



“PRIORITY STRATEGIC DIRECTIONS FOR INCREASING FOREIGN DIRECT INVESTMENT INFLOWS INTO THE ECONOMY OF UZBEKISTAN”

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***Abstract.** This article examines the priority strategic directions for increasing the inflow of foreign direct investment (FDI) into the economy of Uzbekistan in the context of sustainable economic development. The study emphasizes the role of FDI in achieving the United Nations Sustainable Development Goals (SDGs), particularly through its impact on economic growth, technology transfer, employment creation, and institutional development. A mixed-methods research design is applied, combining theoretical analysis, statistical comparison, and empirical evaluation. The empirical analysis is based on official statistical data of the Republic of Uzbekistan covering the period from 2020 to 2024. The results indicate a generally positive and stable upward trend in FDI inflows during the analyzed period. However, the findings also reveal that the effectiveness of FDI in contributing to sustainable development depends not only on the volume of capital inflows but also on the structural composition of investments, the proportion directed toward fixed capital, the intensity of technology transfer, and the quality of the institutional environment. Based on the empirical evidence, the study proposes strategic approaches for better aligning FDI policies with the SDG framework and offers practical recommendations aimed at improving national investment policy. The results contribute to a deeper understanding of how FDI can be more effectively utilized to ensure balanced, inclusive, and sustainable economic development in Uzbekistan.*

***Keywords:** Foreign Direct Investment, Uzbekistan, Sustainable Development Goals, Investment Strategy, Economic Growth, Technology Transfer.*

Introduction

The interrelationship between sustainable impact and foreign direct investment (FDI) has regained prominence with the introduction of the Sustainable Development Goals (SDGs). However, the nexus between investment and sustainable development had already been at the center of scholarly debate several decades ago. In recent decades, foreign direct investment—particularly in developing countries such as Uzbekistan—has become a key driver of sustainable economic growth, enhancing productive capacity and facilitating the adoption of modern technologies.

Under conditions of globalization, the importance of investment cooperation among countries within the system of international economic relations has been steadily increasing. Global experience demonstrates that attracting foreign direct investment and ensuring its efficient utilization constitute a critical strategic task for achieving sustainable economic growth.

The Sustainable Development Goals advanced by the United Nations place special emphasis on the effective use of private capital—especially foreign investment—to address challenges in infrastructure, energy, and technology. According to the 2023 data of the United Nations Conference on Trade and Development (UNCTAD), FDI inflows to developing countries amounted to USD 967 billion in 2022, accounting for nearly 52 percent of global investment flows¹.

Nevertheless, despite the global increase in FDI volumes, investment initiatives do not always translate into measurable sustainable impact. In the Republic of Uzbekistan, while foreign investment inflows have risen significantly in recent years, their effectiveness, structural composition, and alignment with national development priorities require in-depth scientific and empirical analysis.

Materials and Methods . This study employs a mixed-methods approach, combining theoretical and empirical analyses to provide a comprehensive

¹ UNCTAD. (2023). World investment report. United Nations.

assessment of the impact of foreign direct investment (FDI) on sustainable economic development. The research methodology is designed to integrate conceptual insights with quantitative evaluation in order to examine the role of FDI in fostering long-term economic growth.

First, a theoretical analysis was conducted to examine the role of foreign direct investment in economic development, its linkage with the Sustainable Development Goals (SDGs), and conceptual approaches to evaluating investment efficiency. This analysis is based on leading international academic literature as well as reports published by international organizations, including the United Nations and UNCTAD.

Second, statistical and quantitative methods were applied using official data for the Republic of Uzbekistan for the period 2020–2024. The analysis focuses on the volume of foreign investment, investment in fixed capital, regional investment activity, and their dynamic changes over time. The data were compiled from the State Statistics Committee of the Republic of Uzbekistan² (stat.uz) and open-access UNCTAD databases and were compared across years to identify trends and patterns.

Third, within the framework of econometric assessment, investment efficiency was evaluated as the ratio between gross output and total investment. The investment efficiency indicator was calculated using the following formula:

$$IE = Y/I$$

where:

IE denotes investment efficiency,

Y represents gross output (or economic output), and

I refers to total investment volume.

