

## IMPROVING THE POSITION OF UZBEKISTAN IN INTERNATIONAL RATINGS AND INDEXES IN THE FORMATION OF INTERNATIONAL FINANCIAL CENTERS

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### Abstract:

In this article defining factors of methodology an evaluation of an investment climate of the country for wide attracting foreign investments into national economy, the importance of acquiring the highest sovereign credit rating of the country, actions aimed at improving the international rating and index indicators of our country, and also the scientifically-proved offers with a view of the further improvement of a favorable investment climate of Uzbekistan are given.

**Keywords:** foreign investment, the investment climate and its evaluation methodology, country risk, sovereign credit rating, international economic and financial indices.

### Introduction

At the moment when the process of globalization is deepening in the world economy, increasing the international competitiveness of the national economy, as well as increasing the export potential, production based on high technology, and the modernization process require attracting large-scale investments to the sector. Foreign investments have a great role in these processes. The investment climate in the country and the conditions created for foreign investors are important for attracting foreign investments to the national economy. In addition, innovative development based on modern and advanced technologies, a comfortable lifestyle will certainly have an impact on financial and economic indicators related to various relationships. Currently, as a result of the implementation of programs for the comprehensive development of the cities of our country, the appearance of a number of cities, especially the city of Tashkent, is fundamentally changing. This confirms that our government pays great attention to the development of economic and financial power and infrastructure of the cities of country.

The 92nd goal of the "Uzbekistan - 2030" strategy, approved by the decree of the President of the Republic of Uzbekistan No. PF-158 dated September 11, 2023, is " Developing mutually beneficial relations with traditional partners, expanding the geography of international cooperation, joining global production and supply chains [1]". Therefore, it is important to improve the position of Uzbekistan in international ratings and indexes in the

formation of international financial centers and to activate the attraction of foreign investments.

Sh.Sh.Davirova studied the theoretical and practical aspects of the sovereign credit rating model, revealed the essence of the concept of "Sovereign rating", studied the "Three Whales" methodology, developed a model based on these methodologies, rating in Uzbekistan researched the ways of formation and development of the market. [2]

*A.U.Burxanov va F.Q.Sindarov* tadqiqotlarida suveren kredit reytinglarida O'zbekistonning o'rnini yaxshilash imkoniyatlari o'rganilgan bo'lib, ular asosan O'zbekistonning suveren kredit reytingidagi o'rnini mustahkamlash, bu orqali esa mamlakatimizning xalqaro imijini oshirgan holda mamlakatga xorijiy investitsiyalarni jalb etish, byudjet taqchilligini xorijiy manbalar hisobidan moliyalashtirish kabi davlat moliyasining bugungi kundagi dolzarb masalalariga e'tibor qaratishgan. [3]

A.U.Burkhanov and F.Q.Sindarov studied have explored the possibilities of improving Uzbekistan's position in sovereign credit ratings, which are mainly aimed at strengthening Uzbekistan's position in sovereign credit ratings, thereby attracting foreign investments to the country while increasing the country's international image, focused on current issues of financing the budget deficit from foreign sources. [3]

N. Karimov noted in his scientific research that international stock exchanges have become the main centers of attracting and financing foreign investments. But at the same time, the weight of developing countries remains low in the total volume of financial transactions in international stock exchanges, which shows that they have the opportunity to strengthen their activities in international stock exchanges through depository receipts of issuers of developed countries [4].

London, New York, Tokyo and Singapore are the main centers of foreign exchange trading according to the order of decreasing volume of transactions - noted A.V. Vahobov and T.S. Rasulov in his scientific works. According to them, London as an important financial center occupies a third of the entire market, large centers are also located in other countries, for example in Germany, Switzerland, Hong Kong (Syangan) and France[5].

Based on the materials studied by T.Narbaeva and B.Khidirova, it was concluded that international ratings and indexes increase the prestige of Uzbekistan on the world scale, strengthen its position, and ensure transparency[6].

Methods such as induction and deduction, systematic, statistical analysis, and scientific abstraction were extensively used in the process of scientific study. In the article, on the basis of the use of the method of scientific abstraction, conclusions were made regarding the improvement of Uzbekistan's position in international ratings and indexes in the promotion of attracting foreign investments in the country and the formation of international financial centers, and scientific proposals and practical recommendations were given in accordance with the conclusions.

