

## THE ROLE OF INSTITUTIONAL REFORMS IN STRENGTHENING THE STABILITY OF THE INVESTMENT ENVIRONMENT

Yusupdjanova Nargiza Utkirovna

Associate Professor, Department of Economics and Real Estate,  
Tashkent Architecture and Construction University

Karimov Inomjon Ortikbayevich

Associate Professor, Department of Economics and Real Estate,  
Tashkent Architecture and Construction University

### Abstract

This article analyzes the role of institutional foundations in ensuring the stability of Uzbekistan's investment policy. It examines the essence and implementation mechanisms of investment policy as well as the legal and organizational frameworks established by the government. The study explores the dynamics of fixed capital investments across regions and highlights the importance of institutional reforms in improving the investment climate. The findings indicate the need to further strengthen legal, organizational, and economic mechanisms to stabilize investment processes.

**Keywords:** Investment policy, institutional reforms, fixed capital, economic stability, investment climate, legal framework.

### Introduction

The development of investment attraction into the economy of the Republic of Uzbekistan is carried out through an active investment policy. As a component of the state's overall economic policy, investment policy serves to achieve strategic goals and fulfill short- and long-term economic objectives. From this perspective, investment policy represents a set of targeted measures aimed at developing investment activity in the country by creating favorable business conditions for economic entities to increase production efficiency, promote economic growth, and solve social problems.

Investment activity is based on the investment of capital by legal entities and individuals into entrepreneurial activities. Such investment generates added value and economic growth. Therefore, consistently pursuing an active investment policy plays an important role in improving the investment climate, strengthening investor confidence, and ensuring the sustainable development of the economy.

As the President of the Republic of Uzbekistan has emphasized: “Today, we live in an era of rapid change. The struggle of interests and competition are intensifying worldwide, and the international situation is becoming increasingly tense.” This necessitates the implementation of deep institutional reforms to strengthen the country’s position on the global stage, ensure economic security, and stabilize the investment environment [1].

Institutional foundations play a crucial role in ensuring the stability of investment policy. They encompass forms of ownership, market infrastructure, the investment legislative system, and mechanisms of cooperation between the state and the private sector within the national economy. The essence of institutional changes lies in improving existing market and state structures and forming new contractual relations among economic sectors.

In today’s global economy, the transition of developing countries to market-oriented strategies has had a significant impact on the volume and direction of foreign investment. From this standpoint, Uzbekistan is among the countries that have achieved tangible results in attracting foreign direct investment, improving the investment climate, protecting investor rights, and strengthening the legal framework governing investment activity.

In recent years, the effectiveness of reforms carried out in Uzbekistan’s economy has been directly linked to the stability of the investment environment. Therefore, strengthening investment policy on an institutional basis and managing it through consistent and predictable mechanisms is of great relevance.

## **LITERATURE REVIEW**

Extensive research has been conducted in the global scientific literature on investment policy and its institutional foundations. Most studies focus on analyzing the interrelationship between economic growth, the investment climate, institutional reforms, and state policy.

The theoretical foundations of investment policy were laid by representatives of the classical school of economics — A. Smith, D. Ricardo, and J. M. Keynes — who viewed capital investment as the main driver of economic growth. In his famous work “An Inquiry into the Nature and Causes of the Wealth of Nations,” A. Smith regarded investment as a key factor that increases production volume and ensures social welfare. D. Ricardo, on the other hand, emphasized the relationship between the rate of return on investment and the level of profit [2].

In the second half of the 20th century, J. M. Keynes’ theory of investment gained significant recognition, as it highlighted the active role of government policy in stimulating investment decisions. According to Keynes, fiscal and monetary policy instruments are crucial in increasing investment demand [3].

Modern economists such as P. Samuelson, R. Dornbusch, F. Modigliani, and M. Porter have emphasized that the stability of investment policy depends on the legal environment,

the taxation system, the development of financial markets, and the government's role in managing investment risks [4].

Representatives of institutional economics, such as D. North and O. Williamson, have shown that the “institutional environment” — including legislation, the legal system, property rights, and the culture of contractual relations — plays a decisive role in ensuring the efficiency of investment activity. D. North noted that “sustainable economic growth is impossible without strong institutions that protect investments” [5].

