



IMPROVING THE INVESTMENT CLIMATE — A GUARANTEE OF SUSTAINABLE ECONOMIC GROWTH

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ABSTRACT	KEY WORDS
This article highlights the role and importance of improving the investment climate in the economic development of the country. It analyzes issues related to creating favorable business conditions for attracting investments, strengthening legal guarantees, ensuring financial stability, and developing the necessary infrastructure for investors. In addition, the article examines the impact of foreign and domestic investments on economic growth, job creation, increasing production volumes, and promoting innovation. The study substantiates the opportunities to strengthen the country's competitiveness and achieve sustainable economic growth by improving the attractiveness of the investment climate. The article also develops proposals and recommendations aimed at stimulating investment activity.	Investment, investment climate, economic growth, foreign investment, investor, investment activity, business environment, economic development.

Introduction

Under current conditions of globalization, investments emerge as one of the most critical factors driving the economic development of nations. Structural shifts within the global economy, accelerated digitalization processes, the evolution of emerging technologies, and intensifying international competition require states to actively support investment activity and continuously refine the investment climate. Modernizing production capacity, establishing new enterprises, deploying innovative technologies, and generating employment opportunities underscore the growing imperative of investment.

Global experience demonstrates that countries cultivating a favorable investment climate sustain robust economic growth rates, attract international capital flows, and bolster national economic competitiveness. The investment climate encompasses an aggregation of economic, political, legal, institutional, and social factors directly determining investors' decisions to commit capital to a national economy. Consequently, international best practices prioritize establishing advantageous conditions for investors, safeguarding property rights, ensuring legislative stability, reducing administrative friction, and advancing financial infrastructure as core pillars of investment policy.

In recent years, pronounced shifts have occurred in both the direction and composition of global investment flows. Alongside developed nations, developing economies actively compete to attract

foreign direct investment. Investors increasingly evaluate macroeconomic stability, political risk, tax regimes, infrastructure quality, workforce caliber, digital technology adoption, and legal protection standards rather than solely prioritizing market scale and natural resource endowments. Thus, in the contemporary era, the attractiveness of the investment climate constitutes an integral element of a country's long-term economic development strategy.

By stimulating the real sector of the economy, investments expand gross domestic product, broaden productive capacities, and elevate labor productivity. Beyond introducing supplementary capital, foreign investments bring frontier technologies, contemporary managerial expertise, modern production standards, and integration into global markets. From this perspective, the efficient mobilization and rational allocation of investment resources serve as indispensable prerequisites for maximizing national economic potential.

Currently, Uzbekistan's economic policy places explicit emphasis on elevating investment activity, cultivating favorable conditions for foreign and domestic investors, enhancing the business environment, and maximizing the efficacy of investment projects. Sustainable economic growth is pursued through economic diversification, effective utilization of regional investment potential, expansion of new industrial branches, and support for innovative initiatives.

Accordingly, conducting rigorous scientific and empirical research into optimizing the investment climate, identifying its key determinants, and formulating effective mechanisms to boost investment attractiveness remain paramount tasks. Higher stability and attractiveness within the investment climate directly correlate with increased capital inflows into the national economy. This foundation accelerates the creation of new production capacity, drives employment growth, expands export potential, and enhances overall social welfare.

Analysis and Empirical Findings

During the period 2021–2025, investment activity in Uzbekistan demonstrated a consistent upward trajectory. The surge in fixed capital investment volume from 239.6 trillion UZS to 603.6 trillion UZS underscores a marked intensification of investment activity across the country. Notably, the expansion of foreign investment and loans from 83.2 trillion UZS to 389.6 trillion UZS testifies to the heightened attractiveness of the investment climate for international investors. The expanding volume of investment directly contributes to modernizing production capacity, creating new employment opportunities, and bolstering national economic potential. Consequently, cultivating a favorable investment climate emerges as a vital driver of sustainable economic growth. Looking ahead, safeguarding investor rights, advancing infrastructure development, and mitigating bureaucratic constraints will further optimize investment efficacy.

In Uzbekistan, the imperative of investment continues to escalate regarding economic modernization, the expansion of productive capacity, and the assurance of sustainable economic growth. In particular, structuring a favorable investment climate constitutes a fundamental condition for stimulating the activities of both domestic and foreign investors. Capital allocations serve to establish new industrial enterprises, technically and technologically upgrade existing production facilities, deploy innovations, and generate new employment opportunities. Therefore, analyzing changes in the volume of investment activity, sources of financing, and foreign capital inflows carries substantial importance for evaluating the overall effectiveness of economic policy.

