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FROM STATE-BUILDING TO PRODUCTIVITY-LED GROWTH: INSTITUTIONAL PATTERNS OF UZBEKISTAN'S ECONOMIC TRANSFORMATION SINCE INDEPENDENCE

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Abstract: This article examines the long-term logic of Uzbekistan's economic transformation from independence to the present stage of market-oriented reform. Rather than treating reform as a sequence of isolated policy measures, the study interprets transformation as a cumulative process in which the dominant sources of growth, the economic role of the state, and the criteria used to evaluate policy effectiveness change over time. Three broad stages are distinguished: institutional formation and macroeconomic stabilization in 1991–2000; investment-led modernization and industrial expansion in 2001–2016; and a post-2017 phase characterized by liberalization, institutional renewal, competition policy, digitalization, and a stronger emphasis on private-sector development. The analysis shows that the central development challenge has gradually shifted from mobilizing resources to improving the productivity with which those resources are used. Official statistics indicate that real GDP grew by 7.7 percent in 2025, while foreign trade turnover reached USD 81.2 billion; these outcomes illustrate the scale of recent expansion but do not, by themselves, measure the quality or sustainability of transformation. The article therefore proposes a three-dimensional framework for assessing economic-policy effectiveness that combines achievement of economic targets, institutional and governance quality, and social outcomes. The study concludes that Uzbekistan's next stage of development depends increasingly on productivity, competitive neutrality, human capital, innovation, institutional capability, and the quality of public-sector implementation. This shift from input accumulation to efficiency-driven growth is presented as a key regularity of the country's economic transformation and as a practical foundation for policy design through 2030.

Keywords: Uzbekistan, economic transformation, institutions, structural reform, productivity, state economic policy, investment, private sector, public administration, digitalization, human capital, sustainable growth.

Introduction

Over the thirty-five years since independence, the Republic of Uzbekistan has experienced a multidimensional economic transformation that has included the construction of sovereign economic institutions, the establishment and gradual deepening of market relations, modernization of productive capacity, strengthening of macroeconomic stability, liberalization of external economic relations, and a sustained effort to improve the country's investment climate. The original trajectory was necessarily shaped by the tasks of state-building and stabilization. Later, as the basic architecture of a national market economy matured, the focus of policy shifted toward industrialization, infrastructure, investment, competitiveness, and, more recently, the quality of institutions and the efficiency of resource use [1–3].

The relevance of studying this transformation has increased because the national economy now operates in an environment marked by stronger global competition, accelerated technological change, climate and energy pressures, geopolitical uncertainty, and rapidly changing patterns of trade and capital flows. Under such conditions, the evaluation of economic reform cannot be reduced to the observation of output growth alone. The central analytical question is increasingly why a given package of reforms generates a particular social and economic return, and which institutional conditions allow investment, public spending, infrastructure, and policy decisions to be converted into productivity, employment, exports, innovation, and improvements in living standards.

Uzbekistan's post-2017 reforms make this question particularly important. Exchange-rate liberalization, tax and customs reforms, measures to support entrepreneurship, a more open external economic policy, digitalization of public services, reforms of state-owned enterprises, and measures aimed at enhancing competition have changed the institutional environment in which households and firms make decisions. The Uzbekistan–2030 Strategy also places structural modernization, effective use of national resources, human-capital development, and higher living standards at the center of the development agenda [2]. These priorities indicate that the country has entered a stage in which policy effectiveness increasingly depends not only on the scale of resources mobilized but also on the quality of institutions and implementation.

The existing literature provides important but often fragmented perspectives on Uzbekistan's reforms. A significant share of research focuses on investment policy, entrepreneurship, tax reform, digitalization, industrial development, trade integration, or macroeconomic stabilization. International studies of transition and development, meanwhile, emphasize institutions, incentives, competition, governance, productivity, and the capacity of the state to support market development [4, 14–16]. The analytical gap addressed in this article concerns the interaction among these dimensions across the entire period of independent development. Specifically, the study asks whether there are identifiable regularities linking each stage of reform to a changing dominant growth factor and to a changing conception of the state's economic role.