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### Analysis and Results

Tadqiqotlarimiz ko'rsatadiki, ayni paytda mamlakatlarda yaratilgan investitsion muhitni baholovchi bir qator jahonda keng tarqalgan metodologiyalar mavjud bo'lib, ularning qatorida BERI (Business Environmental Risk Intelligence (BERI)) indeksi, xalqaro agentliklar tomonidan mamlakatlarga beriladigan "Suveren kredit reytingi"ni alohida ajratib ko'rsatish mumkin.

Our research shows that there are currently a number of widely used methodologies for assessing the investment environment created in countries, including the BERI (Business Environmental Risk Intelligence (BERI)) index, the "Sovereign Credit Rating" given to countries by international agencies.

In our opinion, country risk and sovereign credit risk related to foreign investments have a number of similarities as well as distinctive differences. In particular, the concept of country risk reflects the financial risks that arise in the implementation of economic operations directly or indirectly related to the cross-border location of funds and international activities. This risk is determined by the country's current and future financial and economic indicators and their impact on the fulfillment of international obligations of customers or counterparties. Sovereign credit risk is a narrow concept compared to the country's risk. Financial risks arising from the ability to borrow are shown.

Sovereign credit risk is a narrow concept compared to country risk. It shows the financial risks that arise in terms of credit and lending related to foreign economic activity, ability to fulfill financial obligations to foreign partners, financing operations of foreign investments and international solvency.

The country's high sovereign credit rating given by one or more international rating agencies provides domestic producers with the opportunity to accelerate the attraction of various forms of foreign investment, in particular, the issuance of Eurobonds, as a result of which the sources of financing for investments in the national economy increase. At the same time, it provides a number of preferences for attracting foreign investments.

It should be noted that, today, size of foreign direct investment flows is increasing from industrialized countries to investment-grade developing and market economy countries.

In 2023, the sovereign credit ratings of developing and transition economies leading in attracting foreign direct investment are respectively China – AA, Hong Kong – AA, Brazil – BB, Singapore - AAA, India - BBB, Indonesia - BBB, Kazakhstan - BBB, Uzbekistan - BB. [7] Commonwealth of Independent States countries that have sovereign credit ratings from international rating agencies are actively attracting investment resources from the international financial market to the national economy.

Ratings given by international rating agencies are divided into long-term and short-term ratings according to their duration. The long-term rating given to the country indicates the issuer's ability to meet its debt obligations on time, and they range from "A" to "D" divided into categories. Based on our research, according to the sovereign credit rating given to countries by international rating agencies, the investment environment created in them can

be divided into 3 main groups, they are favorable, speculative and default investment environments.

The investment environment in countries without a sovereign credit rating is equated with a speculative investment environment. Also, "Standard & Poor's" international rating agency determines the sovereign credit rating of the country in the next 2 or 3 years on the basis of 4 indicators, they are "Positive" - the rating may increase, "Negative" - the rating may decrease, "Stable" - the rating will not change, "Variable" - are sovereign credit ratings that can increase or decrease.

It should be noted that GDP, inflation, employment of the population, gross external debt and servicing of foreign investments, state budget efficiency, the results of the country's balance of payments are the main indicators for determining the country's sovereign credit rating.

Taking into account the modern changes in the world economy, the Republic of Uzbekistan has implemented and is increasing various economic measures aimed at obtaining and increasing the country's (sovereign) credit rating of the leading international rating agencies. In particular, we can see a certain part of the complex of such measures in Table 1

**Table 1. Various economic measures of the leading international rating agencies of the Republic of Uzbekistan aimed at obtaining and increasing the country's (sovereign) credit rating [8]**

