

ANTI-CORRUPTION REFORMS AND THEIR IMPACT ON FOREIGN DIRECT INVESTMENT IN UZBEKISTAN

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Annotation: Since the 2017 transition, Uzbekistan has pivoted from a closed, corruption-plagued economy toward a modernized, investment-friendly landscape. Driven by the Mirziyoyev administration's legislative overhaul, most notably the Law on Combating Corruption (2017) and the Law on Anti-Corruption Examination (2023) – the nation has seen Foreign Direct Investment (FDI) inflows double to \$7.2 billion by 2023. While digital initiatives like the “E-IJRO AUKSION” platform have significantly reduced petty bureaucratic friction, systemic hurdles remain. Recent data from 2024 and 2025 indicate a plateauing in Transparency International's CPI scores, suggesting that the "low-hanging fruit" of reform has been harvested. This article analyzes the correlation between legal transparency and capital inflows, arguing that for Uzbekistan to evolve into a sustainable regional hub, it must transition from formal legislative compliance to substantive judicial independence and rigorous enforcement.

Key Words: *Anti-corruption reforms, Foreign Direct Investment (FDI), Uzbekistan, Legal regulation, Economic development, International Business Law*

Introduction: Uzbekistan stands at a critical juncture: a nation transitioning from a legacy of systemic corruption to a modernized hub for global capital, strategically located in Central Asia, rich in natural resources, and eager to join the global economy. Now imagine that same country struggling to convince foreign investors to trust its

system because of a long history of corruption. This is Uzbekistan's story, but it's one that's changing fast. Since 2017, under President Shavkat Mirziyoyev, Uzbekistan has launched bold anti-corruption reforms to create a transparent and predictable business environment, essential for attracting foreign direct investment (FDI). These efforts have paid off, with FDI nearly doubling from \$3.6 billion in 2022 to \$7.2 billion in 2023. Yet, challenges like judicial independence and inconsistent enforcement remain, raising questions about whether Uzbekistan can sustain this momentum. These reforms are critical not just for economic growth but for building a legal system that aligns with global standards. This article explores Uzbekistan's anti-corruption reforms, their impact on FDI, the legal hurdles that persist, and my perspective on how to strengthen these efforts to make Uzbekistan a regional investment hub.

Uzbekistan's past was marred by systemic corruption, it infiltrated public administration, healthcare, education, and law enforcement, creating an environment where trust was scarce. In 2012, Uzbekistan scored a dismal 17 out of 100 on Transparency International's Corruption Perceptions Index¹ (CPI), ranking 160th out of 176 countries. This reputation made it tough for Uzbekistan to compete globally, as investors shied away from unpredictable legal systems and bureaucratic red tape.

Everything changed after 2016, a promising chance to open the economy and tackle corruption head-on. Recognizing that FDI is a lifeline for economic growth, job creation, and technological advancement, his administration prioritized legal and institutional reforms to rebuild investor confidence. By 2023, Uzbekistan's CPI score had climbed to 33, ranking 121st out of 180 countries, though a slight dip to 32 in 2024 suggests progress is uneven. These reforms are about more than just cleaning up

¹ Transparency International's Corruption Perceptions Index - <https://www.transparency.org/en/cpi/2024/index/uzb>

governance, they're about making Uzbekistan a credible destination for global capital, a goal where legal frameworks are the foundation of investor trust.

Since 2017, Uzbekistan has pursued a multi-pronged approach to combat corruption, blending legislative changes, institutional strengthening, and digital innovation. These efforts, supported by international partners, aim to create a transparent business environment, crucial for FDI and aligned with International Business Law principles.