The purpose of the study is to identify the principal institutional and structural regularities of Uzbekistan's economic transformation, determine the factors that have supported the sustainability and effectiveness of reform at different stages, and formulate an analytical approach for evaluating the next stage of economic policy. The article advances the argument that the most important long-run regularity is a gradual shift from institution-building, to input- and investment-driven expansion, and then toward productivity-led growth based on institutional quality, competition, human capital, innovation, and more effective public administration.

This interpretation does not imply that investment or industrial policy has become less important. On the contrary, investment remains essential for infrastructure, technological upgrading, energy transition, and production. The point is that the marginal impact of additional investment increasingly depends on complementary institutions: the quality of project selection, competition in product and factor markets, the capabilities of public agencies and firms, the availability of skills, the commercialization of technology, and the predictability of regulation. In this sense, the development challenge has changed from primarily mobilizing capital to raising the return on capital already created.

Literature Review and Analytical Framework

The institutional approach to economic development provides a useful conceptual foundation for examining Uzbekistan's experience. North defines institutions as the formal and informal rules that structure incentives and reduce or increase transaction costs [4]. In transition economies, the creation of market-supporting institutions is not a one-time event but a cumulative process in which property rights, financial systems, taxation, regulation, competition policy, public administration, and mechanisms of accountability evolve together. This perspective is especially relevant for Uzbekistan because the first decade of independence required the simultaneous creation of national monetary, fiscal, banking, customs, legal, and administrative institutions.

A second strand of the literature emphasizes the role of institutions as fundamental determinants of long-run development. Acemoglu, Johnson and Robinson argue that institutional arrangements influence investment incentives, innovation, the allocation of resources, and the distribution of economic opportunity [14]. For a reforming economy, this implies that identical volumes of capital expenditure may produce very different results depending on governance quality, competition, regulatory predictability, and organizational capability. The practical implication is that macroeconomic indicators should be interpreted jointly with measures of institutional performance rather than as isolated signals of reform success.

A third relevant perspective is the idea that successful development strategies are context-dependent. Rodrik notes that countries may share broad economic principles while requiring institutionally specific policy combinations adapted to their history, administrative capacity, and stage of development [15]. Uzbekistan's gradual and sequenced transformation supports this view. The state initially played a central role in stabilization and institution-building, then in coordinating investment and structural modernization, and later increasingly in creating market conditions, reducing barriers, improving regulation, and enabling private-sector activity. The sequence reflects changing development constraints rather than a simple linear withdrawal of the state from economic life.

Research on Uzbekistan itself has increasingly emphasized the institutional architecture of reform and the need to improve the effectiveness of economic management [5, 12]. The World Bank's 2025 Country Economic Memorandum identifies productivity, stronger private-sector dynamism, competition, trade integration, infrastructure, and human capital as central to sustaining high growth [12]. It also notes that capital investment has been a major driver of growth, while future convergence requires higher total factor productivity and a reduction in distortions that limit private-sector expansion. These findings reinforce the argument that the next phase of transformation must focus on the efficiency with which resources are allocated and used.

The IMF's 2026 Article IV consultation similarly emphasizes the strength of recent macroeconomic performance while calling for continued reforms that reduce the state's footprint in competitive activities, safeguard macro-financial stability, strengthen productive capacity, and support private-sector-led sustainable growth [13]. These recommendations are consistent with the idea that macroeconomic stability and institutional reform are complements. Stability creates the environment in which investment and entrepreneurship can expand, while efficient institutions ensure that such expansion produces durable productivity gains rather than only short-term demand effects.

Based on these theoretical and empirical perspectives, the article employs a stage-based framework. Each stage is characterized by four analytical dimensions: (1) the principal development constraint; (2) the dominant factor of growth; (3) the prevailing economic function of the state; and (4) the main criterion of policy effectiveness. This framework is intentionally dynamic. It allows the same instrument-for example, public investment-to have different meanings at different stages, depending on whether the primary task is infrastructure creation, industrial capacity expansion, technological upgrading, or productivity enhancement.

