



EVOLUTION OF INVESTMENT PROJECTS IN THE EMERGING ECONOMY: FOREIGN DIRECT INVESTMENT (FDI) ROLE IN UZBEKISTAN

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Abstract. The evolution of investment projects has accelerated in both developing and developed economies over the past two decades. In Uzbekistan, foreign direct investment (FDI) has played a key role in boosting growth, productivity, and technological advancement. This study examines the impact of FDI inflows on GDP growth and investment project efficiency from 2000 to 2024. It also highlights the role of digital technologies—such as blockchain, artificial intelligence, and big data—in enhancing transparency, efficiency, and investor confidence. Recommendations include improving investment protection, expanding PPP frameworks, and directing FDI toward manufacturing and high-value services.

Key word: Investment projects, Digitalization, Economic development, Blockchain, Uzbekistan, FinTech.

Annotatsiya: So‘nggi yigirma yil ichida rivojlangan va rivojlanayotgan mamlakatlarda investitsiya loyihalarining rivoji jadallashdi. O‘zbekistonda to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar (FDI) iqtisodiy o‘shish, samaradorlik va texnologik yangilanishda muhim rol o‘ynadi. Tadqiqot 2000–2024-yillar oralig‘ida FDI oqimlarining YaIM o‘shishi va loyihalar samaradorligiga ta‘sirini tahlil qiladi. Shuningdek, blokcheyn, sun‘iy intellekt va katta ma‘lumotlar kabi raqamli



texnologiyalar loyihalar shaffofligini va investor ishonchini oshirishdagi o‘rnini yoritadi.

Kalit so‘zlar: Investitsiya loyihalari, raqamlashtirish, iqtisodiy rivojlanish, blokcheyn, O‘zbekiston, FinTech.

Аннотация: За последние два десятилетия развитие инвестиционных проектов ускорилось как в развивающихся, так и в развитых странах. В Узбекистане прямые иностранные инвестиции (ПИИ) сыграли важную роль в росте экономики, повышении производительности и технологическом развитии. В исследовании рассматривается влияние ПИИ на рост ВВП и эффективность инвестиционных проектов в 2000–2024 годах. Особое внимание уделено роли цифровых технологий блокчейн, искусственный интеллект и большие данные в повышении прозрачности и доверия инвесторов.

Ключевые слова: Инвестиционные проекты, цифровизация, экономическое развитие, блокчейн, Узбекистан, Финтех.

Introduction.

Policy makers across the globe are searching for ways to spur growth and create jobs and investment is at the very top of that list. Faster growth in investment is always linked with greater growth in productivity and output since more capital per worker drives efficiency and innovation. History shows us that countries experiencing fast-growing investment growth experience strong growth surges in output, as well as job creation and overall macroeconomic progress. In fact, investment accelerations intervals of strong, durable investment expansion have repeatedly served as turning points, setting economies on firmer and more sustainable growth paths. Foreign direct investment (FDI) is a key vehicle for capital



flows, technology transfer, and value chain integration for emerging markets. Uzbekistan, the most populous country in Central Asia, has seen a dramatic policy change since 2017 towards market-oriented reforms aimed at liberalizing the economy, limiting the dominance of the state, and enticing foreign investment.

Historical development of Investment projects.

Uzbekistan's movement from planning to market began nearly 30 years ago after gaining independence from the Soviet Union. Throughout most of this period, economic restructuring and modernization trailed behind, with little variation in policy and institutions from the time when the planned economy was strongest. At independence, The Republic of Uzbekistan has created a robust legislative base in Investment policy to encourage and promote investment, and has provided legal protection to foreign and national investors. Uzbekistan introduced further investment legislation in the late 1990s (e.g., Law on Investment Activity / Law on Foreign Investments was enshrined at that time key documents date from 1998 and onwards). The legal framework increasingly offered safeguards to foreign investors, although unofficial barriers (licensing, bureaucracy, currency convertibility at times) kept big inflows out.