In recent years, Uzbek scholars have also been actively studying investment policy and its institutional mechanisms. Researchers such as A. Vakhabov, B. Khodiev, S. Gulomov, N. Abduganiyev, I. Karimov, and O. Abdullaev have focused their works on improving the investment climate, reducing investment risks, and strengthening guarantees for foreign investors [6].

For instance, A. Vakhabov, in his work “Priority Directions of Investment Policy,” substantiated the need to strengthen the institutional framework for managing investment processes in the country. S. Gulomov analyzed the legal and organizational mechanisms of investment activity and emphasized the importance of developing public-private partnerships [7].

I. Karimov, in his works on economic policy, deeply analyzed the political and institutional factors influencing investment attraction, their impact on various sectors of the economy, and their role in deepening economic reforms [8].

The New Uzbekistan Development Strategy for 2022–2026 also identifies improving investment policy, protecting investors' rights, expanding public-private partnerships, and stabilizing the investment environment through institutional reforms as key priorities [9]. A review of the literature shows that the stability of investment policy depends not only on the availability of financial resources but also on the strength of the institutional system in a country — including the clarity of legislation, transparency of governance, low levels of corruption, and effective guarantees for investors. Furthermore, the large-scale economic reforms currently underway in Uzbekistan — such as improving the investment climate and introducing new institutional mechanisms (e.g., the establishment of the Ministry of Investment, Industry, and Trade) — contribute significantly to enhancing the country's investment attractiveness.

## **RESEARCH METHODOLOGY**

The methodology of this study is aimed at a comprehensive analysis of the role of institutional foundations in ensuring the stability of investment policy. It is based on the theoretical principles of economic theory, institutional economics, investment process management, and the formation of state economic policy.

The research analyzes the volume of investments in Uzbekistan's economy, their sectoral distribution, stability, and dynamics. In addition, the strengths and weaknesses of the country's investment policy, existing opportunities, and potential threats were evaluated.

As data sources, the study used presidential decrees and resolutions of the Republic of Uzbekistan, government decisions, official reports of state agencies, as well as materials from the World Bank, the International Monetary Fund, academic articles, monographs, and open statistical databases.

## ANALYSIS AND RESULTS

In recent years, the Republic of Uzbekistan has implemented wide-ranging reforms aimed at supporting, protecting, and stimulating investment activities. The country's steady economic development, creation of favorable conditions for entrepreneurship, and strengthening of foreign investors' confidence have been prioritized in major strategic documents, particularly in the "Uzbekistan – 2030" Strategy, which identifies increasing investment attractiveness as one of the key directions.

According to the strategy, by 2030 Uzbekistan aims to attract **250 billion USD in total investments**, of which **110 billion USD** will be foreign investments and **30 billion USD** will be implemented through public-private partnership (PPP) projects. These ambitious investment goals are expected to significantly expand the nation's economic potential. Moreover, the introduction of an investment rating system is helping develop mechanisms to enhance the attractiveness of regions for investors [10].

As a result of the ongoing reforms, Uzbekistan's investment climate has improved considerably. However, in order to create an even more stable and transparent environment for investors, further improvement of the legal framework in line with modern requirements remains a pressing issue. In this regard, the adoption of the Law on Investments and Investment Activities played a crucial role in strengthening investor confidence and ensuring their legal protection.

Regional-level analyses show that, compared to other Central Asian countries, Uzbekistan has been far more proactive in attracting investments. The effectiveness of these reforms is directly reflected in the growing inflow of foreign direct investment (FDI). Additionally, research conducted by experts of the Progressive Reforms Center identified several priority directions for improving the investment climate: providing a consistent definition of investment, ensuring equal treatment of investors, enhancing mechanisms for mitigating investment risks, and developing infrastructure systems.

The stability of investment policy largely depends on the strength of legislative frameworks. The laws "On Investment Activity," "On Foreign Investments," and "On Guarantees and Protection of the Rights of Foreign Investors" have established a solid legal foundation regulating investment activities in the country. These legal documents clearly define the forms of investment implementation, financial resources, and the rights and obligations of investment actors [11].

Furthermore, over the past few years, more than **40 regulatory and legal documents** have been adopted to create normative foundations for managing, attracting, and efficiently channeling investments. At the same time, these legal frameworks must be

**continuously updated** in accordance with changing economic conditions to ensure the ongoing stability and competitiveness of Uzbekistan's investment environment [12].

