

**THE IMPACT OF DIGITAL INFRASTRUCTURE ON BOOSTING INVESTMENT
OPPORTUNITIES IN UZBEKISTAN'S EMERGING ECONOMY**

<https://doi.org/10.5281/zenodo.11224092>

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Abstract: *The article examines the role of digital infrastructure in enhancing investment opportunities in Uzbekistan, highlighting its transformative effects on the economic landscape. By implementing automated licensing systems and e-government solutions, Uzbekistan has streamlined business processes, improved transparency, and attracted foreign direct investments. Sectors like e-commerce and IT have particularly benefited, seeing increased venture capital activity. The evolution of digital platforms such as Uzum Market and the rise of technology startups underscore the potential returns from investing in digital technologies, positioning Uzbekistan as an attractive market in Central Asia.*

Keywords: *digital infrastructure, investment opportunities, foreign direct investment, e-commerce, venture capital, technology startups, e-government solutions, emerging markets.*

In the dynamic landscape of global economics, emerging markets often present unique opportunities and challenges for investors. Among these, Uzbekistan has emerged as a noteworthy example, particularly in its strategic embrace of digital infrastructure to boost economic growth and attract foreign investment. This transformation, spurred by government initiatives and technological advancements, has significantly streamlined business operations and regulatory processes. By enhancing the ease of doing business through digital channels, Uzbekistan has not only improved its own economic prospects but also positioned itself as a burgeoning hub for international investment. This article explores how Uzbekistan's focus on developing its digital infrastructure has opened new avenues for investment and catalyzed its growth within the competitive environment of Central Asia.

Uzbekistan's pursuit of digital transformation has been marked by a deliberate and concerted effort to modernize its digital infrastructure, an initiative driven by governmental strategies of the President of the Republic of Uzbekistan adopted annually designed to enhance the socio-economic fabric of the nation. One of the main documents is the "Digital Uzbekistan 2030" [1] strategy, which endorsed by the 2020-2022 Roadmap, emphasizes the enhancement of digital infrastructure as a pivotal area of development.

This strategic directive initiated a series of comprehensive reforms aimed at broadening the accessibility and reliability of internet services nationwide. By fortifying the digital backbone, the Uzbek government endeavored to provide equitable access to high-speed internet for both urban and rural populations, thereby promoting digital engagement and economic inclusivity.

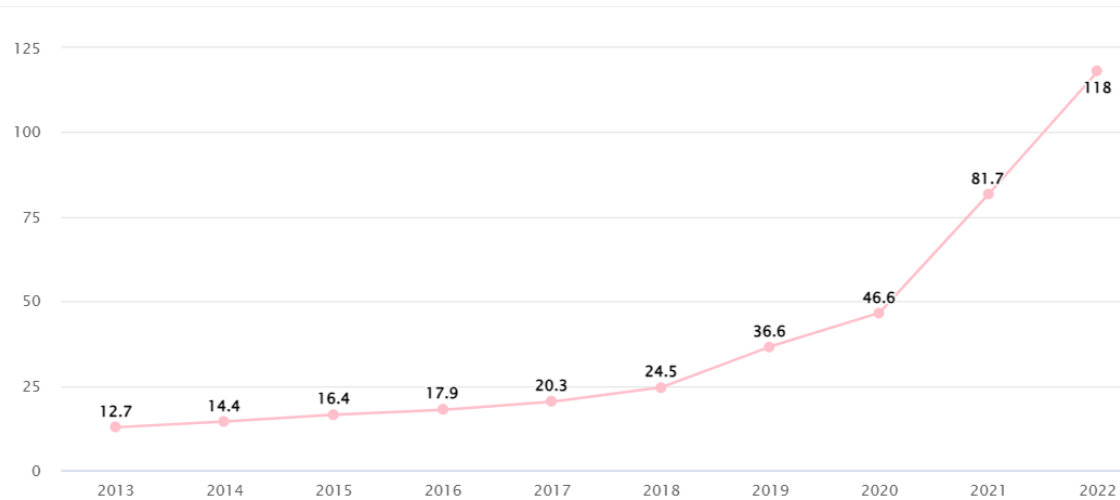


Figure 1. The total length of fiber-optic communication lines [2]

During the period from 2020 to 2022, substantial efforts were made to establish a conducive infrastructure for the advancement of the digital economy within Uzbekistan. In 2020, approximately 46.6 thousand kilometers of fiber-optic cables were installed across the republic. By the end of 2022, this figure had surged to 188 thousand kilometers, reflecting a significant expansion in the fiber-optic network. Concurrently, the deployment of broadband access ports witnessed a substantial increase. From 2.316 million ports installed in 2020, the number escalated by nearly 56% to 4.142 million by the end of 2022 [3]. Consistent with worldwide patterns, Uzbekistan now has over 31 million internet users, with mobile internet users surpassing 29.5 million. Over the past two years, the connection speed to the international internet channel has risen by 2.6 times, achieving a capacity of 3200 Gbit/s [4].

