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FINANCIAL INSTRUMENTS FOR TOURISM DEVELOPMENT IN UZBEKISTAN: A COMPREHENSIVE ANALYSIS*

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Abstract: Tourism has emerged as a significant driver of economic growth and development in Uzbekistan. This research aims to provide a comprehensive analysis of the financial instruments utilized for the development of tourism in Uzbekistan. The study will explore the various financial mechanisms, policies, and instruments employed by the government, financial institutions, and private sector to support and promote tourism development in the country. The research will also investigate the impact of these financial instruments on the overall growth and sustainability of the tourism industry in Uzbekistan.

Keywords: financial mechanism, economic growth and tourism development, tourism investment

Introduction

Tourism has emerged as a pivotal sector driving economic growth and development in Uzbekistan. The country's rich cultural heritage, diverse landscapes, and historical significance have positioned it as an attractive destination for domestic and international tourists. Recognizing the potential of tourism as a catalyst for economic prosperity, the Uzbek government has prioritized the development of the tourism industry, implementing various strategies and financial instruments to support its growth.

This comprehensive analysis aims to delve into the financial instruments utilized for tourism development in Uzbekistan. The research seeks to explore the multifaceted landscape of financial mechanisms, policies, and instruments employed by the government, financial institutions, and private sector to bolster the tourism sector. By examining the intricacies of financial support systems, this study aims to provide insights into the impact of these instruments on the overall growth, sustainability, and competitiveness of the tourism industry in Uzbekistan.

The significance of this research lies in its potential to contribute to a deeper understanding of the role of financial instruments in fostering tourism development in Uzbekistan. By shedding light on the various approaches and initiatives undertaken to stimulate investment and infrastructure development in the tourism sector, this analysis aims to provide valuable insights for policymakers, industry stakeholders, and investors seeking to engage in Uzbekistan's burgeoning tourism market.

As the global landscape of travel and tourism continues to evolve, understanding the dynamics of financial instruments for tourism development in Uzbekistan is crucial for positioning the country as a competitive player in the international tourism arena. This research endeavors to provide a comprehensive overview of the financial instruments currently in place, while also identifying potential areas for improvement and innovation to further propel the growth and sustainability of Uzbekistan's tourism industry.

The introduction will provide an overview of the importance of tourism in Uzbekistan's economy, highlighting its contribution to GDP, employment, and foreign exchange earnings. It will also outline the significance of financial instruments in stimulating tourism development and attracting investment in the sector.

Policy Recommendations

This section will delve into the various financial instruments used for tourism

development in Uzbekistan. It will encompass government incentives, tax breaks, public-private partnerships, investment funds, grants, subsidies, and other financial mechanisms aimed at fostering tourism infrastructure development and marketing initiatives.

Based on the findings, the research will propose policy recommendations to enhance the effectiveness of financial instruments for tourism development in Uzbekistan. These recommendations will aim to address identified challenges and capitalize on opportunities for sustainable growth in the tourism sector.

Uzbekistan presents significant opportunities for foreign investors in the hospitality and aviation sectors, particularly in the expansion of hotel infrastructure and the modernization of the country's airports. The government's initiatives to attract foreign investment and promote public-private partnerships provide a conducive environment for international businesses to contribute to the development of Uzbekistan's tourism industry.

Hospitality Sector

The expansion of international hotel brands beyond Tashkent into culturally significant cities such as Samarkand, Bukhara, and Khiva presents a compelling opportunity for foreign investors. To facilitate this, the following policy recommendations are proposed:

Incentivizing Investments: The government should consider offering tax incentives and exemptions to foreign investors who establish hotels and franchises in historically significant cities along the ancient Silk Road. This could include tax breaks, customs duty exemptions, and streamlined administrative processes to encourage investment in these regions.

Public-Private Partnerships: Encouraging public-private partnerships in the hospitality sector can facilitate the development of tourism infrastructure. The government should explore collaboration opportunities with international hotel management companies to enhance the quality and accessibility of accommodations in key tourist destinations.

