

FOREIGN-FINANCED FIXED CAPITAL IN UZBEKISTAN, 2020–2024: SCALE, SECTORAL STRUCTURE AND SEZS

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Abstract: This paper uses official statistics for 2020–2024 to examine the scale and sectoral allocation of foreign-financed fixed-capital investment in Uzbekistan and the place of special economic zones (SEZs) and related regimes in the country’s industrial structure. By 2024, foreign investments and loans in fixed capital finance roughly two thirds of total fixed-capital formation, with projects concentrated in manufacturing, energy and real-estate activities, while agriculture and information and communication technologies receive only a small share [1]. Industrial output data show that, despite their prominence in policy discourse, all zone-based regimes together account for about one-eighth of national industrial output and SEZs alone for roughly 5 per cent [2]. These patterns, together with gaps in the statistical coverage of key performance indicators such as value added, productivity and fiscal returns, point to the need for clearer monitoring of foreign-financed projects and a more selective use of zone-based incentives aligned with long-term structural objectives.

Keywords: foreign investment; fixed capital; sectoral structure; special economic zones; Uzbekistan.

Introduction

In the policy debate on Uzbekistan’s economic reforms, foreign capital is usually discussed in broad terms: attracting more foreign direct investment (FDI), deepening integration into global value chains, or using external finance to close infrastructure gaps. Much less attention is paid to a more prosaic but crucial question: how much of the country’s fixed-capital formation is actually financed from abroad, in which parts of the economy these funds end up, and how systematically their performance is measured.

The period 2020–2024 is particularly revealing in this respect. These years combine several developments that are rarely observed together in a late-reforming transition economy: a rapid expansion of investment in fixed capital, a marked increase in the role of foreign-financed projects, and an active use of special economic zones

(SEZs) and similar regimes as channels for channelling foreign resources [1]. At the same time, global FDI flows have become more volatile and selective, which makes strong reliance on external financing more risky [3;4].

Uzbekistan is not unique in turning to foreign capital as a shortcut to higher growth and modernisation. Many developing and transition economies have tried to use FDI and external borrowing to compensate for shallow domestic financial systems and limited savings. The international literature documents both success stories and disappointments, and stresses that the impact of foreign capital depends not only on macroeconomic stability and institutions, but also on where in the economy foreign-financed investment is concentrated and how its effectiveness is monitored [5-7].

This paper takes a deliberately narrow, empirical perspective on Uzbekistan's recent experience. Rather than asking whether FDI is "good" or "bad" in general, it focuses on three concrete aspects of the country's foreign-financed fixed capital:

- the scale and evolution of foreign investments and loans in fixed capital over 2020–2024 relative to total investment;
- the sectoral structure of foreign-financed fixed-capital investment, with a snapshot for 2024;
- the available statistical information on SEZs and related regimes, and the limits it imposes on evaluating their economic performance.

By doing so, the paper aims to fill a specific gap in the empirical description of Uzbekistan's reform trajectory. Official statistics provide detailed numbers on investment flows, but they are rarely used to characterise the foreign-financed segment of fixed capital as a distinct object of analysis. At the same time, SEZs have become a key policy instrument, yet the statistical coverage of their performance remains partial and fragmented [2].

The contribution is therefore twofold. First, it offers a concise, data-based picture of how strongly recent fixed-capital formation in Uzbekistan has come to depend on foreign investments and loans, and how these resources are distributed across major

sectors. Second, it highlights the limitations of current statistics on SEZs from the viewpoint of evaluating foreign-financed projects, thereby pointing to practical improvements that could make investment policy more evidence-based [2-4].

Methods and data

The empirical analysis is based exclusively on official statistics that are routinely used in policy documents and public reporting in Uzbekistan. Specifically, the paper uses:

- annual National statistics committee of the republic of Uzbekistan on investment in fixed capital;
- statistical tables on the structure of investment by sources of financing;
- and the breakdown of foreign investments and loans in fixed capital by type of economic activity [1].

The time coverage is 2020–2024, which corresponds to the recent phase of accelerated reforms and investment growth. The sectoral breakdown refers to 2024, the latest year for which a consistent distribution of foreign investments and loans by economic activity is available [2].

Primary data are published in current UZS. For the purposes of international comparability and to make magnitudes more intuitive for a non-Uzbek audience, key aggregates are converted into US dollars using official average annual exchange rates, following the approach used in the bulletin “Investments in fixed capital of the Republic of Uzbekistan in 2024” and related releases [1,4].

The central object of interest is foreign-financed fixed capital, defined as the part of investment in fixed capital that is financed through:

- foreign direct investment (FDI) in fixed capital;
- other non-guaranteed foreign investments and loans;
- and foreign loans under government guarantees.