Research Methodology

The study uses a combination of systemic, comparative, institutional, historical, statistical, and logical analysis. The systemic method is used to interpret economic transformation as an integrated process involving institutions, structural change, public administration, investment, trade, and social outcomes. Comparative analysis is applied to distinguish the characteristics of the three main stages of independent development. Institutional analysis is used to identify how the role of the state and the mechanisms of economic governance have evolved. Statistical evidence is used to illustrate major changes in output, investment, and trade, while logical analysis is employed to derive causal interpretations and policy implications.

The empirical basis combines official statistical series and legal sources with updated data from Uzbekistan's National Statistics Committee and recent assessments by international institutions. In particular, the 2025 GDP and foreign-trade figures are cross-checked against official releases published in early 2026 [7, 9]. The article does not attempt to estimate a structural econometric model; rather, it develops an analytical interpretation of long-run transformation and proposes a framework that can subsequently be operationalized using measurable indicators.

A methodological distinction is made between growth outcomes and transformation quality. Growth outcomes include changes in real GDP, investment, industrial output, exports, and trade. Transformation quality refers to the capacity of the economy and the public sector to convert resources into sustainable productivity, competitiveness, employment, innovation, and improved well-being. This distinction is necessary because high investment or rapid nominal expansion can coexist with weak productivity, misallocation, limited competition, or uneven institutional performance. Accordingly, the analysis treats quantitative indicators as necessary but not sufficient evidence of successful transformation.

The periodization used in the article follows three broad stages: 1991–2000, 2001–2016, and 2017 to the present. These dates are analytical rather than absolute boundaries. Reform processes overlap, and many institutions created in one stage continue to evolve in the next. Nevertheless, the three-stage structure is useful because it captures a clear shift in dominant policy objectives: from sovereign institution-building and stabilization, to investment-led modernization, and then to a broader agenda of liberalization, institutional efficiency, competition, digitalization, and private-sector development.

Stages and Regularities of Uzbekistan's Economic Transformation

1991–2000: institution-building and macroeconomic stabilization

The first stage of independent development was defined by the need to establish the institutional foundations of a sovereign economy while preventing destabilization from becoming irreversible. Uzbekistan had to build its own monetary and financial system, create a legal framework for market relations, establish fiscal and customs institutions, and develop national mechanisms of banking and economic regulation. The introduction of the national currency and the formation of independent monetary institutions were therefore not simply technical reforms; they were foundational components of economic sovereignty [1, 3].

At this stage, the state's central economic function was to serve as a guarantor of macroeconomic stability and an architect of basic market institutions. The principal policy criterion was resilience: the ability to preserve production capacity, maintain social stability, establish national institutions, and create the minimum conditions required for market coordination. From the standpoint of long-run transformation, the decisive output of the 1990s was therefore institutional capacity rather than immediate efficiency. The economy could not move to a more complex stage of modernization without first possessing a functioning financial, legal, fiscal, and administrative framework.

This sequence illustrates a general regularity of transition: the effectiveness of later market mechanisms depends on prior institutional formation. Markets do not operate in an institutional vacuum. They require enforceable rules, payment systems, credible public authorities, fiscal capacity, and mechanisms that support contracting and exchange. In Uzbekistan's case, the first stage created these prerequisites and established the organizational infrastructure for subsequent industrial and investment policy.

By the early 2000s, the economy had moved toward sustained positive growth. Official statistical series indicate that GDP growth reached 3.8 percent in 2000, 7.0 percent in 2005, and 7.7 percent in 2010 [6]. These figures should not be interpreted as a single causal test of institutional reform, but they are consistent with the view that the stabilization and institution-building phase created conditions for a transition toward a more expansionary development model.

2001–2016: investment-led modernization and industrial expansion

During the second stage, the principal development constraint shifted. Once the core institutions of the national economy had been created, the need to modernize productive capacity, expand infrastructure, strengthen industry, and increase investment became more prominent. State economic policy therefore moved from the construction of basic institutions toward the mobilization and concentration of investment resources for structural transformation.

The scale of capital formation expanded substantially. According to official statistical series, investment in fixed capital increased from 744.5 billion soums in 2000 to 44.8 trillion soums in 2015 in current prices, while investment remained around one-fifth of GDP over much of the period [8]. The economic logic of this strategy was clear: infrastructure, industrial facilities, transport, energy systems, and production capacity were necessary to overcome the physical constraints inherited from the early transition period and to create the base for higher output and exports.