Aviation Sector

Uzbekistan's plans to expand its fleet of short- and medium-haul aircraft create opportunities for both aircraft manufacturers and service providers. To facilitate investment in this sector, the following recommendations are proposed:

Customs Duty Exemptions: The government's offer of exemptions from customs duties for airport development projects should be widely promoted to attract foreign investors interested in modernizing and managing airport facilities.

Tax Reductions: Extending the 50% reduction in income and property taxes for three years to foreign investors involved in airport management services can incentivize participation in airport infrastructure projects.

Uzbekistan's commitment to attracting foreign investment in the hospitality and aviation sectors through policy incentives and public-private partnerships demonstrates its dedication to fostering sustainable tourism development. By implementing these policy recommendations, Uzbekistan can create a more favorable environment for foreign investors, leading to enhanced tourism infrastructure, improved visitor experiences, and economic growth.

The President has approved a resolution aimed at "Accelerating Reforms and Efficiently Organizing Public Administration in the Tourism Sector." Under this resolution, starting from January 1, 2024, tour operators bringing tourists to Uzbekistan from countries with low tourist traffic will receive incentive subsidies ranging from \$20 to \$100 per tourist.

Additionally, a portion of the expenses incurred by tour operators and airlines for organizing charter flights to Samarkand, Bukhara, and Urgench airports from foreign countries will be reimbursed. Tourists who stay in Uzbekistan for at least five nights will

receive \$20, and during the winter period from November 20 to February 20, they will receive \$50.

Investors' expenses for the construction and equipping of new hotels with a minimum of 5 floors will be partially reimbursed, provided that a 3-star hotel with at least 60 rooms or a 4-star and 5-star hotel with at least 120 rooms is completed by December 31, 2026. The reimbursement amounts are as follows:

- Hotels with a 3-star rating - 40 million soums per room
- Hotels with a 4-star and 5-star rating - 65 million soums per room
- Until July 1, 2026, benefits will be granted to legal entities organizing campsites and offering safari tourism services in remote areas. Property tax rates for this type of activity and land tax will be set at 1% of the accrued amount for these taxes.

Starting from the 2023-2024 academic year, no less than 10 billion soums will be allocated annually to the "Silk Road" International University of Tourism and Cultural Heritage to provide state grants for master's level studies to citizens of member countries of the Shanghai Cooperation Organization, the Organization of Turkic States, and countries along the Great Silk Road. Furthermore, starting from September 1, 2023, the following requirements will be eliminated:

Travel agents are required to have a website in at least two foreign languages that offers e-payment and booking services. Tour operators must have a website for providing e-payment services.

Conclusion

In conclusion, the implementation of financial instruments for tourism development in Uzbekistan presents a significant opportunity to drive growth and transformation within the country's tourism sector. The recent resolution signed by the President, outlining incentive subsidies for tour operators, reimbursement of expenses for charter flights, and support for hotel construction, demonstrates a strong commitment to fostering a conducive environment for tourism investment and development.

The comprehensive analysis of these financial instruments reveals a strategic approach aimed at attracting foreign tourists, promoting infrastructure development, and supporting local businesses. By offering incentives such as subsidy allocations, expense reimbursements, and tax benefits, Uzbekistan is positioning itself to enhance its appeal as a tourist destination and create a more competitive tourism industry.

Furthermore, the focus on educational funding for the "Silk Road" International University of Tourism and Cultural Heritage demonstrates a long-term commitment to nurturing talent and expertise within the tourism sector, which is crucial for sustainable development and innovation.

Overall, the comprehensive analysis underscores Uzbekistan's proactive efforts to leverage financial instruments as a catalyst for sustainable tourism development, economic diversification, and global competitiveness. As these measures are implemented, Uzbekistan is poised to further establish itself as an attractive and dynamic destination for both domestic and international tourists.

The conclusion will summarize the key findings of the research and emphasize the importance of well-designed financial instruments in driving tourism development. It will also highlight the implications of the study for policymakers, investors, and other stakeholders involved in Uzbekistan's tourism industry.

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