrastingly, the level of incidents involving vehicles resulting in human casualties and/or material damage has shown little change over the same five-year period. As of November 2023, there have been 11,618 road traffic accidents, amounting to 5.88 per 10,000 people. This data underscores a divergence in trends between general criminal offenses and incidents related to road traffic, highlighting the

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<sup>11</sup> See Social statistics, via Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/en/industries/social-statistics/>

<sup>12</sup> See Central Asia: Crime Index by Country 2023 Mid-Year, via Numbeo. Retrieved 25 December 2023, from [https://www.numbeo.com/crime/rankings\\_by\\_country.jsp?title=2023-mid&region=143&displayColumn=0](https://www.numbeo.com/crime/rankings_by_country.jsp?title=2023-mid&region=143&displayColumn=0)

<sup>13</sup> See Criminal offenses, via Portal of legal statistics and special accounts. Retrieved 25 December 2023, from <https://qamqor.gov.kz/crimestat/indicators>

importance of considering specific crime categories for a comprehensive understanding of the security situation in Kazakhstan.<sup>14</sup>

### *Ecology*

Kazakhstan holds the distinction of being the largest emitter of carbon dioxide in Central Asia and ranks 14th globally. The carbon intensity of Kazakhstan's GDP is twice the world average and three times that of the European Union. The country's substantial emissions stem from large-scale mining, oil and gas exploration, electricity and heating generation, and industrial activities, coupled with economic growth over the past decade and increased traffic flows. Urgent and substantial efforts are needed for effective air pollution control.<sup>15</sup>

In 2020, emissions of pollutants from stationary sources amounted to 2,441,000 tons, with the main pollutants being solids (dust and ash), sulfur dioxide, nitrogen oxides, carbon oxides, volatile organic compounds (VOCs), ammonia, and hydrogen sulfide. Regrettably, as of 2023, the situation remains largely unchanged, with emissions from stationary sources still totaling 2,314,800 tons. This underscores the persistent need for comprehensive measures to address and mitigate air pollution in Kazakhstan.<sup>16</sup>

### *Economy*

In Kazakhstan, economic disincentives are at a relatively moderate level. According to data from the State Statistics Committee, as of November 2023, the unemployment rate is 4.7%, youth unemployment is 3.6%, and the percentage of the population with a deficit of financial resources is 5.2%. Inflation, which does not exceed 10.8 percent by 2023, also supports stability in the economy. These indicators represent a reasonably stable economic condition, but it is important to closely monitor the dynamics.<sup>17</sup>

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<sup>14</sup> See Road traffic accidents, via Portal of legal statistics and special accounts. Retrieved 25 December 2023, from <https://qamqor.gov.kz/crimestat/indicators>

<sup>15</sup> See Kazakhstan - Environmental Technologies, via International Trade Administration. Retrieved 25 December 2023, from <https://www.trade.gov/country-commercial-guides/kazakhstan-environmental-technologies>

<sup>16</sup> See Statistics of environment, via Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/en/industries/environment/stat-eco/>

<sup>17</sup> See Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/en/>

## 4.3 Politico–Legal factors

### Politico-Legal Regime

#### *Political System*

The Republic of Kazakhstan positions itself as a democratic, secular, legal, and social state, operating based on principles of social consensus, political stability, economic development, and the promotion of Kazakhstani patriotism (Constitution of the Republic of Kazakhstan, 1995, Article 1). It has a unitary form of government characterized by the concentration of state power at the national level, a unified hierarchical system of state authorities, and a single-level legislative system (Constitution of the Republic of Kazakhstan, 1995, Article 2). Kazakhstan follows a presidential form of government, with power divided among the legislative, executive, and judicial branches.

The President serves as the head of state, determining the main directions of domestic and foreign policy and representing Kazakhstan in international relations. The President ensures the coordinated functioning of all branches of state power and accountability of authorities by issuing decrees and directives within their powers (Constitutional Law on the President of the Republic of Kazakhstan, 1995, Chapter 3).

The government, formed by the President, exercises executive power, heading the system of executive bodies and providing guidance for their activities (Constitution of the Republic of Kazakhstan, 1995, Article 3). It is a collegial body composed of ministries, including the prime minister, deputy prime ministers, ministers, and other officials (*ibid.*).<sup>18</sup>

The highest representative body in the country is the Parliament of the Republic of Kazakhstan, which consists of two chambers: the Senate and the Mazhilis, operating on a permanent basis. The Senate is formed by deputies representing regions, cities of republican significance, and the capital. Ten senators are appointed by the President, while five are proposed by the Assembly of the People of Kazakhstan. The Mazhilis has ninety-eight deputies, with sixty-nine elected from political parties based on party lists and twenty-nine from single-member territorial electoral districts (Constitution of the Republic of Kazakhstan, 1995, Article 4).

The judiciary in Kazakhstan is one of the branches aimed at resolving conflicts based on the Constitution, laws, and normative legal acts, exercised through various legal

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<sup>18</sup> For detailed information about the current government composition, visit <https://primeminister.kz/en/government/composition>.

proceedings as established by law. The primary function of judicial authority is to resolve conflicts and disputes that arise in public and state life, restore violated rights, and impose sanctions on those who have breached the law. Justice in the Republic of Kazakhstan is exclusively administered by the courts, and no other entities or individuals are authorized to assume the powers of a judge or perform the functions of the judicial authority.

Judicial authority is exercised through the Constitutional Court and the system of local courts. The judicial system of Kazakhstan is characterized as an independent and autonomous state branch with the purpose of safeguarding the rights, laws, and interests of citizens and organizations. The judicial system of the Republic of Kazakhstan comprises the Supreme Court, local, and other courts established in accordance with the Constitution of the Republic of Kazakhstan and constitutional laws. The highest judicial body is the Supreme Court.

### *Local Governance*

As of the December of 2023, Kazakhstan is divided administratively into 17 regions, 188 districts, and 89 cities, including 3 of republican significance (the capital city Astana and the cities of Almaty and Shymkent). Additionally, there are 29 settlements, 2,177 rural districts, and 6,295 villages.<sup>19</sup> According to the Law “On Local Government and Self-government in the Republic of Kazakhstan” (2001) the governance of each separate territorial unit is carried out through a local executive body (akimat)<sup>20</sup> and a local representative body (maslikhat).<sup>21</sup>

The system of local state administration can be divided into three levels:

- **Local state administration in administrative-territorial units at the level of the regions, cities of republican significance, and the capital;**

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<sup>19</sup> See *Administrativno-territorial'nye edinicy Respubliki Kazahstan (na nachalo 2023g.)*, via Bureau of National statistics of Agency for Strategic planning and reforms of the Republic of Kazakhstan. Retrieved 25 December 2023, from <https://stat.gov.kz/ru/industries/social-statistics/demography/publications/6381/>

<sup>20</sup> The akimat is a local collegial executive body headed by the akim (governor) of a region, a city of republican significance, or the capital, as well as a district (city of regional significance) in Kazakhstan. It operates within its competence to carry out local public administration and self-governance within the respective territory.

<sup>21</sup> The maslikhat is a local representative body elected by the population of a region, a city of republican significance, the capital, or a district (city of regional significance) in Kazakhstan. It expresses the will of the people and, in accordance with the legislation of the Republic of Kazakhstan, determines and oversees the measures necessary for its implementation.

- Local state administration in administrative-territorial units **at the level of the districts (cities of regional significance)**;
- Local state administration in administrative-territorial units **at the level of the districts in cities of republican significance (the capital), cities of district significance, settlements, rural districts, and villages.**

All levels of local administration form a unified system of executive bodies in the Republic of Kazakhstan, ensuring the executive implementation of the state policy in alignment with the interests and development needs of the respective territories.

In the first two levels, local administration is conducted by the akim of the respective level through the establishment of an akimat. The akimat is led by the akim of the corresponding level and includes deputy akims, the head of the akim's office, and leaders of the executive bodies funded from the local budget. At the third level (the level of districts in cities of republican significance (the capital), cities of district significance, settlements, rural districts, and villages), management is carried out by the akim without the formation of akimats.

The akim of the first level (region, cities of republican significance, and the capital) is appointed to the position by the President of the Republic of Kazakhstan with the consent of the deputies of the maslikhats located in the territory of the region, or the deputies of the maslikhats of the cities of republican significance and the capital, and can be dismissed from the position by the President.

The akim of the district (cities of regional significance) may be elected to the position in accordance with the Constitutional Law “On Elections in the Republic of Kazakhstan” (1995) or appointed to the position and relieved of the position by the akim of the region with the consent of the maslikhat of the respective city of regional significance or district.

Akimats and akims have a broad range of powers in accordance with the Law “On Local State Administration and Self-Administration in the Republic of Kazakhstan” (2021), effectively serving as the "president" of their territories. Akims ensure the executive implementation of state policy in combination with the interests and development needs of the respective territory. They are granted extensive powers to address financial, social, and local communal issues, as well as ensure the effective functioning of the agricultural sector, urban planning, and land sector, allowing them to manage the entrusted territory.

From the perspective of this book, the powers of the akimat are crucial for creating the conditions necessary for the development of entrepreneurial activities and the investment climate in their territories. This includes facilitating trade policies,



developing and implementing measures for promoting stationary trade facilities within territorial development programs, organizing exhibitions and fairs, and providing measures of state support for social entrepreneurship in accordance with the Code of the Republic of Kazakhstan “Entrepreneur Code of the Republic of Kazakhstan” (2015). It is important to note that the akimat, and consequently the akim, has the opportunity to work directly with entrepreneurs.

### *Legal System*

Kazakhstan falls under the Romano-Germanic legal family, indicating the presence of legally binding rules outlined in the state's legislative acts and a distinct sectoral division of legal norms. According to the Law “On Legal Acts” (2016), legal acts in Kazakhstan are categorized into two types:

- **Normative acts** – written official documents adopted in the prescribed form and by specifically authorized bodies, containing legal norms.
- **Non-normative acts** – decisions of authorized bodies that do not contain legal norms, adopted in the prescribed written or other form within their competence. These acts implement the rights and obligations established by the legislation of Kazakhstan for individually identified persons, explain the norms in normative legal acts, or serve as legal acts for individual application or in the field of state planning.

In the context of the considered law of Kazakhstan, a legal norm is understood as a universally binding rule of conduct, whether permanent or temporary, designed for repeated application. It applies to an individually indefinite circle of persons within regulated social relations. Universality, the regulation of relations involving an unlimited number of individuals, and adoption by a specially authorized body are the features that distinguish normative and non-normative acts.

Normative acts can be issued by Parliament, the President, the Government, ministers, and other heads of central state bodies, the Central Election Commission, the Supreme Audit Office, and the National Bank, as well as other central state bodies, maslikhats, akimats, akims, and revision commissions.

Territorial subdivisions of authorized bodies, along with local executive bodies authorized by the akim and funded from local budgets, are not entitled to issue normative legal acts.

Normative legal acts are further categorized into primary and derivative. The key distinction lies in the fact that derivative normative legal acts are either adopted or approved through normative legal acts of primary types, forming a cohesive whole

with them. Article 10 of the Law “On Legal Acts” (2016) outlines the following hierarchy of primary normative legal acts:

1. The Constitution of the Republic of Kazakhstan;
2. Laws amending and supplementing the Constitution;
3. Constitutional laws of the Republic of Kazakhstan;
4. Codes of the Republic of Kazakhstan;
5. Consolidated laws, laws of the Republic of Kazakhstan, temporary resolutions of the Government of the Republic of Kazakhstan with the force of law;
6. Normative resolutions of the Parliament of the Republic of Kazakhstan and its Chambers;
7. Normative legal decrees of the President of the Republic of Kazakhstan;
8. Normative legal resolutions of the Government of the Republic of Kazakhstan;
9. Normative legal orders of the ministers of the Republic of Kazakhstan and other heads of central state bodies, normative legal resolutions of the Central Election Commission of the Republic of Kazakhstan, the Supreme Audit Office of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan, and other central state bodies;
10. Normative legal orders of the heads of departments of central state bodies;
11. Normative legal decisions of maslikhats, normative legal resolutions of akimats, normative legal decisions of akims, and normative legal resolutions of revision commissions.

It is noteworthy that acts of the Chair of the Security Council, as well as the normative resolutions of the Constitutional Court and the Supreme Court of the Republic of Kazakhstan, fall outside this specified hierarchy. Their exclusion does not imply higher legal force; instead, it suggests that these acts may hold a stronger position compared to all the normative legal acts mentioned in the hierarchy, apart from the Constitution. This is because the law explicitly states that the Constitution of the Republic of Kazakhstan holds the highest legal force (Constitution of the Republic of Kazakhstan, 1995, Article 4; Law “On Legal Acts,” 2016, Article 10), and consequently, all other normative legal acts are arranged in the specified hierarchy beneath the Constitution.

From a legislative technique standpoint, a notable feature is the inclusion of the so-called “consolidated laws” in the system of normative legal acts. These laws unify and regulate comprehensive social relations in the areas specified in Article 9 of the Law “On Legal Acts” (2016). Consolidated laws are implemented through the integration of provisions from multiple laws; as a result, such a law assimilates all the characteristics of a regular law and holds the same legal force as other laws.<sup>22</sup> Consequently, there is no distinct designation in legislation as a “Consolidated Law.” Instead, it is more accurately described as a process of amalgamating several laws, causing the law to become larger than ordinary laws but smaller than codes.

Another deviation from this hierarchy pertains to international acts. As per the Constitution of Kazakhstan (1995), “international treaties ratified by the Republic take precedence over its laws” (Article 4).

The legislative system of the Republic of Kazakhstan maintains a stringent hierarchical structure, ensuring that each normative legal act of a lower level does not contradict higher-level normative legal acts. At the same time, however, this article specifically outlines the hierarchy of primary normative legal acts. This is due to the fact that the position of a derivative normative legal act in the hierarchy of normative legal acts is determined by the level of the primary act. In essence, derivative normative legal acts encompass provisions, technical regulations, rules, and instructions that serve as integral components of the primary normative legal acts.

The aim of establishing such a hierarchy is to create a unified legislative logic and determine the priority normative legal act in case of discrepancies (reference). The legislation of the Republic of Kazakhstan outlines three rules for resolving contradictions in legal norms in existing normative legal acts:

1. In the presence of **contradictions in the norms of normative legal acts of different levels**, the norms of the higher-level act apply.
2. In cases of **discrepancies between the norms of laws and the norms of the codes** of the Republic of Kazakhstan, the norms of the law can be applied only after relevant changes and/or additions are made to the codes.
3. In the presence of **contradictions in the norms of one normative legal act or normative legal acts of the same level**, the norm of the act introduced into force later, or the norm that corresponds to the act introduced into force later, applies.

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<sup>22</sup> See Question number 476205, via Open Dialog. Retrieved 20 December 2023, from <https://dialog.egov.kz/blogs/all-questions/476205>

In the absence of regulation for a specific social relationship, in addition to criminal legislation (Constitution of the Republic of Kazakhstan, 1995, Article 77), the analogy of law in the application of norms of laws regulating similar social relations, or the application of the meaning of legislation, general principles of law, and principles of specific branches of law may be applied.

#### *Transparency of the regulatory system*

The preparation of a regulatory legal act undergoes several stages before acquiring official legal force. These stages encompass the planning, preparation, and drafting of a regulatory legal act, scientific expertise, adoption, and publication of regulatory legal acts. Further details about this process can be found in the Law “On Legal Acts” (2016). All laws and international treaties involving the Republic are published, and the official publication of normative legal acts concerning the rights, freedoms, and duties of citizens is a mandatory condition for their application (Constitution of the Republic of Kazakhstan, 1995, Article 4).

Laws and presidential and government decrees are available in Kazakh and Russian on the Ministry of Justice websites (adilet.zan.kz and zan.gov.kz). The government seeks consultation on certain draft legislation with experts and the business community, and draft bills are open for public comments on another website (legalacts.egov.kz), under the Open Government section.

The implementation and interpretation of some legislation can lead to confusion. Nevertheless, the state maintains the possibility of an open dialogue with representatives of the authorities through an internet platform (dialog.egov.kz), allowing direct communication with government representatives for questions and answers regarding the interpretation of existing legislation.

## **Policy on Foreign Direct Investment**

### *Investment attraction policy*

Kazakhstan has implemented a comprehensive set of measures to attract foreign investors, emphasizing the creation of a favorable business climate. These measures include the reduction of administrative barriers, simplification of procedures, and enhancement of customs and tax administration. The government has taken specific actions to facilitate investment activities, establishing a legal framework through key legislation.<sup>23</sup>

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<sup>23</sup> See *Koncepcija investicionnoj politiki RK do 2026 goda*, via Investment committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan. Retrieved 20 December 2023, from <https://www.gov.kz/memleket/entities/invest/documents/details/333832?lang=ru>

The government of Kazakhstan has proactively developed a multi-level infrastructure to support investors, fostering open and constructive dialogues. Attention has been dedicated to establishing open, stable, and predictable conditions for attracting investment capital.

Noteworthy is the local legislation, including the Entrepreneurial Code (2015) and the Code of the Republic of Kazakhstan “On Taxes and Other Obligatory Payments to the Budget (Tax Code)” (2017), which provides incentives for both foreign and domestic investments in priority sectors such as agriculture, metallurgy, metallic ore extraction, chemical and petrochemical industries, textile and pharmaceutical industries, food production, machine manufacturing, waste recycling, and renewable energy. Companies operating in these sectors are eligible for benefits such as tax and customs duty waivers, in-kind grants, investment credits, and simplified work permits for foreign staff.

Moreover, the state actively supports investments by offering preferences, including investment incentives and a guarantee of stability in the event of changes in the tax legislation, in accordance with the Tax Code (2017).

For instance, one recent government resolution has approved rules governing the conclusion, modification, and termination of investment agreements. These agreements stimulate investment activity and promote export orientation, providing investors with a guarantee of tax legislation stability for up to ten years. In return, investors commit to financing subsequent expenses and/or expenses related to the acquisition, production, or construction of new fixed assets. This approach is expected to foster agreements with major investors, leading to job creation and contributing to regional and national development. Additionally, the agreements stipulate investor commitments to training local talent and enhancing their qualifications, embodying a comprehensive strategy to establish a resilient and sustainable investment ecosystem in Kazakhstan (Entrepreneur Code of the Republic of Kazakhstan, 2015, Article 289).

To alleviate administrative burdens for potential investors, the government has devised the Rules for the Organization of a “One-window” for Investors and a procedure for interaction in investment attraction.<sup>24</sup> This approach aims to enhance Kazakhstan's investment climate by improving the efficiency of activities related to

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<sup>24</sup> Source: Order of the Minister of Foreign Affairs of the Republic of Kazakhstan, No. 11-1-4/327, ‘On the Approval of the Rules for the Organization of the ‘One-Stop Shop’ for Investors, as well as the Procedure for Interaction in Attracting Investments’, dated June 26, 2023. Registered with the Ministry of Justice of the Republic of Kazakhstan on June 27, 2023 under the No. 32910. Retrieved 20 December 2023, from <https://adilet.zan.kz/rus/docs/V2300032910>

investor attraction and support, along with the provision of government services for investors at external, central, and regional levels.

The sole negotiator on behalf of the Government of the Republic of Kazakhstan in discussions about the prospects and conditions for implementing investment projects is the National Company KAZAKH INVEST JSC. The principle of a “single window” for investors is implemented for the provision of government services, including the granting of state support measures to investors in the form of investment preferences and assistance in obtaining the various regulatory documents necessary for the implementation and subsequent operation of investment projects. KAZAKH INVEST was established in accordance with the resolution of the Government of the Republic of Kazakhstan with the aim of promoting sustainable socio-economic development in the country by attracting foreign investments in priority sectors of the economy and providing comprehensive support for investment projects. The government's single window for foreign investors, facilitating information dissemination, business registration, and access to relevant legislation, can be accessed online.<sup>25</sup>

Furthermore, Kazakhstan boasts 14 Special Economic Zones (SEZ) and 36 industrial zones (IZ), offering exemptions from various taxes and customs duties. The SEZs provide investors with land plots and access to established infrastructure.<sup>26</sup> The Astana International Financial Center operates with the aim of facilitating investment attraction based on the principles of English law and international financial standards.

In general, Kazakhstan employs various methods to enhance the country's investment attractiveness and create favorable conditions for investors. This multifaceted approach underscores Kazakhstan's commitment to establishing a supportive environment for both domestic and foreign investments, fostering economic growth, and promoting development in key sectors.

### *International Regulatory Framework*

Kazakhstan, alongside Armenia, Belarus, the Kyrgyz Republic, and Russia, is a founding member of the Eurasian Economic Union (EAEU), established in 2014. The primary goal of the EAEU is to deepen economic integration among its member states, facilitating the free movement of services, capital, and labor across their shared

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<sup>25</sup> See Investor's Guide, via NC “KAZAKH INVEST” JSC. Retrieved 16 December 2023, from <https://invest.gov.kz/invest-guide>

<sup>26</sup> See Special Economic Zones, via NC “KAZAKH INVEST” JSC. Retrieved 16 December 2023, from <https://invest.gov.kz/ru/doing-business-here/fez-and/the-list-of-sez-and/>

territory. EAEU regulations and decisions take precedence over national regulatory systems. The Government of Kazakhstan maintains that EAEU agreements adhere to World Trade Organization (WTO) standards.

### *Laws on FDI*

The development and modification of investment policies significantly influences the decisions made by investors, who consider such factors as transparency, predictability, and the credibility of policies (OECD, 2015, p. 23). Policies naturally evolve over time, and what matters most for investors is how these changes are implemented. Creating legal provisions that allow the evaluation of the current state of the policy on attracting investment is crucial. Policy formulation can take various forms, such as the creation of a comprehensive investment law applicable to both foreign and domestic investors or the establishment of distinct laws regulating foreign and domestic investment. These laws may be embedded into various legislative frameworks, including the Constitution, corporate behavior regulations, or sector-specific laws. It is important to note that while an investment law can enhance transparency within the investment regime, it may also introduce potential uncertainties if it conflicts with other existing laws (OECD, 2015).

One criticism of Kazakhstan's legislation and policy regarding investment attraction was the administrative burden faced by businesses (OECD, 2012). In response, since 2015, the government has taken steps to reform national legislation to improve the quality of implementing investment activities and business in the country. Kazakhstan has chosen the path of codifying regulatory provisions governing FDI within entrepreneurial activities conducted by citizens, foreign nationals, and stateless persons. The Entrepreneurial Code (2015), outlines the basic principles of doing business as well as the government's relations with entrepreneurs, and codifies non-discrimination for foreign investors. The code includes incentives and preferences for government-determined priority sectors.

While other legislative acts help understand the context of the existing state policy regarding foreign investment, Kazakhstan's laws, in general, provide for non-expropriation, currency convertibility, guarantees of legal stability, transparent government procurement, and incentives for priority sectors (OECD, 2017).

The fundamental provisions of investment activities, both domestic and foreign, are regulated by the Entrepreneurial Code of Kazakhstan (2015). This code is a comprehensive document that covers all stages of investment activities and business introduction in Kazakhstan, from the legal foundations of organizing the activities of entrepreneurial entities and their interaction with the state to the main directions

and types of state support, as well as forms and methods of protecting the rights of entrepreneurial entities.

#### **Investments as understood by the legislature of the Republic of Kazakhstan**

*“Investments are all types of property (except goods intended for personal consumption), including financial leasing items since the conclusion of the lease agreement, as well as the rights to them, invested by the investor in the authorized capital of the legal entity or an increase in fixed assets used for entrepreneurial activities, as well as for the implementation of the public-private partnership project, including the concession project.”*

#### **Investor as understood by the legislature of the Republic of Kazakhstan**

Depending on the amount of investment, the following are considered investors:

- *An investor means individuals and legal entities investing in the Republic of Kazakhstan.*
- *Big investor is an individual or legal entity, making investments in the Republic of Kazakhstan in the amount of not less than two million of monthly calculation index (as of December 2023, approximately 13.7 million Euros).<sup>27</sup>*

*Entrepreneurial Code of the Republic of Kazakhstan, 2015, Article 274*

In accordance with the Entrepreneurial Code of Kazakhstan, the implementation of investment activities implies the realization of an investment project.

#### **Investment project**

*“is a set of activities involving investments in the creation of new, expansion and (or) renewal of existing production, including production, created, expanded and (or) updated during the implementation of the public-private partnership project, including the concession project.”*

*Entrepreneurial Code of the Republic of Kazakhstan, 2015, Article 284*

Legislation classifies investment projects in Kazakhstan into two types: investment priority project and special investment project. An investment priority project involves creating new productions or expanding or updating existing ones by a legal entity engaged in specific priority activities, as outlined in the list approved by the Government of the Republic of Kazakhstan. A special investment project refers to an investment project undertaken by a legal entity in Kazakhstan, registered as a participant in a special economic area or as the owner of a free warehouse in accordance with the customs legislation of Kazakhstan. Additionally, it may involve acquisition from a participant in a special economic area or be implemented by a

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<sup>27</sup> See MW (Minimum Wage), MCI (Monthly Calculated Index), and the subsistence minimum for the years 1995 – 2024, via ЮРИСТ. Retrieved 21 December 2023, from [https://online.zakon.kz/Document/?doc\\_id=1026672](https://online.zakon.kz/Document/?doc_id=1026672)



legal entity in Kazakhstan that has entered into an agreement on the industrial assembly of motor vehicles.

For a legal entity in Kazakhstan implementing an investment project in priority areas of activity, as approved by the resolution of the Government of the Republic of Kazakhstan “On some issues concerning implementation of the investment’ state support” (2016), the following investment preferences are provided in accordance with the procedures and conditions specified in Articles 285, 286, and 292 of the Entrepreneurial Code (2015):

1. For an investment project:
  - a. Exemption from customs duties;
  - b. Exemption from value-added tax on the import of raw materials and/or materials;
  - c. State in-kind grant.
2. For an investment priority project:
  - a. Exemption from customs duties;
  - b. State in-kind grant;
  - c. Tax preferences:
    - i. For the creation of new productions;
    - ii. For the expansion and/or updating of existing productions.

The procedures, conditions, and process for providing investment preferences are determined by Articles 285, 286, and 292 of the Entrepreneurial Code (2015).

## **Pre-establishment conditions**

### *Arriving in Kazakhstan*

Investment activities often involve crossing borders into the country where the investment project is intended. As of December 2023, entry and exit issues for foreign citizens and stateless persons in Kazakhstan, whether for investment or other purposes, are regulated by several legislative acts:

- Administrative Offences Code (2001);
- Law of the Republic of Kazakhstan “On the Legal Status of Foreigners” (1995);

- Law of the Republic of Kazakhstan “On Migration of the Population” (2011);
- Resolution of the Government of the Republic of Kazakhstan “On approval of the Rules for entry and stay of immigrants in the Republic of Kazakhstan, as well as their departure from the Republic of Kazakhstan and the Rules of migration control, as well as registration of foreigners and stateless persons illegally crossing the State Border of the Republic of Kazakhstan, illegally staying in the Republic of Kazakhstan, and also persons who are prohibited from entering the territory of the Republic of Kazakhstan” (2012);
- Joint order of the Acting Minister of Foreign Affairs of the Republic of Kazakhstan and the Minister of Internal Affairs of the Republic of Kazakhstan “On approval of Rules for execution of invitations, coordination of invitations to entrance of the noncitizens to the Republic of Kazakhstan, issue, cancellation, recovery of the Republic of Kazakhstan visas, as well as extension and reduction of their validity term” (2016);
- Order of the Minister of Internal Affairs of the Republic of Kazakhstan “On approval of the Rules for the provision of information by receiving individuals on immigrants staying with them, as well as transit travel of foreigners and stateless individuals through the territory of the Republic of Kazakhstan” (2016).

According to the Law “On Migration of the Population” (2011), entry and exit to Kazakhstan can be accomplished by obtaining a visa or without a visa if there is an agreement on visa-free entry and stay. Agreements on a visa-free regime have been reached with most European Union countries. Information about the visa regime for citizens and organizations is available on the Ministry of Foreign Affairs website. If a visa is required, Kazakhstan offers various visa categories and permit documents specified in the Joint order of the Acting Minister of Foreign Affairs and the Minister of Internal Affairs of the Republic of Kazakhstan (2016). These visas are classified into three main categories (A, B, C), which are further divided based on the purpose of the trip, the recipient, the multiplicity and validity period of the visa, and the duration of stay (Table 3).

Table 3. Visa Categories of the Republic of Kazakhstan<sup>28</sup>

Visa Category		Type of Visa
<b>A</b>	1, 2	Diplomatic
	3, 4	Official
	5	Investor
<b>B</b>	1,2,3	Business trip visas
	4	Visa for international road transport
	5	Visa for members of air, sea, river vessels, and train crews
	6	Visa for participation in religious events
	7	Visa for educational practice or internship
	8	Visa for permanent residence in the Republic of Kazakhstan
	10	Visa for private trips
	11	Visa for adoption of Kazakhstan citizens
	12	Visa for tourism purposes
	13	Visa for transit passage
<b>C</b>	14-22	Visa for leaving the territory of the Republic of Kazakhstan
	1	Visa for permanent residence in the Republic of Kazakhstan
	2	Visa for family reunification
	3, 4, 5, 6	Visa for employment
	7	Visa for missionary activity
	8	Visa for humanitarian reasons
	9	Visa for education
	10	Visa for private trips (ethnic Kazakhs)
	11	Visa for minors
12	Visa for medical treatment	

<sup>28</sup> Source: Joint order of the Acting Minister of Foreign Affairs of the Republic of Kazakhstan No. 11-1-2/555, dated November 24, 2016, and the Minister of Internal Affairs of the Republic of Kazakhstan No. 1100, dated November 28, 2016, “On approval of Rules for execution of invitations, coordination of invitations to entrance of the noncitizens to the Republic of Kazakhstan, issue, cancellation, recovery of the Republic of Kazakhstan visas, as well as extension and reduction of their validity term.”