**Table 1 Investments in Fixed Capital by Regions (billion soums)**

Regions	2014	2020	2021	2022	2023	2024	Change in 2024 compared to 2014 (+;-)
Republic of Uzbekistan	37646,2	210195,1	239552,6	266240	356071,4	507490,2	469844
Republic of Karakalpakstan	3990,6	7089,8	8110,7	10254	12959,2	20567,7	16577,1
Andijan region	1645	9622,6	11176,6	14339,8	18639,1	28668	27023
Bukhara region	3583,2	12183,9	20528,3	21638,3	31030,5	51663,9	48080,7
Jizzakh region	1200,9	12545,4	9233,6	10373,9	14970,9	23515,4	22314,5
Kashkadarya region	4721,8	20557,6	17359,1	16012,8	21138	35482,5	30760,7
Navoi region	1754,1	15688,4	15020,1	17958,1	26398,6	33550,2	31796,1
Namangan region	1807,5	12007,2	12982	14775,1	19220,1	54231,4	52423,9
Samarkand region	2540,4	14656,4	15641,6	18917,1	25717,1	28946,92	26406,52
Surkhandarya region	1509,1	10068,2	12037,8	11569,4	18307,7	16593,1	15084
Syrdarya region	992,3	7191,9	8051,8	12354,6	15871,8	11406,3	10414
Tashkent region	4021,7	21148,6	28113,6	35767,7	47709,3	73325,2	69303,4
Fergana region	2295,3	11040	12625,2	15419,3	19955	21542,69	19247,39
Khorezm region	1614,8	5391,8	8292	8769,7	11666,1	15624,1	14009,3
Tashkent city	5969,5	50371,4	58172,7	56847,9	71143,7	91642,8	85673,3

The following table reflects the volume of investments directed to fixed capital in the Republic of Uzbekistan during 2014–2024 by region. As the data show, over the past decade, the volume of investments has sharply increased in all regions. This growth is the result of ongoing economic reforms, improvements in the investment climate, and state policies aimed at developing infrastructure.

According to data from 2024, the total volume of investments in fixed capital in the Republic of Uzbekistan amounted to 507,490.2 billion soums, which is 469,844 billion soums more than in 2014, representing an almost 13.5-fold increase. This growth clearly demonstrates the effectiveness of the investment policy being pursued in the country and the positive outcomes of economic reforms.

By regional analysis, the largest increase was observed in Tashkent region. In 2014, investments in this region amounted to 4,021.7 billion soums, while by 2024 this figure had reached 73,325.2 billion soums, an increase of 69,303.4 billion soums. This indicates that economic activity around the capital has been developing at a high rate, with growing investment in infrastructure and industrial zones.

Tashkent city also ranks among the leading regions, with investment increasing from 5,969.5 billion soums in 2014 to 91,642.8 billion soums in 2024, marking an increase of 85,673.3 billion soums.

The Syrdarya region showed relatively lower growth, with investments rising from 992.3 billion soums in 2014 to 11,406.3 billion soums in 2024, an increase of 10,414 billion soums. In the Fergana region, the figure grew from 2,295.3 billion soums to 21,542.7 billion soums, an increase of 19,247.4 billion soums [13].

Overall, the analysis shows that investment volumes have increased across all regions, confirming the effectiveness of institutional reforms, guarantees provided for investors, and the success of public-private partnership projects in the country. In particular, policies aimed at developing infrastructure, establishing industrial clusters, and liberalizing the investment environment have helped to reduce regional disparities and ensure a more stable and balanced flow of investments nationwide.