These three items are identified in the official tables on sources of financing. Together they form the “foreign” component of capital formation. Total investment in

fixed capital includes this foreign component as well as own funds of enterprises and households and other domestic attracted resources [1].

The empirical strategy is deliberately descriptive and proceeds in three steps:

1. Time-series characterisation (scale and dynamics).

For 2020–2024, the paper reports foreign investments and loans in fixed capital in billion USD and computes year-on-year growth rates. This information is summarised in Table 1. The same sources are used to obtain the level of total fixed-capital investment and to calculate the share of foreign-financed fixed capital in the total in the latest year (2024) [1].

2. Source decomposition in the latest year.

For 2024, the paper uses the official breakdown of fixed-capital investment by sources of financing to distinguish between:

- total fixed-capital investment;
- attracted funds vs own funds of enterprises and households;
- and, within attracted funds, FDI in fixed capital, other non-guaranteed

foreign investments and loans, and foreign loans under government guarantees.

The corresponding US-dollar values and shares (for example, attracted funds: USD 29.63 billion, 75.9 per cent of the total; own funds: USD 9.40 billion, 24.1 per cent; foreign component: USD 26.39 billion, roughly two thirds of the total) are obtained by applying the official exchange rate [1].

3. Sectoral allocation in the latest year.

Using the 2024 table on foreign investments and loans in fixed capital by type of economic activity, the paper calculates sectoral shares in total foreign-financed fixed capital and, by applying these shares to the aggregate of USD 26.39 billion, derives approximate sectoral amounts in USD. These are reported in Table 2, which allows the analysis to move from aggregate dependence on foreign financing to the structure of foreign-financed investment across major sectors [1].

No econometric techniques are employed: the aim is not to identify causal effects, but to provide a transparent, reproducible description of **how large** the foreign-financed component of fixed capital has become, **how quickly** it has grown, and **where** in the economy it is concentrated, using only standard official statistics. Subsequent sections build on this descriptive base to discuss special economic zones and the limitations of current statistical coverage for evaluating foreign-financed projects.

Main body

According to official statistics, total investment in fixed capital in Uzbekistan reached USD 39.03 billion in 2024, compared with UZS 210.2 trillion in 2020, which corresponds to an increase of almost 2.3 times in nominal national currency [1]. Within this aggregate, foreign investments and loans in fixed capital amounted to USD 26.39 billion in 2024, having risen from USD 8.90 billion in 2020. Over this period, the foreign-financed component of fixed-capital formation grew faster than total investment, so that by 2024 foreign sources provided roughly two thirds of all investment in fixed capital [1].

Table 1.

Foreign investments and loans in fixed capital, 2020–2024 (billion USD)

Year	Foreign investments and loans (bn USD)	Growth rate vs previous year
2020	8.90	98.9 %
2021	9.55	102.1 %
2022	10.31	100.5 %
2023	17.18	163.8 %
2024	26.39	152.1 %

Source: National statistics committee of the republic of Uzbekistan.

Between 2020 and 2024 the volume of foreign investments and loans in fixed capital almost tripled in nominal US-dollar terms. The most pronounced acceleration occurred in 2023 and 2024, when annual growth rates exceeded 60 and 50 per cent

respectively. These figures confirm that foreign-financed fixed capital is not a marginal addition to domestic investment: it has become a dominant source of funding for Uzbekistan’s current investment boom [1].

In 2024, total fixed-capital investment amounted to USD 39.03 billion. Attracted funds represented USD 29.63 billion (75.9 per cent), while own funds of enterprises and households accounted for USD 9.40 billion (24.1 per cent). Within attracted funds, foreign sources dominated, with foreign investments and loans in fixed capital reaching USD 26.39 billion [1]. In other words, when we talk about “Uzbekistan’s investment boom”, we are in practice talking about a boom that is strongly underpinned by foreign resources.

Aggregate figures show a strong and rising role for foreign capital but do not indicate where this capital goes inside the economy. For 2024, official statistics on foreign investments and loans in fixed capital by type of economic activity give the following distribution (shares in total foreign-financed fixed-capital investment, in percent) [1]:

Table 2.

Foreign investments and loans in fixed capital by economic activity, 2024
(share in total foreign investments and loans in fixed capital, %)

Economic activity	Share (%)
Manufacturing	35.7
Electricity and gas supply	19.5
Real-estate operations	17.1
Mining and quarrying	6.1
Transport and storage	3.7
Construction	3.7
Agriculture, forestry and fisheries	3.4
Water supply, sewerage and waste services	2.5
Information and communication	1.4
Other activities	6.9

Source: National statistics committee of the republic of Uzbekistan

Three groups of sectors – manufacturing, electricity and gas supply, and real-estate operations – together absorb more than 70% of all foreign investments and loans in fixed capital. In contrast, agriculture accounts for just over 3%, information and communication for about 1.4%, and other activities for less than 7% [1].