The growth mechanism during this stage was therefore largely input-driven. More capital, expanded infrastructure, and modernization of production produced substantial gains. However, as the stock of capital increased and the structure of the economy became more complex, the relationship between investment volume and final output became less automatic. Project selection, technology, management quality, worker skills, supply-chain integration, and access to markets began to matter more for the return on each additional unit of capital.

This change is crucial for understanding why a development model that is effective in one period may become insufficient in another. During a phase of severe infrastructure scarcity, an additional road, power facility, industrial plant, or logistics connection may generate large benefits simply by removing a binding constraint. Once the basic capacity exists, however, marginal returns depend more strongly on how efficiently facilities are operated, whether firms face competitive incentives, whether technologies are upgraded, and whether managers and workers possess the necessary capabilities. Economic transformation therefore creates new constraints as it solves old ones.

By the middle of the 2010s, the limitations of a predominantly extensive growth model were becoming more visible. High investment and industrial expansion could continue to raise output, but they could not by themselves guarantee higher productivity or global competitiveness. The next stage consequently required reforms aimed at the institutional environment surrounding capital: market signals, competition, price formation, external openness, regulatory quality, tax administration, and the ability of the private sector to respond to new opportunities.

Since 2017: liberalization, institutional efficiency, and market deepening

The reform phase beginning in 2017 differs from the previous stage because institutional, structural, and administrative changes have been pursued simultaneously across a wide range of areas. The exchange-rate regime was liberalized, external economic activity became more open, tax administration was reformed, support for entrepreneurship expanded, investment policy was intensified, and digital technologies were introduced more broadly into public administration. The key change was not the abandonment of investment-led development, but the attempt to increase the return on accumulated capital by removing institutional constraints and improving the quality of economic coordination.

This stage can be interpreted as a transition from capacity creation toward capacity utilization. Earlier reforms created physical and organizational assets; newer reforms seek to improve the environment in which those assets are used. Competitive markets, more transparent rules, better customs and tax administration, access to foreign exchange, digital public services, and stronger incentives for private investment can raise productivity without requiring proportional increases in public resource mobilization. The development mechanism thus becomes more intensive and institution-dependent.

Recent macroeconomic outcomes illustrate the scale of the economy's expansion. The National Statistics Committee reported that GDP in current prices reached 1,849.7 trillion soums in 2025 and that real GDP grew by 7.7 percent [7]. Foreign trade turnover reached USD 81.2 billion, including USD 33.8 billion in exports and USD 47.4 billion in imports [9]. Foreign investment attracted in 2025 exceeded USD 43 billion according to the investment authorities [10]. These

indicators demonstrate strong activity and deeper international integration; however, they do not eliminate the need to examine productivity, competitive structure, public-sector efficiency, and the quality of investment.

The World Bank's 2025 Country Economic Memorandum underlines this point by arguing that Uzbekistan's future convergence depends on stronger productivity, private-sector development, trade integration, infrastructure quality, and human capital [12]. The IMF's 2026 Article IV assessment similarly points to the importance of reducing distortions, maintaining macroeconomic stability, strengthening productive capacity, and accelerating market-oriented reforms [13]. These assessments support the conclusion that the binding constraint has increasingly shifted from the availability of capital to the quality of institutions and the allocation of resources.

Table 1. Analytical stages of Uzbekistan's economic transformation

Stage	Principal task	Dominant growth factor	Primary role of the state	Main effectiveness criterion
1991–2000	Build sovereign economic institutions and stabilize the economy	Institutional formation and stabilization	Architect and guarantor of core market institutions	Stability, continuity, institutional capacity
2001–2016	Modernize production and infrastructure	Investment, industrialization, capital accumulation	Coordinator of structural modernization and large investment	Growth of production, capacity and exports
Since 2017	Raise efficiency and deepen market mechanisms	Institutional quality, competition, productivity, digitalization	Regulator, enabler, market-maker and strategic coordinator	Quality of growth, productivity, governance and social outcomes

Source: author's analytical synthesis based on official statistical sources and the stage-based framework developed in this study [6–10].