To further facilitate this digital leap, the Uzbek government has rolled out a series of e-government solutions. These platforms have been pivotal in digitizing public services, thereby making governmental processes more efficient and less susceptible to bureaucratic delays. For instance, launched on April 1, 2017, the system for business entity registration in Uzbekistan [5] has undergone comprehensive enhancements and has significantly reduced the time required to start a business and comply with regulatory requirements, effectively lowering the entry barriers for both local entrepreneurs and foreign investors. This system allows real-time registration of business entities, facilitating both the creation of legal entities and the registration of individual entrepreneurs without forming a legal entity. Users can instantaneously select a brand name and the system generates necessary founding documents, facilitates the payment of state registration fees, and issues registration certificates in real time. Crucially, this system is fully

integrated into the e-government framework, enabling seamless data exchange among various organizational information systems. Banks automatically access necessary data when opening business accounts, and relevant information is concurrently transmitted to the State Tax Committee and the State Statistics Committee for official registration.

These digital initiatives have had a tangible impact on making the business environment more robust and transparent. By streamlining governmental operations through digital means, Uzbekistan has enhanced the transparency of its bureaucratic processes, thus reducing opportunities for corruption and increasing its appeal as a safe and reliable investment destination.

The effectiveness of these digital reforms is reflected in improved rankings and perceptions. According to the GovTech Quality Index [6], Uzbekistan ascended 37 places since 2020 in the ranking of public services, achieving the 43rd position globally and advancing to Group A. Additionally, the 2022 UN e-government Survey [7], which the United Nations conducts biennially, showed Uzbekistan improving by 18 spots, placing it among nations classified as having a “high/very high level of development”.

According to the results of a survey by the Center for Economic Research and Reform (CEIR), in December 2022, the consolidated business climate indicator increased by 8 points and amounted to 57 points, which assesses the state of the business climate in the country as positive. Such advancements not only underscore the country's commitment to fostering a conducive business climate but also highlight the potential of digital transformation as a catalyst for economic development in emerging markets.

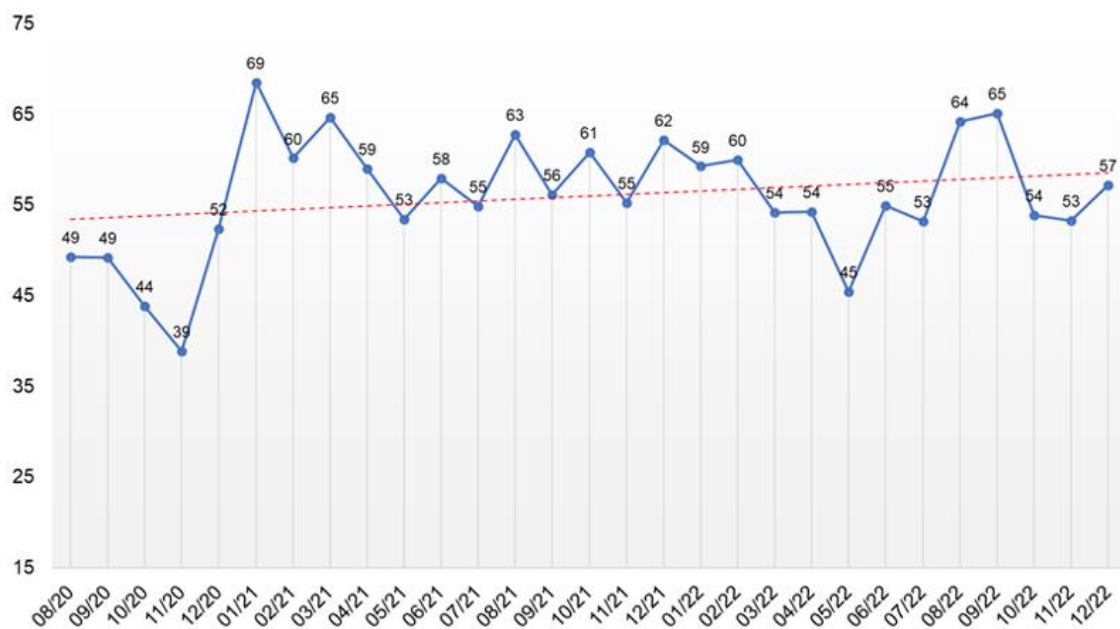


Figure 2. Dynamics of the business climate indicator [8]