Legislatively, the *Law on Combating Corruption* (LRU № 419, 2017) set the stage for coordinated action against corrupt practices. The *Law on Anti-Corruption Examination of Legislation* (LRU № 860, 2023) empowered the Anti-Corruption Agency to review new laws for corruption risks, ensuring legislation doesn't create loopholes that undermine investor confidence. Presidential decrees in January and February 2024 simplified business licensing by abolishing 22 types of licenses and reducing regulatory burdens, making it easier for foreign investors to operate. The government is also drafting laws on conflict of interest, asset declaration, and whistleblower protection, though their implementation remains pending, as noted by the International Monetary Fund² (IMF) in 2025.

Institutionally, the Anti-Corruption Agency, established in 2020, has been pivotal in coordinating policies and investigations. In 2023, the Prosecutor General's Office reported 3,575 officials prosecuted for corruption, with damages exceeding \$130 million. International cooperation has bolstered these efforts, with the UN Office on Drugs and Crime³ (UNODC) signing an Action Plan with Uzbekistan in June 2024 to integrate global anti-corruption standards for 2024-2025. Digital tools like the “E-IJRO

² IMF: Uzbekistan: Staff Concluding Statement of the 2025 Article IV Mission - <https://www.imf.org/en/News/Articles/2025/04/23/mcs-042325-uzbekistan-staff-concluding-statement-of-the-2025-article-iv-mission>

³ UNODC and the Anti-Corruption Agency of Uzbekistan have signed an Action Plan for joint activities aimed at countering corruption in the country - https://www.unodc.org/roca/en/NEWS/news_2024/june/unodc-and-the-anti-corruption-agency-of-uzbekistan-have-signed-an-action-plan-for-joint-activities-aimed-at-countering-corruption-in-the-country-.html

AUKSION” platform, introduced in 2022, streamline public procurement through electronic bidding, reducing corruption risks. The *Virtual Anti-Corruption Academy*, launched in 2024, offers training to public officials, further embedding anti-corruption principles.

In 2025, Uzbekistan continued its momentum. The *Anti-Corruption Hackathon*⁴ (May 2-4, 2025) in Tashkent brought together innovators to develop tech solutions for combating corruption, while the *IV Tashkent Anti-Corruption Forum* in October 2024 gathered over 250 experts to discuss global best practices. A presidential decree on April 22, 2025, outlined plans to enhance the *National Anti-Corruption Strategy 2021-2025*, signaling ongoing commitment. These reforms demonstrate Uzbekistan’s dedication to creating a legal environment that aligns with international standards, a cornerstone for attracting FDI.

Uzbekistan’s anti-corruption reforms have significantly boosted FDI, reflecting the importance of a strong legal framework for investor confidence. According to the U.S. Department of State⁵, FDI inflows reached \$7.2 billion in 2023, nearly double the \$3.6 billion in 2022. The World Bank⁶ notes that FDI accounted for 30.5% of total investment in 2024, contributing to a 27.6% growth in real investment. This growth is tied to reforms that reduce bureaucratic barriers and enhance transparency, making Uzbekistan more attractive to investors from countries like China, Russia, and Saudi Arabia.

Sector-specific impacts are notable. In energy, Saudi Arabia’s ACWA Power⁷ committed \$15 billion to green energy projects, driven by tax exemptions and

⁴ IV Tashkent Anti-Corruption Forum 2024 - <https://anticorruption.uz/en/article/korrupsiyaga-qarshi-kurashish-boyicha-xakatonga-start-berildi>

⁵ 2024 Investment Climate Statements: Uzbekistan - <https://www.state.gov/reports/2024-investment-climate-statements/uzbekistan/>

⁶ The World Bank - <https://www.worldbank.org/en/country/uzbekistan/overview>

⁷ ACWA Power's investment in Uzbekistan reaches \$15bn - <https://daryo.uz/en/2025/04/05/acwa-powers-investment-in-uzbekistan-reaches-15bn> , <https://www.acwapower.com/media/342392/acwa-power-year-end-report-2024-eng.pdf>

transparent policies. Manufacturing, retail, and banking have also seen increased FDI, fueled by export diversification policies. Infrastructure projects like Tashkent City, despite transparency concerns, have drawn significant foreign capital. The World Bank’s Doing Business⁸ report highlights progress in starting a business and protecting minority investors, further supporting FDI growth.