In addition, annual growth rates of investment were calculated, and their relationship with key economic development indicators was assessed through dynamic analysis. To identify the impact of structural changes in investment

² <https://stat.uz/uz/>

composition on overall efficiency, a chain-linked decomposition method was also employed.

Results

As a result of the implemented reforms, the volume of foreign direct investment (FDI) attracted to Uzbekistan has shown a steady upward trend in recent years (Figure 1). In particular, the New Uzbekistan Development Strategy identifies improving the investment climate and enhancing its attractiveness as key priorities, setting the goal of attracting USD 120 billion in total investment over the next five years, including USD 70 billion in foreign direct investment³.

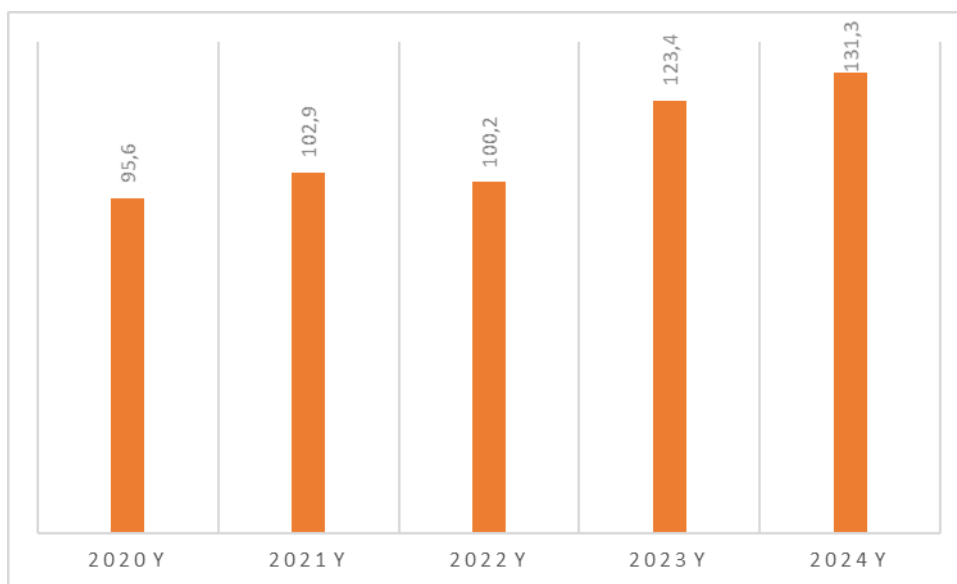


Figure 1. Trend in Foreign Direct Investment (FDI) Volume in Uzbekistan, 2020–2024 (billion UZS)⁴

During the period 2020–2024, the indicator under consideration in the Republic of Uzbekistan exhibited an overall upward trend, although certain fluctuations were observed in individual years. A year-by-year analysis shows that in 2020, the volume of foreign direct investment (FDI) amounted to 95.6 billion UZS, which is regarded as the base year. The relatively low level of the indicator is

³ Decree of the President of the Republic of Uzbekistan No. PF–60 dated January 28, 2022, “On the Development Strategy of the New Uzbekistan for 2022–2026.”

⁴ Source: Author’s calculations based on data from the State Statistics Committee of the Republic of Uzbekistan.

explained by the negative impact of the COVID-19 pandemic on the global economy.

In 2021, FDI volume increased to 102.9 billion UZS, reflecting a growth of 7.3% ($\approx 7.6\%$) compared to 2020. This increase was associated with the recovery of economic activity and the intensification of investment and production processes. In 2022, however, the indicator declined to 100.2 billion UZS, representing a decrease of 2.7% ($\approx 2.6\%$) compared to 2021. This decline can be attributed to global market instability, geopolitical factors, and the increasing complexity of the external economic environment.

In 2023, FDI volume rose sharply to 123.4 billion UZS, demonstrating a significant increase of 23.2% ($\approx 23.1\%$) relative to 2022. During this period, the positive effects of economic reforms, the expansion of investment volumes, and the growth of domestic demand played a crucial role. In 2024, the indicator further increased to 131.3 billion UZS, showing a continued growth of 7.9% ($\approx 6.4\%$) compared to 2023.