**Table 2 Growth Rate of Investment Financing Sources for Fixed Capital (in percent)**

Indicators	2020	2021	2022	2023	2024
<b>Total investments</b>	210.2	239.55	266.2	356.1	493.7
<b>State budget</b>	66.4	21.498	20.9	88.6	90.3
<b>Enterprises' own funds</b>	111.2	71.257	84.5	97.3	96.3
<b>Population funds</b>	99.0	22.229	25.8	108.9	98.7
<b>Bank credits</b>	94.4	19.545	21.1	117.9	86.5
<b>Foreign investments and loans</b>	72.0	47.467	52.2	129.2	166.2
<b>Reconstruction and Development Fund</b>	24.3	3.114	2.5	58.4	157.1
<b>Children's Sports Development Fund</b>	x	x	x	x	x
<b>Off-budget funds</b>	x	x	60.0	x	x
<b>State target funds</b>	x	x	x	x	x
<b>Water Supply and Sewerage Systems Development Fund</b>	x	2.8	2.9	52.9	79.9

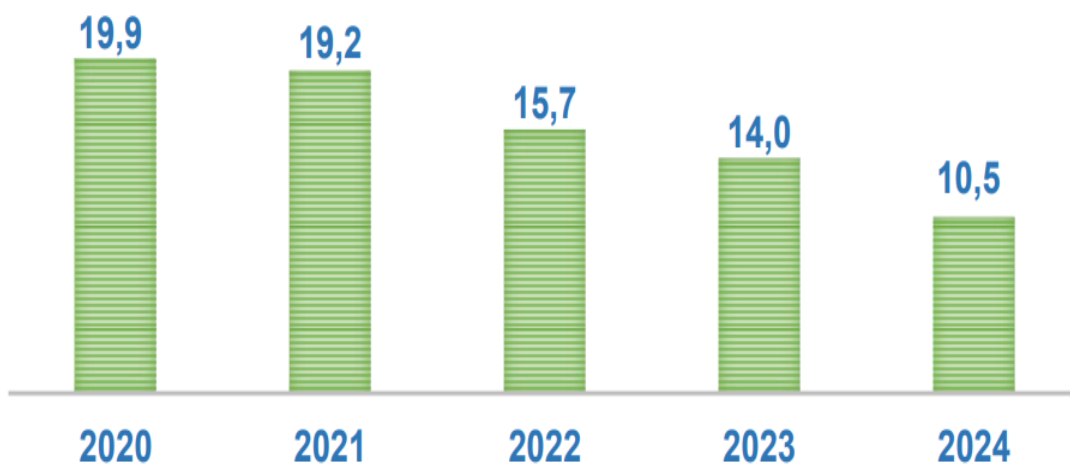
When analyzing the composition of sources involved in financing investments directed toward fixed capital, it becomes evident that the development of economic sectors and regions, as well as the financing of investment projects implemented within them, are closely linked to the structure and condition of investment sources.

Under the conditions of modernization of our national economy, the most effective sources among investment channels are foreign direct investments (FDIs). They bring into the country not only foreign financial, economic, material, and other resources but also advanced technologies and modern management experience. As a result, they contribute



significantly to the development of the national economy and the country's accelerated integration into the global economic system.

Foreign direct investments play a vital role in the globalization of international economic relations, as they do not generate repayment obligations or lead to the accumulation of external debt, making them a sustainable and desirable source of financing for long-term economic growth.



**Figure 1. The Share of Investments in Fixed Capital from Centralized Funding Sources by Years, %**

In January–December 2024, the total amount of investments in fixed capital from centralized funding sources amounted to 51.9 trillion soums, which is 95.8% of the figure recorded in 2023. Their share in the total volume of investments in fixed capital reached 10.5%.

It should be emphasized that at present, the Government of Uzbekistan is implementing a number of specific measures aimed not only at developing major cities but also at promoting the economic growth and welfare of remote regions. Within this framework, regional socio-economic development programs financed through investment attraction are focused on the following key objectives [14]:

- Reducing economic disparities between regions, cities, and districts through the formation of an innovation-driven economy;
- Raising the technical and technological level of production to that of developed countries;
- Ensuring the implementation of localization programs by increasing the competitiveness of industries and production sectors.

In this context, analyzing the role of institutional foundations in ensuring the stability of investment policy is crucial for understanding current trends and the effective use of investments under the conditions of economic modernization. It is important to note that

each region's relative advantages, untapped opportunities, growth reserves, and potential must be utilized wisely to attract investments. Efficient placement of production capacities, considering factors such as available resources, infrastructure, and labor force, enhances capital efficiency and strengthens the competitiveness of products and services.

During the implementation of ongoing reforms, attracting investments serves as a key driver for further economic development — particularly for establishing and reconstructing enterprises equipped with modern technology and equipment, creating jobs, increasing incomes, and improving infrastructure and regional welfare.