The augmentation of digital infrastructure in Uzbekistan has had a pronounced and favorable impact on the inflow of foreign direct investment (FDI). By bolstering the reliability and efficiency of its foundational systems, Uzbekistan has established a more transparent and accessible market environment, which is crucial in attracting foreign capital. This systemic enhancement has facilitated a clearer and more streamlined pathway

for foreign investors seeking entry into the Uzbek market. Based on the results of investments made directly through foreign direct investment, 84.3 trillion sums were discussed in the Republic of Uzbekistan, which, compared to 2022, is more by 9.1 percentage points, or 24.0% of their total volume. The highest indicators and growth rates by sources of financing investments in fixed assets, where noted through foreign direct investment, which, compared to 2022, amounted to 196.4%.

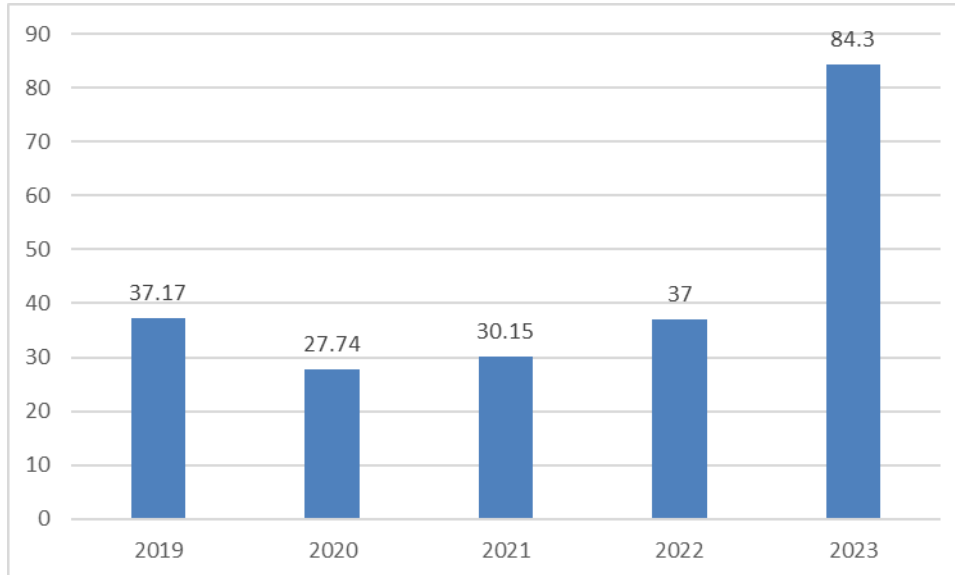


Figure 3. Dynamics of foreign direct investments in the Republic of Uzbekistan [9]

The cumulative effect of these advancements in digital infrastructure on FDI has been substantial. Not only has there been an increase in direct investment in targeted sectors, but the overall investment climate in Uzbekistan has improved, making it more appealing to a broader range of international investors. The government's continuous commitment to enhancing digital capacities and ensuring a stable regulatory environment further bolsters Uzbekistan's position as an attractive destination for foreign direct investment within Central Asia.

In conclusion, Uzbekistan's strategic commitment to enhancing its digital infrastructure has emerged as a profoundly effective approach, markedly augmenting its allure as an investment destination. The nation's deliberate integration of digital technologies into its economic and regulatory frameworks has not only streamlined operations but has also fostered a more transparent and dynamic business environment. This transformation is evidenced by Uzbekistan's improved rankings in global business and investment indices, reflecting its growing reputation as a fertile ground for foreign capital. For other emerging markets striving to attract foreign investment, Uzbekistan provides a robust model demonstrating the pivotal role, that digital technologies can play in catalyzing economic growth and development.

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