From Resource Accumulation to Resource Productivity

The most important economic regularity revealed by the three-stage comparison is a gradual change in the dominant source of growth. In the first stage, the decisive resource was institutional capacity itself: the ability to issue money, collect taxes, regulate banks, establish laws, and maintain macroeconomic order. In the second stage, physical capital and infrastructure became the central drivers. In the third stage, the quality with which institutions and capital are used increasingly determines outcomes. This is the essence of the shift from resource accumulation to resource productivity.

Resource productivity should be understood broadly. It includes labor productivity, capital productivity, energy efficiency, the return on public investment, the capacity of firms to adopt technology, and the ability of public institutions to implement policy at reasonable administrative cost. A productivity-led model does not reduce development to a single indicator. Rather, it seeks to maximize the value generated by existing and newly mobilized resources. Such a model is particularly important when fiscal, demographic, environmental, and external constraints limit the possibility of relying indefinitely on ever-higher rates of capital accumulation.

The transformation of investment policy provides a clear example. At an earlier stage, the priority was to finance the physical expansion of production and infrastructure. Today, the central questions are increasingly whether projects are selected on the basis of credible cost-benefit analysis, whether they create tradable or high-value-added output, whether they crowd in private investment, whether they are connected to export markets, and whether their operating institutions possess the managerial and technical capacity to sustain performance. In other words, investment quantity remains important, but investment quality becomes decisive.

A similar logic applies to industrial policy. Expansion of industrial output can support structural change, but the long-term impact depends on technological depth, value-chain participation, domestic supplier development, innovation, standards, energy efficiency, and export competitiveness. Industrial modernization should therefore evolve from the creation of capacity toward the continuous upgrading of firms and clusters. The state's role is less about substituting for enterprise decisions and more about correcting market failures, coordinating infrastructure and skills, ensuring competitive neutrality, and reducing transaction costs.

The World Bank's recent analysis highlights the need to increase total factor productivity and strengthen the private sector as central conditions for future growth [12]. This is consistent with the transition described above. When productivity becomes the main constraint, reforms that improve competition, market entry, trade logistics, regulation, access to finance, and managerial capability may generate returns comparable to or greater than another round of input expansion. The economic-policy challenge therefore becomes increasingly qualitative rather than purely quantitative.

This shift also changes the interpretation of macroeconomic success. A high growth rate is clearly valuable, but its sustainability depends on the source of growth. Growth based mainly on temporary commodity prices, unusually strong remittances, or public investment may be less durable than growth supported by broad productivity gains and competitive private firms. For this reason, policymakers need decomposition: how much growth comes from labor, capital, productivity, exports, consumption, public expenditure, and sectoral reallocation? The answer is essential for designing reforms that can sustain convergence over a decade rather than a single business cycle.

Evolution of the Economic Role of the State

Uzbekistan's economic transformation has been accompanied by a systematic evolution in the functions of the state. During the first decade of independence, the state's primary economic responsibilities were foundational. It had to secure monetary sovereignty, establish fiscal and regulatory institutions, preserve macroeconomic stability, and create the legal infrastructure of a

market economy. Direct state involvement was therefore closely linked to the absence or immaturity of market-supporting institutions.

Between 2001 and 2016, the state increasingly acted as a coordinator of structural modernization. Large infrastructure and industrial projects required the concentration of investment resources, long planning horizons, and coordination across sectors. In this context, public policy emphasized industrialization, transport and energy infrastructure, capital formation, and the expansion of productive capacity. This role was consistent with the principal constraint of the period: insufficient modern capital and infrastructure.

Since 2017, the content of state economic policy has moved toward a different balance. Strategic planning and public investment remain important, but greater emphasis is placed on competition, entrepreneurship, private investment, regulation, digital public services, tax and customs administration, and integration with international markets. The state increasingly needs to function as an institution-builder, regulator, provider of public goods, and guarantor of a level playing field rather than as a direct participant in activities that competitive private firms can perform efficiently.