However, international perceptions remain mixed. While Uzbekistan’s CPI score improved from 157th in 2017 to 121st in 2023, a slight decline to 32 in 2024 suggests lingering risks. Investors still cite corruption and lack of transparency in public procurement as obstacles, indicating that reforms must be fully implemented to sustain FDI growth.

| Year | FDI Inflows (USD) | CPI Score (Rank) | Key Reforms |
|-------------|--------------------------|-------------------------|---|
| 2017 | ~\$1.8 billion | 22 (157th) | Law on Combating Corruption |
| 2020 | ~\$2.3 billion | 25 (153rd) | Anti-Corruption Agency Established |
| 2022 | \$3.6 billion | 31 (126th) | E-IJRO AUKSION Platform |
| 2023 | \$7.2 billion | 33 (121st) | Law on Anti-Corruption Examination |
| 2024 | 30.5% of investment | 32 (121st) | Virtual Anti-Corruption Academy; IMF Asset Declaration Push |

Despite the progress, several challenges threaten to limit the reforms’ impact on FDI, particularly from a legal perspective. For example, a major concern is the judiciary’s lack of independence. Courts are often seen as influenced by the executive branch, leading to unpredictable rulings that deter investors seeking reliable dispute

⁸ World Bank: Ease of Doing Business ARCHIVE - <https://archive.doingbusiness.org/en/data/exploreconomies/uzbekistan>

resolution (U.S. Department of State, 2024). For International Business Law, this is a critical issue, as investors need assurance that contracts and disputes will be handled fairly.

Another challenge is while prosecutions have surged (4,904 officials were charged in 2024, up 37.2% from 2023) enforcement remains inconsistent. Only 20% of those charged received prison terms, with 42% assigned correctional work and over 200 facing no punishment⁹ (The Diplomat, 2025). This leniency undermines the reforms' credibility and investor trust.

State dominance and privatization are also considered an obstacle, the state-owned enterprises (SOEs) dominate key sectors, limiting competition and creating corruption risks. Privatization efforts, outlined in the National Development Strategy 2022-2026, have been slow, with many sectors still restricted from foreign investment¹⁰ (KnowYourCountry, 2024). Opening these sectors could boost FDI significantly.

Then comes the transparency, the “E-IJRO AUKSION” platform has improved procurement transparency, but foreign companies still face barriers to access. Full transparency and equal opportunity are essential to attract global investors (OECD, 2024). Corruption remains deeply embedded, particularly in education (474 cases in 2023), banking (323 cases), and healthcare (299 cases). A 2024 survey revealed that 48.6% of respondents feared reporting corruption due to safety concerns, and 24.8% believed it would have no impact (The Diplomat, 2025). Building public trust is crucial for sustaining anti-corruption efforts.

⁹ The Diplomat, 2025: “Uzbekistan’s Corruption Crackdown: Progress or Perpetual Crisis?” - <https://thediplomat.com/2025/02/uzbekistans-corruption-crackdown-progress-or-perpetual-crisis/>

¹⁰ KnowYourCountry: Uzbekistan Country Summary - <https://www.knowyourcountry.com/uzbekistan>

Experts offer nuanced views on Uzbekistan’s anti-corruption reforms and their implications for FDI. **Kodir Kuliev** and **Niginakhon Saida** argue that (in their February 2025 article for *The Diplomat*) while anti-corruption prosecutions have increased, the lack of severe punishments and political favoritism (“tanish-bilish”) undermine progress. They highlight corruption in education, banking, and healthcare, suggesting that systemic reform requires building trust and strong institutions (The Diplomat, 2025). Meanwhile, **Kristian Lasslett**, in his 2020 paper for *The Foreign Policy Centre*¹¹, warns that systemic grand corruption persists, citing the Tashkent City project’s opaque tender processes as a red flag for investors. He recommends modernizing corporate law and enhancing transparency through open registers to boost FDI (Lasslett, 2020).