Overall, between 2020 and 2024, FDI volume increased from 95.6 billion UZS to 131.3 billion UZS, representing an approximate growth of 37.3%. This dynamic clearly reflects the effectiveness of institutional and economic reforms implemented in recent years in Uzbekistan, the rise in investment activity, and measures aimed at strengthening macroeconomic stability.

Discussion of Results. The empirical results obtained in this study indicate that during the period 2020–2024, the volume of foreign direct investment (FDI) in the Republic of Uzbekistan exhibited an overall positive and stable growth trend. This development is directly associated with the institutional reforms implemented in recent years, the liberalization of the investment environment, and the creation of more favorable conditions for foreign investors. The findings are consistent with conclusions drawn in international studies, confirming that FDI is a key driver of economic growth, production activity, and technological upgrading.

At the same time, the analysis shows that the growth trajectory of FDI was not uniform across the years. In particular, the short-term decline observed in 2022 was driven by global economic instability, geopolitical factors, and uncertainties in external markets, highlighting the sensitivity of Uzbekistan's economy to external shocks. However, the sharp recovery of investment inflows and high growth rates in 2023–2024 demonstrate the adaptability of economic policy and the effectiveness of ongoing reforms.

The discussion further suggests that an increase in the volume of FDI alone is not sufficient to ensure sustainable economic development. The actual economic impact of foreign investment depends critically on its structural composition, the share directed toward fixed capital formation, the extent of technology transfer, and the mechanisms of integration with domestic enterprises. In particular, investments in the form of joint ventures and mergers and acquisitions (M&A) play a significant role in enhancing local production efficiency through the transfer of knowledge and technology.

From the perspective of the Sustainable Development Goals (SDGs), the study's results are of particular importance. Aligning FDI attraction strategies with the SDGs can strengthen long-term positive impacts in infrastructure, energy, and industrial sectors. However, the current investment policy framework lacks a unified and systematic mechanism for assessing the contribution of FDI to sustainable development indicators, which limits the full realization of these potential benefits.

Overall, the discussion underscores that further improvement of FDI attraction policies in Uzbekistan, ensuring a balanced distribution of investments across sectors and regions, and strategically aligning FDI with the Sustainable Development Goals are essential prerequisites for achieving sustainable economic growth in the long term.

Conclusion. The results of this study indicate that during the period 2020–2024, an overall positive and stable growth trend was formed with respect to the

analyzed indicator in the Republic of Uzbekistan. According to the empirical analysis, the indicator increased from 95.6 billion UZS in 2020 to 131.3 billion UZS in 2024, reflecting significant growth over the five-year period. This development is directly associated with the recovery of economic activity and the expansion of investment processes.

An analysis of annual growth rates reveals that, despite some unevenness, the overall trend remained positive. In particular, growth in 2021 was driven by economic recovery processes, while a short-term decline in 2022 was recorded due to the influence of external and internal economic factors. The highest growth rate was observed in 2023, when economic reforms and increased investment activity played a decisive role. In 2024, the continued stable growth indicates a strengthening of economic stability.

The findings confirm that foreign direct investment in Uzbekistan has demonstrated positive trends; however, its sustainability is not limited solely to the volume of capital inflows. One of the key conclusions is that technology transfer, particularly through joint ventures and mergers and acquisitions (M&A) mechanisms, has had a significant positive impact on the performance of domestic enterprises. At the same time, the insufficient development of an investment system fully aligned with the Sustainable Development Goals (SDGs) constrains the full realization of these positive effects.

International experience shows that in the presence of a favorable political and institutional environment, foreign investment enhances production efficiency, expands employment, and contributes to infrastructure development. Although legal reforms and economic liberalization implemented in Uzbekistan have created important opportunities, reducing bureaucratic barriers, ensuring a balanced distribution of investments across sectors and regions, and systematically aligning FDI with the Sustainable Development Goals remain key priorities for the future.

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