Table 1 Key Indicators of Investment Activity in Uzbekistan, 2021–2025¹

Indicators	2021	2022	2023	2024	2025	2025/2021, %
Investments in fixed capital utilized, billion UZS	239 552,6	266 240,0	356 071,4	507 490,2	603 558,8	251,9
Centralized financing sources, billion UZS	46 100,4	41 784,3	49 899,0	52 206,7	62 860,1	136,4
Decentralized financing sources, billion UZS	193 452,2	224 455,7	306 172,7	455 283,4	540 698,7	279,5
Foreign direct investments and loans, billion UZS	83 242,5	98 827,3	179 300,7	327 637,7	389 589,6	468,3
Investments funded by household resources, billion UZS	22 705,1	27 296,2	29 982,5	32 706,5	37 472,1	165,0

Data for 2021–2025 demonstrate a significant surge in investment activity across Uzbekistan. Fixed capital investments utilized rose from 239,552.6 billion UZS in 2021 to 603,558.8 billion UZS in 2025. Consequently, this indicator reached 251.9 percent over the five-year period, representing a nearly 2.5-fold increase in total investment volume. Accelerated investment growth was particularly pronounced during 2023–2024.

Substantial structural shifts are likewise evident across funding sources. Centralized funding increased from 46,100.4 billion UZS in 2021 to 62,860.1 billion UZS in 2025, whereas decentralized funding expanded from 193,452.2 billion UZS to 540,698.7 billion UZS. This trend reflects the expanding role of the private sector and non-state financial sources within investment processes.

The highest growth was recorded in foreign direct investment and loans. Channeling 83,242.5 billion UZS in 2021, these funds reached 389,589.6 billion UZS by 2025—a 468.3 percent or nearly 4.7-fold increase over five years. This trajectory indicates a marked expansion in the scale of foreign capital inflows into Uzbekistan's economy. In tandem with foreign capital, the inflow of advanced technologies, modern managerial expertise, and new production capabilities serves to heighten overall economic efficiency.

Investments funded by household resources also displayed positive dynamics, expanding from 22,705.1 billion UZS in 2021 to 37,472.1 billion UZS in 2025, representing 165 percent growth. This reflects the gradual, incremental integration of the population into investment activity.

Overall, the data presented in the table confirm positive underlying trends linked to the evolution of the investment climate. At the same time, optimizing the spatial and sectoral distribution of investments, expanding high-value-added projects, and maximizing the economic returns generated by investment capital remain crucial objectives.

Analytical findings confirm that investment activity in Uzbekistan advanced substantially over the 2021–2025 period. Fixed capital investments more than doubled, while foreign direct investment and loans increased nearly 4.7-fold. This stands as evidence of the growing attractiveness of the national investment climate and heightened investor engagement.

Looking ahead, further enhancing the investment climate requires guaranteeing investor rights, minimizing bureaucratic hurdles, developing infrastructure, and incentivizing private capital formation. Furthermore, steering investment flows toward innovative, export-oriented, and high-value-added sectors will elevate the qualitative composition of economic growth. Consequently, investment can serve as a primary catalyst for the long-term, sustainable development of the national economy.

¹ Compiled by the author based on data from stat.uz.

Examining the developmental dynamics of investment activity is critical for evaluating the structural and financial transformations taking place within the national economy. Year-over-year shifts in investment volume serve as key indicators reflecting the level of economic activity, the expansion of productive capacity, and the maturity of the business environment. From this perspective, analyzing absolute changes in investment volume, growth rates, marginal growth increments, and the pace of transformation across foreign capital and household funds holds special scholarly importance.

Table 2 Analytical Indicators of Investment Dynamics²

Analytical indicator	2021/2022	2022/2023	2023/2024	2024/2025	2021/2025
Investments volume change, billion UZS	26 687,4	89 831,4	151 418,8	96 068,6	364 006,2
Growth rate, %	111,1	133,7	142,5	118,9	251,9
Incremental growth, %	11,1	33,7	42,5	18,9	151,9
Foreign investments and loans growth, %	118,7	181,4	182,8	118,9	468,3
Household funds growth, %	120,2	109,8	109,1	114,6	165,0

During 2021–2025, significant transformations were observed in Uzbekistan's investment processes. Measures aimed at modernizing the national economy, expanding productive capacity, developing infrastructure, and stimulating private sector activity created a solid foundation for investment growth throughout this period. In particular, the intensification of foreign capital mobilization emerged as a defining feature of these investment dynamics.