From a structural-change perspective, this pattern is ambivalent. On the positive side, the leading position of manufacturing suggests that a large fraction of foreign-financed investment does support industrial capacity. The high share of electricity and gas supply is consistent with the country's need to modernise and expand energy infrastructure. On the negative side, the relatively modest shares of agriculture and information and communication technologies indicate that sectors which are critical for food security, rural employment and long-term digital transformation are not major destinations of foreign capital, at least in terms of fixed-capital formation [5-7].

The “manufacturing” category itself hides substantial heterogeneity. Evidence from sectoral sources and project-level information suggests that major recipients of foreign-financed investment within manufacturing include:

- automotive and transport equipment,
- textiles and apparel,
- food processing and beverages,
- pharmaceuticals and chemical products [3;4].

These subsectors play very different roles in the domestic economy. The automotive industry has historically operated under a highly protected regime, with strong state support and limited competition in the domestic market. Large volumes of investment have been directed to expanding capacity and localising production, but backward linkages to local small and medium-sized suppliers have been slower to develop, and export performance remains relatively modest.

In contrast, the textile and apparel sector has seen a gradual shift from raw cotton exports to higher value-added products. Cluster-type arrangements and the participation

of foreign investors have contributed to building export-oriented production chains that rely on local raw materials and labour. Food processing and pharmaceuticals remain smaller in absolute terms but illustrate potential for niche, technology-intensive growth where foreign capital complements, rather than replaces, domestic initiatives[3;4].

Because official statistics do not yet provide a detailed breakdown of FDI by manufacturing subsector, it is not possible to reconstruct a precise numeric scoreboard at this level. However, the overall distribution in Table 2, combined with qualitative information on key subsectors, indicates that the same foreign-financed investment boom produces both enclave-type, incentive-dependent projects and more embedded, export-oriented activities [5-7].

Industrial output in special economic zones

Special economic zones and other privileged regimes have been one of the main instruments for attracting investors. Enterprises located in SEZs, small industrial zones, technoparks and clusters enjoy various tax and customs benefits as well as simplified administrative procedures [2].

In 2022, total industrial output in Uzbekistan amounted to UZS 551.1 trillion (about USD 48.4 billion). Enterprises located in SEZs, small industrial zones, technoparks and clusters produced industrial goods worth around USD 5.7 billion, or 11–12 per cent of this total [2].

Figure 1 shows the distribution of industrial output across zone-based regimes in 2022. Within this group, almost 90 per cent of industrial production is heavily concentrated in two regimes – SEZs and clusters – while small industrial zones and technoparks play a much smaller role [2].

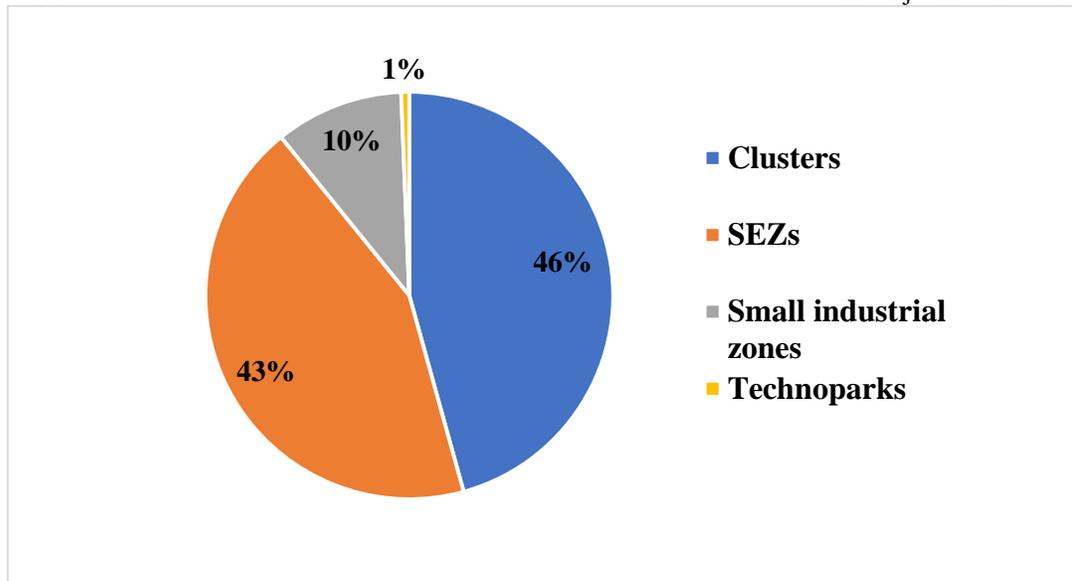


Figure 1. Industrial output share of zone-based regimes, Uzbekistan, 2022

This means that regimes which occupy a prominent place in policy discourse and benefit from generous tax and customs incentives represent only around one-eighth of industrial output in total, and SEZs on their own less than one-twentieth. The gap between their political visibility and their statistical weight provides an additional reason to scrutinise more carefully how zone-based benefits are designed and monitored.