On the KazInvest website, investors are advised to apply for visas in categories A5, B2, or B3.<sup>29</sup> A5 visas, designated for investors, are granted to managers, deputy heads, or heads of structural units of legal entities engaged in investment activities in the Republic of Kazakhstan, along with their family members. These visas can be either single-entry, valid for up to 90 days with the option of staying in Kazakhstan for the entire visa period, or multiple-entry, valid for up to 5 years with the possibility of staying in Kazakhstan for the entire visa period.

Category B2 multiple-entry business visas are issued for a duration of up to 180 days, allowing a maximum stay of 90 days in Kazakhstan. Category B3 multiple-entry business visas are provided to founders or board members and individuals visiting for negotiations or contract agreements related to cooperation in industrialization and investment. This visa is valid for up to one year, allowing for stays in Kazakhstan of no more than 30 days on each entry.

Furthermore, in an effort to streamline administrative processes for investors, the government of Kazakhstan permits the online application for certain visa categories (excluding investor visas) through the Visa-Migration Portal of the Republic of Kazakhstan.<sup>30</sup>

#### *Registration of Foreign Citizens*

Since January 11, 2020, foreign citizens are no longer required to register with internal affairs authorities for the first 30 days of their stay in Kazakhstan. Furthermore, the duration of a temporary stay in the Republic of Kazakhstan must not exceed 30 calendar days from the date of crossing the state border, with a cumulative limit of 90 calendar days during each 180-calendar day period.

Paragraph 9 of the Resolution of the Government of the Republic of Kazakhstan No. 148, dated January 21, 2012, mandates that the receiving party informs the migration service about the arrival of a foreigner in Kazakhstan and any subsequent change in their place of residence. This notification must occur within three working days after the foreigner's entry. The term “receiving party” encompasses citizens of the Republic of Kazakhstan, foreigners, or stateless individuals permanently residing in Kazakhstan, as well as legal entities registered in Kazakhstan that seek to invite immigrants for temporary accommodation or provide a place for their stay.

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<sup>29</sup> See Arriving in Kazakhstan, via NC “KAZAKH INVEST” JSC. Retrieved 16 December 2023, from <https://invest.gov.kz/invest-guide/arrival/>

<sup>30</sup> Web address of the Visa-Migration Portal of the Republic of Kazakhstan: <https://www.vmp.gov.kz/en>

Notification is mandatory in all cases, regardless of the mode of entry – whether with a visa or under the visa-free regime. The receiving party can submit notification through various methods:

- Online via the Visa-Migration Portal ([vmp.gov.kz](http://vmp.gov.kz))
- On paper directly to the migration service
- Electronically through the information system ([eQonaq.kz](http://eQonaq.kz))

If a foreign citizen stays in Kazakhstan for more than 30 days, the receiving party must obtain a temporary residence permit for the guest. The foreign citizen is not responsible for obtaining this permission independently; the individuals and legal entities receiving them bear the responsibility for informing authorities about the arrival, stay, and registration of a temporary residence permit.

#### *Obtaining an identification number*

In accordance with the Law “On National Registers of Identification Numbers” (2007), state bodies and other institutions are obligated to consider identification numbers when issuing documents related to registration, permits, and other similar matters.

Individuals, including entrepreneurs, may receive this identification number (IIN), while legal entities (branches and representative offices) are assigned a business identification number (BIN). Both are expressed as a sequence of digital characters, facilitating the recording of individual-specific information in the national registers.

The IIN is essential for accessing digital government services in Kazakhstan, serving as a unique code in the database for individuals entitled to services and public services. Specifically, the IIN is utilized for:

- State registration (re-registration) of legal entities or accounting registration (re-registration) of branches and representative offices;
- State registration (re-registration) of individual entrepreneurs;
- Facilitating payments and money transfers, including social security contributions, social payments, as well as meeting tax obligations;
- Opening and maintaining bank accounts in banks and organizations conducting specific banking operations;
- State registration of real estate, movable property, and other objects equivalent to immovable property;

- Issuing permits;
- Issuing registration documents;
- Registering civil status acts;
- Issuing identity documents, military IDs, and officer identity cards;
- Conducting statistical accounting;
- Engaging in foreign economic activities;
- Registering voters for elections and participating in republican referendums;
- Maintaining the information systems of central state bodies and other state institutions;
- Handling other cases established by legislative acts.

Foreign citizens also need an IIN in the following situations:

- Opening a current account in Kazakhstani banks;
- Receiving income from sources in Kazakhstan;
- Acquiring property in Kazakhstan subject to taxation;
- Appointment as executives of legal entities resident in Kazakhstan;
- Appointment as executives of branches and representative offices of non-resident legal entities.

For foreign citizens and stateless individuals, an IIN is generated during the acquisition of:

- A registration certificate;
- A residence permit for the Republic of Kazakhstan;
- Identification as a stateless person.

In the absence of an IIN for a foreign citizen or stateless individual, obtaining the number is possible through two methods:

- Visiting the Centers for Population Services (CPS) in person;
- Granting a notarized power of attorney to obtain the government service mentioned above on behalf of a foreigner.

To verify the presence of an identification number in the tax authorities' databases, individuals can use the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan website.<sup>31</sup> After obtaining the IIN at the CPS, individuals can promptly request the issuance of an electronic digital signature (EDS) for online government service usage.

According to the general rule in line with the law “On National Registers of Identification Numbers” (2007), the BIN number for legal entities (residents, branches, and representative offices) is automatically assigned during their registration. For non-resident legal entities operating in the Republic of Kazakhstan through branches and representative offices (with the formation of a permanent establishment), the BIN is assigned automatically during their accounting registration. The law itself contains exceptions for certain categories of non-resident legal entities.

### *Starting a Business*

To lawfully engage in investment activities, implement investment projects, and secure investment preferences in accordance with the Entrepreneurial Code of Kazakhstan (2015), it is imperative to establish a legal presence for the business. This can be accomplished through one of the following methods:

- Registering a new legal entity in Kazakhstan, which can be entirely foreign-owned or co-owned as a joint venture with a Kazakhstani partner;
- Establishing a branch (representative office).

The foundational legislation that delineates the forms and types of entrepreneurial entities, regulates registration issues, and prescribes the procedures, methods, and forms for entering into contractual relationships comprises:

- Entrepreneurial Code of the Republic of Kazakhstan (2015).
- Civil Code of the Republic of Kazakhstan (1994).

These serve as the cornerstone, providing guidance on the organization and regulation of business operations within the territory of Kazakhstan. In specific sections, I will also highlight other regulatory acts governing particular stages of introducing a business within the framework of investment activities.

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<sup>31</sup> See Taxpayers search, via State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan. Retrieved 25 December 2023, from [https://kgd.gov.kz/ru/services/taxpayer\\_search](https://kgd.gov.kz/ru/services/taxpayer_search)

### *Legal entities*

Determining the type, form, and category of the entrepreneurial entity through which an investment project is planned is crucial, as it directly impacts the potential incentives provided by the government. In addition to the foundational codifications mentioned earlier, the types, forms, and categories of entrepreneurial entities are regulated by the following legislative acts:

- Law of the Republic of Kazakhstan “On Economic Partnership” (1995);
- Law of the Republic of Kazakhstan “On Production Cooperatives” (1995);
- Law of the Republic of Kazakhstan “About limited and additional liability partnerships” (1998);
- Law of the Republic of Kazakhstan “On Non-commercial Organizations” (2001);
- Law of the Republic of Kazakhstan “On Joint-Stock Companies” (2003).

All these legislative acts are publicly accessible and available in English on the regulatory information system of the Ministry of Justice of Kazakhstan.

In accordance with Kazakhstan's legislation, entrepreneurial entities are classified into specific categories and types based on the purpose of activity, subject, and organizational and legal form, as well as the average annual number of employees and income. Potential entrepreneurs can select from these categories and types for the implementation of their investment projects (Tables 4 and 5).



Table 4. The classification of business entities in Kazakhstan by forms

Individual Entrepreneurship	Legal Entities						
	Commercial					Non-commercial	
	Economic Partnership				Joint-Stock Company	Production Cooperative	State Enterprise
	Full Partnership	Limited Partnership	Limited Liability Partnership	Additional Liability Partnership			
institution, public association, joint-stock company, consumer cooperative, fund, religious association, etc.							

In accordance with Article 23 of the Entrepreneurial Code (2015), citizens, including *Candace* (ethnic Kazakhs who have immigrated to Kazakhstan), and non-state commercial legal entities engaged in entrepreneurial activities (subjects of private entrepreneurship), as well as state-owned enterprises (state business entities), can be recognized as business entities. Individuals (citizens of Kazakhstan and *Candace*) conduct entrepreneurial activities by registering as individual entrepreneurs. Foreign citizens and stateless individuals cannot engage in entrepreneurial activities in the form of individual entrepreneurship (Entrepreneurial Code, 2015, Article 30).

Therefore, potential investors should consider establishing a legal entity for their investment project. According to Article 34 of the Civil Code of the Republic of Kazakhstan, a legal entity can fall into one of two categories: non-commercial or commercial. A non-commercial entity does not aim to pursue profit and does not distribute net income among its participants. Conversely, a commercial entity primarily seeks profit in its activities.

A non-commercial legal entity can take the form of an institution, a public association, a joint-stock company, a consumer cooperative, a foundation, a religious association, or any other form provided for by legislative acts. Further details about the organizational and legal forms, procedures for creation, reorganization, liquidation, and management of non-commercial organizations' activities can be found in the Law “On Non-commercial Organizations” (2001).

A commercial legal entity can be created as a state enterprise, a business partnership, a joint-stock company, or a production cooperative. The most common organizational and legal forms of commercial entities are a limited liability partnership (LLP) and a joint-stock company (JSC). More detailed information about the organizational and legal forms, procedures for creation, reorganization, liquidation, and management of these commercial organizations' activities can be found in the laws “On Economic Partnership” (1995), “On Production Cooperatives” (1995), “About Limited and Additional Liability Partnerships” (1998), and “On Joint-Stock Companies” (2013).

For the purposes of state statistics, the provision of state support, and the application of other legislative norms, all business entities are categorized based on the average annual number of employees and average annual income (Table 7).

**Table 5. Categories of business entities in Kazakhstan**

Category	Number of employees	Average annual income
<b>Microenterprise entities</b>	no more than 15	no more than 30,000 MCI <sup>32</sup>
<b>Small business entities</b>	no more than 100	no more than 300,000 MCI
<b>Medium-sized businesses</b>	more than 100 but no more than 250	more than 300,000 MCI but no more than 3 million MRP
<b>Subjects of large business</b>	more than 250	more than 3 million MCI

<sup>32</sup> See MW (Minimum Wage), MCI (Monthly Calculated Index), and the subsistence minimum for the years 1995 – 2024, via ЮРИСТ. Retrieved 21 December 2023, from

The determination of the average annual number of employees and average annual income for business entities aligns with the regulations outlined in the Order of the Minister of National Economy of the Republic of Kazakhstan “On Approval of the Rules for Calculating the Average Annual Number of Employees and Average Annual Income of Business Entities” (2023).

A notable exception to this regulation exists, as specified in Article 24 of the Entrepreneurial Code of Kazakhstan (2015). Should sole proprietors and legal entities engage in any of the following activities, they are not automatically classified as small-business entities or microenterprises:

- Trafficking of narcotic drugs, psychotropic substances, or precursors;
- Production and/or wholesale sale of excisable products;
- Grain storage activities at grain receiving points;
- Lotteries;
- Gambling business activities;
- Circulation of radioactive materials;
- Banking activities (or certain types of banking operations) and activities in the insurance market (except for the activities of an insurance agent);
- Audit activity;
- Professional activity in the securities market;
- Credit bureau business;
- Security business;
- Circulation of civilian and service weapons and ammunition;
- Digital mining activity or its subtype.

Participation in any of these specified activities automatically places business entities into the categories of medium-sized business entities or large-scale businesses.

### *State registration*

In line with the Law of the Republic of Kazakhstan “On State Registration of Legal Entities and Record Registration of Branches and Representatives” (1995) all entities established within the territory of the Republic of Kazakhstan, regardless of their purposes, activities, or participant composition, must submit to state registration. The key regulatory acts governing the registration of legal entities include:

- Code of the Republic of Kazakhstan “On Taxes and Other Obligatory Payments to the Budget (Tax Code)” (2017).
- The Law of the Republic of Kazakhstan “On State Registration of Legal Entities and Record Registration of Branches and Representatives” (1995).
- The Law of the Republic of Kazakhstan “On Compulsory Insurance of Employee from Accidents upon Performance of Labour (Official) Duties by them” (2005).
- The Law of the Republic of Kazakhstan “On National Registers of Identification Numbers” (2007).
- Order of the acting of the Minister of Justice of the Republic of Kazakhstan “On approval of the rules for the provision of public services in the field of state registration of legal entities and record registration of branches and representative offices” (2020).
- Order of the Acting Minister of Finance “On the Approval of the Rules for Providing State Services by the Revenue Authorities of the Republic of Kazakhstan” (2020).

According to the Law “On State Registration of Legal Entities and Record Registration of Branches and Representatives” (1995), all legal entities established in Kazakhstan, regardless of their purposes, activities, or participant composition, must undergo state registration. Branches and representative offices of legal entities located in Kazakhstan are subject to record registration without acquiring the status of a legal entity. The Ministry of Justice is authorized to register legal entities that are non-profit organizations and record the registration of their branches and representative offices. Registration (re-registration) of legal entities, commercial organizations, state registration of their termination, record registration (re-registration), and removal from record registration of their branches and representative offices are carried out through the State Corporation “Government for Citizens.” This law establishes two primary forms of registration:

1. State registration of legal entities involves the verification of documents submitted for state registration compliance with legislation, along with the issuance of a certificate of state registration;
2. Record registration of branches and representative offices includes the verification of documents for compliance with legislative acts, coupled with the issuance of a certificate of record registration.

Upon completing the registration process, a business identification number is assigned to the legal entity, branch, or representative office, facilitating entrepreneurs' interactions with government authorities and business activities. Depending on the legal entity's category, registration can be done either through the State Government for Citizens Corporation (medium and large entrepreneurship entities) or by submitting electronic notification through the e-Government web portal (small entrepreneurship entities). Consequently, during the registration process, a legal entity is required to provide information about the estimated annual average number of employees and the average annual income.

### *Registration as a taxpayer*

According to Article 75 of the current Tax Code (2017) the submission of information to the taxpayer database is carried out by the tax authority after assigning an identification number (IIN or BIN) to a natural or legal person (branch or representative office) based on data from the national registers of identification numbers (with the exception of subsoil use).

For the taxation of incomes of foreign legal and natural persons, the principle of residency is applied, whereby taxpayers are categorized as residents or non-residents (Karlova, 2004). According to the Tax Code (2017), residents are obligated to pay taxes on incomes from sources within and outside the Republic of Kazakhstan. Non-residents are also subject to taxation on incomes from sources in the Republic of Kazakhstan. When conducting entrepreneurial activities in Kazakhstan through a permanent establishment, a non-resident is obliged to pay taxes on incomes both from sources within and outside the Republic of Kazakhstan, related to the activities of the permanent establishment. Additionally, both residents and non-residents are required to pay other taxes and contributions to the budget, as well as social contributions, as obligations arise. The provisions of the tax legislation are applicable unless otherwise stipulated in international agreements.

A resident of the Republic of Kazakhstan, according to Article 217 of the Tax Code (2017), may fall into one of two categories:

- a. **A natural person** – if they permanently reside in the Republic of Kazakhstan<sup>33</sup> or temporarily reside outside it but have their center of life

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<sup>33</sup> The legislation establishes the following conditions for recognizing an individual as a resident in the Republic of Kazakhstan for the current tax period:

- **Duration of stay:** An individual is considered a resident if they are present in the Republic of Kazakhstan for no less than 183 or 90 calendar days (depending on the status of an investment resident) in any consecutive twelve-month period ending in the current tax period. This condition emphasizes the necessity of a prolonged physical presence in the country.

interests (citizenship, residence permit, residence near relatives, property) in the Republic of Kazakhstan.

- b. **A legal entity** – if it is established in accordance with the legislation of the Republic of Kazakhstan or if it is established in accordance with the legislation of a foreign state but has a place of effective management in the Republic of Kazakhstan.

The place of effective management of a legal entity is considered the place where the meetings of the actual management body are held, and where decisions regarding primary management, control, and commercial strategy for the entrepreneurial activity of the legal entity are made. All other entities not falling under the residency criteria are considered non-residents. However, even if an entity falls under the definition of a resident, it may be recognized as a non-resident in accordance with the terms of an international agreement regulating issues of avoiding double taxation and preventing tax evasion (Tax Code, 2017, Article 219). The conditions and procedure for registering residents and non-residents as taxpayers are regulated by the Rules for providing the state service “Registration of taxpayers”<sup>34</sup> and the Tax Code (2017). Article 76 of this Code lists all the features of registering a non-resident as a taxpayer.

#### *Screening and prior approval*

In line with the legislation of the Republic of Kazakhstan, specific procedures, either permissive or notification, are established for certain types of activities, actions (operations), and products. The primary regulatory acts governing these processes include:

- The Law of the Republic of Kazakhstan “On Permissions and Notifications” (2014);
- The Law of the Republic of Kazakhstan “On Standardization” (2018);
- The Law of the Republic of Kazakhstan “On Technical Regulation” (2020).

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- Conditions for an investment resident: An individual who is an investment resident of the International Financial Center “Astana” must also comply with the conditions set forth by the Constitutional Law of the Republic of Kazakhstan ‘On the International Financial Center “Astana”.’

<sup>34</sup> See Appendix 2 ‘The Rules for Providing the State Service ‘Taxpayer Registration’ of the Order of the Acting Minister of Finance, No. 665, ‘On the Approval of the Rules for Providing State Services by the Revenue Authorities of the Republic of Kazakhstan’, dated 10 July 2020 (with amendments as of 30 April 2021). Retrieved 26 December 2023 from [https://online.zakon.kz/Document/?doc\\_id=33705505&pos=4;-55#pos=4;-55](https://online.zakon.kz/Document/?doc_id=33705505&pos=4;-55#pos=4;-55)

Furthermore, for the detailed regulation of conformity assessment procedures for products, services, and processes with requirements set by technical regulations, standardization documents, and the application of international, regional, and foreign standards and classifiers of techno-economic information within the territory of the Republic of Kazakhstan, the following regulatory acts have been adopted:

- Order of the Acting Minister of Trade and Integration of the Republic of Kazakhstan “On Approval of the Rules for Conformity Assessment” (2021);
- Order of the Minister for Investment and Development of the Republic of Kazakhstan “On approval of the Rules for application of international, regional standards and standards of foreign states, classifiers of technical and economic information of international organizations for standardization, classifiers of technical and economic information, rules and recommendations for standardization of regional organizations for standardization, classifiers of technical and economic information, rules, norms and recommendations on standardization of foreign states” (2018).

According to the Law “On Permissions and Notifications” (2014), a permitting or notification procedure is introduced based on the level of danger associated with the activities or actions (operations) to be carried out. This procedure is categorized into the following levels:

- **Permits of the first category:** licenses introduced for activities or actions (operations) associated with a high level of danger;
- **Permits of the second category:** all permits, excluding licenses, introduced for activities or actions (operations) associated with an average level of danger;
- **Notifications:** for activities or actions associated with a low level of hazard but requiring government agencies to receive information about the initiation or termination of such activities or actions.

The levels of hazard for activities or actions (operations) are determined through an analysis of regulatory impact. The specific list of activities or actions (operations) falling into separate categories is provided in the appendices to the Law “On Permissions and Notifications” (2014).

Under the law “On Permits and Notifications” (2014), a license is a permit of the first category issued by a licensor to an individual or legal entity, as well as to a branch of a foreign legal entity, for activities with a high level of danger. Individuals and legal entities must obtain a valid permit or submit a notification to the relevant state

bodies before initiating specific types of activities or actions (operations). Engaging in activities or operations subject to a permitting or notification procedure without obtaining the necessary permission or submitting the required notification is prohibited by law.

The new law “On Technical Regulation” (2020), governs public relationships pertaining to mandatory requirements for products, including buildings and structures, covering various stages such as design, production, construction, operation, storage, transportation, sale, and disposal. The law also addresses voluntary adherence to product requirements, conformity assessment, and state control in technical regulation, establishing the legal framework for the state system of technical regulation.

The RSE “Kazakhstan Institute of Standardization and Certification” serves as the national standardization body, implementing state policy in standardization and coordinating efforts for standardization based on a consensus among stakeholders. Standards developed by the business community, government agencies, and technical committees are applied voluntarily. Mandatory product requirements are outlined in technical regulations, while production methods are defined in standards. National standards gain mandatory status if they are specified in the regulatory legal acts of Kazakhstan.

To comply with technical regulations, a list of standards is approved, ensuring voluntary alignment with regulatory requirements. The guidelines for accounting and applying international and foreign state standards on Kazakhstan's territory were established by the Minister for Investment and Development's Order on December 12, 2018 (No. 870).

It is essential to consider that Kazakhstan is a member of the Eurasian Economic Union; therefore, the legislation on technical assistance is closely intertwined with the requirements of this organization. For instance, confirming the conformity of products falling under the technical regulations of the Eurasian Economic Union (EAEU TR) is regulated by the organization's requirements. In order to release such products into circulation, it is imperative that they undergo the conformity assessment procedures established by the EAEU TR (section “Evaluation (confirmation) of conformity”).<sup>35</sup>

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<sup>35</sup> See Tehnicheskie reglamenti, vstupivshie v silu, via Euroasian Economic Comission. Retrieved 27 December 2023, from <http://www.eurasiancommission.org/ru/act/texnreg/deptexreg/tr/Pages/TRVsily.aspx>



Certainly, there are many intricacies to the screening and prior approval procedures, and all questions related to the system of state regulation pertaining to permits and notifications, technical compliance, and standardization procedures are regulated in the aforementioned regulatory acts.

## **Post-establishment conditions**

### *Land*

Land is a fundamental requirement for establishing a business in a foreign country (OECD, 2017). The key regulatory act governing land allocation in Kazakhstan is the Land Code of the Republic of Kazakhstan (2003). According to the Land Code, the entire land fund of the country is categorized into seven types based on their intended purpose:

1. Agricultural land;
2. Lands of settlements (cities, towns, and rural settlements);
3. Land for industry, transport, communications, space activities, defense, national security, and other non-agricultural purposes;
4. Lands of specially protected natural areas, lands for health-improving, recreational, historical, and cultural purposes;
5. Land of the forest fund;
6. Water fund lands;
7. Reserve land.

**Agricultural land**, per Article 97 of the Land Code of the Republic of Kazakhstan (2003), includes lands provided for agricultural needs or designated for such purposes. These comprise agricultural lands and lands occupied by on-farm roads, communications, enclosed water bodies, reclamation networks, buildings, and structures necessary for agricultural functioning, among other lands.

**Lands of settlements**, in accordance with Article 107 of the Land Code of the Republic of Kazakhstan (2003), encompass land plots provided for the development of cities, towns, villages, and other settlements, where the population ranges from 50 individuals to over a million.

Lands allocated for industrial, transportation, and other purposes, including their sanitary protection zones, fall under **the third category of lands**. This includes lands for the operation and construction of objects related to automobile, maritime, inland

water, railway, air, pipeline, and other types of transport, as well as lands for communication, radio broadcasting, television, informatics, space activities, defense, and national security. Lands of special economic and industrial zones of republican and regional significance are also included in this land category. The legal regime for this category of lands is regulated by Chapter 12 of the Land Code of the Republic of Kazakhstan (2003).

**Protected natural areas**, according to Article 122 of the Land Code of the Republic of Kazakhstan (2003), encompass the lands of state nature reserves, state national parks, state nature reserves, state regional nature parks, state zoological parks, state botanical gardens, state dendrological parks, and state natural monuments.

**Forest fund lands**, as recognized by Article 128 of the Land Code of the Republic of Kazakhstan (2003), include land plots covered by forests (of natural or artificial origin) and those not covered by forests but provided for the needs of forestry.

**Water fund lands**, in accordance with Article 132 of the Land Code of the Republic of Kazakhstan (2003), are lands occupied by water bodies (rivers and channels equal to them, lakes, reservoirs, ponds, and other internal water bodies, territorial waters), glaciers, swamps, or water management structures for regulating runoff, as well as lands located at water sources and lands allocated for water protection zones of specified water bodies and sanitary protection zones of drinking water supply systems.

As stated in Article 137 of the Land Code of the Republic of Kazakhstan (2003), **reserve lands** include all lands not granted ownership or land use rights under the jurisdiction of district executive bodies. The use of a land plot must align with its designated purpose.

The legal regime of the land is determined by its belonging to a specific category and the permitted use as defined by land zoning regulations. The allocation of lands to the designated categories and the transfer of lands from one category to another due to a change in their intended purpose are carried out by the Government of the Republic of Kazakhstan and local executive bodies of regions, cities of republican significance, the capital, districts, cities of regional significance. Additionally, the provision and withdrawal of land plots, including those needed for state purposes, are governed by established laws.

Foreigners, stateless persons, or foreign legal entities (non-state) have the right to privately own land plots designated for development or already built up with industrial and non-industrial structures, including residential buildings. This

ownership extends to complexes and the land intended for the maintenance of buildings and structures, all in accordance with their intended purpose.

However, land plots designated for agricultural production and afforestation are not eligible for private ownership by foreigners, stateless persons, or foreign legal entities (non-state). Currently, there is a moratorium until December 31, 2026, on granting the right of temporary land use through lease to foreigners, stateless persons, foreign legal entities, or legal entities where their share in the authorized capital is more than fifty percent.<sup>36</sup> This moratorium is in accordance with the Decree of the President of the Republic of Kazakhstan “On the Introduction of a Moratorium on the Application of Certain Provisions of Land Legislation” (2016), but the corresponding amendment has not yet been incorporated into the current version on online platforms. In turn, agricultural land plots owned by the state may be allocated to citizens and legal entities of the Republic of Kazakhstan without foreign participation for land use.

Lands of SEZs and IZs of republican and regional significance are provided for temporary paid land use from lands not classified as agricultural, and are allocated to their respective managing companies. These managing companies, in turn, allocate these lands to participants of special economic zones and industrial zones of republican and regional significance in accordance with the procedures and conditions established by the legislation of the Republic of Kazakhstan on special economic and industrial zones.

The participants in SEZs and IZs of republican and regional significance are granted the right to acquire ownership of land plots under the following conditions as outlined in the legislation of the Republic of Kazakhstan on special economic and industrial zones and in accordance with the Land Code:

- After the expiration of the period of operation of the special economic zone:
  - Subject to the participant fulfilling the obligations specified in the agreement for conducting activities within the special economic zone.
- At any time, provided that:
  - All facilities outlined in the project of a participant in an industrial zone of republican or regional significance have been commissioned.

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<sup>36</sup> See Decree of the President of the Republic of Kazakhstan, No. 248, ‘On the Introduction of a Moratorium on the Application of Certain Provisions of Land Legislation’, dated 6 May 2016. Retrieved 6 December 2023 from <https://adilet.zan.kz/rus/docs/U1600000248>

In the case specified in the second condition, a participant in an industrial zone of republican or regional significance is entitled to purchase the land plot at a price equivalent to the cadastral (assessed) value determined at the conclusion of an agreement on activities within an industrial zone of republican or regional significance.

Here, the fundamental provisions that may be of interest to the majority of potential investors are disclosed. For more detailed information on the procedure for obtaining and using land, please familiarize yourself with the Land Code.

### *Labor*

The primary regulatory acts governing labor employment issues are:

- The Labor Code of the Republic of Kazakhstan (2015);
- The Social Code of the Republic of Kazakhstan (2023).

These acts oversee the general provisions concerning the employment of citizens of the Republic of Kazakhstan as well as foreign citizens and stateless persons. However, considering their legal status within the Republic of Kazakhstan, additional requirements for the employment of foreign citizens and stateless persons are also regulated by the following acts:

- The Law of the Republic of Kazakhstan “On Migration” (2011);
- The Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan “On the Approval of the Rules for Establishing Quotas for the Attraction of Foreign Labor to the Republic of Kazakhstan and its Distribution among Regions, Cities of Republican Significance, and the Capital” (2023);
- The Resolution of the Government of the Republic of Kazakhstan “On Determining the List of Persons for Whom Local Executive Bodies' Permission is Not Required to Attract Foreign Labor for Employment” (2023).

As per Article 34 of the Law “On Migration” (2011), immigrants arriving for employment purposes are categorized as follows:

- **Foreign workers:** Immigrants arriving for independent employment in priority sectors of the economy or being recruited by employers in Kazakhstan, including intra-corporate transfers;<sup>37</sup>

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<sup>37</sup> An intra-corporate transfer, in accordance with the Law “On Migration” (2011), is a temporary transfer for a specified period set by an employment contract, not exceeding three years, with the

- **Business immigrants:** Immigrants arriving for entrepreneurial activities;
- **Seasonal foreign workers:** Immigrants attracted for a period not exceeding one year to perform seasonal work as per the approved list of professions;
- **Labor immigrants:** Immigrants arriving in Kazakhstan as domestic workers with permission to work in household activities for individuals.

Lists of seasonal professions, priority sectors of the economy, and professions in demand for attracting foreign citizens and stateless persons are approved by the following acts:

- The Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan “On the Approval of the List of Professions for the Employment of Seasonal Foreign Workers” (2023);
- The Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan “On the Approval of the Rules for Issuing or Extending Certificates to Foreigners or Stateless Persons Regarding the Correspondence of Their Qualifications for Independent Employment, the List of Priority Sectors of the Economy (Types of Economic Activities), and Professions in Demand for the Independent Employment of Foreigners and Stateless Persons” (2023).