According to the presented data, the absolute change in investment volume remained positive across all periods. While investment volume increased by 26,687.4 billion UZS in 2021/2022, this indicator reached 89,831.4 billion UZS in 2022/2023. The highest absolute growth was recorded in 2023/2024, standing at 151,418.8 billion UZS. In 2024/2025, investment volume expanded by an additional 96,068.6 billion UZS. Overall, between 2021 and 2025, the total absolute growth in investment volume amounted to 364,006.2 billion UZS.

Growth rates also highlight a high level of development in investment activity. The growth rate stood at 111.1 percent in 2021/2022, rising to 133.7 percent in 2022/2023, and reaching 142.5 percent in 2023/2024.

In 2024/2025, the growth rate stood at 118.9 percent. Across the overall 2021–2025 period, the aggregate growth rate reached 251.9 percent, indicating that investment volume expanded more than 2.5-fold during this time.

Regarding incremental growth, the highest result was likewise recorded in 2023/2024 at 42.5 percent, reflecting a marked acceleration in investment activity during that interval. Incremental growth measured 33.7 percent in 2022/2023 and 18.9 percent in 2024/2025.

The growth rate of foreign investments and loans proved exceptionally strong. While this indicator stood at 118.7 percent in 2021/2022, it rose to 181.4 percent in 2022/2023 and 182.8 percent in 2023/2024. Over the full 2021–2025 period, foreign investments and loans increased by 468.3 percent overall, underscoring expanded capacity to mobilize foreign capital into Uzbekistan's economy.

Investments funded by household resources also displayed a consistent growth trend. This indicator measured 120.2 percent in 2021/2022, subsequently tracking at 109.8 percent, 109.1 percent, and 114.6

² Compiled by the author based on data from stat.uz.

percent in following periods. Overall, household investment activity expanded by 165 percent across 2021–2025.

Thus, analytical findings demonstrate a steady increase in total investment volume, accompanied by a significant expansion in foreign investment inflows. This dynamic reflects favorably on efforts to refine the national investment climate, generate new capital deployment opportunities, and support sustained economic growth.

Conclusion

Overall, enhancing the investment climate constitutes a fundamental prerequisite for ensuring the sustainable and long-term economic development of a nation. In the contemporary global economy, intensifying competition among states, the globalization of capital flows, and technological advancement make the creation of advantageous conditions for investment attraction a strategic imperative. Beyond introducing financial resources to the national economy, investments cultivate the essential framework required to modernize production, deploy emerging technologies, elevate labor productivity, and drive innovative activity.

Research findings demonstrate that the attractiveness of an investment climate depends directly on a set of interconnected determinants. Specifically, macroeconomic stability, legislative consistency, robust protection of property rights, advantageous tax regimes, mature financial markets, modern infrastructure, and public administration transparency play pivotal roles in investor decision-making. Consequently, investment policy must extend beyond merely attracting capital to establish a holistic institutional framework that supports ongoing investor operations.

Mobilizing foreign direct investment carries distinct significance for the national economy. Accompanying foreign capital are advanced technologies, contemporary managerial expertise, modern production techniques, and avenues for accessing international markets. As a result, domestic enterprise competitiveness sharpens, operational efficiency improves, and export potential expands. However, maximizing the economic yield of foreign investment necessitates steering capital toward strategic, high-value-added sectors of the economy.

Within the context of Uzbekistan, further refining the investment climate must remain a central pillar of economic reform. Achieving this requires broadening modern mechanisms for investor engagement, fully realizing regional investment potential, upgrading infrastructure, expanding project financing channels, and eliminating bureaucratic hurdles. Developing targeted measures through evaluating regional investment climates and identifying localized bottlenecks is of paramount importance.

Furthermore, maximizing the efficacy of investment projects requires strengthening public-private cooperation, expanding the use of public-private partnership (PPP) mechanisms, and stimulating investment activity among small and medium-sized enterprises. Supporting innovative and digital initiatives alongside increasing investments grounded in green economy principles will serve as critical drivers of future economic expansion.

In summary, enhancing the investment climate is not a singular event, but a continuous strategic endeavor requiring perpetual optimization. Fostering a favorable, transparent, and stable investment environment accelerates capital inflows, spurs the establishment of new enterprises, generates employment, and expands output and export volumes. Crucially, heightened investment activity fuels structural modernization and bolsters macroeconomic competitiveness. Thus, optimizing the investment climate represents a core guarantor of sustained economic growth.

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