In his address to the Oliy Majlis outlining the key priorities for 2019, President of the Republic of Uzbekistan Shavkat Mirziyoyev stated:

“The total volume of investments implemented jointly with the World Bank, the European Bank for Reconstruction and Development, the Islamic and Asian Development Banks, and other international financial institutions amounted to \$8.5 billion. Currently, 456 projects worth \$23 billion are being implemented in our country through foreign investments.”

Among these projects, those aimed at developing the transport and logistics system are of particular importance, reflecting the government's commitment to the effective use of attracted investments for national economic progress.

The stability of investment policy plays a decisive role in the country's economic development. For investments to be attracted sustainably and systematically, it is necessary to have well-functioning institutional frameworks that regulate investment flows, protect investors' rights, and create a stable and reliable investment environment.

Institutional foundations refer to organizations, legislative frameworks, economic policy directions, and legal and financial systems that regulate and support investment activities. Their main functions include [15]:

- Regulating and coordinating investment processes;
- Providing guarantees and legal protection for investors;
- Reducing investment risks;
- Creating a favorable business environment.

In countries where such institutional foundations are weak or ineffective, investment policy becomes unstable, resulting in slower economic growth rates.

In recent years, Uzbekistan has undertaken significant institutional and policy reforms to strengthen the investment environment, including:

- The adoption of the Law “On Investments and Investment Activities” (2019), which established clear legal guarantees for investors;
- The improvement of activities of institutions such as the Ministry of Investments, Industry, and Trade, “Single Window” service centers, Uzbekinvest Export-Import Insurance Company, and the Public-Private Partnership (PPP) Development Center;
- The introduction of digital services (e.g., investment permits through [my.gov.uz](http://my.gov.uz)) to reduce bureaucratic barriers;
- The development of judicial and arbitration mechanisms to protect investors' rights.



---

However, several challenges remain:

- The principle of legislative stability is not yet fully ensured — frequent regulatory changes create uncertainty for investors;
- Issues of judicial independence and transparency remain pressing;
- Weak coordination between local authorities and investors during project implementation persists;
- Legal guarantees for property rights protection of foreign investors need further strengthening.

Uzbekistan continues to improve its position in international investment climate rankings. For instance:

- In the World Bank Doing Business 2020 report, Uzbekistan achieved notable progress in the “Starting a Business” indicator;
- According to UNCTAD reports, Uzbekistan is recognized as one of the most rapidly reforming economies in the Eurasian region;
- Nevertheless, challenges remain in areas such as investor protection, contract enforcement, and anti-corruption measures.

## **CONCLUSIONS AND RECOMMENDATIONS**

Institutional foundations play a decisive role in ensuring the stability of investment policy, as they not only facilitate the attraction of investments but also guarantee their long-term efficiency within the economy. Although Uzbekistan’s institutional framework is developing positively, it is still not fully perfected. Therefore, the state must continuously strengthen the independence of institutions, the stability of legislation, the fairness of the judicial system, and the development of financial instruments.

Ensuring the stability of investment policy is one of the key priorities of modern economic policy. The formation of a stable and reliable investment environment is directly linked to the strength and effectiveness of institutional foundations.

In recent years, Uzbekistan has implemented a number of successful reforms — such as improving investment-related legislation, restructuring relevant institutions, and advancing digitalization processes — which have had a positive impact. The activities of institutions supporting investment have been established, and public-private partnership (PPP) mechanisms are expanding.

However, to achieve full stability of investment policy, several issues within the existing institutional framework must still be addressed, including:

- instability of legislation;
- weaknesses in the judicial system and investor protection mechanisms;
- poor coordination at the regional level;
- corruption risks and lack of transparency.

---

**1. Ensuring legislative stability and predictability**

- Make investment-related legal norms stable and predictable for all economic actors.
- Strengthen legal certainty by guaranteeing that laws and regulations affecting investors will remain unchanged for at least 3–5 years.

**2. Strengthening the institutional system**

- Enhance the role of a central coordinating body (for example, an “Investment Agency”) responsible for investment policy and project coordination.
- Establish PPP centers in every region and expand their authority.

**3. Increasing the independence of the judiciary and law enforcement system**

- Create special economic arbitration courts for both domestic and foreign investors.
- Form a list of qualified arbitrators to ensure impartial and prompt resolution of investment disputes.