As stipulated by Article 36-1 of the Law “On Migration” (2011), a quota for attracting foreign labor to carry out work activities in Kazakhstan is established to protect the domestic labor market. However, the requirement for an annual quota allocation for foreign labor does not apply to foreigners or stateless persons engaged in work activities within the framework of intra-corporate transfers. Additionally, Article 36-1 of the Law “On Migration” (2011) and the Resolution of the Government of the Republic of Kazakhstan, dated November 24, 2023, No. 1041, specify a list of persons exempt from the requirement for quota allocation for foreign labor, and employers are not required to obtain permits to attract foreign labor for them.

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possibility of extension for one year. This transfer applies to foreign citizens or stateless individuals engaged in employment in positions such as executives, managers, or specialists in a legal entity established in a country that is a member of the WTO and located outside of it. The transfer is carried out to branches, subsidiaries, or representations of this legal entity that operate within the territory of the Republic of Kazakhstan in accordance with the legislation of this country (Article 1, § 6-1).

In other cases, the procedure for establishing quotas and attracting such foreign workers for work activities in Kazakhstan is regulated by the Law “On Migration” (2011) and the Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan, dated June 30, 2023, No. 274.

### *Taxation and Customs administration*

Issues pertaining to taxation and customs administration are of considerable significance and merit dedicated scrutiny. Given the constraints of this work, I will provide only an overview of the legislation governing these matters. The primary legislative acts guiding taxation and customs regulation include:

- The Tax Code of the Republic of Kazakhstan (2017);
- The Code of the Republic of Kazakhstan “On Customs Regulation in the Republic of Kazakhstan” (2017).

Tax legislation in Kazakhstan is applicable across the entire territory and to all individuals, both physical and legal, along with their structural units identified as participants in relevant tax relations. The Tax Code (2013) delineates property and actions as subjects of taxation and/or objects associated with taxation, the presence and/or basis of which give rise to the taxpayer's tax obligation.

It is noteworthy that, beyond general tax provisions, tax legislation in Kazakhstan specifies particular tax preferences and credits for investment activities. Separate provisions are also outlined for the taxation of entities in special economic zones, managing companies in economic and industrial zones, organizations implementing investment priority projects, and individuals who have entered into investment agreements or investment commitment agreements.

Customs regulation in the Republic of Kazakhstan encompasses the governance of relations within the customs territory of the Eurasian Economic Union, where the Republic of Kazakhstan holds exclusive jurisdiction. This entails establishing procedures for the movement, location, and utilization of goods across the customs border, conducting customs operations, temporary storage, and customs declaration and release, as well as the payment of customs duties and customs control.

Customs relations not governed by the customs legislation of the Eurasian Economic Union are subject to the customs legislation of the Republic of Kazakhstan. The realm of customs affairs is geared towards ensuring compliance with international treaties and the legislation of the Republic of Kazakhstan.

Certainly, there are also special tax and customs regimes established in economic and industrial zones. The establishment and regulation of tax and customs regimes in such zones are dictated by the Law of the Republic of Kazakhstan “On Special Economic and Industrial Zones” (2019).

## **Protection of Business**

The comprehensive protection of rights can be ensured within normative and institutional frameworks (Emelonye et al., 2020; Juma, 2012). The former involves adopting relevant legislative acts, while the latter entails establishing specialized organizations or entities to ensure the implementation of the adopted legislative acts. Kazakhstan employs various legal and institutional measures to protect investors and their businesses within its territory.

### *Normative Framework*

In addition to the aforementioned legal acts aimed at protecting the domestic market and ensuring lawful entrepreneurial activities in the country, special legal mechanisms have been established to facilitate free entrepreneurship and promote healthy competition. Specifically, the country has legal regimes for the protection of both tangible and intellectual property, ensuring competition and compensation, as well as regulating the bankruptcy process.

## PROTECTION OF REAL AND INTELLECTUAL PROPERTY

Secured interests in both fixed and non-fixed property are acknowledged by the Civil Code and the Land Code. Amendments signed into law by the President prohibit certain entities, including foreigners, stateless individuals, foreign legal entities, entities with foreign participation, international organizations, and scientific centers with foreign involvement, along with repatriated Kazakhs, from owning or leasing agricultural lands.<sup>38</sup> In 2022, the government introduced an online platform ‘JerKarta’ ([jerkarta.gharysh.kz](http://jerkarta.gharysh.kz)) to consolidate data on the rectification of agricultural land plots that were unlawfully privatized or misused.

Kazakhstan also has a robust legal framework for the protection of intellectual property rights (IPR). In line with efforts to join the WTO and attract foreign investment, the country consistently enhances its legal regime to ensure the effective protection of IPR. The legal framework for IPR protection in Kazakhstan can be divided into two categories:

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<sup>38</sup> See Decree of the President of the Republic of Kazakhstan, No. 248, ‘On the Introduction of a Moratorium on the Application of Certain Provisions of Land Legislation’, dated 6 May 2016. Retrieved 6 December 2023 from <https://adilet.zan.kz/rus/docs/U1600000248>

- Codified normative acts regulating relationships related to intellectual property, recognizing the exclusive rights of individuals or legal entities to the results of intellectual creative activity, and related means of individualization (Civil Code). These acts also regulate legal procedures for protecting intellectual property and the responsibilities for infringements (Civil Procedural Code, Tax Code, Code on Customs Regulation, Code on Administrative Offences, and Criminal Code);
- Specific normative acts directly regulating intellectual property issues (Law on Copyright and Related Rights, Law on Patents, Law on Trademarks, Service Marks and Appellations of Origin, Law on the Protection of Selection Achievements).

In addition, there are other procedural acts that regulate aspects of intellectual property protection and ensure compliance with the existing legal framework available on the website of the World Intellectual Property Organization (WIPO).<sup>39</sup> Kazakhstan has also ratified 18 of the 24 treaties endorsed by the WIPO.<sup>40</sup>

#### COMPETITION AND ANTI-MONOPOLY (ANTITRUST)

The primary regulatory document in the field of competition protection in Kazakhstan is the Entrepreneurial Code. It addresses issues related to competition, including cartel agreements and unfair competition. Additionally, matters concerning competition assurance, the prohibition of unfair competition, and the establishment of responsibility for violations of antimonopoly legislation are regulated within the framework of the Constitution (1995), Civil Code (1994), Administrative Offences Code (2001), and Criminal Code (1997).

A specialized regulatory act governing the fight against monopolies in Kazakhstan is the Law “On Natural Monopolies” (2018). State regulation for preventing monopolistic activities and unfair competition is achieved by:

- Establishing criteria for recognizing market entities as monopolies or dominants;
- Determining a list of actions considered violations of antimonopoly legislation.

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<sup>39</sup> See Kazakhstan, via WIPO. Retrieved 27 December 2023, from <https://www.wipo.int/wipolex/en/members/profile/KZ?collection=laws&collection=treaties>

<sup>40</sup> See WIPO-Administered Treaties, via WIPO. Retrieved 27 December 2023, from [https://www.wipo.int/wipolex/en/treaties/ShowResults?country\\_id=97C](https://www.wipo.int/wipolex/en/treaties/ShowResults?country_id=97C)



Legislation provides several measures to ensure competition protection, including preventive, monitoring, and control measures, as well as investigations conducted by the Antimonopoly Authority against market entities that have committed violations, leading to corresponding accountability.<sup>41</sup> Restriction and prevention measures against anticompetitive actions by government bodies and local executive bodies are also outlined. In accordance with the aforementioned regulatory acts, violations of antimonopoly legislation may result in civil, administrative, or criminal liability.

Additionally, Kazakhstan is a party to various international agreements within the Eurasian Economic Union (EAEU), the Commonwealth of Independent States (CIS), and other bilateral agreements regulating aspects of antimonopoly policy.<sup>42</sup>

## BANKRUPTCY

Bankruptcy issues are regulated by the Law of the Republic of Kazakhstan “On Rehabilitation and Bankruptcy” (2014). The Bankruptcy Law safeguards the rights of creditors during insolvency proceedings. Bankruptcy is not treated as a criminal offense unless the court establishes that it was premeditated or if rehabilitation measures were conducted wrongfully (Criminal Code of the Republic of Kazakhstan, 1997, Articles 237, 238). The law simplifies bureaucratic requirements for bankruptcy filings, provides creditors with a greater role in ongoing operations, imposes a time limit for adopting rehabilitation or reorganization plans, and introduces court supervision requirements.

### *Institutional Framework*

In Kazakhstan, an institutional framework has been established to interact with and protect the interests of foreign investors through various state entities or positions. These entities or positions are created both within the government (under the President and Prime Minister of the country) and as non-commercial organizations.

## UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN

In Kazakhstan, the following institutions have been formed directly under the President:

- The Foreign Investors’ Council (FIC)

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<sup>41</sup> See Decree of the President of the Republic of Kazakhstan, No. 428, ‘On Some Matters of the Agency for Protection and Development of Competition of the Republic of Kazakhstan’, dated 5 October 2020. Retrieved 27 December 2023, from <https://adilet.zan.kz/rus/docs/U2000000428#z17>

<sup>42</sup> See Pravovaja baza, via ЮРИСТ. Retrieved 27 December 2023, from [https://online.zakon.kz/Document/?doc\\_id=37311718&pos=85;-4#pos=85;-4](https://online.zakon.kz/Document/?doc_id=37311718&pos=85;-4#pos=85;-4)

- The Commissioner for the Protection of the Rights of Entrepreneurs of Kazakhstan (Business Ombudsman)

The FIC is an advisory body chaired by the President of the Republic of Kazakhstan (Decree of the President of the Republic of Kazakhstan, No. 3985, 1998). It serves as a platform for direct dialogue between the Government of Kazakhstan and foreign investors, aiming to address issues related to their investment activities and enhance the country's investment climate. The FIC formulates recommendations for the President and Government of Kazakhstan on key aspects of investment policy, economic development, legal frameworks, and strategies to attract additional foreign investments. It holds an annual plenary meeting chaired by the President to exchange opinions and provide recommendations.

The Business Ombudsman, appointed by the President for a four-year term, operates under the legal framework outlined in Articles 307-313 of the Entrepreneurial Code of the Republic of Kazakhstan (2015). Reporting solely to the President, the Business Ombudsman's key functions include representing and safeguarding the rights of entrepreneurs, addressing appeals, recommending the suspension of regulatory acts, initiating petitions to the prosecutor's office, and, if necessary, filing court claims. In cases of systemic violations beyond the power of state bodies to resolve, the Commissioner can submit appeals to the President.

The institution of the Business Ombudsman in Kazakhstan was established following the creation of the National Chamber of Entrepreneurs, “Atameken.” Initially, “Atameken” set the legal groundwork prior to the adoption of the Entrepreneurial Code. After the establishment of all the necessary bodies and regulatory documents, the Business Ombudsman emerged, functioning within the legal framework created by “Atameken.” To avoid confusion among entrepreneurs, as both entities provide protection, the Business Ombudsman's office operates as part of “Atameken,” handling relevant issues.<sup>43</sup>

## UNDER THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

To ensure investor protection and enhance the investment climate in the country, the Government of the Republic forms commissions, councils, and other advisory bodies led by the Prime Minister, deputy prime ministers, and government

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<sup>43</sup> See Upolnomočennyj po pravam predprinimatelej Kazahstana Bolat Palymbetov rasskazal o tom, kto i kak zashishaet biznes, via ЮРИСТ. Retrieved 28 December 2023, from [https://online.zakon.kz/Document/?doc\\_id=39410587&pos=4;-71#pos=4;-71](https://online.zakon.kz/Document/?doc_id=39410587&pos=4;-71#pos=4;-71)

members.<sup>44</sup> These bodies generate proposals and provide recommendations on matters within their areas of competence. Key entities include:

- The Investment Attraction Council
- The Investment Climate Improvement Council
- The Intermediate Council of Foreign Investors
- The Investment Ombudsman

**The Investment Attraction Council** develops proposals and recommendations for investment projects within the Republic of Kazakhstan. It focuses on intensifying engagement with potential investors as part of the state policy for investment attraction, while at the same time considering deferred conditions. Additionally, the council addresses issues related to investment projects requiring decisions at the government leadership level (Directive of the Prime Minister of the Republic of Kazakhstan, No. 64-r, 2021).

**The Investment Climate Improvement Council** implements a unified investment policy for the Republic of Kazakhstan in line with economic development priorities. Its objectives include facilitating the attraction and effective utilization of both domestic and foreign investments (Directive of the Prime Minister of the Republic of Kazakhstan, No. 90-r, 2016).

**The Intermediate Council of Foreign Investors** develops recommendations and proposals on key aspects of investment policy in the Republic of Kazakhstan. This includes defining the main directions of the country's investment policy, improving the investment climate, enhancing the regulatory and legal framework related to investments, supporting foreign companies in diversifying the economy, improving the industrial sector, developing small and medium-sized businesses, integrating the country's economy into global economic processes, formulating strategies for attracting foreign investments, and implementing significant investment programs and projects of international significance in Kazakhstan.

In addition to commissions, councils, and other advisory bodies, there is also an institution facilitating direct dialogue and protection with investors: **The Investment Ombudsman**. The Investment Ombudsman, appointed by the Government of the Republic of Kazakhstan, plays a crucial role in safeguarding the rights and legitimate

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<sup>44</sup> See List of Advisory Bodies under the Government of the Republic of Kazakhstan, headed by the Prime Minister of the Republic of Kazakhstan, via Official Information Source of the Prime Minister of the Republic of Kazakhstan. Retrieved 27 December 2023, from <https://primeminister.kz/ru/government/advisory>

interests of investors. Designated by the Prime Minister according to the Decree of April 20, 2019 (No. 216), the Investment Ombudsman's legal status is defined in Articles 314–317 of the Entrepreneurial Code (2015), with oversight by the authorized investment body. Operating under the regulations outlined in the Government's Resolution of December 26, 2015 (No. 1069), the Investment Ombudsman is tasked with addressing investor appeals, facilitating extrajudicial issue resolution, and proposing legislative enhancements to the Government.

## NON-COMMERCIAL ORGANIZATIONS

The National Chamber of Entrepreneurs of the Republic of Kazakhstan, “Atameken,” is a non-commercial organization established on September 9, 2013, through a joint decision of the Government of the Republic of Kazakhstan and the National Economic Chamber of Kazakhstan, “Union Atameken.” Its formation aims to enhance businesses' negotiating power with the government and state entities.

Within the structure of the National Chamber of Entrepreneurs, “Atameken,” various departments operate to protect different sectors. Notably, the Department of Legal Protection of Entrepreneurs stands out as a unit specifically equipped to provide legal assistance to investors and serves as a pivotal unit dedicated to safeguarding the rights and legitimate interests of business entities. It functions as an integral part of the apparatus led by the Commissioner for the Protection of the Rights of Entrepreneurs of Kazakhstan.

The department assumes the role of the secretariat for the Council for the Protection of Entrepreneurs' Rights and Anti-Corruption, addressing systemic business issues and forwarding recommendations to central government bodies based on council meetings. Importantly, the department collaborates with the Prosecutor General's Office and the Anti-Corruption Agency. Its experts offer legal assistance to entrepreneurs, including the preparation of legal claims and reviews.

## Dispute Settlement

The Entrepreneurial Code of Kazakhstan (2015), specifically Article 296, stipulates that investment disputes stemming from contractual obligations between investors and government authorities can be resolved through negotiations or a pre-established dispute resolution procedure. If resolution proves unattainable through these methods, the disputes are then settled in accordance with international treaties and Kazakhstani legislation, either through domestic courts or arbitrations agreed upon by both parties. Subsequently investment disputes may be settled through negotiation, litigation, or arbitration.

## NON-LITIGATION

Mediation, as an extrajudicial method of dispute resolution, is chosen voluntarily by the involved parties to achieve specific objectives. The Law of the Republic of Kazakhstan “On Mediation” (2011), establishes rules governing the settlement of public relationships, encompassing the legal status of mediators and mediation organizations as well as the mediation procedure. The principles underlying mediation include voluntariness, confidentiality, equality of parties, independence and impartiality of the mediator, and the prohibition of interference in the procedure. Mediation occurs under a mutual agreement between the parties, formalized through a mediation agreement. This procedure is applicable in disputes involving individuals or legal entities, especially when a government agency is one of the parties, as specified by Kazakhstan's laws, but mediation is not employed in criminal cases related to corruption or other crimes against the interests of the civil service or the public administration. If the mediation process results in a dispute settlement, the parties sign a written agreement, which is then voluntarily executed within the stipulated terms.

## LITIGATION

The organizational and legal activities of courts in the Republic of Kazakhstan are governed by the country's Constitution (1995) and constitutional laws such as “On the Constitutional Court of the Republic of Kazakhstan” (2022) and “On the Judicial System and the Status of Judges of the Republic of Kazakhstan” (2000). Additionally, specific provisions regarding legal proceedings are outlined in the Criminal Procedure Code (2014), Civil Procedural Code (2015), Administrative Procedural and Process-Related Code (2020), and other normative legal acts. As per the stipulations of these regulatory acts, judicial power on behalf of the Republic of Kazakhstan is exclusively exercised by the courts, which comprise permanent judges and, when necessary, jurors involved in criminal proceedings. The following courts operate in the country according to the Constitution:

- **Constitutional Court:** This court ensures the supremacy of the Constitution by overseeing the correctness of elections, reviewing normative legal acts and international treaties for compliance with the Constitution, and providing official interpretations of constitutional norms (Constitution of the Republic of Kazakhstan, 1995, Section VI).
- **Supreme Court:** This court is responsible for administering justice across civil, criminal, and other legal proceedings (Constitution of the Republic of Kazakhstan, 1995, Section VII).

The Constitutional Court focuses on ensuring that all adopted normative legal acts, international treaties, and interstate contractual and other obligations of the Republic of Kazakhstan align with the Constitution. While we do not have the space to delve into a detailed examination of the Constitutional Court's work, it is worth noting that the primary category of disputes is handled in ordinary courts, also known as courts of general jurisdiction, led by the Supreme Court. Therefore, understanding the system of these courts is more pertinent for a potential investor, aiding in orientation for dispute resolution through legal proceedings.

Legal proceedings in Kazakhstan adhere to a typical structured procedure wherein individuals or their representatives can submit evidence to support their claims and advocate specific legal interpretations. Subsequently, a judge evaluates both the factual and legal aspects before reaching a decision (Prakken & Kaptein, 2016).

Within the judicial system of Kazakhstan, courts of general jurisdiction are categorized into two hierarchical groups:

1. **Supreme Court** of the Republic of Kazakhstan;
2. **Local Courts**, further classified into:
  - a. Regional and equivalent courts (city court of the capital, city courts of cities of republican significance);
  - b. District and equivalent courts (city court, inter-district court).

This division of the court system of the Republic of Kazakhstan corresponds to the hierarchical division where:

- The Supreme Court, as the highest judicial body, considers cases falling under its jurisdiction as the court of first instance and in the cassation procedure – i.e., motions, submissions, and protests against judicial acts of the courts of first and appellate instances.
- Regional and equivalent courts hear cases falling under their jurisdiction as the court of first instance. They also consider complaints or protests against judicial acts of the court of first instance that have not entered into legal force in the appellate procedure.
- District and equivalent courts exclusively handle cases as the court of first instance based on the substance of the appeal to the court.

### **Supreme Court of the Republic of Kazakhstan**

The Supreme Court in the Republic of Kazakhstan is the highest judicial body, dealing with civil, criminal, and other cases under the jurisdiction of the local and

other courts. It acts as a cassation instance, reviewing court cases and materials, studying judicial practice, providing clarifications on issues of judicial practice, and issuing normative resolutions. The Supreme Court also makes decisions on the observance of legality in the administration of justice by the courts of the Republic and executes other powers provided by law.

The Supreme Court of the Republic of Kazakhstan consists of the Chair and judges, the total number of which is determined by the President of the Republic upon the recommendation of the Chair of the Supreme Court. Judicial panels, including those for civil, criminal, and administrative cases, as well as specialized compositions, are formed in the Supreme Court. The Supreme Court's bodies include plenary and expanded plenary sessions, judicial panels for civil, criminal, and administrative cases led by chairpersons, as well as specialized compositions. Scientific advisory councils, an international council, a printing organ, and the Academy of Justice operate under the Supreme Court.

### **Regional and Equivalent Courts**

Regional and equivalent courts are formed, reorganized, renamed, or abolished by the President upon the recommendation of the Chair of the Supreme Court, in coordination with the Supreme Judicial Council. The bodies of this court include plenary and expanded plenary sessions, as well as judicial panels for civil, criminal, and administrative cases. Additionally, an advisory and consultative body, the Council for Interaction with Courts, assesses the moral and ethical qualities of candidates for judicial positions and issues opinions and recommendations before their appointment.

Regional and equivalent courts consider court cases and materials falling under their jurisdictions as well as appellate complaints and protests against decisions rendered by district and equivalent courts that have not yet entered into legal force. Furthermore, they study judicial practice and, based on its generalization, address issues of legality compliance in the administration of justice by the region's courts, along with other powers stipulated by law.

### **District and Equivalent Courts**

District and equivalent courts are formed, reorganized, renamed, and abolished by the President of the Republic of Kazakhstan, upon the recommendation of the Chair of the Supreme Court, in coordination with the Supreme Judicial Council. In some administrative territorial units, one or more district courts may be established. A district court consists of a chair and judges, serving as the court of first instance and exercising other powers provided by law.

In courts of general jurisdiction, legal proceedings take two main forms:

- **Criminal proceedings**, where criminal offenses are considered and resolved, addressing issues of criminal responsibility for crimes specified in the Criminal Code of the Republic of Kazakhstan.
- **Civil proceedings**, where cases related to the protection of violated or contested rights, freedoms, and legitimate interests are considered. These include cases:
  - of civil, family, labor, housing, financial, economic, land, and other legal relationships;
  - for the recognition and enforcement of decisions, court orders of foreign courts, and arbitration decisions;
  - for the annulment of arbitration decisions and the enforcement of such decisions.

### **Specialized Courts in the Judicial System of the Republic of Kazakhstan**

In the Republic of Kazakhstan, specialized courts, including military, financial, economic, administrative, juvenile, and others, may operate. These are established by the President of Kazakhstan with the status of regional or district courts. Military, economic, administrative, and juvenile courts, as well as courts for administrative offenses, fall into this category.

**Military Courts:** The organization and functioning of military courts are influenced by the specific structure of the state Armed Forces. They possess jurisdiction as both courts of first and appellate instances, as well as for judicial supervision and due to newly discovered circumstances. Military courts handle cases involving military personnel, military management bodies, and military units when not addressed by other specialized courts.

**Specialized Inter-District Courts for Juveniles:** Also known as juvenile courts, these are integral to the juvenile justice system. They have jurisdiction over all cases and disputes arising from the Constitution and laws. Juvenile courts function as comprehensive courts, addressing a broad spectrum of civil cases involving minors. Specifically, they have jurisdiction over criminal cases related to offenses committed by minors, criminal cases violating the rights of minors, as well as civil and administrative cases.

**Specialized Inter-District Criminal Courts:** Operating as the court of first instance, these courts have jurisdiction over cases involving particularly serious crimes and those heard with the participation of jurors.



**Specialized Interdistrict Administrative Court:** Here, emphasis is placed on specialized interdistrict administrative courts and interdistrict economic courts. As outlined in Paragraph 3 of Article 102 of the Administrative Procedural and Process-Related Code of the Republic of Kazakhstan (2020), the specialized interdistrict administrative court adjudicates claims from investors specified in Parts 1-2 of Article 27 of the Civil Procedural Code of the Republic of Kazakhstan (2015). These claims involve challenging administrative acts, administrative actions (or inaction) of administrative bodies and officials.

**Specialized Inter-District Economic Courts:** In accordance with Paragraphs 1-2 of Article 27 of the Civil Procedural Code (2015), specialized inter-district economic courts handle civil cases related to investment disputes, excluding those falling under the jurisdiction of specialized inter-district administrative courts. These courts adjudicate civil cases involving both property and non-property disputes. The parties involved may include individuals conducting individual entrepreneurial activities without forming a legal entity or entities as well as corporate disputes. Specifically:

- Disputes Involving Commercial Entities:
  - Commercial organizations, associations (unions) of commercial organizations, and individual entrepreneurs;
  - Non-commercial organizations with the status of a self-regulatory organization in accordance with the laws of the Republic of Kazakhstan, and their shareholders (participants, members), including former ones.
- Cases Related to Financial Organizations and Banking Conglomerates:
  - Restructuring of financial organizations and organizations within a banking conglomerate functioning as a parent organization but not classified as financial organizations.
- Debt Restructuring, Rehabilitation, and Bankruptcy Cases:
  - Individual entrepreneurs and legal entities, including cases of liquidation without initiating bankruptcy proceedings, as provided for by legislation.
- Investment Disputes:
  - Civil cases related to investment disputes, excluding cases under the jurisdiction of specialized inter-district administrative courts.

- Lawsuits by government bodies against investors involved in investment activities, featuring the participation of:
  - Foreign legal entities (branches, representative offices) engaged in entrepreneurial activities within the territory of the Republic of Kazakhstan;
  - Legal entities established with foreign participation, owning fifty percent or more of the voting shares (participation interest in the charter capital);
  - Investors with a contract with the state for investment implementation.

All legal proceedings consider cases involving citizens of Kazakhstan, foreign citizens, stateless persons, legal entities registered in Kazakhstan, foreign legal entities, international organizations, and foreign citizens and stateless persons engaged in entrepreneurial activities.

In Kazakhstan, legal proceedings are conducted in the Kazakh language, alongside which the Russian language is also officially used. Individuals participating in a case who do not understand the language of the proceedings have the right to full access to case materials, participation in court proceedings through an interpreter, and to address the court in their native language (Criminal Procedure Code, 2014, Article 30; Civil Procedural Code, 2015, Article 14).

Judicial power is wielded on behalf of the Republic of Kazakhstan, with the primary goal of safeguarding the rights, freedoms, and lawful interests of citizens and organizations, and ensuring the implementation of the Constitution, laws, other normative legal acts, and international treaties of the Republic.

According to the legislation, everyone is guaranteed judicial protection against any unlawful decisions and actions of state bodies, organizations, officials, and other individuals that infringe or restrict the rights, freedoms, and lawful interests provided by the Constitution and laws of the Republic.

## ARBITRATION

In accordance with Article 24 of the Civil Procedural Code of Kazakhstan (2015), a dispute (conflict) arising from civil legal relations may, by the written agreement of the parties, be resolved through mediation, participatory procedure, or submitted for consideration to arbitration or the court of the Astana International Financial Centre (AIFC) in cases not prohibited by law .

The primary regulations concerning the adjudication of cases in arbitration courts pertaining to disputes arising from civil relations involving individuals and/or legal entities, irrespective of their place of residence or location within or outside the state, are governed by the Law of the Republic of Kazakhstan “On Arbitration” (2016). According to this law, arbitration is a non-governmental court established as permanently operating or for the resolution of a specific civil dispute. Permanently operating arbitrations can be formed by individuals and/or legal entities in accordance with the legislation of the Republic of Kazakhstan. An arbitration for the resolution of a specific dispute is created by the parties to resolve the dispute and operates until the resolution of the dispute or until the parties decide to transfer the dispute to court. Currently, there are 18 permanent arbitrations.<sup>45</sup> In addition, the AIFC’s International Arbitration Center (IAC) operates independently and is not governed by the Law on Arbitration.<sup>46</sup>

The arbitration award is considered binding, and upon submission of a written application to the court, it is enforced in accordance with the civil procedural legislation of the Republic of Kazakhstan. If the arbitration award does not specify a time limit, it is subject to immediate execution. The compelled execution of an arbitration award follows the procedures of enforcement proceedings in effect at the time the arbitration award is executed, based on a writ of execution issued by the court.

The execution of foreign court decisions in Kazakhstan is permitted only in the presence of an international agreement, such as a legal assistance agreement or a multilateral agreement. If there is no such agreement for the recognition and enforcement of decisions from international arbitration courts, Kazakhstan relies on the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, June 10, 1958) (Decree of the President of the Republic of Kazakhstan dated October 4, 1995, No. 2485, on the accession of the Republic of Kazakhstan to the Convention) and the Convention on the Settlement of Investment Disputes between States and Individuals or Legal Entities of Other States (Washington, March 18, 1965) (ratified by the Republic of Kazakhstan by Law of the Republic of Kazakhstan dated 07/09/04 No. 589-II).

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<sup>45</sup> See Register of permanent arbitrages and arbitrators, members of ACK, via the Arbitration Chamber of Kazakhstan. Retrieved 28 December 2023, from <https://palata.org/en/registry>

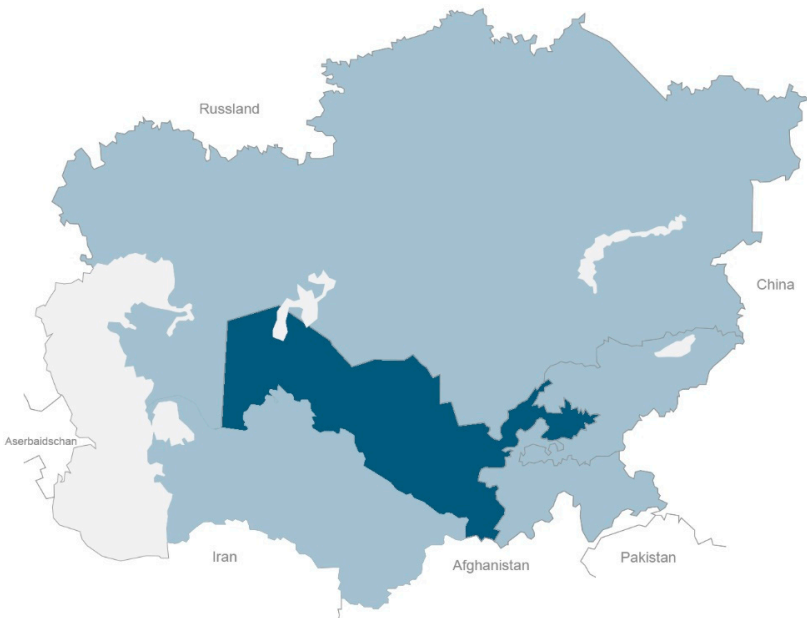
<sup>46</sup> See Official Webpage of International Arbitration Centre: <https://iac.aifc.kz/en>

# 5 The Investment climate in Uzbekistan

## 5.1 General Information

Uzbekistan, also known as the Republic of Uzbekistan, like its Central Asian counterparts, gained independence in 1991 after the collapse of the Soviet Union. It demonstrated its commitment to democratic ideals, a market economy, human rights, and the rule of law (Urinboyev, 2021), declaring itself a sovereign, democratic, legal, social, and secular state in its Constitution. In contrast to Kazakhstan, Uzbekistan's legislatively established form of government is a republic (Constitution, 1992, Article 1). The country's administrative-territorial structure includes 12 regions, 1 republic, and the capital city, Tashkent.