In 2016, Uzbekistan caught everyone off guard when President Shavkat Mirziyoyev opened up the country to full-fledged economic reforms in order to improve the investment climate and increase openness. The reforms were mainly focused on reducing import tariffs and currency liberalization and easy registration for businesses. The Law on Investments and Investment Activity, passed in 2019 and effective January 27, 2020, modernized the legal framework by incorporating more direct investor protections, guarantees, and tools for resolving disputes [6]. The World Bank has been a leading supporter of Uzbekistan's reform strategy, providing long-term support throughout the years with the goal of consolidating sustainable



economic, social, and environmental reforms. Budget support lending to augment the fiscal and technical capacity of the government to implement reforms assisted Uzbekistan's efforts towards becoming a sustainable and inclusive market economy, boosting the growth of the dominant economic sectors, eradicating poverty, creating jobs, and improving the welfare of citizens. Between 2018-2021, the government acquired \$2.1 billion of assistance from four DPOs that facilitated efforts towards successful and inclusive market transformation. [1]

According to World Bank country data, the GDP of Uzbekistan has posted a steady growth for the last two decades, recording average annual growth of about 5–6 percent from 2000 to 2023 [2]. Gross capital formation increased sharply during these years due to the growing share of private investment and the development of infrastructure to drive national production [2]. There has been a quicker expansion of the private sector, with nearly three times the amount of new businesses registered, from less than 33,000 in 2016 to 93,000 in 2022. In addition, SOE reform has created new private sector opportunities, with the sale of over 1,200 small and medium-sized SOEs since 2019.[4]

Intermediation has become more financial, reducing preferential bank lending to the SOEs from 56% in 2018 to 29% of bank credit in 2023. This created room for greater foreign investment into the banking sector, which supported increasing private sector lending and allowed single-digit inflation to re-emerge by early 2022. Fiscal transparency has also been improved by the government, with movement away from most of the expenditure being off-budget to nearly all expenditure being on-budget and under parliamentary management. Greater local engagement and having the budgets prepared by citizens has helped in spurring public ownership of public spending in the future. These reforms witnessed a sharp increase in FDI flows, especially in sectors such as energy, transportation infrastructure, textiles, and



renewable energy. Multilateral financial institutions such as World Bank, Asian Development Bank (ADB), and European Bank for Reconstruction and Development (EBRD) also resumed technical support and big-ticket project lending[7].

From 2000 to 2015, economic liberalization and globalization increased private participation in investment plans. International financial institutions such as the Asian Development Bank and the World Bank promoted standardized assessment procedures and sustainable development principles. Therefore, the majority of countries experienced an upsurge in the inflow of FDI, which propelled rapid growth among industries and infrastructure. Uzbekistan continues to show a robust growth by leading Central Asia in the field of FDI In 2024 alone, the country has attracted \$900 mln in the sector of the digital economy—owing to telecommunications reform and growing demand for digital services [8]. Another \$1 bn poured into transport projects. Foreign Direct Investment in Uzbekistan increased by 871.82 USD Million in the second quarter of 2025. Foreign Direct Investment in Uzbekistan has averaged 347.76 USD Million between the period 2005-2025, with a record high of 1120.52 USD Million in the fourth quarter of 2024 and a record low of -1.74 USD Million in the second quarter of 2018.[3]

Conclusion

In conclusion, the establishment of Investment projects in Uzbekistan is a step-by-step but continuous movement towards openness and integration into the world economy. FDI contributes to economic growth by way of employment generation, industry diversification and competitiveness. The Agency of the Ministry of Investment, Industry, and Trade of the Republic of Uzbekistan (Agency) is committed to developing a dynamic and business-friendly environment. Our main work is supporting foreign investors to discover and access new business opportunities in different fields of Uzbekistan. However, there are limitations such



as administrative inefficiencies, depth constraints of financial markets, and investment geographical disparities at regional levels. Addressing such limitations entails institutional reforms supported by uninterrupted efforts, investor legal protections, as well as deeper economic integration into international value chains.

In summary, the contribution of FDI to Uzbekistan's economic transformation has been revolutionary. By ensuring political stability, open governance, and sustained reform momentum, Uzbekistan can continue to be one of the most preferred investment destinations in Central Asia. The Uzbek experience highlights the utterly vital role of FDI not just as a capital provider, but as a sustainable promoter of growth, innovation, and structural change in emerging markets.

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