Measurement gaps

In addition, the statistical coverage of SEZs is limited in scope. Publicly available information typically includes:

- the number of zones and resident enterprises;
- aggregate investment commitments and, in some cases, realised investment;
- the number of created or announced jobs;
- total industrial output of zone-based enterprises, as in the 2022 example above.

However, the current system of official statistics does not provide a unified, regularly updated block of indicators that would allow analysts to evaluate the effectiveness of SEZs and other privileged regimes along key dimensions such as:

- value added per unit of investment;
- labour productivity and wage levels;
- energy and resource intensity;
- tax revenues and net fiscal impact (taking into account tax expenditures);
- export performance and degree of participation in global value chains.

Instead, the available data are fragmented and often presented in the form of one-off press releases or speeches by officials. This makes it difficult to compare the performance of SEZs with that of enterprises operating under the general regime, or to assess whether the budgetary cost of tax incentives is justified by the resulting economic and social benefits.

In short, Uzbekistan has numbers on “how much is invested in zones”, but not enough numbers on “what zones actually deliver”. This gap is of central importance for any evaluation of foreign investment policy, because SEZs are one of the main channels through which FDI and other external resources are attracted and channelled into the real sector [1-4].

Discussion and policy implications

The empirical picture that emerges from the preceding sections is descriptive rather than normative, but it points to several areas where the monitoring of foreign-financed fixed capital could be improved.

First, given the central role of foreign-financed projects in fixed-capital formation, it becomes important to place them within a clearer statistical framework. Regular publication of comparable indicators on value added, labour productivity, exports and tax payments for foreign-financed and predominantly domestically financed enterprises – including those operating in SEZs and other special regimes – would allow

policymakers to see whether projects supported by foreign capital differ from the rest of the economy by more than headline investment volumes and job counts [4-7].

Second, the strong concentration of foreign-financed investment in manufacturing, energy and real estate, combined with very small shares for agriculture and information and communication, suggests that sectoral priorities are only partially reflected in the current allocation of foreign capital. Using the existing sectoral breakdowns more systematically – for instance, as part of regular reviews of investment projects – would help align efforts to attract foreign capital with broader goals of diversification, food security and digital development, without necessarily relying on additional subsidies [5-7].

Third, the analysis highlights that aggregate numbers hide important compositional differences. The same total inflow can correspond to enclave-type projects with limited linkages or to more embedded investments with deeper domestic connections. Even with the current data, a gradual move towards more disaggregated reporting on foreign-financed projects – by type of investor, export orientation and use of local suppliers – would make it easier to distinguish between these patterns and to target policy support accordingly [5-7].

Conclusion

This paper has examined Uzbekistan’s recent experience with foreign-financed fixed capital through a deliberately narrow empirical lens. Using standard official statistics for 2020–2024, it has shown, that foreign investments and loans have become a central pillar of fixed-capital formation. By 2024, foreign sources were providing roughly two thirds of total fixed-capital investment, and the volume of foreign-financed fixed capital in US dollar terms had almost tripled compared with 2020 [1].

The sectoral snapshot for 2024 indicates a pronounced concentration of foreign-financed investment in a limited number of activities. Manufacturing, electricity and gas supply, and real-estate operations together absorb more than 70 per cent of foreign investments and loans in fixed capital, while agriculture and information and

communication technologies receive only marginal shares [1]. This pattern is consistent with a growth model that prioritises industrial capacity and infrastructure, but it also raises questions about how foreign capital supports broader diversification and the development of under-served sectors [5–7].

The analysis of zone-based regimes points to an important asymmetry between the quantitative scale of foreign-financed fixed capital and the modest share of SEZs and related regimes in industrial output. In 2022, all zone-based regimes together accounted for only about one-eighth of national industrial output, and SEZs alone for roughly 5 per cent [2]. This combination of high financial reliance on foreign sources and a relatively modest real-economy footprint of zone-based regimes suggests that foreign capital and zone-based incentives occupy a disproportionately large place in the policy narrative compared with their measurable contribution.

Rather than reinforcing this dependence, investment policy needs a more balanced approach, in which foreign-financed projects are treated as one instrument among others, subject to clearer statistical monitoring and greater selectivity, while more attention is paid to mobilising domestic sources of long-term investment and strengthening the institutional conditions under which both domestic and foreign capital operate.

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