Figure 5. Geographical location of Uzbekistan



Situated between the Amu Darya and Syr Darya rivers, the Republic of Uzbekistan covers an area of 448.9 thousand square kilometers. It stretches 1,425 kilometers from west to east and 930 kilometers from north to south. Although not vast in territory like Kazakhstan, Uzbekistan occupies 11.2% of the total area of Central Asia, but the country distinguishes itself through its human capital and geostrategic location. Positioned at the center of the region, it shares borders with all Central Asian countries, enabling more advantageous cooperation for the promotion and protection of national interests (Burghart, 2002).

Uzbekistan's northern and northeastern borders adjoin Kazakhstan (2,203 km), the eastern and southeastern borders neighbor Kyrgyzstan (1,099 km) and Tajikistan (1,161 km), the western border meets Turkmenistan (1,621 km), and the southern border links to Afghanistan (137 km), with a total state border length of 6,221 kilometers (EAG, 2022).

## 5.2 Socio-economic factors

### Stimulants

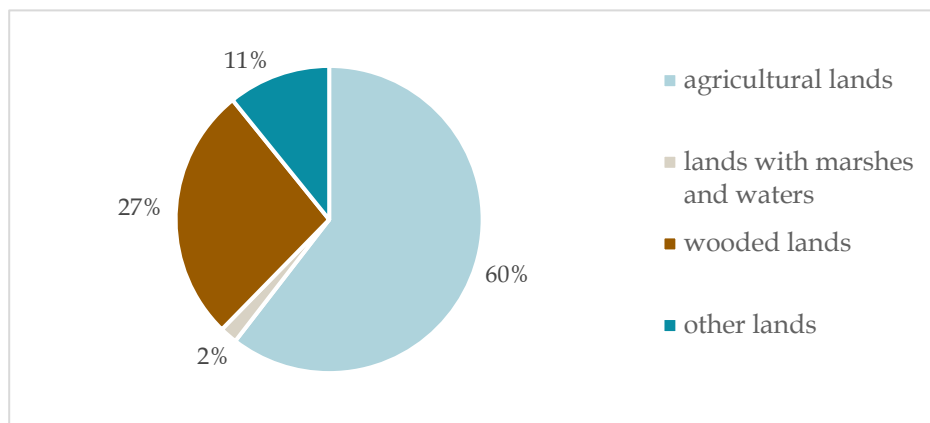
#### *Geography*

A landlocked country in Central Asia, Uzbekistan is home to a diverse landscape rich in natural resources. Roughly four-fifths of its territory comprises vast plains. In the north-central region lies the Kyzyl Kum, one of the world's largest deserts, encompassing about 298,000 square kilometers. This desert, also known as the Red Sand in Uzbek, ranks 15th globally and extends from Uzbekistan into Kazakhstan and Turkmenistan. To the west, the expansive Karakum desert contributes to the country's arid landscapes. Additionally, Uzbekistan features mountainous and foothill areas, with the eastern part dominated by middle and high-altitude landforms, including the West Tien Shan (Ugam, Pskem, Chatkalskiy, Kurama) and the Pamir-Alai (Zeravshan, Turkestan, Hissar, Kugitangtau Baysantau) mountain ranges.

Moving south and west, the mountainous terrain gradually gives way to vast plains. Large valleys and basins, such as Kashkadarya, Surkhandarya, Zarafshan, and Samarkand, lie between these mountains. The most significant is the Ferghana Valley, stretching 370 kilometers in length and up to 190 kilometers in breadth, uniquely surrounded by mountain ranges on three sides, with an opening only to the west.

The Land Code of the Republic of Uzbekistan (1998) specifies a land fund categorized by purpose, including agricultural lands, lands for settlements, lands for industrial, transport, communication, defense, and other purposes, lands for nature conservation, recreation, and health purposes, lands of historical and cultural significance, forest lands, water lands, and reserve lands. As of January 1, 2022, the total land area within Uzbekistan's administrative boundaries was 44,892,400 hectares, with irrigated lands covering 4,331,700 hectares (Kadastr Agentligi, 2022). The ongoing digitization of Uzbekistan's land registry aims to enhance the efficient utilization of land resources. Considering the republic's total area of 44.9 million hectares, 92.2% of it, including agricultural lands (23.9 million hectares), forest lands (11.9 million hectares), lands for nature conservation (2.9 million hectares), and reserve lands (1.7 million hectares), has been incorporated into the Integrated Cadaster and Registration Information System through the creation of electronic maps (ibid).

Figure 6. Uzbekistan's Land Structure



Agriculture plays a crucial role in Uzbekistan's economy, contributing approximately 25% of its GDP and employing around 26% of its labor force (International Trade Administration, 2023). This is evident in the predominant use of land for agriculture, with roughly 60% of the country's territory allocated for this purpose. In light of this, the government aims to double farmers' income and achieve a minimum annual growth of 5% in the agriculture sector from 2022 to 2026 through intensive development programs, the application of advanced scientific achievements, digitalization, and the adoption of new technologies (ibid).

Uzbekistan is rich in natural resources, boasting substantial industrial and mineral potential, unique agricultural resources, and a significant amount of semi-finished products obtained through processing, complemented by developed infrastructure. The extraction of minerals is based on abundant deposits of precious, non-ferrous, and rare metals, as well as hydrocarbon fuels such as oil, natural gas, gas condensate, brown and semi-coking coal, shale, and uranium ores. Uzbekistan holds particularly high proven reserves of natural resources, such as gold, uranium, copper, natural gas, tungsten, potassium salts, phosphates, and kaolin clays (the country ranks 16th in the world for gold reserves and 9th in gold production, 16th in natural gas production, 11th in copper reserves, and 10th in uranium production).<sup>47</sup>

### *Population*

Situated at the crossroads of Central Asia, Uzbekistan possesses a robust labor potential crucial for its socio-economic development. The nation has a relatively dense population, with 78 individuals per square kilometer of land and a healthy

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<sup>47</sup> See About Uzbekistan, via the Agency for Strategic Reforms under the President of the Republic of Uzbekistan. Retrieved 7 December 2023, from <https://asr.gov.uz/en/about-uzbekistan>

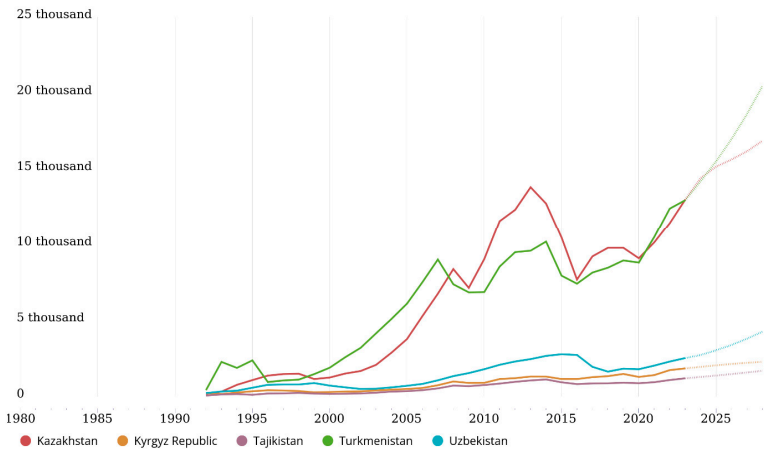
natural population growth rate of 2.0%, indicating a steady and sustainable increase in its population. Notably, 58.6% of Uzbekistan's population falls within the working-age category, totaling approximately 21,107,228 individuals in 2023. This demographic serves as the driving force behind the nation's labor force, significantly contributing to economic progress. Combined with an infant life expectancy of 74.3 years, this demographic dynamic shapes the national labor market. Uzbekistan boasts a comparatively low unemployment rate of 5.3%, signifying a stable labor market crucial for maintaining social and economic stability.<sup>48</sup>

Uzbekistan's labor potential is characterized by a substantial working-age population and low child mortality rates. These factors, combined with a focus on higher education, contribute significantly to the country's economic and social progress. As the nation develops, its labor force continues to serve as a fundamental driver of growth and development.

*Economy*

Uzbekistan presents a unique blend of economic, consumer, and financial potential that shapes its socio-economic landscape at the heart of Central Asia. The GDP per capita in Uzbekistan stands at 2,710.00 USD, reflecting the economic output on a per-person basis. In this regard, Uzbekistan ranks third among the countries in the region, following Kazakhstan and Turkmenistan (Figure 7).

Figure 7. GDP per capita trend (1980-2028) of Central Asian countries<sup>49</sup>



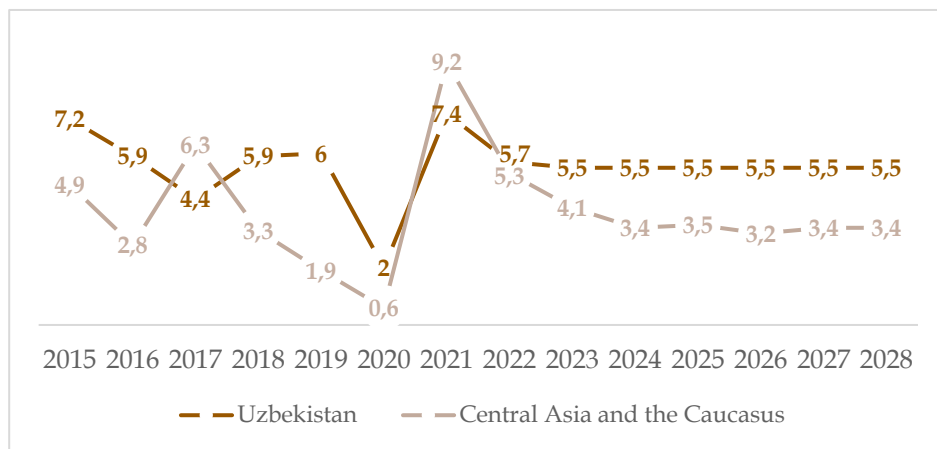
<sup>48</sup> Data in this paragraph extracted from <https://stat.uz/en/official-statistics/demography>

<sup>49</sup> Source: <https://www.imf.org/external/datamapper/NGDPDPC@WEO/KAZ/TKM/UZB/KGZ/TJK>



However, Uzbekistan consistently maintains robust GDP growth, with the exception of the year 2020, when a decline occurred due to the impact of the COVID-19 pandemic. Since 2022, Uzbekistan's GDP growth has exceeded the regional average, and according to IMF estimates, the country is anticipated to sustain a stable GDP growth of around 5.5% for the next five years.

Figure 8. Real GDP growth trend (2015-2028) of Uzbekistan<sup>50</sup>



In 2023, the average gross monthly salary in Uzbekistan was \$353 USD, while the average income per household member was \$316 USD. The average retirement pension stood at \$88 USD per month.<sup>51</sup>

Uzbekistan is taking steps to foster the development of small and medium-sized businesses, which will serve as the backbone for its economic growth. According to data from the Statistical Agency, as of September 1, 2022, the total number of active enterprises and organizations (excluding farms and dehkans) was 571,332. This represents an increase of 43,479 compared to the same period in 2021 and a growth of 284,679 compared to 2017. The average annual growth rate of the number of enterprises in Uzbekistan over the five-year period (2017-22) was approximately 14.14%. As of December 2023, the total number of enterprises and organizations operating in the country reached 592,371, of which 523,506 were classified as small enterprises.<sup>52</sup>

<sup>50</sup> Source: [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/CAQ/UZB](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/CAQ/UZB)

<sup>51</sup> Data in this paragraph extracted from <https://stat.uz/images/press-reliz-uzb.pdf>

<sup>52</sup> Data in this paragraph extracted from <https://siat.stat.uz/reports-filed/256/line-data>

The presented data underscores Uzbekistan's economic and financial potential. As the nation continues to evolve and diversify its economy, these factors will play pivotal roles in shaping its future and ensuring the well-being of its citizens.

### *Innovation*

Primary education in Uzbekistan is both free and compulsory, leading to nearly universal literacy in the country. However, as per the Investment Statement of the U.S. Department of State, local technical and managerial training often falls short of international business standards. This has resulted in concerns about the younger generation not receiving a sufficiently high-quality education. Nevertheless, foreign firms report that younger Uzbekistanis demonstrate flexibility in adapting to changing international business practices.<sup>53</sup>

Acknowledging existence of this issue, the President of Uzbekistan approved the Concept for the Development of Science until 2030 on October 29, 2020.<sup>54</sup> This concept introduces innovations and targets in science funding, management, workforce training, and infrastructure development. To enhance the management of the science sector, plans include implementing a national rating system, fostering social partnerships, diversifying financial support, and increasing investment in research projects. The primary goals encompass elevating funding for science, training personnel, developing infrastructure, and creating a modern information environment. Specific strategies involve increasing the share of GDP allocated to science, establishing venture funds, and emphasizing young specialists in leadership positions.

According to the Agency of Statistics, key indicators in the education and science sectors for the 2022-23 academic year show 1,468,142 students registered in higher education institutions across 191 universities and 827 organizations offering technical and professional education nationwide. Additionally, there are 402 libraries and 10,289 secondary schools. Beyond mandatory and higher education, Uzbekistan prioritizes scientific research: As of 2023, there are 262 science-research centers with 36,700 staff employed.<sup>55</sup>

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<sup>53</sup> See 2023 Investment Climate Statements: Uzbekistan, via U.S. Department of State. Retrieved 10 December 2023, from <https://www.state.gov/reports/2023-investment-climate-statements/uzbekistan/>.

<sup>54</sup> See Decree of the President of the Republic of Uzbekistan, No. UP-6097, 'On Approval of the Concept for the Development of Science until 2030', dated 29 October 2020. Retrieved 11 December 2023, from <https://lex.uz/pdfs/5073449>.

<sup>55</sup> Data in this paragraph extracted from <https://stat.uz/en/official-statistics/social-protection>

## Destimulants

While Uzbekistan has implemented numerous incentives to attract foreign direct investment, the country is not without disincentives that may influence the decision-making process for investment in its economy.

### *Society*

Several demographic factors in Uzbekistan contribute to specific challenges for the economically active population. The pre-working-age population stands at 10,835,512, resulting in a potential demographic burden coefficient of 70.7. Additionally, the pensioner demographic burden coefficient is 19.34. Despite these factors, family relationships in Uzbekistan remain relatively stable, as evidenced by a moderate divorce rate of 16.46 divorces per 100 marriages and a divorce rate coefficient of 1.35 (divorces per 1,000 population). The low mortality rate, with a coefficient of 4.8 (deaths per 1,000 people), further supports positive population growth.<sup>56</sup>

In evaluating the investment landscape, the crime situation is a pertinent consideration. According to Numbeo data, Uzbekistan exhibits a low level of criminal activity.<sup>57</sup> It is crucial to acknowledge that the Crime Index from Numbeo relies on user-contributed data and perceptions and when compared with official statistics, it provides a realistic portrayal of the crime situation in the country.

According to data from the Agency of Statistics, Uzbekistan has not witnessed a significant increase in the number of committed crimes. The crime rate remains relatively low, amounting in December 2023 to 29.2 crimes per 10,000 people or a total of 105,215 crimes.<sup>58</sup> A similar situation can be seen in road traffic accidents: As of December, there have been 5,577 road traffic accidents as of September 2023, which translates to 1.55 accidents per 10,000 people.<sup>59</sup>

### *Ecology*

On October 3, 2023, in Strasbourg, another discussion on Uzbekistan took place in the Committee on Foreign Affairs of the European Parliament. During the meeting, German MEP Viola von Cramon emphasized the existing environmental issues in

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<sup>56</sup> Data in this paragraph extracted from <https://stat.uz/ru/ofitsialnaya-statistika/demography>

<sup>57</sup> See Central Asia: Crime Index by Country 2023 Mid-Year, via Numbeo. Retrieved 25 December 2023, from [https://www.numbeo.com/crime/rankings\\_by\\_country.jsp?title=2023-mid&region=143&displayColumn=0](https://www.numbeo.com/crime/rankings_by_country.jsp?title=2023-mid&region=143&displayColumn=0)

<sup>58</sup> Data extracted from <https://stat.uz/en/official-statistics/crime-and-justice>

<sup>59</sup> Data extracted from <https://data.egov.uz/eng/data/6107bba62a2e256d868e8670?page=3>

Uzbekistan.<sup>60</sup> This can be corroborated by the fact that emissions from stationary sources still total 874,000 tons, equivalent to an average of 1.95 tons of air pollution per square kilometer.

Acknowledging the severity of this issue, the country's authorities are also concerned. The Minister of Ecology, Environmental Protection, and Climate Change expressed these concerns in an interview with *Gazeta.uz*, noting insufficient powers and attention from regional leaders and environmental authorities to effect change (*Gazeta News*, 2023).

To address these environmental challenges, the state is taking specific measures. On December 2022 the President signed a decree transforming the Ministry of Natural Resources into the Ministry of Ecology, Environmental Protection, and Climate Change.<sup>61</sup> According to this decree, measures are being implemented to strengthen punishments for environmental crimes and cruel treatment of animals. Additionally, steps are being taken to transition to a green economy.

### *Economy*

In Uzbekistan, there exists a moderate level of economic disincentives. As of December 2023, statistics from the Ministry of Employment and Poverty Reduction of the Republic of Uzbekistan reveal an unemployment rate of 8.8%.<sup>62</sup> Youth unemployment at 14.5% (as of July 2022),<sup>63</sup> and 14.1% of the population facing a shortage of financial resources.<sup>64</sup> The inflation rate remains stable, not surpassing 8.8% in November 2023.<sup>65</sup> While these figures suggest a relatively steady economic situation, it is crucial to monitor the dynamics closely.

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<sup>60</sup> See Verbatim report of proceedings, via European Parliament. Retrieved 14 December 2023, from [https://www.europarl.europa.eu/doceo/document/CRE-9-2023-10-03-ITM-019\\_EN.html](https://www.europarl.europa.eu/doceo/document/CRE-9-2023-10-03-ITM-019_EN.html)

<sup>61</sup> See Resolution of the President of the Republic of Uzbekistan, No. PP-436 'On measures to increase the effectiveness of reforms aimed at transitioning the Republic of Uzbekistan to a "Green" economy until 2030', dated 2 December 2022. Retrieved 11 December 2023, from <https://lex.uz/en/docs/6303233>

<sup>62</sup> Data extracted from <https://data.egov.uz/eng/data/61025aa22a2e256d868e82ef>

<sup>63</sup> Data extracted from <https://mehnat.uz/index.php/oz/news/ozbekistonda-ishsizlik-darajasi-88-foizni-tashkil-etdi>

<sup>64</sup> Data extracted from <https://siat.stat.uz/reports-filed/1737/table-data>

<sup>65</sup> Data extracted from <https://cbu.uz/en/monetary-policy/annual-inflation/indicators/>

## 5.3 Politico–legal factors

### Politico-Legal Regime

#### *Political System*

Uzbekistan positions itself as a sovereign, democratic, legal, social, and secular state, as outlined in Article 1 of its Constitution. To implement the principles of a social state and address the interests of various population groups, the state is committed to creating favorable conditions through improvements in the education and healthcare systems, the reduction of social inequality, and support for socially vulnerable or needy segments of the population.

The formal definition of the state structure in Uzbekistan is unitary (Melvin, 2001). It is important to note, however, the administrative-territorial structure includes the separate sovereign Republic of Karakalpakstan, which has its own Constitution and legislative body, the Jokargy Kenes. Despite this, the requirement that the Constitution and other norms of the Republic of Karakalpakstan comply with the Constitution of the Republic of Uzbekistan allows for the construction of a unified hierarchical system of state authorities and legislation (Constitution of the Republic of Uzbekistan, 2023, Chapter 17).

Uzbekistan follows a republican form of government, where state power is divided into legislative, executive, and judicial branches. The President, serving as the head of state and the highest official, ensures the coordinated functioning and interaction of all branches of state power. The President, alongside the Parliament (Oliy Majlis), represents Uzbekistan domestically and in international relations. The President ensures the coordinated functioning of all branches of state power and government accountability through the issuance of decrees and resolutions within their powers (Constitution of the Republic of Uzbekistan, 2023, Article 110; Law “On Normative Legal Acts”, 2021, Article 12).

The collegial body of the Cabinet of Ministers, the highest executive authority in the Republic of Uzbekistan, is headed by the Prime Minister. This body oversees the effective functioning of the economy as well as the country’s social spheres. Comprising the Prime Minister, deputy prime ministers, ministers, chairs of state committees, and the chairs of the Council of Ministers of the Republic of Karakalpakstan, the Cabinet of Ministers plays a crucial role in governance. The candidate for Prime Minister is proposed to the President by the political party with the highest number of deputies in the Legislative Chamber of the Oliy Majlis, or by multiple political parties that together represent the highest number of parliamentary

seats. After Presidential consideration, the candidacy of the Prime Minister is submitted for approval by the chambers of the Oliy Majlis. Other members of the Cabinet of Ministers are approved by the President upon the Prime Minister's recommendation, following approval by the Legislative Chamber, and are dismissed by the President (Law “On the Cabinet of Ministers of the Republic of Uzbekistan (new edition)”, 2019, Chapter 2).<sup>66</sup>

Legislative power is vested in the highest state representative body, the Oliy Majlis (Supreme Assembly). Consisting of two chambers – the Legislative Chamber (lower chamber) and the Senate (upper chamber) – the Oliy Majlis exercises legislative authority (Constitution of the Republic of Uzbekistan, 2023, Chapter 18). The Legislative Chamber comprises one hundred and fifty deputies elected on a multi-party basis in territorial single-member constituencies (Law “On the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan”, 2002). The Senate, with 65 members, is formed of four members each from the Republic of Karakalpakstan, the regions, and the city of Tashkent, elected from among the deputies of the Jokargy Kenes of the Republic of Karakalpakstan and representative bodies of state power in regions, districts, and cities. The remaining nine members are appointed by the President (Law “On the Senate of the Oliy Majlis of the Republic of Uzbekistan”, 2002).

Judicial power in Uzbekistan is a distinct branch of state power aimed at resolving conflicts arising in society based on the Constitution, laws, and other legal acts. Administered solely by the judiciary, the judicial power is exercised through various legal proceedings. The primary task of the judiciary is to resolve conflicts, restore violated rights, and punish those who have violated the law.

The judicial system in the Republic of Uzbekistan includes the Constitutional Court, the Supreme Court, military courts, the Court of the Republic of Karakalpakstan, regional and Tashkent city courts, the Administrative Court of the Republic of Karakalpakstan, and administrative courts in regions and Tashkent city, as well as inter-district, district, and city courts for civil and criminal cases, inter-district economic courts, and inter-district administrative courts.

### *Local Government*

As of 2023, Uzbekistan is administratively divided into 12 regions, 177 districts, 120 cities, 1,058 settlements, and 10,990 rural settlements (villages and hamlets), in addition to the Republic of Karakalpakstan.<sup>67</sup> According to the Law of the Republic

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<sup>66</sup> Further details on the composition of the Cabinet of Ministers can be found on the official website: <https://www.gov.uz/en/lists/guidance/>.

<sup>67</sup> Data extracted from <https://siat.stat.uz/>

of Uzbekistan “On Local Government Power” (1993), the administration of each separate territorial unit is carried out through a local executive body (hokimiyat)<sup>68</sup> and a local representative body (the Kengash of People's Deputies).<sup>69</sup>

The system of local government can be categorized into three levels:

1. Local government in administrative-territorial units **at the level of regions and the capital city**
2. Local government in administrative-territorial units **at the level of districts and cities**
3. Local government in administrative-territorial units **at the level of district-subordinated cities**

All levels of local government form a unified, hierarchical system of executive bodies in the Republic of Uzbekistan. This system ensures the implementation of overall state policy by the executive branch, in conjunction with the interests and development needs of the respective territories. The unity and hierarchy of the system of executive bodies are reflected in the process of forming their composition.

The executive authority at the regional, district, and city levels is led by a hokim, who serves as the highest-ranking official in the respective territory. The hokim of a region or of Tashkent city is accountable to the President of the Republic of Uzbekistan and the respective Kengash of People's Deputies. The hokim of a district or city is accountable to the higher-ranking hokim and the corresponding Kengash of People's Deputies.

The appointment and dismissal process for hokims follows a hierarchical structure. The candidacy of a hokim of the first level (region and Tashkent city) is considered by the Kengash of People's Deputies based on the President's recommendation, with the President making the final appointment or dismissal. A hokim of the second level is appointed and dismissed by the higher-level hokims and approved by the Kengash of People's Deputies of the second level. Similarly, a hokim of the third

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<sup>68</sup> The Hokimiyat is a local executive authority led by the Hokim (Governor) of a region, district, or city, responsible for local state governance within its jurisdictional territory.

<sup>69</sup> The Kengash of People's Deputies is a representative authority in regions, districts, and cities (excluding cities of regional significance), consisting of people's deputies elected by the population of the region, district, or city for a term of five years. The Kengash of People's Deputies of the respective territory, in collaboration with the hokim, addresses common tasks related to socio-economic development for the region, district, and city. It executes legislative and regulatory acts locally and ensures communication between state authorities, management bodies, and self-government bodies. Moreover, it engages the population in the governance of the region, district, or city.

level is appointed and dismissed by the hokims of the second level, with approval from the Kengash of People's Deputies of the third level.

Hokims are supported by a team that includes a first deputy, other deputies (in a number determined by the Cabinet of Ministers), and other hokimiyat employees. The first deputy and the other deputies of the hokim of the first level are appointed and dismissed by the hokims with the President's approval, subject to the corresponding Kengash of People's Deputies' approval. Deputies of hokims of the second and third levels are appointed and dismissed by the respective hokims with the approval of the higher-level hokims, followed by submitting the decision for approval to the Kengash of People's Deputies of the second and third levels.

The economic basis for the activities of the corresponding Kengash of People's Deputies and hokims includes state property of administrative-territorial entities (communal property) and other property that contributes to the economic and social development of the region, district, or city. The Kengash of People's Deputies and hokims manage these properties, which are categorized into objects owned and land plots owned. Objects owned can be transferred for temporary or permanent possession and use, while land plots can only be permanently leased by the hokims of the first level. The hokims of the second level (district and city) are authorized to engage in temporary lease agreements for land plots with individuals and legal entities.

The Kengashes of People's Deputies and hokims must ensure the efficiency of production and social facility placement, the rational use of natural and labor resources, environmental protection, and social protection of the population when controlling the property of the region, district, or city. However, this control, through the imposition of certain restrictions, should not impede the freedom of entrepreneurship and economic activities.

A distinctive feature of the local management system in Uzbekistan is the involvement of citizens in self-governance through citizens' assemblies in administrative divisions at the lowest level (villages, rural settlements, neighborhoods of cities, settlements, kishlaks, and auls). These self-governing bodies, functioning as legal entities, operate independently from the state authorities to address local issues based on citizens' interests, historical development, national values, and local customs. The state supports the activities of these self-governing bodies, ensuring the necessary conditions for their functioning.



### *Legal System*

The legal system of Uzbekistan is situated within the Roman-Germanic family, implying the existence of legally binding rules established in the legislative acts of the state. As per the Law of the Republic of Uzbekistan “On Normative-Legal Acts” (2021), any legal documents possessing the following three characteristics, which sets them apart from other types of social norms in the country, are considered normative-legal acts:

- a. Originating from competent state bodies, formulating, altering (enhancing), or revoking general rules applicable to everyone;
- b. Defining the content of a legal norm, encompassing the rights and obligations of participants in legal relations; and
- c. Entailing specific legal consequences (state-imposed sanctions) in the event of non-compliance or violation of the provisions laid out in them.

The Law “On Normative-Legal Acts” (2021) explicitly identifies the competent authorities and individuals entitled to adopt normative-legal acts as the chambers of the Oliy Majlis of the Republic of Uzbekistan, the President of the Republic of Uzbekistan, the Cabinet of Ministers of the Republic of Uzbekistan, ministries, state committees, and agencies, as well as local authorities. Conversely, structural units and territorial bodies of ministries, state committees, and agencies lack the authority to adopt normative-legal acts. Citizens are also granted the opportunity to formalize their expression of will in the form of normative legal acts through a referendum.

Normative-legal acts in Uzbekistan, as endorsed by the aforementioned bodies and individuals and formalized in the appropriate manner, are categorized into two groups:

#### **Legislative Acts:**

- a) Constitution of the Republic of Uzbekistan;
- b) laws of the Republic of Uzbekistan;
- c) resolutions of the chambers of the Oliy Majlis of the Republic of Uzbekistan.

#### **Sub-legislative Acts:**

- a) decrees and resolutions of the President of the Republic of Uzbekistan;
- b) resolutions of the Cabinet of Ministers of the Republic of Uzbekistan;
- c) orders and resolutions of ministries;
- d) decisions of local government bodies (Councils of People's Deputies and hokims).

In Uzbekistan, there is a distinct category of acts that can be adopted as integral parts of normative-legal acts. These acts encompass regulations, rules, instructions, strategies, concepts, doctrines, programs (road maps), and other documents constituting the part of the main normative-legal act by which they are approved.