Tolibjon Mustafoev (International Political Economy researcher) argues that Uzbekistan’s anti-corruption agenda goes beyond formal legal reforms, it is reshaping legal culture, trust in institutions, and the business environment. According to his socio-legal analysis, despite notable policy changes, informal practices and embedded social norms continue to influence everyday business operations. This means that foreign investors often assess not just the written laws but also how those laws are implemented in real practice. Mustafoev concludes that improving institutional trust and legal culture is as crucial as enacting new legislation, since perceptions of fairness and predictability significantly affect investment decisions and business confidence¹².

Another legal scholar from Tashkent State Agrarian University, Feruza Asrorovna Mamadaliyeva examines Uzbekistan’s reforms through the lens of international best practice, focusing on Singapore’s long-standing success in combating corruption. Her

¹¹ The Foreign Policy Centre: Corruption and reform in Uzbekistan: The elephant is still in the room - <https://fpc.org.uk/corruption-and-reform-in-uzbekistan-the-elephant-is-still-in-the-room/>

¹² Springer Nature Link – The International Anticorruption Agenda, Legal Culture, and Business Environment in Uzbekistan – https://link.springer.com/chapter/10.1007/978-3-031-55341-7_2

expert opinion highlights that Uzbekistan would benefit from strengthening institutional independence and merit-based governance, empowering oversight bodies with real autonomy, enhancing legal transparency and enforcement capacity, and sustained political commitment beyond short-term initiatives. While recognizing structural and political differences between Uzbekistan and Singapore, Mamadaliyeva suggests that institutional design and cultural change (not just formal laws) are key for long-term credibility, including in the eyes of foreign investors¹³.

The IMF's 2025 Article IV Mission report urges Uzbekistan to enact laws on asset declaration, conflict of interest, and whistleblower protection. It also calls for improved procurement transparency and finalizing the *National Anti-Corruption Strategy* to enhance public spending efficiency and attract FDI (IMF, 2025). These perspectives underscore that while reforms have laid a foundation, sustained effort is needed to address systemic issues and build investor confidence.

Strategic Recommendations for Strengthening Uzbekistan's Investment Climate

Decoupling the judiciary from executive influence. The primary deterrent for high-value global investors remains the "predictability gap" in dispute resolution. To bridge this, Uzbekistan must prioritize the establishment of an independent Judicial Council with the authority to appoint and oversee judges based on merit rather than political alignment. Integrating international arbitration standards, such as the UNCITRAL Model Law, would signal to the global community that contracts in Uzbekistan are protected by law rather than shifting political will. Furthermore, expanding the jurisdiction of English-law-based frameworks for commercial disputes (similar to the model used in the Tashkent International Financial Centre) would provide

¹³ Anti-Corruption Reform in Uzbekistan: What Can Be Learned from Singapore? – https://www.researchgate.net/publication/394189200_Anti-Corruption_Reform_in_Uzbekistan_What_Can_Be_Learned_from_Singapore

an essential layer of security for foreign capital and align the domestic legal environment with global best practices.

Transitioning from prosecution to proportional punishment. While the recent surge in corruption prosecutions is a positive indicator of government activity, the "leniency gap" remains a concern. When only 20% of convicted officials face prison terms, the law's deterrent effect is significantly weakened. Uzbekistan must move beyond a "catch-and-release" model toward a system of robust, mandatory sentencing for grand corruption. This requires the immediate enactment and implementation of pending laws regarding asset declaration and conflict of interest. Granting the Anti-Corruption Agency total investigative autonomy, free from the requirement of executive clearance, is vital to ensure that anti-corruption efforts are viewed as a permanent systemic shift rather than a tool for selective political enforcement.