Stages	Legal and regulatory documents
<p><b>Stage 1.</b></p> <p>Legal and economic actions of the leading international rating agencies of the Republic of Uzbekistan to obtain the country's (sovereign) credit rating</p>	<ol style="list-style-type: none"> <li>1) Decision of the President of the Republic of Uzbekistan dated November 26, 2010 No. PD-1438 "In 2011-2015, on the priorities of further reforming and increasing the stability of the republic's financial and banking system and achieving high international rating indicators"</li> <li>2) Decree of the President of the Republic of Uzbekistan dated April 7, 2014 No. PD-4609 "On additional measures to further improve the investment climate and business environment in the Republic of Uzbekistan".</li> <li>3) Decision of the President of the Republic of Uzbekistan dated July 21, 2018 No. PD-3877 "On additional measures to diversify sources of external financing"</li> </ol>
<p><b>Stage 2.</b></p> <p>Legal and economic actions of the leading international rating agencies of the Republic of Uzbekistan to increase the country's (sovereign) credit rating</p>	<ol style="list-style-type: none"> <li>1) Decree of the President of the Republic of Uzbekistan dated January 17, 2019 No. PD-5635 "On State Program of Implementation of the Action Strategy for the Development of the Republic of Uzbekistan in Five Priority Directions for 2017-2021 in the Year of Active Investments and Social Development".</li> <li>2) Decree of the President of the Republic of Uzbekistan dated June 2, 2020 No. PD-6003 "On improving the position of the Republic of Uzbekistan in international ratings and indices, as well as introducing a new mechanism for systematic work with them in state bodies and organizations".</li> </ol>

Also, it should be noted that in Annex 3 of the Decree of the President of the Republic of Uzbekistan No. PD-6003 dated June 2, 2020, the most important performance indicators for the international rating and indices that are a priority for the Republic of Uzbekistan

(KPI) has been established, which aims to raise the country's sovereign credit rating to BBB by 2030 (see Table 2).

**Table 2 The most important performance indicators (KPI) according to the international rating and indices that are a priority for the Republic of Uzbekistan [9]**

No	Naming of rating, indices and structural indicators	Responsible state bodies	Current situation	2021 year	2022 year	2023 year	2030 year
1.	Sovereign Credit Ratings	Ministry of Finance (T. Ishmetov)					
1.1	Fitch Ratings	Ministry of Finance (T. Ishmetov)	“BB-” (stable)	“BB-” (stable)	“BB-” (stable)	“BB-” (stable)	“BBB-” (positive)
1.2	S&P Global Ratings		“BB-” (stable)	“BB-” (stable)	“BB-” (stable)	“BB-” (stable)	“BBB-” (positive)

It should also be noted that the adoption of the Decision PD-4210 of the President of the Republic of Uzbekistan dated February 25, 2019 “On measures to improve the position of the Republic of Uzbekistan in international ratings and indexes” although specific goal-oriented activities have been carried out to form a positive reputation of our country in the international arena, to ensure an objective and honest assessment of the position of the Republic of Uzbekistan in international rankings, despite the measures being taken, shows that the country does not have a comprehensive system for assessing the compliance of the implemented reforms with international criteria and standards, which helps to maintain national ratings in the relevant areas.

In order to form a comprehensive and independent system of evaluating the reforms implemented in our country, as well as to ensure the improvement of the republic's position in international rankings:

- The national system of monitoring and evaluating the position of the Republic of Uzbekistan in international rankings of the Ministry of Innovative Development of the Republic of Uzbekistan and the Ministry of Justice (hereinafter - the National Monitoring System) was created;
- The criteria and indicators of the priority international ratings, which help to measure the quality of management and the effectiveness of the policy, evaluate the process of changes taking place in the country, and develop the priority directions of reforms based on the results of researches, have been determined as a component of the National Monitoring System.

As the first stage of the establishment of the national monitoring system, research institutes in the republic were assigned 17 different international ratings recognized by the general public [10] and a number of tasks were assigned to them.

The National Agency for Project Management under the President of the Republic of Uzbekistan, the Ministry of Information Technologies and Communications Development

and the Agency for Information and Mass Communications under the Administration of the President of the Republic of Uzbekistan are responsible for improving the position of the Republic of Uzbekistan in international rankings and specific structural indicators. Together with other ministries, agencies and research institutes, a single portal "Republic of Uzbekistan in international rankings" [11] was created on the Internet until April 1, 2019, which includes the following:

- annual reports on international ratings, as well as recommendations of international organizations and experts aimed at improving the state of affairs in relevant areas, indicating the terms of study and publication of reports;
- information on the advanced experience of foreign countries on indicators of international ratings;
- public opinion polls in the areas of relevant ratings, as well as the results of social and scientific research;
- complete and accurate information on each indicator section in the form of international rating questionnaires, including statistical information;
- the possibility of conducting various social polls on relevant ratings;
- online training resource on relevant international rating methodology;
- an opportunity for respondents to submit suggestions for further improvement of legislation and law enforcement practices on the ground.