While the Law “On Normative-Legal Acts” (2021) of Uzbekistan does not have a dedicated article addressing the hierarchy of all normative-legal acts, a clear hierarchy exists. The Constitution holds the highest legal force (Constitution of the Republic of Uzbekistan, 2023, Article 15; Law “On Normative-Legal Acts”, 2021, Article 8); laws and other normative-legal acts of Uzbekistan are adopted based on and in execution of the Constitution, and they cannot contradict its norms and principles. The subsequent hierarchy is regulated by specific articles corresponding to each type of normative-legal act.

The hierarchy of normative-legal acts in Uzbekistan is established as follows:

- **The Constitution**, which is recognized as the supreme legal force, and all other legal acts must adhere to its principles and norms.
- **Laws**, which can be adopted in the form of constitutional laws, laws, or codes. This allows for the “combination, systematization of the principles and norms of law, as well as ensuring comprehensive legal regulation of the most important area of social relations” (Law “On Normative-Legal Acts”, 2021, Article 9).
- **Resolutions of the Chambers of the Oliy Majlis and normative-legal acts of the President of Uzbekistan** (decrees and resolutions). This type of legal act must adhere to the Constitution (Law “On Normative-Legal Acts”, 2021, Articles 10 and 11).
- **Resolutions of the Cabinet of Ministers**. These resolutions must be in accordance with the Constitution, laws, and other normative-legal acts of higher legal force (Law “On Normative-Legal Acts”, 2021, Article 13).
- **Acts of ministries, state committees, and agencies**. These acts (orders, resolutions, and joint resolutions) must comply with legislative acts, decrees, resolutions of the President, and resolutions of the Cabinet of Ministers (Law “On Normative-Legal Acts”, 2021, Articles 14, 16). Decisions of the lower-level Councils of People’s Deputies and hokims must align with the decisions of higher-level local government bodies based on territorial criteria.

In the Republic of Uzbekistan, the establishment of a hierarchy for normative-legal acts serves the purpose of forming a unified legislative logic and determining the

priority of normative-legal acts in case of discrepancies. The following rules are established to eliminate contradictions in legal norms:

- a) **Hierarchy Rule:** In case of discrepancies between normative-legal acts of different levels, the norms of the higher-level act shall apply.
- b) **Temporal Rule:** In cases of discrepancies between normative-legal acts with equal legal force, the provisions of the normative-legal act adopted later shall apply.

An exception to the second rule exists concerning discrepancies between normative-legal acts of ministries, state committees, or agencies. In such cases, the act of the body specifically authorized to regulate specific areas has higher legal force.

Furthermore, the possibility of applying the analogy of law or of right is indicated in certain laws. For instance, Article 5 of the Civil Code of the Republic of Uzbekistan (1995) specifies the possibility of applying “norms of civil legislation regulating similar relations (analogy of law) or general principles and meaning of civil legislation (analogy of right) and requirements of good faith, reasonableness, and justice” in the absence of specific regulation. This allows for flexibility in interpreting and applying legal principles when there is a regulatory gap.

### **Transparency of the regulatory system**

In accordance with Article 99 of the Constitution of Uzbekistan (2023), a law acquires legal force when it is adopted by the Legislative Chamber, approved by the Senate, signed by the President of the Republic of Uzbekistan, and published in official sources in the manner prescribed by law. This procedural framework ensures the formal recognition and legal effectiveness of a law (Law “On Normative-Legal Acts”, 2021, Chapter 6) Article 20 of the Law “On Investments and Investment Activity” (2019) emphasizes that normative-legal acts must be officially published to have legal consequences. In this regard, acts not meeting this criterion do not come into force and cannot serve as the basis for regulating investment relations or imposing sanctions on the subjects of investment activity for non-compliance with their provisions.

To enhance transparency and access to information, the state in Uzbekistan has taken the responsibility to ensure the ready availability of legislative acts. The national legal database ([lex.uz](http://lex.uz)) offers access to a wide range of laws and sublegal acts in both the Uzbek and Russian languages. Additionally, Google Translate is integrated into the Russian version of all legislative acts, enabling unofficial translation into nine languages. Another online resource ([norma.uz](http://norma.uz)) provides legislative information along with executive summaries, interpretations, and comments.

Moreover, draft legislation is sometimes released for public commentary. Government strategies, tax and customs regulations, regional government resolutions, and other legislative documents undergo public review on a website (regulation.gov.uz). This inclusive approach allows citizens, businesses, and investors to provide feedback and actively contribute to the legislative process.

## **Policy on Foreign Direct Investment**

### *Attraction Policy*

Uzbekistan has implemented a comprehensive range of measures aimed at attracting foreign investors and fostering a favorable business environment. These initiatives involve streamlining administrative processes, reducing barriers, and improving customs and tax administration. The government has undertaken specific actions to ease investment activities, establishing a robust legal framework through significant legislation.

To support investors, the government has proactively developed a multi-tiered infrastructure, encouraging transparent and constructive dialogues. Emphasis has been placed on creating open, stable, and predictable conditions to attract investment capital.

It is worth noting that local legislation provides incentives for investments, both domestic and foreign, particularly in priority sectors such as agriculture, metallurgy, metallic ore extraction, chemical and petrochemical industries, textile and pharmaceutical sectors, food production, machine manufacturing, waste recycling, and renewable energy. Companies operating in these sectors can benefit from advantages like tax and customs duty exemptions, in-kind grants, investment credits, and simplified work permits for foreign personnel.

Additionally, the state actively supports investments by offering preferences, including investment incentives and a guarantee of stability in the face of changes in the tax legislation.

### *International Regulatory Framework*

Uzbekistan is not currently a member of the WTO or any existing economic blocs, although it is pursuing WTO accession. In 2020, Uzbekistan assumed observer status in the Eurasian Economic Union. No regional or other international regulatory systems, norms, or standards have been directly incorporated or cited in Uzbekistan's regulatory system, although GOU officials often claim the government's regulatory system incorporates international best practices. Uzbekistan

joined the CIS Free Trade Zone Agreement in 2014, but that does not constitute an economic bloc with supranational trade tariff regulation requirements.

### *Laws on FDI*

Investors' decisions are significantly impacted by the development of investment policies, including such considerations as the transparency, predictability, and credibility of these policies (OECD, 2015, p. 23). As policies naturally undergo changes over time, the crucial aspect for investors lies in the implementation of these modifications. The establishment of legal provisions enabling the assessment of the current status of investment-attracting policies becomes imperative. Policy formulation can take various shapes, such as the creation of a comprehensive investment law applicable to all investors or the introduction of distinct laws governing domestic and foreign investments. These laws may be integrated into different legislative frameworks, encompassing the Constitution, regulations on corporate conduct, or laws specific to particular sectors. It is important to recognize that while an investment law can enhance transparency in the investment landscape, it may also introduce potential uncertainties if it clashes with other existing laws (OECD, 2015).

The key recommendations for enhancing Uzbekistan's investment attractiveness include the necessity to develop a comprehensive investment policy statement that is aligned with national objectives, to streamline the investment-specific legal framework, and to establish a clear investment promotion strategy focused on priority sectors. Additionally, the need to incorporate sustainable development principles into international investment agreements and strengthen domestic entrepreneurship through targeted policies is emphasized (UNCTAD, 2021). In implementing these recommendations, Uzbekistan has chosen to establish a separate and specialized legal regulation for investment activities under the Law “On Investments and Investment Activity” (2019). According to this law, Uzbekistan has established a distinct legal regime for foreign investors. Therefore, alongside terms like “investments” and “investor,” the terms “foreign investments,” “foreign investor,” and “domestic investor” are also utilized. In essence, the legislature clearly distinguishes between national and foreign investment activities.

An investor is defined as an entity engaged in investment activities, investing its own and/or borrowed funds or other resources into investment objects with the goal of earning profits. Domestic investors include citizens of the Republic of Uzbekistan, foreign citizens, and stateless individuals with resident status in the Republic of Uzbekistan, including individual entrepreneurs, as well as legal entities of the Republic of Uzbekistan engaged in investment activities. Foreign investors

encompass foreign states, administrative or territorial bodies of foreign states, international organizations established according to agreements or other treaties between states or functioning as subjects of international public law, legal entities, and any other partnerships, organizations, or associations established and operating in accordance with the legislation of foreign states, as well as foreign citizens and stateless individuals permanently residing outside the Republic of Uzbekistan. Enterprises with foreign investments are those where such investments constitute at least fifteen percent of the shares (stakes, shares) or charter capital.

According to this law, investment can take the form of centralized or decentralized investment. Decentralized investments include investments from the investor's own funds, bank loans obtained without the guarantee of the Republic of Uzbekistan, including from foreign banks, and direct foreign investments. The management of decentralized investments is carried out independently by the investor.

Centralized investments involve entering into an investment agreement with the Government of the Republic of Uzbekistan. The Government has the authority to conclude investment agreements with foreign investors to ensure the fulfillment of their obligations. Additional guarantees and support measures, such as incentives and preferences, are provided upon mutual agreement. The conclusion of an investment agreement is mandatory, especially when the Government provides additional guarantees and support measures to foreign investors as part of its support for investments and investment activities. These additional support measures are granted when investing in priority sectors that contribute to sustainable economic growth and technological changes, as well as in priority projects aimed at strengthening the country's export potential and integration into the global economy. It is important to note that additional tax and fee exemptions are provided for a specified period and are not perpetual.

## **Pre-establishment conditions**

### *Arriving to Uzbekistan*

As of December 2023, the procedures governing the entry, exit, and transit of foreign citizens and stateless persons in Uzbekistan are defined by several key legislative acts:

- Code of the Republic of Uzbekistan on Administrative Responsibility dated September 22, 1994.
- Criminal Code of the Republic of Uzbekistan dated September 22, 1994.

- Law of the Republic of Uzbekistan “On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2021).
- Decree of the President of the Republic of Uzbekistan “On Further Measures to Optimize the Procedure for the Entry of Foreign Citizens into the Republic of Uzbekistan” (2018):
  - Appendix No. 1: Regulation on the electronic entry visa of the Republic of Uzbekistan.
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the Procedure for Entry, Exit, Stay and Transit for Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (1996):
  - Appendix No. 1: Procedure for the entry into the Republic of Uzbekistan and exit from the Republic of Uzbekistan of foreign citizens and stateless persons.
  - Appendix No. 2: Rules for the stay of foreign citizens and stateless persons in the Republic of Uzbekistan.
  - Appendix No. 3: Rules for the transit passage of foreign citizens and stateless persons through the territory of the Republic of Uzbekistan.

The legislation stipulates that foreign citizens and stateless persons entering Uzbekistan or transiting through its territory must possess a valid passport or an equivalent document, along with the requisite entry, exit, or transit visas. Exceptions to the visa requirement are granted to citizens of countries enjoying a visa-free regime with Uzbekistan for specific periods.<sup>70</sup> The Ministry of Foreign Affairs of the Republic of Uzbekistan provides information on visas and countries with a visa-free regime on their website.<sup>71</sup> The legislative framework in Uzbekistan categorizes visas based on the purpose of the trip, offering 17 main visa categories as outlined in the Resolution of the Cabinet of Ministers No. 408 (1996). These categories vary according to the purpose of the trip, the recipient, and the duration of stay (Table 6).

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<sup>70</sup> See Appendix 5 of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 408, ‘On the Procedure for Entry, Exit, Stay and Transit for Foreign Citizens and Stateless Persons in the Republic of Uzbekistan’, dated 21 November 1996. Retrieved 12 December 2023, from <https://lex.uz/docs/513096#4573817> and Appendix 2 of the Decree of the President of the Republic of Uzbekistan, No. PP-3836, ‘On Further Measures to Optimize the Procedure for the Entry of Foreign Citizens into the Republic of Uzbekistan’, dated 4 July 2018. Retrieved 12 December 2023, from <https://lex.uz/docs/3810645#4048285>

<sup>71</sup> See <https://mfa.uz/en/pages/visa-republic-uzb>

Table 6. Category of Visas of Uzbekistan<sup>72</sup>

Visa Category		Type of Visa
<b>D</b>	1	Diplomatic Entry Visa (for permanently accredited individuals)
	2	Diplomatic Entry Visa (temporary stay)
	T	Diplomatic Entry Visa (tourist visa for owners of diplomatic passports)
<b>S</b>	1	Official Entry Visa (for permanently accredited individuals)
	2	Official Entry Visa (temporary stay)
	3	Official Entry Visa (invitation by state organizations of the Republic of Uzbekistan)
<b>O</b>		Official Entry Visa (within official and state visits)
<b>B</b>	1	Business Entry Visa (accredited to relevant authorities and institutions of the Republic of Uzbekistan)
	2	Business Entry Visa (business visa)
<b>T</b>		Tourist Entry Visa
<b>TG</b>		Group Tourist Entry Visa
<b>PLG</b>		Pilgrimage Entry Visa
<b>E</b>		Work Entry Visa (based on the license of the Agency for External Labor Migration under the Ministry of Employment and Labor Relations of the Republic of Uzbekistan)
<b>J</b>	1	Entry Visa for Press Representatives (permanently accredited to the Ministry of Foreign Affairs of the Republic of Uzbekistan)
	2	Entry Visa for Press Representatives (temporarily accredited to IA "Dunyo")
<b>PV</b>	1	Guest Entry Visa (invitation by citizens of the Republic of Uzbekistan through the Main Directorate of Migration and Citizenship Registration of the Ministry of Internal Affairs of the Republic of Uzbekistan)

<sup>72</sup> Source: Appendix 4 of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 408, 'On the Procedure for Entry, Exit, Stay and Transit for Foreign Citizens and Stateless Persons in the Republic of Uzbekistan', dated 21 November 1996. Retrieved 12 December 2023, from <https://lex.uz/docs/513096#4573770>



	2	Guest Entry Visa (invitation by foreign citizens)
<b>VTD</b>		Entry Visa for Compatriots (invitation by citizens of the Republic of Uzbekistan through the Main Directorate of Migration and Citizenship Registration of the Ministry of Internal Affairs of the Republic of Uzbekistan)
<b>STD</b>		Student Entry Visa (based on inter-university exchange – for the period of temporary study)
<b>A</b>	1	Educational Entry Visa (on a permanent basis – for the period of education)
	2	Teaching Entry Visa (when employed in the territory of the Republic of Uzbekistan on a permanent basis)
	3	Academic Entry Visa (on a temporary basis)
<b>MED</b>		Medical Entry Visa
<b>C</b>	1	Crew Entry Visa
	2	Driver Entry Visa
<b>EXIT</b>		Exit Visa
<b>TRAN</b>		Transit Visa
<b>INV</b>		Multiple Entry Investment Visa

To foster investment and streamline processes for investors, Uzbekistan has introduced a specialized visa known as the “investment visa.”<sup>73</sup> As outlined in the Law on Investments and Investment Activities, foreign investors serving as founders (participants) of enterprises with foreign investments are eligible to acquire an investment visa up to three years. Additionally, their family members (spouse, parents, and children) can obtain a guest visa that aligns with the duration of the primary investment visa, with the option to extend its term without leaving Uzbekistan.

The investment visa is granted to foreign citizens and stateless individuals who have invested in the Republic of Uzbekistan's economy a sum not less than 8,500 times

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<sup>73</sup> See Decree of the President of the Republic of Uzbekistan, No. UP-5833, ‘On Amending the Decree of the President of the Republic of Uzbekistan dated 5 January 2019, No. UP-5611 ‘On Additional Measures for the Accelerated Development of Tourism in the Republic of Uzbekistan’’, dated 19 September 2019. Retrieved 12 December 2023, from <https://lex.uz/docs/4521763>

the base calculation value established in Uzbekistan at the time of the foreign investment, currently equivalent to approximately 234,000 US dollars.<sup>74</sup> Investments under this category can take the form of acquiring shares and stakes in economic entities or establishing enterprises with foreign investments.

Importantly, the investment visa can be obtained either while abroad or upon arrival in Uzbekistan. This process can be facilitated using non-electronic business visas, guest entry visas, and visas for compatriots. The introduction of the investment visa underscores the government's commitment to attracting foreign investments and simplifying administrative procedures for investors and their families.

In the initial scenario, applicants are directed to the Consular and Legal Department, as well as the territorial departments of the Ministry of Foreign Affairs in Karakalpakstan and other regions. Notably, the application is not to be personally submitted by the foreigner, but rather by their enterprise with foreign investments operational within the country. The submission of a document package is a prerequisite, encompassing a standardized application, the actual petition, a copy of the inviting person's passport, and one of the certificates of invested funds issued by either:

1. The State Enterprise “Central Securities Depository” – signifying the amount of the acquired shares;
2. The Agency for Public Services under the Ministry of Justice of the Republic of Uzbekistan or its territorial administration – specifying the amount of the acquired shares in economic entities and the establishment of enterprises with foreign investments on the country's territory.

For the issuance of investment visas, the respective consular offices of Uzbekistan abroad facilitate the process upon the completion of a visa application with a copy of the national passport attached. Alternatively, if the consular offices of Uzbekistan are unavailable, the application can be processed upon arrival at the international airports of the republic, as prearranged by the petitioning enterprise. In the case of foreigners already in Uzbekistan, visas are both issued and extended by the territorial law enforcement agencies. Applicants personally approach the authorities in this scenario, presenting their national passports, alongside the submission of an application, petition, and certificate.

Conversely, all other visa categories for foreign citizens and stateless persons are also issued by consular offices or subdivisions of the Ministry of Foreign Affairs at the

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<sup>74</sup> On December 29, 2023, according to the exchange rate of the Central Bank of Uzbekistan. Retrieved 29 December 2023, from <https://cbu.uz/en/>

airports of the Republic of Uzbekistan. The processing of visa applications is contingent upon a written request from legal and physical persons either permanently or temporarily residing in Uzbekistan. Furthermore, foreigners hailing from countries eligible for electronic entry visas have the option to obtain e-visas without visiting consular offices or the Consular and Legal Department of the Ministry of Foreign Affairs of the Republic of Uzbekistan.<sup>75</sup> This can be accomplished through the E-VISA.UZ system via the “e-visa.gov.uz” portal, which caters to single, double, or multiple entries.

### *Registration of Foreign Citizens*

Foreign citizens and stateless persons residing permanently in other countries may stay in Uzbekistan on either a temporary or permanent basis. In both instances, legislation mandates the registration of foreign citizens or stateless persons at the location of their temporary stay or permanent residence – a procedure that also extends to citizens of the Republic of Uzbekistan. As of December 2023, the registration process is governed by the following legislative acts:

- Law of the Republic of Uzbekistan “On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2021);
- Decree of the President of the Republic of Uzbekistan “On Measures to Improve the Procedure for the Registration of Foreign Citizens and Stateless Persons at the Place of Permanent Residence and Temporary Stay” (2018);
- Decree of the President of the Republic of Uzbekistan “On Measures to Reform the Procedure for Permanent Registration and Registration at the Place of Stay” (2020);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Further Simplification of the Procedure for the Registration of Citizens at the Place of Permanent Residence and Temporary Stay in the Republic of Uzbekistan” (2019);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Simplify the Procedure for the Registration of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2020), which includes:

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<sup>75</sup> See Appendix 1 of the Decree of the President of the Republic of Uzbekistan, No. PP-3836, ‘On Further Measures to Optimize the Procedure for the Entry of Foreign Citizens into the Republic of Uzbekistan’, dated 4 July 2018. Retrieved 12 December 2023, from <https://lex.uz/docs/3810645#4048285>

- Appendix № 1: Regulation on the procedure for the registration of foreign citizens and stateless persons at the place of temporary residence in the territory of the Republic of Uzbekistan;
- Appendix № 2: Regulation on the procedure for the registration of foreign citizens and stateless persons at the place of permanent residence in the Republic of Karakalpakstan and regions;
- Appendix № 3: Regulation on the procedure for the registration of foreign citizens and stateless persons at the place of permanent residence in the city of Tashkent and Tashkent region.

Foreign citizens arriving in the Republic of Uzbekistan must complete the registration process within three days, excluding weekends and holidays. Registration at the place of temporary residence for foreign citizens or stateless persons is facilitated through the following methods:

- a) From the administration of accommodation facilities (hotels, medical institutions) upon check-in via the E-mehmon system (emehmon.uz);
- b) From the inviting party or individuals offering accommodation for foreign citizens and stateless persons:
  - For stays of up to 30 days from the check-in date, registration can be completed through the E-mehmon system or the territorial Departments of Migration and Citizenship Registration of the internal affairs bodies<sup>76</sup>;
  - For stays exceeding 30 days from the check-in date, registration should be made by applying to the territorial Departments of Migration and Citizenship Registration of the internal affairs bodies.
- c) Foreign citizens and stateless persons residing in Uzbekistan in tents or mobile homes (e.g., vehicles) can register by contacting tourist information centers or utilizing the E-mehmon system.

As of December 2023, the E-mehmon platform is integrated into the Electronic Government OneID unified user identification system (id.egov.uz).<sup>77</sup> This integration

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<sup>76</sup> See Regionalniye podrazdeleniya, via Main Department of Migration and Citizenship Registration of the Ministry of Internal Affairs of the Republic of Uzbekistan. Retrieved 20 December 2023, from <https://www.gumiog.uz/ru/regions/index>

<sup>77</sup> The OneID system, a unified identification system, was created to facilitate seamless access for all users to various websites and portals of governmental and economic administration bodies, local government entities, and commercial organizations. OneID allows websites to recognize users, enabling the provision of a variety of services. To utilize this system, users are required to pre-

necessitates obtaining a Personal Identification Number of an Individual (PINFL),<sup>78</sup> along with a valid mobile phone number and email address for registration.<sup>79</sup> Therefore, preliminary steps, including acquiring a PINFL and registering in OneID, should be taken by contacting the territorial Departments of Migration and Citizenship Registration of the internal affairs bodies. Subsequent extensions of temporary registration can be conducted without the need to leave the country.

According to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 593 (2020) foreign citizen or stateless person is required to reside at their declared place of residence or at other locations of their choice, provided notification is given to the receiving party. Exceptions to the registration requirement for temporary residence include representatives of official delegations, crews of international transport vehicles, and foreign citizens or stateless persons whose stay in Uzbekistan does not exceed three working days, or their visit does not involve staying at one place of residence for more than three days (supporting evidence, such as photos, videos, receipts, or other documents will be required).

Registration at the place of permanent residence is facilitated through the territorial Departments of Migration and Citizenship Registration of the internal affairs bodies. Following the completion of permanent residence registration, a foreign citizen or stateless person is issued a corresponding identification ID card (Vohidova, 2021). The government approves the list of foreign citizens and stateless persons arriving from other states entitled to register their permanent residence in Uzbekistan.<sup>80</sup> This list also encompasses citizens of foreign states or stateless persons who have invested at least 3 million US dollars in establishing enterprises for the production of goods and services on the territory of the Republic of Uzbekistan, including founders (participants) of enterprises with foreign investments and their family members (spouse and minor children). The procedure for obtaining registration at the place

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register their personal data in the OneID Single Identification System (SIS) (<https://my.gov.uz/en/pages/oneid-about>).

<sup>78</sup> 'PINFL' is an abbreviation in Russian (Personal Identification Number of an Individual). This abbreviation is also used in the English version, which is why this variation of the abbreviation is chosen in this work.

<sup>79</sup> See <https://id.egov.uz/ru/user-agreement>

<sup>80</sup> See Appendix 1 of the Decree of the President of the Republic of Uzbekistan, No. PP-3924, 'On Measures to Improve the Procedure for the Registration of the Place of Permanent Residence and Temporary Stay of Foreign Citizens and Stateless Persons', dated 28 August 2018. Retrieved 20 December 2023, from <https://lex.uz/docs/3887360> and Appendix 3 of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 593, 'On Measures to Simplify the Procedure for the Registration of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan', dated 28 September 2020. Retrieved 20 December 2023, from <https://lex.uz/docs/5023876#5028446>.

of permanent residence is outlined in the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 593 (2020).

#### *Registration of IMEI codes for mobile devices*

In line with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Streamline the Mobile Device Accounting System in the Republic of Uzbekistan” (2018), a system for registering the International Mobile Equipment Identity (IMEI) codes of mobile devices was introduced in the country, applicable to both residents and non-residents. The procedure for implementing the registration system of IMEI codes for mobile devices was further approved based on the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On approval of the regulations on the procedure for registering mobile devices used, imported and produced for sale or personal use on the territory of the Republic of Uzbekistan” (2019). As per this procedure, non-residents of Uzbekistan are permitted to use mobile communication services within the territory of Uzbekistan for a period of 30 calendar days from the moment of first network connection. To continue using mobile communication services, it is necessary to register the IMEI code or codes within 30 calendar days after connecting the SIM card of a local mobile operator. Failure to complete the registration of the IMEI code or codes of the device within this timeframe will result in the disconnection of the subscriber from the services of local GSM mobile operators. For detailed information on the possibilities and procedure for registering the IMEI code or codes of a mobile device, a website is available ([uzimei.uz](http://uzimei.uz)).

#### *Obtaining an identification number and electronic digital signature*

In alignment with the Decree of the President of the Republic of Uzbekistan “On Additional Measures for Further Creating Favorable Conditions for the Population and Business Entities in the Use of Public Services, Reducing Bureaucratic Barriers in this Direction” (2021), the Republic of Uzbekistan implemented the Personal Identification Number of an Individual (PINFL) starting on July 1, 2021. The PINFL serves as a unified identifier for citizens, facilitating access to government, banking, social, and other services, as well as enabling registration with the tax authorities. The procedural aspects of providing a PINFL are governed by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On further improvement of the procedure for determining and issuing a personal identification number for an individual in the Republic of Uzbekistan” (2022).

Notably, a PINFL is not exclusive to citizens of the Republic of Uzbekistan; it is also issued to foreign citizens and stateless persons. The channels for obtaining a PINFL include:

- When an ID card issued to a foreign citizen or stateless person, as well as to a foreign citizen temporarily staying or conducting activities in the territory of the Republic of Uzbekistan through their authorized representative, by the Centers of State Services of the Agency for State Services under the Ministry of Justice of the Republic of Uzbekistan.<sup>81</sup>
- When an ID card is issued to a foreign citizen or stateless person, or to foreign citizens temporarily staying in the Republic of Uzbekistan, by the migration and citizenship registration divisions of the internal affairs bodies.<sup>82</sup>
- When a stateless person obtains a biometric travel document from the migration and citizenship registration divisions of the internal affairs bodies.
- For citizens of foreign states and stateless persons from the diplomatic representations and consular offices of the Republic of Uzbekistan abroad.

The acquisition of a PINFL enables foreign citizens to register in the OneID system and utilize the Unified Portal of Interactive Public Services (UPIPS) at [my.gov.uz](http://my.gov.uz).

Subsequent to obtaining a PINFL and registering in the OneID system, individuals seeking full access to online government services, including business registration, must also procure an Electronic Digital Signature (EDS). The issuance of an EDS is governed by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the approval of the administrative regulations for providing public services for the registration of an electronic digital signature key and the issuance of an electronic digital signature key certificate through public service centers or official information resources online (remotely)” (2018).

The EDS is a signature within an electronic document that ensures the integrity of information and verifies its owner. The registration of EDS keys and the issuance of EDS key certificates are facilitated by the Scientific and Information Center for New Technologies under the State Tax Committee of the Republic of Uzbekistan. This can be done through public service centers or official information resources online

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<sup>81</sup> See *Centry gosudarstvennyh uslug*, via Business Info. Retrieved 23 December 2023, from [https://businessinfo.uz/index/gov\\_services/centers](https://businessinfo.uz/index/gov_services/centers)

<sup>82</sup> See *Regionalniye podrazdeleniya*, via Main Department of Migration and Citizenship Registration of the Ministry of Internal Affairs of the Republic of Uzbekistan. Retrieved 20 December 2023, from <https://www.gumiog.uz/ru/regions/index>

(remotely). Applicants can apply directly to the Centers of State Services of the Agency for State Services by providing a flash drive (for recording keys and EDS certificates) along with their original identity document. Alternatively, applications can be made electronically through UPIPS or the official information resource at [e-imzo.uz](http://e-imzo.uz).

These identification numbers and electronic signatures empower individuals to efficiently access numerous government services, engage with various government institutions, and conduct business remotely.

### *Starting a Business*

The legislation of Uzbekistan establishes various forms of lawful engagement in investment activities:

1. Establishment of legal entities or participation in their charter funds (charter capitals), including through the acquisition of property and shares (stakes);
2. Acquisition of securities, including debt obligations, issued by residents of the Republic of Uzbekistan;
3. Acquisition of concessions, including concessions for the exploration, development, extraction, or use of natural resources, as well as participation in production sharing agreements;
4. Acquisition of ownership rights, including intellectual property rights, copyrights, patents, trademarks, utility models, industrial designs, trade names, or goodwill;
5. Acquisition of rights to land plots and rights to possession and use of other natural resources.

The primary method for implementing direct investments is through establishing a legal entity within the territory of Uzbekistan. The foundational legislation outlining the forms and types of entrepreneurial entities, regulating registration issues, and prescribing the procedures, methods, and forms for entering into contractual relationships includes:

- Civil Code of the Republic of Uzbekistan (1995);
- Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity (new edition)” (2012);
- Decree of the President of the Republic of Uzbekistan “On measures for further improvement of the criteria for dividing business entities into categories, as well as tax policy and tax administration” (2023).



These legal frameworks serve as the foundation, providing guidance on organizing and regulating business operations within the territory of Uzbekistan. In subsequent sections, I will also highlight other regulatory acts governing specific stages of introducing a business within the framework of investment activities.

### *Legal entities*

Determining the type, form, and category of the entrepreneurial entity for an investment project is crucial, as it directly impacts potential incentives provided by the government. In addition to the foundational legal acts mentioned earlier, the types, forms, and categories of entrepreneurial entities are regulated by corresponding legislative acts.