**4. Improving regional investment management**

- Establish regional investment advisory groups to strengthen cooperation between investors and local authorities.
- Introduce financial incentives for regional administrations based on improvements in investment climate indicators.

**5. Simplifying investment procedures through digital platforms**

- Fully digitize the “One-Stop-Shop” system, enabling online issuance of all permits, licenses, and land allocations.
- Introduce online monitoring of the implementation of investment projects.

**6. Guaranteeing investors’ rights at the international level**

- Ensure that foreign investors’ rights are protected in accordance with international investment treaties and conventions to which Uzbekistan is a party.
- Strengthen constitutional guarantees of property inviolability (“inviolability of ownership”).

**7. Enhancing anti-corruption institutional measures**

- Require all government decisions related to investment projects to be published on open data portals.
- Enable public and media participation in the auditing and oversight of major investment projects.

## 8. Strengthening human capital and professional capacity

- Introduce a certification and training system for civil servants working in the investment sector.
- Promote continuous professional development to increase competence and transparency among investment management personnel.

## References

1. Presidential Decree of the Republic of Uzbekistan No. PF-60, dated January 28, 2022 – “On the Development Strategy of New Uzbekistan for 2022–2026.”
2. Presidential Decree of the Republic of Uzbekistan No. PF-6079, dated October 5, 2020 – “On the Approval of the ‘Digital Uzbekistan – 2030’ Strategy and Measures for Its Effective Implementation.”
3. Muradova, N.Q. (2016). Improving the Theoretical Foundations of State Support for Small Business and Private Entrepreneurship. Abstract of Doctor of Economic Sciences Dissertation. Tashkent.
4. Abduvaliev Zafar Mahmudovich. Corporate social responsibility is an important factor in the sustainable development of modern companies. The American Journal of Management and Economics Innovations 3 (04), 42-53
5. Abduvaliev Zafar Mahmudovich Maxsudov Begmatjon Yuldashalievich. Theoretical Foundations of the Formation of Corporate Reporting. Academic Journal of Digital Economics and Stability ISSN 2697-2212 Online:<https://academicjournal.io>
6. Полушкин Н.А. Государственное регулирование развития сельских территорий / Н.А. Полушкин // Дисс канд. экон. наук.–Саранск, 2017. – 224 с.
7. Karimov I. Qurilish korxonalarida investisiyalarni boshqarishning xorijiy tajribalari va ularni mamlakatimizda foydalanish yo‘llari //YASHIL IQTISODIYOT VA TARAQQIYOT. – 2025. – T. 3. – №. 4.
8. Yusupdjanova, Nargiza, and Inomjon Karimov. "INVESTMENT PROJECTS IN THE FIELD OF CONSTRUCTION MATERIALS PRODUCTION." Theoretical & Applied Science 3 (2020): 18-21.
9. Karimova, Inomjon. "Qurilish sohasida investitsion faoliyatni shakllantirishning nazariy va amaliy asoslari." MUHANDISLIK VA IQTISODIYOT 3.4 (2025).
10. Karimovich G. I., Ortikbayevich K. I. The Role and Importance of the TIME Factor in Determining the Effectiveness of Investment Management in Construction Enterprises //American Journal of Business Management, Economics, and Banking. – 2023. – T. 19. – C. 93-99.
11. Каримов И. О. ҚУРИЛИШ ТАШКИЛОТЛАРИДА ИНВЕСТИЦИЯ ЛОЙИХАЛАР САМАРАДОРЛИГИНИ БАҲОЛАШ УСУЛЛАРИ //“UCHINCHI RENESSANS: ILM-FAN VA TA’LIM TARAQQIYOTI ISTIQBOLLARI” mavzusidagi № 1-sonli ko’p tarmoqli, ilmiy onlayn konferensiya (2-qism).

- 
12. Karimov I. O. Attracting investment projects to the construction industry and improving their efficiency // Экономика: анализы и прогнозы. – 2021. – №. 2. – С. 127-134.
  13. <https://www.worldbank.org/en/topic/sme/finance>
  14. [www.stat.uz](http://www.stat.uz)
  15. Манба: [www.lex.uz](http://www.lex.uz)