The research institutes responsible for individual ratings are the Ministry responsible for improving the position of the Republic of Uzbekistan in international ratings and specific structural indicators, as defined in the Decree of the President of the Republic of Uzbekistan dated January 17, 2019 No. PD-5635 and offices are assigned tasks.

**Table 3 The status of changes in the assessment indicators of Tashkent city in The Global Financial Centers Index (GFCI)**

Indicators	September 2022 (Issue 32) [12]	March 2023 (Issue 33) [12]	September 2023 (Issue 34) [12]
Number of evaluations in the last 24 months	13	31	46
Average rating	562	555	539
Position (position) within 10 participating financial centers	10	9	7

The Global Financial Centers Index (GFCI), which has been published since 2007, has included the city of Tashkent as an affiliated financial center from 2022. Today's situation is presented in Table 3. In order for GFCI to be fully indexed and rated, it is first necessary to increase its associate center status. In particular, it is necessary to increase the number of grades (grade indicators) to 150.



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## Conclusion

In our opinion, we believe that it is appropriate to pay special attention to the following in order to fundamentally improve the investment environment in our country, to introduce a system of criteria for evaluating business conditions generally accepted in world practice, and to receive the "favorable investment environment" assessment given by international rating agencies to our country's economy.

Firstly, the value of GDP per capita should not be reduced to at least 1100 US dollars, and the volume of GDP due to crises in industrial production should not be reduced below 20%, and measures should be taken to ensure its continuous growth over the last 10 years.

Secondly, the status of the national currency as an international currency (at least 3% of the reserve currencies based on the IMF as a reserve currency, and 1% of the daily world currency trade as an actively traded currency) is used in international calculations increasing the level, the ratio of Gross external financing needs (% of CAR plus usable reserves) to the sum of international financial receipts and usable foreign currency reserves (Gross external financing needs (% of CAR plus usable reserves), as well as international financial net external debt (assets) in a narrow range It is necessary not to increase the ratio of narrow net external debt/CAR (%) to revenues from 100%, and the ratio of the foreign trade balance deficit to international financial revenues by 10%.

Thirdly, not to increase the rate of growth of the weight of the total public debt to GDP from 4%-7%, the ratio of net debt to GDP (Net debt/GDP (%)) from 80%, and interest expenses from the total income of the state from 15%, the level of influence of the local banking system on state assets should be less than 20%, state debts in foreign currency that will be extinguished within 3 years should exceed 40% of gross state debts, ownership of state debts by non-residents, as well as stock market indices 60 %, when unemployment increases by 15%, when GDP falls by 6%, various conditional guarantees given by the state, that is, to ensure that the size of the state's obligations does not exceed 60% of GDP.

Fourthly, not to return to the regime of exchange rates fixed by the monetary bodies that regulate the currency, to maintain their independence in regulating the country's money circulation, transparency in the mechanism and means of influencing the industry, clarity in the policy regarding the level of state intervention, the central bank's financial not to limit the functions of the last creditor in the system, to maintain the accuracy or reliability of statistical data published by monetary authorities, not to increase the annual consumer price index by 10%.

## Conclusion

In general, in order to widely attract financial resources from the global investment market to our country, it is necessary to receive a high-level sovereign credit rating from the world's leading international rating agencies, deepen market reforms, liberalize the economy, and develop local production.

In our country, a number of positive activities are being carried out to ensure the international competitiveness of the national financial market and to accelerate its

development, as well as to ensure the mutual harmony of domestic capabilities and advanced foreign experiences in the formation of international financial centers based on the introduction of modern international standards. In this regard, in order to modernize the infrastructure of the national financial market, it is necessary to ensure the stability of the exchange rate of the national currency, the possibility of working with digital management and information, as well as to increase the size of the secondary securities market and bond transactions, to further liberalize and internationalize the stock market.

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