Article 4 of the Law “On guarantees of freedom of entrepreneurial activity” (2012), stipulates that entrepreneurial activity can be carried out by legal and physical (without forming a legal entity) persons after undergoing state registration in the established order.

Issues related to conducting entrepreneurial activities without forming a legal entity are regulated by the following acts:

- Law of the Republic of Uzbekistan “On dehqan farms” (2021);
- Decree of the President of the Republic of Uzbekistan “On measures to simplify state regulation of entrepreneurial activity and self-employment” (2020);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On measures to develop and expand family entrepreneurship without forming a legal entity and craft activities” (2009);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the approval of the list of types of activities that individual entrepreneurs can engage in” (2011);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the approval of the procedure for conducting activities by a self-employed person” (2020).

Issues related to conducting entrepreneurial activities with the formation of a legal entity are regulated by the following normative acts:

- Law of the Republic of Uzbekistan “On non-governmental non-profit organizations” (1999);

- Law of the Republic of Uzbekistan “On economic partnerships” (2001);
- Law of the Republic of Uzbekistan “On limited and additional liability companies” (2001);
- Law of the Republic of Uzbekistan “On private enterprise” (2003);
- Law of the Republic of Uzbekistan “On farming” (2004);
- Law of the Republic of Uzbekistan “On family entrepreneurship” (2012);
- Law of the Republic of Uzbekistan “On joint-stock companies and protection of shareholders' rights” (2014).

According to the laws of Uzbekistan, business and entrepreneurial entities are categorized and grouped based on their activity purpose, subject, organizational and legal structure, as well as the average annual number of employees and income. Prospective entrepreneurs have the flexibility to choose from these specified categories and types when undertaking their investment projects. (Tables 7 and 8).

**Table 7. Classification of business entities in Uzbekistan**

	Without forming Legal entity				Legal entity							
					Commercial					Non-profit		
Self-Employed Individual	Individual Entrepreneurship	Family Entrepreneurship	Handicraft activity	Dehkan	Private Enterprise	Business Partnerships	Limited Liability Company	Additional Liability Company	Farm	Family Enterprise	Joint Stock Company	Consumer Cooperative, Public Associations, Public Foundations, Institutions, Associations of Legal Entities, Self-Government Bodies, etc.

The legislation of Uzbekistan does not impose restrictions on the registration and participation as a founder in any form of entrepreneurial entities for foreign citizens, except for dehkan and farmer households, as well as state enterprises. A self-employed individual is someone who earns labor income by providing services to

individuals and legal entities without forming an individual entrepreneurship and is registered with tax authorities for the purpose of recording work experience and obtaining social benefits.<sup>83</sup> This form of entrepreneurship is aimed at accounting for the socially unprotected strata of the population.<sup>84</sup> A foreign citizen can only register their business as Individual Entrepreneurship after registering as a tax resident by obtaining a PINFL.<sup>85</sup> However, conducting business through such forms of entrepreneurial entities cannot be considered as an investment, as Article 6 of the Law “On guarantees of freedom of entrepreneurial activity” (2012) considers the creation of legal entities or participation in their charter funds as a form of investment activity. Consequently, conducting business without forming a legal entity deprives the investor the possibility of enjoying investment preferences.

In turn, the Ministry of Investment, Industry, and Trade of the Republic of Uzbekistan recommends registering enterprises with foreign investment in the form of a limited liability company with the presence of a foreign individual or legal entity among the founders.<sup>86</sup> According to the Decree of the President of the Republic of Uzbekistan “On measures for the cardinal improvement of the investment climate in the Republic of Uzbekistan” (2018), such participation implies a minimum charter capital of 400 million Uzbekistani soms (or no less than 200 million soms for enterprises created in the territory of the Republic of Karakalpakstan and Khorezm region), of which the share of foreign investments in the charter capital should be 15 percent. A similar requirement exists for joint stock companies to be considered enterprises with foreign investment. More detailed information about the organizational and legal forms, procedures for creation, reorganization, liquidation, and management of these commercial organizations' activities can be found in the aforementioned legislative acts.

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<sup>83</sup> See Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 806, ‘On Approving the Regulations on the Procedure for the Activities of Self-Employed Individuals’, dated 23 December 2020. Retrieved 21 December 2023, from <https://lex.uz/ru/docs/5182451>

<sup>84</sup> See Decree of the President of the Republic of Uzbekistan, No. PP-4742, ‘On Measures to Simplify State Regulation of Entrepreneurship and Self-Employment’, dated 8 June 2020. Retrieved 21 December 2023, from <https://lex.uz/ru/docs/4849607>

<sup>85</sup> See Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 66, ‘On Measures to Implement the Decree of the President of the Republic of Uzbekistan dated October 28, 2016, No. PP-2646 ‘On Improving the System of State Registration and Accounting of Business Entities’ dated 9 February 2017. Retrieved 21 December 2023, from <https://lex.uz/docs/3111342#3111391>.

<sup>86</sup> See Questions on conducting investment activities in Uzbekistan (FAQ), via the Ministry of Investment, Industry, and Trade of the Republic of Uzbekistan. Retrieved 21 December 2023, from <https://miit.uz/en/investp>

It is also important to consider that following the dialogue between the President of the Republic of Uzbekistan and entrepreneurs on August 22, 2022, and in the context of the consistent continuation of tax reforms and further improvement of tax administration, categories for entrepreneurial entities were created based on the size of their incomes – small, medium, or large (Table 8).

**Table 8. Categories of business entities in Uzbekistan<sup>87</sup>**

Individual Entrepreneurs	
Microfirms	
Small	<i>Founders - Individuals</i>
	<i>Income up to 1 billion UZS</i>
Small Enterprises	
Medium	<i>Microfirms with Founders - Legal Entities</i>
	<i>Income from 1 to 10 billion UZS</i>
Medium	Enterprises with Income from 10 to 100 billion UZS
Large	Enterprises with Income of 100 billion UZS and more

In addition to income, entrepreneurial entities are also classified based on their number of employees. According to Article 5 of the Law of the Republic of Uzbekistan “On Guarantees of Freedom of Entrepreneurial Activity” (2012), small business entities include individual entrepreneurs, microfirms (with an average annual number of employees up to 20 people depending on the industry), as well as small enterprises (with an average annual number of employees not exceeding 200 people depending on the industry). The concrete number of employees of small business entities is determined by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures for Transition to the International Classification of Economic Activities” (2016). This also takes into account the number of employees hired part-time or under work and other civil law contracts,

<sup>87</sup> Source: Decree of the President of the Republic of Uzbekistan, No. UP-21, ‘On measures for further improvement of the criteria for dividing business entities into categories, as well as tax policy and tax administration, dated 10 February 2023. Retrieved 21 December 2023, from <https://lex.uz/ru/docs/6379811#6379980>

as well as the number of employees in unitary enterprises, branches, and representative offices. As of December 2023, various benefits and preferences are applied mainly on the basis of this categorization of entrepreneurial entities. The list of benefits and preferences provided by legislation for small business entities is published and regularly updated in the Unified Register of Benefits and Preferences for Business Entities on the UPIPS platform.

### *State registration*

In accordance with Article 44 of the Civil Code of the Republic of Uzbekistan (1995), any legal entity must undergo state registration to conduct its activities on a legal basis. The key regulatory acts governing the registration of legal entities include:

- Decree of the President of the Republic of Uzbekistan “On Improving the System of State Registration and Registration of Business Entities” (2016);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Implement the Decree of the President of the Republic of Uzbekistan dated December 12, 2013, No. PP-2085, ‘On Additional Measures to Support the Development of Civil Society Institutions’” (2014), which includes regulations on the procedure for the state registration of non-governmental non-profit organizations;
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Implement the Presidential Decree of the Republic of Uzbekistan dated October 28, 2016, No. PP-2646, ‘On Improving the System of State Registration and Registration of Business Entities’” (2017), which includes regulations on the procedure for the state registration of business entities;
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the approval of the administrative regulations for providing public services for the registration of an electronic digital signature key and the issuance of an electronic digital signature key certificate through public service centers or official information resources online (remotely)” (2018);
- Resolution of the Board of the Central Bank of the Republic of Uzbekistan “On Approving the Regulation on the Procedure and Conditions for Issuing Permits for Banking Activities” (2020).

The procedure and deadlines for the state registration of legal and physical entities – i.e., business entities, except for banks and credit bureaus, their representations and branches, as well as non-governmental non-profit organizations – are determined by

the Regulation on the Procedure for State Registration of Business Entities, approved by the resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 66 (2017). According to this regulation, state registration of business entities is carried out in two ways:

- Online through UPIPS at [new.birdarcha.uz](http://new.birdarcha.uz);
- In person.

In addition to providing a standard list of documents for the registration of a business entity, when creating enterprises with foreign investments, enterprises with foreign capital, and other legal entities, the requests for registration must be signed with the EDS of the specified individuals. In this regard, to conduct business in Uzbekistan, a foreign citizen must obtain an EDS (see the section on Obtaining an identification number and electronic digital signature above).

In many cases, there is the possibility of managing a business with the EDS of the legal entity's director. However, in some cases (for example, to use the service for accounting lease agreements for real estate on the [ijara.soliq.uz](http://ijara.soliq.uz) website), the EDS of the legal entity is required. In this regard, it is also advisable to obtain an EDS for the legal entity.

The registration of the EDS for a legal entity follows a similar procedure to the registration of the EDS for an individual. The difference is that only the directors of legal entities can apply for the registration of EDS keys and the issuance of EDS certificates remotely (via the internet). For other representatives of legal entities to obtain EDS keys and certificates, they must contact the public service centers directly.

Upon the registration of a business entity, it undergoes state registration with the tax authorities (by assigning a TIN), its information is entered into the Unified Register, and the corresponding certificate is issued.

If there are difficulties with business-related questions in Uzbekistan, the Ministry of Justice has developed an interactive information portal “Business Consultation” ([b-advice.uz](http://b-advice.uz)) to provide comprehensive assistance in business activities.

#### *Registration as a taxpayer*

In addition to the acts regulating the registration of business entities, the procedure for their tax registration is governed by the following legislative acts:

- Tax Code of the Republic of Uzbekistan (2019);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Provide Data on Taxpayers to Third Parties” (2021);

- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures to Register Employees Hired by Individual Entrepreneurs with the State Tax Authorities and Regulate the Accounting of Taxable Income and Deductible Expenses” (2021);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Approval of the Administrative Regulations for the Provision of Certain State Services in the Field of Taxpayer Registration” (2022);
- Resolution of the State Tax Committee of the Republic of Uzbekistan “On Approval of the Regulation on Establishing Criteria for Classifying Legal Entities as Large Taxpayers” (2019).

The entities that are involved in tax relations – i.e., those considered taxpayers – are determined based on the residency principle (Tax Code, 2019, Articles 20, 30-33). In this regard, taxpayers in Uzbekistan may include legal entities, individuals, separate divisions of legal entities, and foreign structures without forming a legal entity in cases provided for by the Tax Code (Article 35).

According to the general provisions in accordance with Articles 30 and 33 of the Tax Code (2019), residents of the Republic of Uzbekistan are considered:

**a. Individuals:**

- Physically present in the Republic of Uzbekistan for a total of more than 183 calendar days during any consecutive twelve-month tax period;
- Physically present in Uzbekistan for less than 183 days in the tax period but more than in any other country;
- Holding a long-term employment contract or other document confirming the possibility of staying in Uzbekistan for more than 183 days.

Certainly, there is also a category of individuals who are not considered tax residents regardless of the duration of their residence in a foreign country (military personnel) or in Uzbekistan (individuals with diplomatic or consular status, employees of international organizations). In other cases, the tax residency of individuals is established based on the duration of actual presence or the presence of the center of life interests in Uzbekistan in the event of grounds for determining an individual as a resident of both Uzbekistan and a foreign country.<sup>88</sup>

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<sup>88</sup> According to Article 30 of the Tax Code (2019), the presence of a natural person's centers of vital interests in the Republic of Uzbekistan is recognized if at least one of the following conditions is met:

## b. Legal entities:

- Legal entities created on the basis of the legislation of the Republic of Uzbekistan;
- Legal entities created on the basis of the legislation of a foreign country, if they are recognized as residents of Uzbekistan in accordance with international treaties or if their actual management location is the Republic of Uzbekistan.

A foreign legal entity is considered to have its actual management location in the country if its executive body regularly conducts activities related to the entity from Uzbekistan, or if its principal officials exercise managerial control over the entity predominantly within Uzbekistan. However, certain activities, such as decision-making related to shareholder meetings or board meetings, do not contribute to recognizing Uzbekistan as the actual management location. Specific functions like strategic planning, budgeting, and internal auditing are also excluded from this recognition.

Uzbekistan is not acknowledged as the actual management location if the foreign entity's activities are carried out in its permanent location with qualified personnel and assets, and if there is an effective international tax treaty between Uzbekistan and the foreign state. Compliance with these conditions must be documented. If conditions are met for both Uzbekistan and another foreign state, Uzbekistan is recognized as the management location so long as accounting, document management, or operational personnel management is conducted within its borders.

Other entities that do not fall into the category of residents are considered non-residents of Uzbekistan. However, a foreign legal entity engaging in entrepreneurial activities in the Republic of Uzbekistan that lead to the formation of a permanent establishment is required to register as a taxpayer with the tax authorities (Tax Code, 2019, Article 36).

The requirement to establish residency, both for individuals and legal entities, is applied in consideration of the specifics and provisions of international treaties of the Republic of Uzbekistan on taxation matters.

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The spouse and/or close relatives of the individual reside in the Republic of Uzbekistan;

The existence of real estate in the Republic of Uzbekistan owned by the individual and/or the spouse and/or their close relatives, available at any time for their residence and/or the residence of the spouse and/or their close relatives.



Individuals become taxpayers with the tax authorities upon receiving ID cards or the assignment of a PINFL by the authorized body. There is no separate document confirming the taxpayer status of an individual.

Legal entities are registered for tax purposes during state registration by assigning a TIN, as indicated in their registration certificate. Foreign legal entities are also assigned a TIN confirming their registration. Depending on the type of activity and the amount of net income, a legal entity may be registered as a large taxpayer, for which a special procedure of interaction with tax authorities is determined.<sup>89</sup> Each taxpayer is obliged to indicate their identification number in their tax reporting, statements, and any other documents submitted to the tax authorities, as well as in licenses, contracts, invoices, financial and payment documents, and in other cases as required by law. The taxpayer registration status can be checked through the Soliq website.<sup>90</sup>

### *Screening and prior approval*

According to Article 8 of the Law “On Investments and Investment Activity” (2019), investment legislation prohibits investing in objects, their creation, and use that do not comply with the established legislation regarding sanitary-hygienic, radiation, ecological, architectural-urban planning, and other requirements, violating the rights, freedoms, and legally protected interests of legal and natural persons. Additionally, as per Article 39 of the same Law, investment projects financed by non-centralized investments or investment projects of small business entities financed by bank credit resources are subject to expert review based on the Regulation on the procedure for the development, comprehensive expert review, and approval of pre-project and project documentation for investment and infrastructure projects. This regulation was approved by the decree of the President of the Republic of Uzbekistan dated July 25, 2022, No. PP-332. Therefore, any investment activity must comply with the established state requirements for screening and prior approval, including:

- Law of the Republic of Uzbekistan “On Rational Energy Use” (1997);
- Law of the Republic of Uzbekistan “On Quality and Safety of Food Products” (1997);

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<sup>89</sup> See Resolution of the State Tax Committee of the Republic of Uzbekistan, No. 3172, ‘On Approving the Regulation on Establishing Criteria for Classifying Legal Entities as Large Taxpayers’, registered on 12 July 2019.

<sup>90</sup> See <https://my.soliq.uz/searchtin/index?lang=uz>

- Law of the Republic of Uzbekistan “On Licensing, Permission, and Notification Procedures” (2021);
- Law of the Republic of Uzbekistan “On Standardization” (2022);
- Law of the Republic of Uzbekistan “On Technical Regulation” (2023).

Moreover, the detailed regulation of the screening and prior approval procedure is governed by various decisions of the President of the Republic of Uzbekistan and resolutions of the Cabinet of Ministers of the Republic of Uzbekistan.<sup>91</sup>

The laws “On Rational Energy Use” (1997) and “On Quality and Safety of Food Products” (1997) regulate the activities of both legal and natural persons related to various aspects of energy and food security, respectively. This includes exploration, production, processing, storage, transportation, distribution, and consumption of fuel, thermal, and electrical energy under the first law. The second law regulates issues related to ensuring the quality and safety of food products. For this purpose, technical regulations, sanitary, veterinary, and phytosanitary norms, as well as national standards and technical conditions containing requirements for the production, storage, transportation, and sale of products, have been established. While these laws are generally applicable during business operations, knowledge of these requirements is necessary due to the preliminary review required for certain categories of investment projects.

The Law “On Standardization” (2022) regulates relationships arising in the development, adoption, and application of standards and related documents on the standardization of various objects such as products, goods, services, processes, management systems, terms, symbols, research (testing), measurements, and testing methods, as well as marking, conformity assessment procedures, and other objects. The application of standards is voluntary, except when regulatory acts require compliance with specific standards. Standards can be used at various stages of the life cycle of products, works, and services, covering development, design, production, storage, testing, research, measurements, sample selection, terminology, symbolism, packaging, labeling, functioning, transportation, sale, and disposal (processing). Three categories of standards can be accepted on the territory of Uzbekistan: (a) national, (b) international (regional), and (c) standards of foreign countries. More detailed information about standardization and various related services can be obtained on the websites [standart.uz](http://standart.uz) and [uzsti.uz](http://uzsti.uz).

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<sup>91</sup> See Documents, via Uzbek Agency for Technical Regulation. Retrieved 22 December 2023, from <https://www.standart.uz/en/page/view?id=101>

According to the Law “On Licensing, Permission, and Notification Procedures” (2021), licensing and notification processes for certain types of activities are divided into the following types:

- **Licensing:** a set of measures related to the process of submitting, accepting, and reviewing an application for the issuance of a license, issuance, extension of the term, suspension, resumption, and termination of the license, as well as annulment, reissuance, and revocation of the license;
- **Permitting:** a set of measures related to the process of submitting, accepting, and reviewing an application for the issuance of a document of a permitting nature, issuance, extension of the term, suspension, resumption, and termination of the document of a permitting nature, as well as its annulment, reissuance;
- **Notification:** a set of measures related to the process of sending a notification, accepting (or not accepting) a notification, and confirming the acceptance of the notification, as well as suspending, resuming, or terminating the activities (actions) of the notifier and imposing a ban on the implementation of activities (actions) in the notification procedure.

The types of activities that require obtaining a license (Appendix 1), permitting documents (Appendix 2), and activities carried out by notification (Appendix 3), as well as the authorized bodies for corresponding procedures, are specified in the appendices of the Law “On Licensing, Permission, and Notification Procedures” (2021). The submission of applications and issuance of licenses as well as permitting documents by individuals and legal entities can be carried out remotely through the online platform [license.gov.uz](https://license.gov.uz).

In addition to the licensing procedure, obtaining permitting documents, and notification procedures, there is also a procedure for the mandatory and voluntary confirmation of compliance with the requirements of regulatory documents governing the technical regulation for products, production processes, services, management systems, and personnel (objects). Objects of conformity assessment are determined by regulatory documents pertaining to technical regulation, which can be found online.<sup>92</sup>

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<sup>92</sup> See Technical regulations, via Uzbek Agency for Technical Regulation. Retrieved 22 December 2023, from <https://www.standart.uz/en/page/view?id=19>

## Post-establishment conditions

### *Land*

The primary legislative act establishing the legal regime of land and ownership is the Land Code of the Republic of Uzbekistan (1998). According to the Land Code (1998), the entire land fund of the country is categorized into eight types based on their intended purpose:

1. Agricultural land;
2. Urban and rural settlement land (cities, towns, and rural settlements);
3. Industrial, transport, communication, defense, and other designated land;
4. Nature conservation, recreational, and health resort land;
5. Historical and cultural land;
6. Land of the forest fund;
7. Land of the water fund;
8. Reserve land.

**Agricultural land**, per Article 43 of the Land Code of the Republic of Uzbekistan (1998), includes land provided for agricultural needs or designated for such purposes. Agricultural land includes land devoted to agriculture and land occupied by forest strips, on-farm roads, communications, forests, closed water bodies, buildings, structures, and other facilities necessary for the functioning of agriculture.

According to Articles 59 and 68 of the Land Code of the Republic of Uzbekistan (1998), **land of urban and rural settlements** includes land within the boundaries of cities and towns (urban and suburban development land; land for public use; land for agricultural use and other lands; land occupied by forest plantations; land for industrial, transport, communication, defense, and other purposes; land of protected natural territories; water land; reserve land) as well as land of rural settlements (land of rural settlements located in villages and hamlets; land of rural settlements located on the territory of agricultural and forestry enterprises, institutions, and organizations).

**Land for industrial, transport, communication, defense, and other designated purposes**, according to Article 69 of the Land Code (1998), includes land provided for use by legal entities for the specified purposes. Industrial land, for example, includes plots provided to industrial enterprises, such as mining and energy, for the construction of production and other related buildings and structures. Transport land in this category includes plots provided to transport enterprises (railway, inland water, automotive, air, pipeline), including transport facilities such as roads, airports,

aerodromes, bridges, etc. Communication land covers plots provided to communication, broadcasting, television, and information enterprises for the placement of communication lines and related structures, as well as objects for space activity. Plots provided for the placement of military units, military educational institutions, and other defense facilities are considered defense land. All other plots not included in other categories and in use by enterprises, institutions, and organizations are considered land of other designation.

According to Articles 71–74 of the Land Code (1998), **land for nature conservation, recreational, and health resort purposes** includes land occupied by protected natural territories that have priority ecological, scientific, cultural, aesthetic, recreational, and sanitary or hygienic value.

**Land of historical and cultural designation**, according to Article 75 of the Land Code (1998), includes land occupied by objects of material cultural heritage.

**Land of the forest fund** includes land covered with forests, as well as land not covered with forests but provided for the needs of forestry. **Land of the water fund** includes land occupied by water bodies, water management facilities, and buffer zones along the shores of water bodies (Land Code, 1998, Articles 76, 77).

All land not classified into categories of the land fund and not provided (realized) for ownership, use, lease, or possession by legal and natural persons is considered reserve land and falls under the jurisdiction of the authorities of the regions and cities. This land is primarily intended for allocation, preferably for agricultural purposes (Land Code, 1998, Article 78).

Forms of land ownership, according to Article 17 of the Land Code (1998), include ownership based on property rights, permanent use, and lease. Foreign citizens, legal entities, stateless individuals, and enterprises with foreign investments can only possess land through the right of lease. Additionally, according to the Law “On the Privatization of Non-Agricultural Land Plots” (2021), the following non-agricultural lands can be privatized:

- Land plots provided to legal entities for entrepreneurial, urban planning, and other activities;
- Land plots provided to citizens of the Republic of Uzbekistan for individual housing construction and residential housing servicing, as well as for entrepreneurial and urban planning activities;
- Land plots on which state-owned real estate subject to privatization is located;
- Free land plots.

On the other hand, the following categories of land plots are not subject to privatization:

- Deposits of minerals (except for widely distributed minerals, the reserves of which are not accounted for in the state balance of mineral reserves);
- Lands for nature conservation, health resort, recreational, and historical and cultural purposes, as well as lands of the forest and water funds, public use lands of cities and towns;
- Land plots with state-owned properties;
- Plots in areas with restrictions on urban planning activities;
- Land plots contaminated with hazardous substances;
- Plots provided to participants in special economic zones;
- Land plots with multi-story buildings and adjacent plots;
- Plots provided for state-private partnership projects.

The privatization of land plots can only be carried out by individual residents (citizens and legal entities) of Uzbekistan in two ways:

- Sale of land plots through an online auction platform;
- Redemption by legal and natural persons of land plots held under permanent use (ownership) or lifelong inheritable ownership.

In accordance with the Decree of the President of the Republic of Uzbekistan “On Measures for Radical Improvement of the Procedure for Providing Land Plots for Permanent Use for Entrepreneurial and Urban Planning Activities” (2018), starting from July 1, 2018, the procedure for providing legal and natural persons with land plots for permanent use for entrepreneurial and urban planning activities is conducted through an electronic auction via the E-IJRO AUKSION unified electronic trading platform at e-auksion.uz.

### *Labor*

The primary regulatory document governing issues related to engaging citizens in labor activities within the Republic of Uzbekistan is the Labor Code (2022). This code regulates individual labor relations and the associated social relations with both citizens of the Republic of Uzbekistan and those related to the employment of foreign citizens and stateless individuals as workers.

Considering that there is a special legal regime regarding the engagement of foreign citizens in labor activities on the territory of the Republic of Uzbekistan, however, the provisions of the following acts should also be taken into account when formalizing foreign citizens and stateless individuals as workers:

- Law of the Republic of Uzbekistan “On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2021);
- Decree of the President of the Republic of Uzbekistan “On Measures to Create Favorable Conditions for the Employment of Qualified Specialists from Foreign States in the Republic of Uzbekistan” (2018);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the Approval of the Procedure for the Attraction and Use of Foreign Labor in the Republic of Uzbekistan” (2019);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the Approval of the Unified Regulations on the Procedures for Issuing Certain Documents of a Permitting Nature through a Special Electronic System” (2022).

According to Article 15 of the Law “On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2021), foreign citizens and stateless persons engaging in labor activities on the territory of the Republic of Uzbekistan enjoy rights and bear obligations in accordance with the labor legislation of the country. This means that the provisions of the Labor Code (2022) also apply to foreign citizens and stateless individuals. However, additional requirements are established by labor legislation for carrying out labor activities in Uzbekistan.

In particular, Chapter 30 of the Uzbekistan Labor Code (2022) establishes a special legal regime for the labor activities of foreign citizens and stateless persons who have entered the country for the purpose of employment. This regime entails the need to obtain confirmation of the right to engage in labor activities on the territory of the Republic of Uzbekistan. The procedure for obtaining such confirmation is regulated by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, dated February 22, 2022, No. 86.

In turn, the procedure for obtaining such confirmations for qualified and highly qualified specialists follows a simplified process.<sup>93</sup> These specialists are issued a

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<sup>93</sup> According to the decree of the President of the Republic of Uzbekistan, No. PP-4008, ‘On Measures to Create Favorable Conditions for the Employment of Qualified Specialists from Foreign States in the Republic of Uzbekistan’, dated 7 November 2018:

multiple-entry work visa for the duration of the employment contract or civil-law contract, but not exceeding three years, with the possibility of extending their validity without the need to leave the territory of the Republic of Uzbekistan for the duration of the employment or civil-law contract, but not more than three years in each case.

Certainly, there is a category of individuals exempt from the need to obtain confirmation for the right to engage in labor activities. Foreign citizens who have invested in the Republic of Uzbekistan in an amount not less than 8,500 times the basic calculated value established in the Republic of Uzbekistan at the time the investment is made, in the form of acquiring shares or stakes in economic entities, as well as establishing a foreign enterprise, have the right to carry out labor activities in any position in that organization without undergoing any authorization procedures. In addition to foreign investors, according to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, dated February 22, 2022, No. 86, the following categories of individuals are included:

- Employees of permanent representations of foreign states;
- Founders of foreign and joint ventures (up to three months);
- Specialists in tourism (up to three months);
- Figures in science and culture;
- Students working during vacations;
- Representatives of the press;
- Employees of representatives and branches of non-profit organizations;
- Teachers and specialists in Presidential schools and higher educational institutions;

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a) Highly qualified specialists are recognized as foreign citizens if:

- They have graduated from higher education institutions ranked among the top 1,000 positions internationally by a rating jointly approved by the Ministry of Higher and Secondary Special Education and the State Inspectorate for Supervision of the Quality of Education under the Cabinet of Ministers of the Republic of Uzbekistan.
- They have at least 5 years of work experience in the declared specialty or the specialty indicated in the diploma.
- They are expected to receive a salary (remuneration) of at least 60,000 US dollars per year.

b) Qualified specialists are recognized as foreign citizens if:

- They have higher education.
- They have at least 5 years of work experience in the declared specialty or the specialty indicated in the diploma.
- They are expected to receive a salary (remuneration) of at least 30,000 US dollars per year.



- Individuals according to intergovernmental agreements;
- Persons with residence permits in Uzbekistan;
- Foreign specialists for short periods (up to one month) for various purposes;
- Foreign specialists attracted by residents of the IT park;
- Individuals working remotely (online) from abroad.

Certainly, according to Article 15 of the Law “On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan” (2021), there are also restrictions on appointments and elections to certain positions or engaging in certain types of labor activities. Additionally, quantitative restrictions are established for attracting foreign labor to specific territories. According to Article 40 of the Law of the Republic of Uzbekistan “On Special Economic Zones” (2020), 90% of the total number of employees of legal entities created in the territories of special economic zones must consist of citizens of the Republic of Uzbekistan.

#### *Taxation and Customs administration*

Matters related to tax and customs administration carry significant importance and warrant thorough examination. Due to the limitations of this document, I will offer a summary of the laws that govern these issues. The key legislative documents providing guidance on taxation and customs regulation include:

- Customs Code of the Republic of Uzbekistan (2016);
- Tax Code of the Republic of Uzbekistan (2019).

The Tax Code (2019) regulates the establishment, introduction, cancellation, calculation, and payment of taxes and fees, as well as relationships related to fulfilling tax obligations by residents and non-residents of the Republic of Uzbekistan. The Tax Code (2019) sets property, action, the result of action, or another circumstance with a valuable, quantitative, or physical characteristic as the object of taxation, linking its presence to the emergence of tax obligations for taxpayers. Each tax has an independent object of taxation, as stipulated in the Tax Code (Article 60).

The Customs Code (2016) regulates relationships that determine the procedure for the movement of goods and vehicles across the customs border of the Republic of Uzbekistan, the levying of customs payments, customs clearance, and the conduct of customs control, as well as preventing, detecting, and suppressing violations of customs legislation.