Accelerating privatization and market neutrality. State-Owned Enterprises (SOEs) still dominate nearly 30% of the economy, often benefiting from opaque "tanish-bilish" (favoritism) networks that stifle competition. To eliminate these risks, the government should accelerate the transition of SOEs in the energy, manufacturing, and telecommunications sectors to private ownership through open, international tenders. This transition must be supported by the further expansion of digital transparency; while the "E-IJRO AUKSION" platform has been a success, its scope should be widened to include all major public-private partnerships and state procurement contracts. Ensuring that foreign bidders have audited, equal access to these opportunities is the only way to build long-term institutional trust.

Institutionalizing whistleblower protections. Finally, breaking the "culture of silence" is essential for sustaining these reforms, especially given that nearly 50% of the population still fears retaliation for reporting corruption. Uzbekistan needs a comprehensive Whistleblower Protection Act that provides not only legal immunity and

anonymity but also financial incentives for reporting financial crimes. By formalizing the role of independent NGOs and the media as watchdogs, the state can move toward a model of civic oversight that complements its top-down legislative efforts. Such a move would foster a culture of integrity from the ground up, proving to investors that the country's commitment to transparency is shared by its institutions and its citizens alike.

While legislative strides are undeniable, the transition from "paper reforms" to "cultural integrity" remains a significant hurdle. Uzbekistan's participation in the December 2024 international anti-corruption conference signaled a high-level commitment to global standards, yet the 2024 CPI score of 32 serves as a sobering reminder that public and investor perceptions have plateaued. This stagnation is largely rooted in a lack of public trust; a 2024 survey revealed that 48.6% of respondents still cite safety concerns as a primary barrier to reporting corruption. This "fear of retaliation" suggests that while the legal machinery is being built, the protective shield for those who engage with it is still missing.

Furthermore, the role of civil society and independent media remains partly restricted. Initiatives like the 2025 Anti-Corruption Hackathon demonstrate a willingness to use technology for transparency, but technology alone cannot replace the oversight provided by a truly independent press and robust NGOs. For Uzbekistan to replicate the success of models like Rwanda, which transformed its FDI landscape through uncompromising accountability, it must move beyond top-down decrees. Adherence to the UN Convention Against Corruption (UNCAC) and OECD monitoring must be viewed not as a checklist for international approval, but as a roadmap for building the deep-seated institutional trust necessary to sustain long-term investment.

In conclusion, Uzbekistan's journey since 2017 represents one of the most ambitious economic and legal pivots in Central Asia. The surge in Foreign Direct

Investment to \$7.2 billion in 2023 is a clear market endorsement of the nation's legislative efforts, from the foundational Law on Combating Corruption to the digitization of public procurement. These reforms have successfully moved Uzbekistan from a position of economic isolation to a credible destination for global capital in energy, manufacturing, and infrastructure. However, the 2024 plateau in CPI scores and the persistent "fear factor" among the public indicate that the era of "easy wins" through top-down decrees has reached its limit.

The path to becoming an upper-middle-income economy by 2030 now depends on shifting the focus from legislation to implementation. As this article has explored, the remaining hurdles (judicial dependence, inconsistent enforcement, and the dominance of state-owned enterprises) are not merely bureaucratic nuisances, they are systemic risks that could eventually cap FDI growth. To sustain its momentum, Uzbekistan must move toward a "second generation" of reforms that prioritize institutional trust over formal compliance. This means empowering the Anti-Corruption Agency with true autonomy, protecting whistleblowers with the full force of the law, and ensuring that the judiciary serves as a neutral arbiter rather than an executive branch.

Ultimately, Uzbekistan's potential to serve as a regional investment hub is within reach, but it requires a sustained commitment to transparency that transcends political cycles. By bridging the gap between legislative intent and the ground reality of business operations, the government can transform the current investment "surge" into a permanent "stability". If the administration can successfully institutionalize a culture of integrity, Uzbekistan will not only attract capital but will set the gold standard for governance and economic resilience in the heart of the Silk Road.

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