This evolution should not be interpreted as a binary opposition between ‘more state’ and ‘less state.’ The more useful distinction is between different state functions. A capable state may have a smaller direct commercial footprint while simultaneously exercising stronger regulatory, supervisory, competition, social, and strategic functions. Indeed, market deepening can require greater administrative sophistication because competition policy, financial supervision, public procurement, digital regulation, environmental standards, and infrastructure partnerships all depend on specialized state capacity.

The 2025 World Bank memorandum notes the continued importance of reducing regulatory burdens, strengthening competitive neutrality, modernizing infrastructure, and supporting private-sector-led growth [12]. The IMF’s 2026 consultation similarly calls for reforms that reduce distortions and foster a more productive private sector [13]. These recommendations imply that the future effectiveness of the state will be judged less by the volume of resources it directly controls and more by the quality of the rules, services, incentives, and public goods it provides.

For Uzbekistan, this evolution creates a governance challenge. Delegating more decisions to firms and markets does not reduce the importance of public administration; it changes the type of competence required. Ministries and agencies must increasingly use data, regulatory-impact analysis, digital systems, performance indicators, interagency coordination, and ex-post evaluation. The capacity to design a reform is not enough. The decisive issue is whether institutions can implement it consistently across regions and sectors, identify bottlenecks, and adjust policy based on evidence.

Governance Quality, Digitalization, and Implementation Capacity

As the economy becomes more complex, the quality of public administration becomes an increasingly important production factor. This may appear counterintuitive because governance is not recorded in national accounts in the same way as machinery or construction. Yet poor coordination, slow permits, uncertain enforcement, duplicated reporting, weak procurement, or delayed infrastructure connections can raise costs across the entire economy. Conversely,

transparent rules, interoperable digital systems, predictable regulation, and timely public decisions can increase the return on private and public investment.

Digitalization is especially important because it can reduce transaction costs while also improving the information available to policymakers. Digital tax and customs systems, online licensing, electronic procurement, integrated registries, and data exchange among agencies can reduce discretion, shorten processing times, and make administrative performance more measurable. However, digitalization should not be equated with simply transferring an existing bureaucratic process to an electronic platform. The highest productivity gains occur when processes are redesigned, unnecessary steps are removed, data are reused rather than repeatedly requested, and service delivery is organized around user needs.

Implementation capacity also determines whether national reforms produce uniform results across the country. Uzbekistan's regions differ in industrial structure, infrastructure, human capital, investment attraction, and access to markets. A centrally designed reform may therefore produce different outcomes depending on local administrative capacity and the quality of regional coordination. This is one reason why evaluating only aggregate national indicators can obscure implementation weaknesses. Reform monitoring should include regional dispersion, service-delivery standards, project completion quality, and the time required for firms and citizens to interact with public institutions.

Another important element is feedback. Traditional administrative systems often emphasize compliance with planned activities: meetings held, funds spent, projects launched, or documents adopted. A productivity-oriented state must go further and evaluate outcomes. Did the project reduce logistics costs? Did a subsidy increase export capability? Did a digital service reduce processing time? Did a training program improve employment and wages? Did a tax reform expand formalization without creating excessive compliance costs? These questions shift public management from process control to results management.

The analysis indicates that public decisions of comparable scale can produce different socio-economic returns depending on institutional quality, human capital, management, and implementation capacity. The analytical extension proposed here is that implementation capacity should be treated as a distinct component of economic transformation. Institutional reform is successful only when formal rules translate into predictable behavior and measurable improvements for firms and households.

Human Capital, Innovation, and the New Sources of Competitiveness

The transition toward productivity-led growth places human capital at the center of economic policy. Industrialization can begin with imported equipment and standardized technologies, but sustained upgrading requires workers, engineers, managers, researchers, and entrepreneurs who can adapt and improve technologies. As Uzbekistan seeks higher value-added production and greater participation in global value chains, the quality of skills becomes a direct determinant of export competitiveness and the capacity to absorb foreign investment.

Human capital should therefore be connected more explicitly to industrial, innovation, and investment policy. The relevance of education is not measured only by enrollment or the number of graduates. It is measured by the match between skills and productive demand, the ability of firms to

recruit and retain capable workers, the quality of technical and managerial training, and the creation of pathways through which research can be commercialized. Stronger links among universities, vocational institutions, firms, and sectoral associations are important for reducing the lag between technological change and workforce preparation.