To enhance the country's investment attractiveness, certain preferences, subsidies, and loans are provided. In particular, the Law “On Investments and Investment Activities” (2019) establishes the possibility of providing an investment tax credit or investment subsidy. The tax credit can be provided in the form of a change in the deadline for fulfilling tax obligations and the opportunity to reduce accrued tax payments for a certain period, followed by the phased payment of the credit amount and accrued interest (Article 35). Such a procedure for providing tax credits is also stipulated in the Tax Code (Chapter 11). An investment subsidy can also be provided as tax and customs benefits (Article 36). In addition, the code provides for the possibility of exemption from paying income tax for a certain period (from three to ten years) for participants in special economic zones, depending on the volume of their investments (from 3 to 15 million US dollars and above). Article 483 of the code contains a list of the temporary tax incentives provided to taxpayers in the country. Customs duty exemptions and tariff preferences are regulated by Chapter 43 of the Customs Code (2016).

In turn, the Tax and Customs Codes establish the possibility of granting certain tax benefits (Tax Code, 2019, Article 75) as well as exemptions from customs duties and tariff preferences (, Customs Code, 2016, Article 296) through the decisions of the President of the Republic of Uzbekistan. In this regard, some tax preferences can be found in the corresponding decisions of the President.

For example, according to the Decree of the President of the Republic of Uzbekistan “On Additional Measures to Stimulate Attracting Direct Private Foreign Investments” (2005), enterprises created with the use of direct foreign investments and engaged in the production of goods (or provision of services) in priority sectors of the economy have special privileges on certain taxes in accordance with the Tax Code of the Republic of Uzbekistan (2019). The duration of the application of these benefits (from three to seven years) depends on the volume of direct private foreign investments (from 300 thousand to over 10 million US dollars). The list of priority sectors is also specified in this decree by the President. Certain tax and customs preferences can be found in the Decree of the President of the Republic of Uzbekistan “On Measures to Establish Mutually Beneficial Cooperation with Business Entities to Reduce Poverty” (2023). This is not a complete list of provided benefits and preferences; for more detailed information on the opportunities provided, a website is available.<sup>94</sup>

It is also worth noting that in the Tax Legislation of Uzbekistan, there is the concept of a “large taxpayer,” the criteria for which are established by the Resolution of the

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<sup>94</sup> See <https://invest.gov.uz/investor/lgoty-i-preferentsii-dlya-predpriyatij-s-uchastiem-inostrannogo-kapitala>

State Tax Committee of the Republic of Uzbekistan “On Approval of the Regulation on the Criteria for Classifying Legal Entities as Large Taxpayers” (2019). Regarding this category of entities, a special tax regime is established as provided by this resolution of the State Tax Committee.

In addition to the general tax and customs that are regime applicable throughout the territory of the Republic of Uzbekistan, special customs and tax regimes are established for special economic zones, as regulated by the Law of the Republic of Uzbekistan “On Special Economic Zones” (2020).

## **Protection of Business**

Securing a robust protection of rights hinges on well-established normative and institutional frameworks, as emphasized by Emelonye et al. (2020) and Juma (2012). The normative facet involves enacting pertinent legislative measures, while the institutional facet revolves around setting up specialized organizations or entities entrusted with the task of executing these legislative acts. Uzbekistan, in line with these principles, has implemented a variety of legal and institutional measures to uphold the rights of investors and their businesses within the nation's boundaries.

### *Normative Framework*

Alongside the aforementioned legal measures designed to safeguard the domestic market and foster legitimate entrepreneurial endeavors, specific legal mechanisms have been instituted to encourage free entrepreneurship and foster a climate of healthy competition. Notably, the nation has implemented legal frameworks dedicated to safeguarding both tangible and intellectual property, guaranteeing fair competition, providing compensation, and overseeing the bankruptcy proceedings.

## **PROTECTION OF REAL AND INTELLECTUAL PROPERTY**

Uzbekistan’s legal framework for property protection comprises a set of fundamental legislative acts regulating the essential aspects of ensuring property protection within the country. The Constitution of Uzbekistan (2023), particularly Article 65, establishes fundamental provisions guaranteeing the inviolability of private property and recognizing property as the cornerstone of the country’s economy, aimed at improving the well-being of its citizens. The Civil and Land Codes of the Republic of Uzbekistan, along with the laws “On Property in the Republic of Uzbekistan” (1990) and “On the Protection of Private Property and Guarantees of the Owner’s Rights” (2012), serve as a logical continuation and complement to the constitutional provisions.

To further fortify the legal mechanisms for protecting and ensuring the inviolability of private property and to eliminate bureaucratic obstacles to entrepreneurial development, the Decree of the President of Uzbekistan “On Additional Measures to Ensure the Accelerated Development of Entrepreneurial Activity, Comprehensive Protection of Private Property, and Quality Improvement of the Business Climate” (2016), is of paramount importance. This document represents both a necessary step in the ongoing reforms and a facilitator for the transition to a new qualitative level of state policy in this sphere.

Furthermore, a separate legal protection regime for property is established for investors under the Law “On Investments and Investment Activities” (2019), ensuring that foreign investments and other assets of foreign investors are protected and not subject to nationalization (Article 21).

Moreover, private property in Uzbekistan is safeguarded against unjust expropriation through legislation, including the Law “On Investments and Investment Activities” (2019) and the Law “On Guarantees of Freedom of Entrepreneurial Activity” (2012). Several subordinate acts in the realm of nationalization and property protection further contribute to this comprehensive legal framework. Overall, legislation governing the acquisition and disposition of property in the country is well-developed and shares similarities with the laws in other CIS nations.

Recognizing the crucial importance of IPR for economic goals, and in line with its accession to the WTO, the President has approved the “Strategy for the Intellectual Property Sphere in the Republic of Uzbekistan for 2022-2026.” This signals a clear commitment at the highest political level for continued improvement in this area. The strategy not only involves administrative measures to ensure compliance with existing legislative requirements for intellectual property protection but also entails the establishment of a robust legislative framework for the reliable legal protection of rights to objects of intellectual property. Currently, legislation on the protection of intellectual property in Uzbekistan can be categorized into two main groups:

- Codified normative acts governing relationships related to intellectual property, acknowledging the exclusive rights of individuals or legal entities to the results of intellectual creative activity and related means of individualization (Civil Code). These acts also regulate legal procedures for protecting intellectual property and outline responsibilities for infringements (Civil Procedural Code, Tax Code, Code on Customs Regulation, Code on Administrative Offences, and Criminal Code).
- Direct regulations on intellectual property issues through specific normative acts (Law on Trademarks, Service Marks and Appellations of Origin, Law on

Selection Achievements, Law on inventions, utility models and industrial designs, Law on Copyright and Related Rights, Law on Company Names, etc.).

In addition to these, there are other procedural acts that regulate aspects of intellectual property protection and ensure compliance with the existing legal framework, all of which are accessible on the website of the WIPO.<sup>95</sup>

The role of customs legislation in ensuring the protection of intellectual property rights is crucial. The Customs Code (2016), empowers rightsholders to monitor the importation of intellectual property goods. It introduced a special Customs Record procedure based on a database of legal producers and their distributors. A presidential decree in April 2022 granted customs officials a limited ex-officio authority, allowing them to suspend potentially infringing goods at the border for up to 24 hours while confirming shipment details with rightsholders.

#### COMPETITION AND ANTI-MONOPOLY (ANTITRUST)

The Decree of the President of the Republic of Uzbekistan dated July 6, 2020, No. UP-6019, introduced the strategy for the development of competition in commodity and financial markets for 2020-2024. This strategic framework addressed existing challenges in the country's economy and proposed measures to address them by 2024. Simultaneously, the decree outlined the necessity of developing a unified draft law that consolidates the laws “On Competition” (2012) and “On Natural Monopolies” (1997) of the Republic of Uzbekistan. The objective was to radically improve the mechanism for establishing a competitive environment based on international experience and the formation of a new antimonopoly body.

The adoption of the new Law of the Republic of Uzbekistan “On Competition” (2023), rendered the previously existing regulatory acts (Law “On Natural Monopolies” (1997) and Law “On Competition” (2012)) obsolete. The 2023 law now governs relations pertaining to competition, focusing on controlling and preventing actions that may restrict competition in commodity or financial markets and cause harm to the rights and legitimate interests of consumers in competitive conditions or in the presence of a natural monopoly. Moreover, guarantees for ensuring competition and establishing responsibility for violations of antimonopoly legislation are embedded in the Constitution (2023), the Code on Administrative Responsibility (1994), and the Criminal Code (1994) of the Republic of Uzbekistan.

The Law “On Competition” (2023) delineates the primary directions of state policy in ensuring competition. These include safeguarding competition, preventing and

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<sup>95</sup> See Uzbekistan, via WIPO. Retrieved 24 December 2023, from <https://www.wipo.int/wipolex/en/members/profile/UZ?collection=laws&collection=treaties>

terminating anticompetitive actions, cultivating societal intolerance to anticompetitive practices, fostering a competitive environment in commodity and financial markets, ensuring freedom of economic activity, and facilitating the movement of goods. There is a specific emphasis on creating a competitive environment in areas where natural monopoly subjects operate, establishing equal conditions for market participants, and reducing state intervention. The law highlights the responsibility of republican executive bodies for enhancing and developing a competitive environment in the country.

The Law “On Competition” (2023) designates the Committee for the Development of Competition and Consumer Protection of the Republic of Uzbekistan as the authorized state body responsible for overseeing competition matters. Operating independently of other state bodies, organizations, and officials, the committee is accountable to the President and the Senate of the Oliy Majlis of the Republic of Uzbekistan. According to the provisions of the law, the committee, as the antimonopoly authority, carries out its functions by:

- Assessing the impact of legislative acts and their projects on competition;<sup>96</sup>
- Assisting in the implementation of antimonopoly compliance in republican executive bodies and other organizations, economic entities, and associations of legal entities, and evaluating its effectiveness.<sup>97</sup>

The Law “On Competition” (2023) stipulates that the violation of antimonopoly legislation may lead to the imposition of financial sanctions (Article 42) or administrative and criminal liability. For more detailed information on regulatory acts pertaining to competition-related issues, you can refer to the website of the Committee for the Development of Competition and Consumer Protection.<sup>98</sup>

## BANKRUPTCY

The legal framework governing bankruptcy in the Republic of Uzbekistan is outlined in the Law of the Republic of Uzbekistan “On Insolvency” (2022), along with the Economic Procedural Code of the Republic of Uzbekistan (2018).

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<sup>96</sup> See Resolution of the Antimonopoly Committee of the Republic of Uzbekistan, No. 3155, ‘On Approving the Methodology for Assessing the Impact of Legislative Acts on Competition,’ registered on 19 April 2019.

<sup>97</sup> See Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 114, ‘On Measures to Implement the Antimonopoly Compliance System,’ dated 2 March 2021.

<sup>98</sup> See <https://raqobat.gov.uz/en/committees-documents/regulations/>

The Law “On Insolvency” (2022) delineates the relationships associated with the temporary or permanent insolvency of legal entities, individuals, and individual entrepreneurs. The objective of the procedures outlined in the Law “On Insolvency” (2022) is to restore the solvency of the debtor, be it a legal entity, an individual, or an individual entrepreneur. These procedures encompass both out-of-court measures as well as judicial actions. The out-of-court process for addressing bankruptcy, which includes pre-trial reorganization and voluntary liquidation (cessation of activities), is elaborated in the Law “On Insolvency” (2022). Meanwhile, the procedures for conducting judicial proceedings in bankruptcy cases, such as observation, judicial reorganization, external management, liquidation proceedings against a legal entity, debt restructuring, recognition of bankruptcy, and sale of assets against an individual, as well as liquidation proceedings against an individual entrepreneur, are regulated by both the Law “On Insolvency” (2022) and the Economic Procedural Code (2018).

Administrative or criminal liability can be imposed for intentional bankruptcy (Code of the Republic of Uzbekistan on Administrative Responsibility, 1994, Article 179<sup>5</sup>) or false bankruptcy (Criminal Code of the Republic of Uzbekistan, 1994, Article 180).

### *Institutional Framework*

In order to facilitate a dialogue with investors and protect the interests of entrepreneurs in Uzbekistan, several organizations have been established. These entities are aimed at fostering collaboration with investors and ensuring the protection of business interests within the territory of Uzbekistan.

#### THE INSTITUTIONS FOR ESTABLISHING A DIALOGUE WITH INVESTORS

To establish platforms for direct dialogue with investors and enhance the investment climate, as well as expand the attraction of foreign direct investment in priority sectors of the economy and other important areas, the following institutions have been established:

- Foreign Investors Council under the President of the Republic of Uzbekistan (FIC RUz);
- Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan.

The FIC RUz was formed in accordance with the Resolution of the President of the Republic of Uzbekistan “On measures for the establishment and organization of activities of the Foreign Investors Council under the President of the Republic of

Uzbekistan” (2019). The FIC RUz serves as a consultative advisory body to the President of the Republic of Uzbekistan and functions as an institutional platform for direct dialogue between the government and investors, including international financial institutions, conducting business or investing in Uzbekistan.

The activities of the FIC RUz are primarily organized by convening sessions (plenary and interim) to establish a dialogue with investors. The FIC Plenary session, chaired by the President of the Republic of Uzbekistan and co-chaired by the President of the European Bank for Reconstruction and Development (EBRD) is held once a year. The FIC Interim session, headed by the Minister of Investment, Industry, and Trade of the Republic of Uzbekistan, is held at least twice a year. Legal entities or individuals meeting the main (technical) or additional (qualitative) criteria specified in points 11 and 12 of the Regulation of the FIC RUz, approved by the Resolution of the President of the Republic of Uzbekistan No. PP-4519, dated November 13, 2019, can participate in the work of the FIC RUz.

In line with the decree of the President of the Republic of Uzbekistan “On measures to improve the management system in the fields of investments and foreign trade” (2019) and the subsequent resolution “On the organization of the activities of the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan” (2019), the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan was established, merging the Ministry of Foreign Trade and the State Committee of the Republic of Uzbekistan on Investments. Later, this Ministry underwent a renaming to become the **Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan**.<sup>99</sup> The primary focus of the Ministry's activities involves executing a unified state investment policy, coordinating the attraction of foreign investments (particularly direct investments), collaborating with international financial institutions (managing offices), foreign government financial organizations, and shaping and coordinating a unified state policy on foreign trade and international economic cooperation.<sup>100</sup>

To realize strategic objectives in foreign investment attraction, the Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan oversees the Agency for Attracting Foreign Investments. The key functions of the Agency encompass drawing foreign investments into the national economy, supporting foreign

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<sup>99</sup> See Decree of the President of the Republic of Uzbekistan, No. UP-269, ‘On Measures to Implement Administrative Reforms in the New Uzbekistan,’ dated 21 December 2022.

<sup>100</sup> See Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 390, ‘On Approving the Regulation on the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan,’ dated 10 May 2019.



investors, and providing informational, legal, and other support, as well as forming and managing an information database of investment projects, promoting and advertising the investment potential, and shaping the international image of the country. An information portal for investors has been established as part of the Agency's activities ([invest.gov.uz](http://invest.gov.uz)).

It is noteworthy that during the preparation of this work, an announcement was made at a state leader's meeting on December 18, 2023, indicating plans to revise the structure of the Ministry of Investments, Industry, and Trade to bolster the competitiveness of national products. The initiative involves reviewing the existing system of the Ministry and “transferring issues of production, industrial zones, and exports in the regions to the competence of the Chamber of Commerce and Industry” (Gazeta News, 2023a). However, it is important to note that this initiative is still in the implementation stage, at least as of the preparation of this work.

#### INSTITUTIONS FOR THE PROTECTION OF ENTREPRENEURSHIP

To fortify the rights of business entities, safeguard the inviolability of private property, prioritize the rights of property owners, and foster favorable conditions for entrepreneurial initiatives and partnerships with government bodies, organizations, and other structures in Uzbekistan, the following institutions have been established:

- The Business Ombudsman under the President of the Republic of Uzbekistan, for the protection of the rights and legitimate interests of business entities;
- The Trade and Industry Chamber of the Republic of Uzbekistan.

**The Business Ombudsman** was established by the Decree of the President of the Republic of Uzbekistan “On the Establishment of the Institution of the Authorized Person under the President of the Republic of Uzbekistan for the Protection of the Rights and Legitimate Interests of Business Entities” (2017). It operates according to the Law of the Republic of Uzbekistan “On the Authorized Person under the President of the Republic of Uzbekistan for the Protection of the Rights and Legitimate Interests of Business Entities” (2017). The Business Ombudsman is an official tasked with protecting the rights and legitimate interests of business entities and ensuring compliance with these rights and interests by government bodies. The Business Ombudsman exercises its powers independently and autonomously from government bodies and their officials and is accountable to the President of the Republic of Uzbekistan in its activities.

The Business Ombudsman engages in a wide array of activities, including participating in the formation and implementation of state policies in the

development of entrepreneurial activities, monitoring compliance with the rights and legitimate interests of entrepreneurs by government bodies, providing legal support during inspections, coordinating inspections, and ensuring their legality, studying the practical implementation of legislation, evaluating the effectiveness of regulatory acts, maintaining records of inspections and an electronic register of mandatory requirements, as well as preparing proposals to improve legislation in the interests of entrepreneurial development.

For more details about the activities of the Business Ombudsman, refer to the relevant law and website ([biznesombudsman.uz](http://biznesombudsman.uz)). Additionally, an online platform for submitting appeals to the Business Ombudsman has been created ([business.gov.uz](http://business.gov.uz)).

**The Chamber of Commerce and Industry of the Republic of Uzbekistan** is a non-governmental non-profit organization that unites business entities. Its activities are regulated by the Law of the Republic of Uzbekistan “On the Chamber of Commerce and Industry of the Republic of Uzbekistan (new edition)” (2018).

The law establishes the independence of the Chamber of Commerce and Industry from state authorities. The Chamber has the right to search, obtain, research, distribute, use, and store information in accordance with legislation, with the guarantee of assistance from government bodies, banking and financial institutions, and other subjects of the market infrastructure in organizing interaction with business entities and management bodies. It is prohibited for state authorities to interfere in the work of the Chamber, and vice versa.

The Chamber's tasks include creating a support system for business entities, strengthening guarantees for the protection of their rights and legitimate interests, promoting development and entrepreneurship, participating in the improvement of legislation, engaging entrepreneurs in improving the business environment, providing services and consultations, interacting with authorities and market infrastructure entities, enhancing the qualifications of personnel, integrating into the global business community, entering foreign markets, promoting brands abroad, and attracting investments and new technologies. For more detailed information about the activities of the Chamber of Commerce and Industry, refer to the relevant law and website ([chamber.uz](http://chamber.uz)).

## Dispute Settlement

### NON-LITIGATION

According to the legislation of the Republic of Uzbekistan, the extrajudicial resolution of disputes between business entities can take two forms: pre-trial resolution and mediation.

The pre-trial resolution of disputes is governed by the Law of the Republic of Uzbekistan “On contracting and legal basis of activity of business entities” (1998). Chapter 3 of this law outlines the pre-trial procedure for dispute resolution, involving the submission of a written claim by a business entity whose rights and legitimate interests have been violated. If there is a refusal (partial refusal) or non-receipt of a response to the claim within the prescribed period, this can serve as a basis for resolving the dispute in an economic court.

In contrast, mediation, as per the Law of the Republic of Uzbekistan “On Mediation” (2018), entails engaging a mediator (individual or legal entity) in resolving a dispute based on the will of the parties. Mediation is conducted with adherence to the principles of confidentiality, voluntariness, cooperation, equality of the parties, independence, and impartiality of the mediator. It can be applied in an extrajudicial manner, during court proceedings, before the court retires to a separate (consultative) room to make a judicial decision, or during the execution of court decisions and the decisions of other authorities.

### LITIGATION

The judicial system in Uzbekistan has undergone significant reforms, marked by the issuance of the decree “On additional measures for further improvement of the activities of courts and enhancing the efficiency of justice” (2020). According to this decree, effective January 1, 2021, general jurisdiction courts were established in the Republic of Karakalpakstan, as well as the regions and the city of Tashkent, consolidating the regional and equivalent courts that handle civil, criminal, and economic cases.

The constitution of Uzbekistan underscores the independence of the judicial authority from the legislative and executive branches, political parties, and other institutions of civil society (Constitution of the Republic of Uzbekistan, 2023, Article 130). The judicial system comprises the Constitutional Court, the Supreme Court, and the military court, along with their territorial divisions.

The Constitutional Court reviews the constitutionality – that is, the compliance with the constitution – of all legislative acts, international treaties, and interstate agreements and other obligations that are adopted and accepted by the Republic of

Uzbekistan. Military courts in Uzbekistan handle criminal cases related to offenses committed by military personnel from various formations, including civil cases involving the claims of and complaints against military personnel that violate their rights. Military courts also deal with civil and criminal cases in areas in which ordinary courts do not operate, as well as cases of administrative offenses, including issues related to state secrets.

A detailed examination of the work of the Constitutional Court and military courts is beyond the scope here, as the primary category of disputes is handled by ordinary courts, also known as courts of general jurisdiction, led by the Supreme Court. Therefore, understanding the system of these courts is more relevant for a potential investor, as it can provide better orientation for resolving disputes through legal proceedings.

Legal proceedings in Uzbekistan, including in courts of general jurisdiction, follow a structured procedure in which individuals or their representatives can submit evidence to support their claims and advocate for specific legal interpretations. The judge evaluates both the factual and legal aspects before reaching a decision (Prakken & Kaptein, 2016). The judicial process in courts of general jurisdiction takes one of four forms:

- **Criminal:** Addresses the consideration and resolution of criminal offenses dealing with issues of criminal liability for crimes specified in the Criminal Code of the Republic of Uzbekistan (1994).
- **Civil:** Involves the resolution of disputes arising from civil, family, labor, housing, land, and other legal relationships featuring at least one natural person. This encompasses:
  - Special proceedings (Civil Procedure Code, 2018, Article 293) and summary proceedings (Civil Procedure Code, 2018, Chapter 18);
  - Cases that contest and enforce the decisions of arbitration courts, as well as cases related to the recognition and enforcement of the decisions of foreign courts and arbitration courts;
  - Cases challenging the decisions of enterprises, institutions, organizations, and public associations, as well as the actions (or inactions) of their officials not arising from administrative and other public legal relations.
- **Economic:** Encompasses the resolution of disputes arising in the economic sphere from civil, administrative, and other legal relationships between legal

entities, individuals engaged in entrepreneurial activities without forming a legal entity, and individuals participating in corporate disputes. This includes:

- Cases establishing facts relevant to the emergence, modification, or termination of the rights of legal entities and individual entrepreneurs in the economic sphere;
  - Cases related to arbitration and arbitral proceedings;
  - Cases pertaining to the recognition and enforcement of decisions of foreign courts and arbitrations;
  - Cases involving corporate disputes (excluding labor disputes), investment disputes, and competition;
  - Bankruptcy cases;
  - Disputes involving individuals who have lost the status of individual entrepreneurs if the claims arise from their previous entrepreneurial activities.
- **Administrative:** Involves the consideration of cases for the protection of violated or contested rights, freedoms, and legal interests of citizens and legal entities arising from administrative and other public legal relations. This includes:
    - Cases contesting departmental regulatory legal acts;
    - Cases contesting the decisions, actions (or inactions) of administrative authorities, self-government citizens' bodies, and officials violating the rights and legal interests of citizens or legal entities;
    - Cases contesting the actions (decisions) of election commissions;
    - Cases contesting the refusal to perform notarial actions, register the records of civil status acts, or undertake the actions (or inactions) of a notary or official of the civil status registration authority;
    - Cases appealing the refusal or evasion from state registration within the established period;
    - Investment disputes and competition cases;
    - Cases appealing the execution of an executive or other document under which recovery is carried out in a non-contentious manner, for claims arising from administrative and other public legal relationships.

The handling of cases in the aforementioned legal proceedings is regulated by the Criminal Procedure (1994), Civil Procedure (2018), and Economic Procedure (2018) Codes, as well as the Code of the Republic of Uzbekistan on Administrative Proceedings (2018), respectively. All these codes, except for the Criminal Procedure Code (1994), are available in English on a publicly accessible legal database ([lex.uz](http://lex.uz)).

As indicated in the list, cases considered by civil, economic, and administrative courts may overlap. In this regard, the legislation allows the possibility of consolidating several interconnected claims under the jurisdiction of an economic court and a civil court. However, in such cases, all claims are subject to consideration in civil court. Conversely, it is not permissible to consolidate several interconnected claims, with some falling under the jurisdiction of an administrative court and others an economic court or a civil court. These must be considered separately in the respective courts.

In all legal proceedings, cases involving all categories of entities are considered, including citizens of Uzbekistan, foreign citizens, and stateless persons, as well as legal entities registered in Uzbekistan, foreign legal entities, international organizations, and foreign citizens or stateless persons engaged in entrepreneurial activities.

In Uzbekistan, legal proceedings are conducted in Uzbek, Karakalpak, or the language spoken by the majority of the population in a given locality. Persons participating in a case who are not fluent in the language of the legal proceedings have the right to fully familiarize themselves with the case materials, participate in judicial actions through an interpreter, and address the court in their native language (Constitution of the Republic of Uzbekistan, 2023, Article 139).

These types of legal proceedings in the Supreme Court system are considered in three instances:

1. The first instance, where a case is considered on its merits as the result of filing a lawsuit;
2. The appellate instance, where appeals (or protests) against the decision of the first instance court, having not yet entered into legal force, are reviewed;
3. The cassation instance, where appeals (or protests) against the decision of the first instance court, having entered into legal force and been reviewed in the appellate procedure, are reconsidered.

Courts of general jurisdiction are divided into three hierarchical groups:

1. The Supreme Court of the Republic of Uzbekistan (the highest level);

2. The Courts of the Republic of Karakalpakstan, regions, and the city of Tashkent (the middle level);
3. Inter-district, district, and city courts (the lowest level).

It is worth noting that the hierarchical groups are also classified by the form of administering justice and instances:

- At the highest level, courts consider all types of cases (criminal, civil, administrative, and economic) in three instances (first, appellate, and cassation);
- At the middle level, courts are divided into two: those where criminal, civil, and economic cases are considered and Administrative Courts, which handle administrative cases, both of which consider case in two instances (first and appellate);
- At the lowest level, each type of legal proceeding (criminal, civil, administrative, and economic) is considered by separate courts only as the first instance.

#### *High-Level Courts of General Jurisdiction*

The Supreme Court is the highest judicial body in the system of general jurisdiction courts in which criminal, civil, administrative, and economic cases are considered. It operates with the Plenum, the Presidium, and the judicial panels for administrative, civil, criminal, and economic cases.

The Plenum of the Supreme Court consists of the Supreme Court judges as well as the chairpersons of the Supreme Court and the Administrative Court of the Republic of Karakalpakstan. Its sessions may also be attended by Constitutional Court judges, the Chairperson of the Higher Judicial Council, the Prosecutor General, the Minister of Justice, the Chairperson of the Chamber of Advocates, judges, and members of the scientific-advisory council at the Supreme Court. The Plenum has the authority to review summaries of judicial practice, clarify issues of legislation application, propose draft laws, approve the composition of judicial bodies, hear reports on the activities of the courts, and exercise other powers according to the law, with a majority of at least two-thirds of its members. Resolutions adopted by the Plenum on matters within its jurisdiction are binding nationwide. Plenum resolutions, available in open access, are used in judicial activities as explanatory materials. They address issues related to the resolution of criminal, civil,

administrative, and economic disputes, and the full collection of these resolutions is accessible on the Supreme Court's website (available in Uzbek and Russian).<sup>101</sup>

The Presidium consists mainly of Supreme Court judges and primarily serves as an administrative body. It reviews summaries of judicial practice, listens to reports on judicial activities from the chairpersons of various courts, and discusses matters related to the organization of the work of judicial panels and the apparatus of the Supreme Court of the Republic of Uzbekistan.

The Judicial Panels of the Supreme Court are the bodies that consider cases in the first instance, as well as in the appellate and cassation procedures, including reconsideration in the cassation court. They also study and summarize judicial practice, prepare reviews, develop proposals for improving legislation, and analyze judicial statistics.

#### *Middle-Level Courts of General Jurisdiction*

Courts at the middle level of general jurisdiction are divided into two categories:

1. The Republic of Karakalpakstan Court, regional courts, and Tashkent City Court, consisting of a chairman, deputy chairmen, and chairmen of judicial panels for civil, criminal, and economic cases, judges, as well as lay judges, which operates within the Presidium and the separate judicial panels for civil, criminal, and economic cases;
2. The Administrative Court of the Republic of Karakalpakstan, regional administrative courts, and the Tashkent City Administrative Court, consisting of a chair, deputy chair of the court, and judges, which operates within presidiums and judicial panels.

Both courts handle cases as the first and appellate instances within their powers; they supervise the judicial activities of inter-district, district, and city courts under their jurisdiction; they summarize judicial practice and statistics, conduct systematic analysis, prepare overviews of judicial practice, and organize training for judges and court staff. The only difference lies in the categories of the cases they consider.

Middle-level courts carry out their activities within the framework of presidiums, where summaries and overviews of judicial practice are considered, analysis of judicial statistics is conducted, and reports from judges of this and the lower level are heard, as well as judicial panels where cases are considered in the first instance and

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<sup>101</sup> See <https://sud.uz/ru/plenum-ru/documents-economical-ru/>



on appeal, and where judicial practice is studied and summarized, overviews of judicial practice are prepared, and analysis of judicial statistics is conducted.

### *Lower-Level Courts of General Jurisdiction*

At the lower level, courts are divided into four types of proceedings: criminal, civil, economic, and administrative. All of these operate with a chairperson and judges (in criminal courts, lay judges also participate) and handle cases as the first instance. Courts for criminal, civil, and economic cases are accountable to the Courts of the Republic of Karakalpakstan, as well as the regional and Tashkent City Courts, while administrative courts are accountable to the Administrative Court of the Republic of Karakalpakstan, the regional administrative courts, and the Tashkent City Administrative Court, respectively.

