



**STRATEGIC PRIORITIES FOR NATIONAL DEVELOPMENT.
IMPROVING THE SOCIO-ECONOMIC EFFECTIVENESS OF
UZBEKISTAN'S INVESTMENT POLICY**

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Abstract. At this stage of large-scale economic transformation in the Republic of Uzbekistan, investment policy is ceasing to be merely a tool for capital accumulation and is becoming a key driver of far-reaching structural reforms. In the current period, we are witnessing a qualitative transition from the stage of macroeconomic stabilisation to a strategy of active, comprehensive investment, where the main value lies not only in the volume of funds attracted, but also in their real impact on the standard of living of every citizen. In this context, the relevance of this topic stems from the need to seek new sources of sustainable growth amid global uncertainty and a shortage of financial resources.

Keywords: Investment, transformation, macroeconomic growth, capital, policy, harmony.

In the current climate, for our country—which possesses a unique demographic resource, with over 60% of the population under the age of 30 [1]—investment policy takes on a distinctly social dimension. In particular, it is designed not merely to build factories, but to foster an innovative ecosystem that provides high-quality jobs and



supports the development of human capital. Investment attractiveness today is an integrated characteristic in which natural and geographical advantages must be harmoniously combined with legislative stability and innovative activity.

An analysis of recent years' results shows that Uzbekistan has firmly established itself as one of the region's most dynamic economies. For example, to appreciate the scale of these impressive transformations, one should start with the GDP figure by the end of 2024, which reached US\$121.4 billion, whilst annual growth rates have remained stable at 6–7%. It is important to emphasise that per capita income during this period has almost doubled, exceeding US\$3,200[9], which indicates a gradual shift from quantitative to qualitative indicators. Similarly, the dynamics of investment flows confirm the growing confidence of the international business community in the reforms being implemented. For example, whilst investment in fixed capital amounted to around \$14 billion in 2017, by 2024 this figure had reached \$40 billion[3]. The explosive growth in foreign direct investment (FDI) and loans – from \$2.5 billion to \$35 billion over the same period – deserves particular attention. Today, more than 3,200 enterprises are operating successfully in the republic with the participation of investors from 85 countries around the world, including recognised global leaders such as Siemens, BAT Industries and Daewoo [2].

It is worth noting that the effectiveness of the current policy is largely due to the extensive liberalisation of the foreign exchange and trade regimes, as well as the radical simplification of the tax system. For example, reducing the number of taxes from 13 to 9 and lowering the VAT rate to 12% have served as powerful incentives for the formalisation of business and the attraction of capital to our country. The introduction of digital tools, such as online registration via a 'single window' system, has made it possible to significantly reduce administrative costs, a development that has been particularly well received by investors in recent years.

Despite obvious successes, a number of systemic challenges currently exist that limit the socio-economic returns on investment. One of the central problems remains the high concentration of FDI in capital-intensive sectors, such as energy and the extractive industries. This creates a certain imbalance: firstly, despite the huge volume of investment, the number of jobs created in these sectors remains modest[7].

Secondly, the dominance of state-owned enterprises (hereinafter SOEs, author's note) in key sectors poses a serious challenge. SOEs account for up to half of GDP; they often enjoy preferential access to resources, land and finance, which distorts the competitive environment and stifles private initiative. Furthermore, we face the problem of 'regulatory fatigue'; the rapid pace of reforms has led to the issuance of over 23,000 regulatory acts[4], which at times creates legal uncertainty and fragmentation of powers between departments.

Nor should one overlook the significant size of the informal sector, which accounts for around a third of GDP. This not only limits tax revenues but also places honest entrepreneurs at a disadvantage, particularly in the small and medium-sized enterprise sector. Small businesses continue to face difficulties in accessing long-term credit due to high collateral requirements and the underdeveloped stock market.

It is worth noting that to achieve a qualitative breakthrough and meet the target of becoming an upper-middle-income country by 2030[5], we need to implement a set of measures aimed at maximising the effectiveness of every dollar invested.

In this regard, it is advisable to make a gradual transition from income-based tax incentives, such as corporate income tax exemptions, to expenditure-based incentives, such as investment allowances and R&D tax credits[6]. In turn, this will not only improve the effectiveness of attracting technology, but also protect the tax base in the context of the introduction of a global minimum tax.

In particular, the creation of regional industrial clusters will help establish sustainable value chains by bringing together large foreign enterprises with local SMEs. This will ensure a genuine transfer of technology and management skills to the domestic market. It is worth noting that, given the high carbon footprint of our economy, it is necessary to stimulate capital inflows into renewable energy and energy-efficient technologies. ‘Green’ financing and the issuance of corresponding bonds, which are already being successfully implemented, should become an important tool in this regard. To achieve this, we need to consolidate investment legislation, possibly in the form of an updated Investment Code, and introduce a transparent ‘negative list’ of sectors closed to foreign capital. We must minimise reliance on subordinate legislation by enshrining key investor protection guarantees in directly applicable laws.

However, funding for education and healthcare must remain a cross-cutting priority. Increasing the number of universities to 219 and the coverage of higher education to 47.7% [6] provides the fundamental basis for innovative growth. Investors should come not for cheap labour, but for skilled personnel.

To sum up, it should be noted that Uzbekistan’s investment policy is at a critical stage of transition from extensive growth to a quality-driven development model. Our strategic goal of reaching a GDP of \$200 billion by 2030 requires not only attracting a further \$120 billion in investment [8], but also ensuring a high socio-economic return on these investments. The future lies in a balanced transformation, where the interests of the state, investors and society are aligned. Strengthening mechanisms for responsible business conduct, fostering competition and the consistent digitalisation of all stages of the investment cycle will enable Uzbekistan not only to maintain its status as a regional leader, but also to become a full-fledged participant in global high value-added supply chains. I am confident that, provided the pace of reforms is maintained and the focus remains on a state with a sustainable and competitive economy.

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