All levels of the courts of general jurisdiction operate on the principle of transparency (Law “On Courts”, 2021, Article 12). This means that proceedings in all courts are open unless a decision is made to hold a closed session based on reasons established by law. In this regard, many decisions made during open court proceedings, including those related to a wide range of economic disputes, can be found on a website.<sup>102</sup> It is worth noting that decisions are rendered only in the language in which the court session was conducted.

## ARBITRATION

In Uzbekistan, there are two types of arbitration courts: domestic arbitration courts and international commercial arbitration. Domestic arbitration courts, regulated by the Law of the Republic of Uzbekistan “On Arbitration Courts” (2006), are recognized for resolving disputes arising from civil legal relations – including economic disputes – between business entities based on the legislation of the Republic of Uzbekistan. An addition, there is international commercial arbitration, whose activities are governed by the Law of the Republic of Uzbekistan “On International Commercial Arbitration” (2021), which aims to settle commercial disputes when:

1. Commercial enterprises of the parties to the arbitration agreement are located in different states at the time of its conclusion; or
2. One of the following places is outside the state where the parties have their commercial enterprises:

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<sup>102</sup> See <https://public.sud.uz/report#!/sign/view>

- a. The place of arbitration, if specified in the arbitration agreement or in accordance with it;
  - b. Any place where a significant portion of the obligations arising from commercial relations must be performed, or the place most closely related to the subject matter of the dispute; or
3. The parties have expressly agreed that the subject of the arbitration agreement is connected with more than one country.

In addition to these distinctions, according to the aforementioned laws, there are several differences between domestic arbitration courts and international commercial arbitrations.

An Arbitrator (Arbitral Judge) in Uzbekistan can be elected (appointed) from among the citizens of the Republic of Uzbekistan who are not younger than twenty-five years of age, who are capable of ensuring impartial dispute resolution, and who are not directly or indirectly interested in the outcome of the dispute. An judge resolving a dispute individually must have a higher legal education. In the case of the collective resolution of a dispute, the chairperson of the arbitration panel must have a higher legal education.

Decisions made by an arbitration court can be contested by a party to the arbitration by submitting an application to set aside the decision of the arbitration court to the competent court of the Republic of Uzbekistan within thirty days from the date of its receipt.

The decision of the arbitration court is voluntarily enforced in the manner and within the deadlines specified within. If the decision of the arbitration court is not voluntarily enforced, it is subject to compulsory execution in accordance with the Law of the Republic of Uzbekistan “On the Execution of Judicial Acts and Acts of Other Bodies” (2001).

More detailed information on the operation of arbitration courts in Uzbekistan can be found in the Law on Arbitration Courts. A list of permanently operating arbitration courts in Uzbekistan is available online.<sup>103</sup>

The appointment of a person as an international commercial arbitrator and the number of arbitrators are determined by the agreement of the parties, and the law does not impose any restrictions. Additionally, an Arbitration Court resolves disputes in accordance with the legal norms that the parties have chosen as applicable to the substance of the dispute. In the absence of any indication to the contrary, any

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<sup>103</sup> See <https://data.egov.uz/eng/data/6107d5772a2e256d868e8704>

reference to the law or legal system of any state should be interpreted as directly referring to the substantive law of that state, and not its conflict-of-law rules. In the absence of any indication from the parties, the arbitration court applies the law as determined in accordance with the conflict-of-law rules that it considers applicable.

An arbitration decision, regardless of the country in which it was made, is recognized as binding and, upon filing a written application in court, is enforced in accordance with the legislation of the Republic of Uzbekistan regulating the procedure for recognizing and enforcing arbitration decisions. In Uzbekistan, there is an independent, permanently operating arbitration court called the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Republic of Uzbekistan, which operates in accordance with the Law of the Republic of Uzbekistan “On International Commercial Arbitration” (2021).<sup>104</sup>

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<sup>104</sup> See Regulations of the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Republic of Uzbekistan, approved by Protocol No. 5 of the Executive Committee of the Chamber of Commerce and Industry of the Republic of Uzbekistan on May 30, 2022. Retrieved 28 December 2023, from [https://chamber.uz/\\_kcfinder/upload/files/Reglament%2030.05.2022.pdf](https://chamber.uz/_kcfinder/upload/files/Reglament%2030.05.2022.pdf)

# 6 Final Words

What has been presented here underscores the notion that relying solely on legal formalism or having the necessary legal institutions in place is insufficient to attract investors to a country. Other factors play a crucial role in influencing investment decisions (Moore & Schmitz, 2008, p. 9). While legal mechanisms are essential, they may not be the sole determinant in creating a business-friendly environment. Informal cooperation with potential investors becomes necessary to convince them to invest.

This study has scrutinized the existing regulatory framework, providing potential investors with insights into the legal realities of the analyzed states. However, the text emphasizes that creating attractive conditions for business requires more than just legal formalism. To enhance a country's investment attractiveness, it is also essential to explore non-traditional approaches to reform (Moore & Schmitz, 2008). This involves the state providing opportunities to establish relationships with potential investors, enabling representatives of governance at different levels to build trust.

Legal pluralism is acknowledged in the field, emphasizing the coexistence and clash of various legal orders, including nation-state laws, indigenous customary rules, religious decrees, moral codes, and practical norms of social life (Merry, 1988). The recognition that supranational and state laws are just one among many legal orders in society is crucial.

The socio-economic and political-legal analysis conducted here reinforces the need for further exploration of the socio-legal aspects of investment legislation in the examined states. This work can serve as a guide for future research, particularly in understanding the intricacies of the Central Asian region, in order to offer new opportunities for business introduction.

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# 8 Appendices

## 8.1 Annex 1. The list of referred legislation of the Republic of Kazakhstan<sup>105</sup>

as of December 2023

The name of the legal act	ENG	KAZ	RUS
<b>GENERAL PROVISIONS</b>			
Constitution of the Republic of Kazakhstan, dated 30 August 1995.	+	+	+
Constitutional Law of the Republic of Kazakhstan, No. 2464, ‘On Elections in the Republic of Kazakhstan’, dated 28 September 1995.	+	+	+
Constitutional Law of the Republic of Kazakhstan, No. 2529, ‘On the Parliament of the Republic of Kazakhstan and the status of its deputies’, dated 16 October 1995 (with amendments and additions as of 1 May 2023).	+	+	+
Constitutional Law of the Republic of Kazakhstan, No. 2688, ‘On the Government of the Republic of Kazakhstan’, dated 18 December 1995 (with amendments and additions as of 1 May 2023).	+*	+*	+
Constitutional Law of the Republic of Kazakhstan, No. 2733, ‘On the President of the Republic of Kazakhstan’, dated 26 December 1995 (with amendments and additions as of 1 July 2023).	+	+	+

<sup>105</sup> This list formed based on platforms [adilet.zan.kz](http://adilet.zan.kz) and [online.zakon.kz](http://online.zakon.kz)

\* Available only through the paid version of the [online.zakon.kz](http://online.zakon.kz)

Constitutional Law of the Republic of Kazakhstan, No. 132, 'On Judicial System and Status of Judges in the Republic of Kazakhstan', dated 25 December 2000.	+	+	+
Constitutional Law of the Republic of Kazakhstan, No. 153-VII ZRK, 'On the Constitutional Court of the Republic of Kazakhstan', dated 5 November 2022.	+	+	+
Code of the Republic of Kazakhstan, No. 231, 'Criminal Procedure Code of the Republic of Kazakhstan', dated 4 July 2014.	+	+	+
Code of the Republic of Kazakhstan, No. 377-V LRK, 'Civil procedural code of the Republic of Kazakhstan', dated 31 October 2015.	+	+	+
Code of the Republic of Kazakhstan, No. 350-VI ZRK, 'Administrative Procedural and Process-Related Code of the Republic of Kazakhstan', dated 29 June 2020.	+	+	+
Law of the Republic of Kazakhstan, No. 148, 'On Local Government and Self-government in the Republic of Kazakhstan', dated 23 January 2001.	+	+	+
Law of the Republic of Kazakhstan, No. 480-V LRK, 'On legal acts', dated 6 April 2016.	+	+	+

#### PRE-ESTABLISHMENT

Civil Code of the Republic of Kazakhstan, dated 27 December 1994.	+	+	+
Code of the Republic of Kazakhstan, No. 155, 'Administrative Offences Code', dated 30 January 2001.	+	+	+
Code of the Republic of Kazakhstan, No. 375-V LRK, 'Entrepreneur Code of the Republic of Kazakhstan' dated 29 October 2015.	+	+	+
Code of the Republic of Kazakhstan, No. 120-VI, 'On Taxes and Other Obligatory Payments to the Budget (Tax Code)', dated 25 December 2017.	+	+	+
Law of the Republic of Kazakhstan, No. 2198, 'On State Registration of Legal Entities and Record Registration of Branches and Representatives', dated 17 April 1995.	+	+	+
Law of the Republic of Kazakhstan, No. 2255, 'On Economic Partnership', dated 2 May 1995.	+	+	+

Law of the Republic of Kazakhstan, No. 2337, 'On the Legal Status of Foreigners', dated 19 June 1995.	+	+	+
Law of the Republic of Kazakhstan, No. 2486, 'On Production Cooperatives', dated 5 October 1995.	-	+	+
Law of the Republic of Kazakhstan, No. 220-I, 'About limited and additional liability partnerships', dated 22 April 1998.	+	+	+
Law of the Republic of Kazakhstan, No. 142-II, 'On Non-commercial Organizations', dated 16 January 2001.	+	+	+
Law of the Republic of Kazakhstan, No. 415-II, 'On Joint-Stock Companies', dated 13 May 2003.	+	+	+
Law of the Republic of Kazakhstan, No. 30, 'On Compulsory Insurance of Employee from Accidents upon Performance of Labour (Official) Duties by them', dated 7 February 2005.	+	+	+
Law of the Republic of Kazakhstan, No. 223, 'On National Registers of Identification Numbers', dated 12 January 2007.	+	+	+
Law of the Republic of Kazakhstan, No. 477-IV, 'On Migration', dated 22 July 2011.	+	+	+
Law of the Republic of Kazakhstan, No. 202-V, 'On Permissions and Notifications', dated 16 May 2014.	+	+	+
Law of the Republic of Kazakhstan, No. 183-VI ZRK, 'On Standardization', dated 5 October 2018.	+	+	+
Law of the Republic of Kazakhstan, No. 396-VI, 'On Technical Regulation', dated 30 December 2020.	+	+	+
Resolution of the Government of the Republic of Kazakhstan, No. 148, 'On approval of the Rules for entry and stay of immigrants in the Republic of Kazakhstan, as well as their departure from the Republic of Kazakhstan and the Rules of migration control, as well as registration of foreigners and stateless persons illegally crossing the State Border of the Republic of Kazakhstan, illegally staying in the Republic of Kazakhstan, and also persons who are prohibited from entering the territory of the Republic of Kazakhstan', dated 21 January 2012.	+	+	+
Resolution of the Government of the Republic of Kazakhstan, No.13, 'On some issues concerning implementation of the investment' state support', dated 14 January 2016.	+	+	+

Joint order of the Acting Minister of Foreign Affairs of the Republic of Kazakhstan and the Minister of Internal Affairs of the Republic of Kazakhstan, No. 14531, 'On approval of Rules for execution of invitations, coordination of invitations to entrance of the noncitizens to the Republic of Kazakhstan, issue, cancellation, recovery of the Republic of Kazakhstan visas, as well as extension and reduction of their validity term', dated 15 December 2016.

+ + +

Order of the Minister of Internal Affairs of the Republic of Kazakhstan, No. 83, 'On approval of the Rules for the provision of information by receiving individuals on immigrants staying with them, as well as transit travel of foreigners and stateless individuals through the territory of the Republic of Kazakhstan', dated 27 January 2016.

+ + +

Order of the Minister for Investment and Development of the Republic of Kazakhstan, No. 870, 'On approval of the Rules for application of international, regional standards and standards of foreign states, classifiers of technical and economic information of international organizations for standardization, classifiers of technical and economic information, rules and recommendations for standardization of regional organizations for standardization, classifiers of technical and economic information, rules, norms and recommendations on standardization of foreign states', dated 12 December 2018. Registered with the Ministry of Justice of the Republic of Kazakhstan on December 21, 2018, No. 17989.

+ + +

Order of the acting of the Minister of Justice of the Republic of Kazakhstan, No. 66, 'On approval of the rules for the provision of public services in the field of state registration of legal entities and record registration of branches and representative offices', dated 29 May 2020.

+ + +

Order of the Acting Minister of Finance, No. 665, 'On the Approval of the Rules for Providing State Services by the Revenue Authorities of the Republic of Kazakhstan', dated 10 July 2020 (with amendments as of 30 April 2021)

- + +

Order of the Acting Minister of Trade and Integration of the Republic of Kazakhstan, No. 433-NK, 'On Approval of the Rules for Conformity Assessment', dated 29 June 2021. Registered with the Ministry of Justice of the Republic of Kazakhstan on July 8, 2021, No. 23364.

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Order of the Minister of Foreign Affairs of the Republic of Kazakhstan, No. 11-1-4/327, 'On the Approval of the Rules for the Organization of the 'One-Stop Shop' for Investors, as well as the Procedure for Interaction in Attracting Investments', dated June 26, 2023. Registered with the Ministry of Justice of the Republic of Kazakhstan on June 27, 2023 under the No. 32910.

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Order of the Minister of National Economy of the Republic of Kazakhstan, No. 125, 'On Approval of the Rules for Calculating the Average Annual Number of Employees and Average Annual Income of Business Entities', dated 29 June 2023.

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Letter from the Consular Service Department of the Ministry of Foreign Affairs of the Republic of Kazakhstan, No. ЖТ-2022-01779188, 'Visa-Free Regime of the Republic of Kazakhstan for Foreign Citizens', dated 7 June 2022.

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#### POST-ESTABLISHMENT

Code of the Republic of Kazakhstan, No.442, 'Land Code of the Republic of Kazakhstan', dated 20 June 2003.

+ + +

Code of the Republic of Kazakhstan, No. 414-V ZRK, 'Labor Code of the Republic of Kazakhstan', dated 23 November 2015

+ + +

Code of the Republic of Kazakhstan, No. 123-VI, 'On Customs Regulation in the Republic of Kazakhstan', dated 26 December 2017.

+ + +

Code of the Republic of Kazakhstan, No. 224-VII ZRK, 'Social Code of the Republic of Kazakhstan', dated 10 April 2023.

+ + +

Law of the Republic of Kazakhstan, No. 242-VI ZRK, 'On Special Economic and Industrial Zones', dated 3 April 2019.

+ + +

Decree of the President of the Republic of Kazakhstan, No. 248, 'On the Introduction of a Moratorium on the Application of Certain Provisions of Land Legislation', dated 6 May 2016.

- + +

Resolution of the Government of the Republic of Kazakhstan, No. 1041, 'On Determining the List of Persons for Whom Local Executive Bodies' Permission is Not Required to Attract Foreign Labor for Employment', dated 24 November 2023.

- + +

Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan, No. 235, 'On the Approval of the List of

- + +

Professions for the Employment of Seasonal Foreign Workers’, dated 22 June 2023.

Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan, No. 236, ‘On the Approval of the Rules for Issuing or Extending Certificates to Foreigners or Stateless Persons Regarding the Correspondence of Their Qualifications for Independent Employment, the List of Priority Sectors of the Economy (Types of Economic Activities), and Professions in Demand for the Independent Employment of Foreigners and Stateless Persons’, dated 22 June 2023.

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Order of the Deputy Prime Minister – Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan, No. 274, ‘On the Approval of the Rules for Establishing Quotas for the Attraction of Foreign Labor to the Republic of Kazakhstan and its Distribution among Regions, Cities of Republican Significance, and the Capital’, dated 30 June 2023.

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## PROTECTION AND DISPUTE SETTLEMENT

Constitutional Law of the Republic of Kazakhstan, No. 132, ‘On Judicial System and Status of Judges in the Republic of Kazakhstan’, dated 25 December 2000.

+ + +

Constitutional Law of the Republic of Kazakhstan, No. 438-V, ‘On ASTANA International Financial Center’, dated 7 December 2015.

+ + +

Constitutional Law of the Republic of Kazakhstan, No. 153-VII ZRK, ‘On the Constitutional Court of the Republic of Kazakhstan’, dated 5 November 2022.

+ + +

Law of the Republic of Kazakhstan, No. 6-I, ‘On copyright and the related rights’, dated 10 June 1996.

+ + +

Law of the Republic of Kazakhstan, No. 422-I, ‘On Protection of Selection Achievements’, dated 13 July 1999.

+ + +

Law of the Republic of Kazakhstan, No. 427, ‘Patent law of the Republic of Kazakhstan’, dated 16 July 1999.

+ + +

Law of the Republic of Kazakhstan, No. 456, ‘On Trademarks, Service Marks, Geographical Indications and Appellations of Origin’, dated 26 July 1999.

+ + +

Law of the Republic of Kazakhstan, No. 401-IV, 'On Mediation', dated 28 January 2011.	+	+	+
Law of the Republic of Kazakhstan, No. 176-V, 'On Rehabilitation and Bankruptcy', dated 7 March 2014.	+*	+*	+
Law of the Republic of Kazakhstan, No. 488-V 3PK, 'On Arbitration', dated 8 April 2016.	+	+	+
Law of the Republic of Kazakhstan, No. 204-VI, 'On Natural Monopolies', dated 27 December 2018.	+	+	+
Decree of the President of the Republic of Kazakhstan, No. 3985, 'On the Formation of the Council of Foreign Investors under the President of the Republic of Kazakhstan', dated 30 June 1998	-	+	+
Decree of the President of the Republic of Kazakhstan, No. 428, 'On Some Matters of the Agency for Protection and Development of Competition of the Republic of Kazakhstan', dated 5 October 2020	-	+	+
Resolution of the Government of the Republic of Kazakhstan, No. 1069, 'On approval of the Regulation on the activities of investment ombudsman', dated 26 December 2015.	+	+	+
Directive of the Prime Minister of the Republic of Kazakhstan, No. 64-r, 'On the Establishment of the Investment Attraction Council (Investment Hub)', dated 19 March 2021.	-	+	+
Directive of the Prime Minister of the Republic of Kazakhstan, No. 90-r, 'On Certain Issues of Advisory and Consultative Bodies under the Government of the Republic of Kazakhstan', dated 29 September 2016.	-	+	+

## 8.2 Annex 2. The legislation of the Republic of Uzbekistan<sup>106</sup>

as of December 2023

The name of the legal act	ENG	UZB	RUS
<b>GENERAL PROVISIONS</b>			
Constitution of the Republic of Uzbekistan, dated 30 April 2023.	+	+	+
Constitutional Law of the Republic of Uzbekistan, No. 434-II, 'On the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan', dated 12 December 2002.	+*	+	+
Constitutional Law of the Republic of Uzbekistan, No. 432-II, 'On the Senate of the Oliy Majlis of the Republic of Uzbekistan' dated 12 December 2002.	+*	+	+
Constitutional Law of the Republic of Uzbekistan, No. ZRU-687, 'On the Constitutional Court of the Republic of Uzbekistan', dated 27 April 2021.	+*	+	+
Criminal Code of the Republic of Uzbekistan, dated 22 September 1994	+*	+	+
Criminal Procedure Code of the Republic of Uzbekistan, dated 22 September 1994	+*	+	+
Civil Code of the Republic of Uzbekistan, Part 1, dated 21 December 1995.	+*	+	+
Civil Code of the Republic of Uzbekistan, Part 2, dated 29 August 1996.	+*	+	+
Civil Procedure Code of the Republic of Uzbekistan, dated 22 January 2018.	+	+	+
Economic Procedure Code of the Republic of Uzbekistan, dated 24 January 2018.	+	+	+
Code of the Republic of Uzbekistan on Administrative Proceedings, dated 25 January 2018.	+	+	+

<sup>106</sup> This list formed on the basis of <https://lex.uz/>

\* Available only through the Google Translate function integrated into the platform



Law of the Republic of Uzbekistan, No. 913-XII, 'On Local Government Power', dated 2 September 1993.	+	*	+	+
Law of the Republic of Uzbekistan, No. ZRU-350, 'On Self-Government Bodies of Citizens (new edition)', dated 22 April 2013.	+	*	+	+
Law of the Republic of Uzbekistan, No. ZRU-591, 'On the Cabinet of Ministers of the Republic of Uzbekistan (new edition)', dated 10 December 2019.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-598, 'On Investments and Investment Activity', dated 25 December 2019.	+		+	+
Law of the Republic of Uzbekistan, No. ZRU-635, 'On the Administrative-Territorial Structure of the Republic of Uzbekistan', dated 28 August 2020.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-682, 'On Normative Legal Acts', dated 20 April 2021.	+		+	+
Law of the Republic of Uzbekistan, No. ZRU-703, 'On Courts', dated 28 July 2021.	+		+	+

#### PRE-ESTABLISHMENT

Code of the Republic of Uzbekistan on Administrative Responsibility dated September 22, 1994	+	*	+	+
Tax Code of the Republic of Uzbekistan, dated 30 December 2019.	+	*	+	+
Law of the Republic of Uzbekistan, No. 412-I, 'On Rational Energy Use', dated 25 April 1997.	+	*	+	+
Law of the Republic of Uzbekistan, No. 483-I, 'On Quality and Safety of Food Products', dated 30 August 1997.	+	*	+	+
Law of the Republic of Uzbekistan, No. 763-I, 'On non-governmental non-profit organizations', dated 14 April 1999.	+	*	+	+
Law of the Republic of Uzbekistan, No. 308-II, 'On economic partnerships' dated 6 December 2001.	+	*	+	+
Law of the Republic of Uzbekistan, No. 310-II, 'On limited and additional liability companies', dated 6 December 2001.	+	*	+	+
Law of the Republic of Uzbekistan, No. 558-II, 'On private enterprise', dated 11 December 2003.	+	*	+	+

Law of the Republic of Uzbekistan, No. 662-II, 'On farming', dated 26 August 2004.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-327, 'On family entrepreneurship' dated 26 April 2012.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-328, 'On guarantees of freedom of entrepreneurial activity (new edition)', dated 2 May 2012.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-370, 'On joint-stock companies and protection of shareholders' rights', dated 6 May 2014.	+	*	+	+
Law of the Republic of Uzbekistan, No. ZRU-680, 'On dehqan farms', dated 1 April 2021.	+	*	+	+
Law of the Republic of Uzbekistan, No. LRU-692, 'On the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan', dated 4 June 2021.	+		+	+
Law of the Republic of Uzbekistan, No. LRU-701, 'On Licensing, Permission, and Notification Procedures', dated 14 July 2021.	+	*	+	+
Law of the Republic of Uzbekistan, No. ZRU-800, 'On Standardization', dated 3 November 2022.	+	*	+	+
Law of the Republic of Uzbekistan, No. ZRU-819, 'On Technical Regulation', dated 27 February 2023.	+	*	+	+
Decree of the President of the Republic of Uzbekistan, No DP-4434, 'On Additional Measures to Stimulate Attraction of Direct Foreign Investments', dated 10 April 2012.	+		+	+
Decree of the President of the Republic of Uzbekistan, No. PP-2646, 'On Improving the System of State Registration and Registration of Business Entities', dated 28 October 2016.	+	*	+	+
Decree of the President of the Republic of Uzbekistan, No DP-4933, 'On Measures to Further Simplify Procedures and Accelerate the Sale of State Property for use for Business Purposes', dated 17 January 2017.	+	*	+	+
Decree of the President of the Republic of Uzbekistan, No. PP-3836, 'On Further Measures to Optimize the Procedure for the Entry of Foreign Citizens into the Republic of Uzbekistan', dated 4 July 2018.	+	*	+	+

Decree of the President of the Republic of Uzbekistan, No. DP-5495, 'On Measures for Cardinal Improvement of Investment Climate in the Republic of Uzbekistan', dated 01 August 2018.	+	+	+
Decree of the President of the Republic of Uzbekistan, No. PP-3924, 'On Measures to Improve the Procedure for the Registration of Foreign Citizens and Stateless Persons at the Place of Permanent Residence and Temporary Stay', dated 28 August 2018.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. UP-5833, 'On Amending the Decree of the President of the Republic of Uzbekistan dated 5 January 2019, No. UP-5611 'On Additional Measures for the Accelerated Development of Tourism in the Republic of Uzbekistan'', dated 19 September 2019.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. UP-5984, 'On Measures to Reform the Procedure for Permanent Registration and Registration at the Place of Stay', dated 22 April 2020.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. PP-4742, 'On measures to simplify state regulation of entrepreneurial activity and self-employment', dated 8 June 2020.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. UP-6191, 'On Additional Measures for Further Creating Favorable Conditions for the Population and Business Entities in the Use of Public Services, Reducing Bureaucratic Barriers in this Direction', dated 23 March 2021.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. UP-21, 'On measures for further improvement of the criteria for dividing business entities into categories, as well as tax policy and tax administration', dated 10 February 2023.	+*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 408, 'On the Procedure for Entry, Exit, Stay and Transit for Foreign Citizens and Stateless Persons in the Republic of Uzbekistan', dated 21 November 1996.	+*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 216, 'On measures to develop and expand family entrepreneurship without forming a legal entity and craft activities', dated 29 July 2009.	+*	+	+

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 6, 'On the approval of the list of types of activities that individual entrepreneurs can engage in', dated 7 January 2011.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 57, 'On Measures to Implement the Decree of the President of the Republic of Uzbekistan dated December 12, 2013, No. PP-2085, 'On Additional Measures to Support the Development of Civil Society Institutions'', dated 10 March 2014.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 275, 'On Measures for Transition to the International Classification of Economic Activities', dated 24 August 2016.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 66, 'On Measures to Implement the Decree of the President of the Republic of Uzbekistan dated October 28, 2016, No. PP-2646 'On Improving the System of State Registration and Accounting of Business Entities'' dated 9 February 2017.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 348, 'On the approval of the administrative regulations for providing public services for the registration of an electronic digital signature key and the issuance of an electronic digital signature key certificate through public service centers or official information resources online (remotely)', dated 10 May 2018.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 847, 'On Measures to Streamline the Mobile Device Accounting System in the Republic of Uzbekistan', dated 22 October 2018.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 778, 'On approval of the regulations on the procedure for registering mobile devices used, imported and produced for sale or personal use on the territory of the Republic of Uzbekistan', dated 17 September 2019.	+	*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 1049, 'On Further Simplification of the Procedure for the Registration of Citizens at the Place of	-		+	-

Permanent Residence and Temporary Stay in the Republic of Uzbekistan', dated 28 December 2019.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 593, 'On Measures to Simplify the Procedure for the Registration of Foreign Citizens and Stateless Persons in the Republic of Uzbekistan', dated 28 September 2020.

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Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 806, 'On the approval of the procedure for conducting activities by a self-employed person', dated 23 December 2020.

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Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 529, 'On Measures to Provide Data on Taxpayers to Third Parties', dated 19 August 2021.

+\* + +

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 707, 'On Measures to Register Employees Hired by Individual Entrepreneurs with the State Tax Authorities and Regulate the Accounting of Taxable Income and Deductible Expenses', dated 22 November 2021.

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Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 150, 'On Approval of the Administrative Regulations for the Provision of Certain State Services in the Field of Taxpayer Registration', dated 2 April 2022.

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Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 177, 'On further improvement of the procedure for determining and issuing a personal identification number for an individual in the Republic of Uzbekistan', dated 12 April 2022.

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Resolution of the State Tax Committee of the Republic of Uzbekistan, reg. number 3172, 'On Approval of the Regulation on Establishing Criteria for Classifying Legal Entities as Large Taxpayers', registered on 12 July 2019.

+\* + +

Resolution of the Board of the Central Bank of the Republic of Uzbekistan, reg. number 3252, 'On Approving the Regulation on the Procedure and Conditions for Issuing Permits for Banking Activities' registered on 30 June 2020.

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## POST-ESTABLISHMENT

Land Code of the Republic of Uzbekistan, dated 30 April 1998.	+*	+	+
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Labor Code of the Republic of Uzbekistan, dated 28 October 2022.	+*	+	+
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Decree of the President of the Republic of Uzbekistan, No. 3677, 'On Measures for Radical Improvement of the Procedure for Providing Land Plots for Permanent Use for Entrepreneurial and Urban Planning Activities', dated 20 April 2018.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. PP-4008, 'On Measures to Create Favorable Conditions for the Employment of Qualified Specialists from Foreign States in the Republic of Uzbekistan', dated 7 November 2018.	+*	+	+
Decree of the President of the Republic of Uzbekistan, No. UP-93, 'On Measures to Establish Mutually Beneficial Cooperation with Business Entities to Reduce Poverty', dated 12 June 2023.	+*	+	+
Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, No. 244, 'On the Approval of the Procedure for the Attraction and Use of Foreign Labor in the Republic of Uzbekistan', dated 25 March 2019.	+*	+	+
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# Compass for investors

The Central Asian region, with its young and industrious population, abundant natural resources, and rich history, has all the potential for success. In this context, countries in the region are implementing policies to attract foreign investment for the development of their economies. This report serves as a guide to the socio-economic and political-legal aspects of two major countries in the region – Kazakhstan and Uzbekistan. It does not intend to assess the performance of any specific country in attracting foreign investments or provide extensive recommendations for improving investment attractiveness. Instead, it focuses on analyzing the current investment climate and offers a concise overview of the existing legislative frameworks for foreign direct investment. The research report has been supported by funding from the European Union's Horizon 2020 Marie Skłodowska-Curie Research and Innovation Staff Exchange (MSCA RISE) Program under grant agreement no. 870647 (project: Central Asian Law) and the Horizon Europe MSCA-SE Programme under grant agreement no. 101085855 (project: MOCCA).



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