Innovation policy is similarly changing. In an early modernization phase, technological progress may occur mainly through imported machinery and foreign know-how. At a more advanced stage, firms need capabilities to adapt technology, improve processes, design products, meet international standards, protect intellectual property, and cooperate with research institutions. Public policy can support these processes through competitive grants, technology extension services, standards infrastructure, digital connectivity, innovation finance, and procurement that encourages solutions rather than simply reimbursing inputs.

Private-sector dynamism is essential because experimentation and firm-level learning are decentralized processes. A competitive market allows productive firms to expand, less productive firms to restructure or exit, and new firms to challenge incumbents. Where entry barriers, preferential treatment, or weak competition persist, resources may remain locked in lower-productivity uses. This is why competition policy and state-owned-enterprise reform are not only ownership questions; they are productivity policies.

The demographic structure of Uzbekistan adds urgency. A young and expanding labor force can be a powerful development asset if sufficient productive employment is created. It can also place pressure on the economy if job creation is concentrated in low-productivity activities. Future reforms must therefore connect growth with the creation of formal, productive, skill-intensive employment. The quality of jobs is an important bridge between macroeconomic performance and household welfare, and it should be treated as a central indicator of transformation quality.

Trade, Investment, and Global Integration

Uzbekistan’s increasing openness is one of the clearest features of the current stage of transformation. Foreign trade turnover reached USD 81.2 billion in 2025, 20.7 percent above the previous year, while exports reached USD 33.8 billion [9]. This expansion increases the opportunities available to domestic firms but also exposes them to stronger competition. The development impact of trade therefore depends on whether firms can improve quality, productivity, logistics, standards compliance, and access to finance.

Trade integration matters because domestic market size alone cannot support all forms of specialization and technological upgrading. Export markets provide scale, competition, learning, and access to foreign demand. Yet participation in international markets remains difficult for smaller firms because they face fixed costs related to certification, logistics, marketing, customs, and market information. Policy can support export expansion by reducing these fixed costs rather than by permanently insulating firms from competition.

Foreign investment can also accelerate transformation when it brings technology, management practices, supplier linkages, and access to international markets. The authorities report that foreign investment attracted in 2025 exceeded USD 43 billion [10]. The development return on such investment depends on composition and linkages. Investment that creates domestic supplier

networks, trains workers, introduces new technologies, and generates export capacity may have larger spillovers than investment that remains isolated from the local economy.

For this reason, investment policy should increasingly evaluate not only the volume of attracted capital but also its qualitative contribution. Relevant indicators include the share of investment in tradable and technologically dynamic sectors, export generation, domestic procurement, worker training, energy efficiency, technology transfer, and the extent to which projects are commercially sustainable without permanent preferential treatment. Such indicators would align investment attraction with the broader objective of productivity-led growth.

Global integration also raises the importance of macroeconomic and institutional credibility. Investors and exporters depend on predictable access to foreign exchange, transparent customs rules, reliable infrastructure, contract enforcement, and a stable macroeconomic environment. The liberalization measures introduced since 2017 therefore have both a direct and an indirect effect: they lower specific barriers and also signal a broader commitment to market-based economic coordination.

A Three-Dimensional Framework for Evaluating Reform Effectiveness

The transition from an input-driven to an efficiency-driven development model requires a corresponding change in how economic policy is evaluated. During earlier stages, indicators such as GDP growth, the volume of investment, industrial output, and exports provided a reasonable picture of progress because the principal objectives were stabilization, capacity creation, and expansion. At the current stage, these indicators remain necessary, but they are no longer sufficient. A modern evaluation system should measure whether resources are transformed into sustainable economic and social outcomes.

Building on the preceding analysis, this study proposes a three-dimensional framework consisting of: (I) economic target achievement; (II) institutional and governance effectiveness; and (III) social and developmental outcomes. The framework does not replace sector-specific indicators. Instead, it provides a common architecture for comparing policies and programs that use different instruments but share the objective of improving national development performance.

The first dimension, economic target achievement, includes conventional measures such as real output growth, productivity, investment realization, export performance, fiscal sustainability, inflation, and sector-specific results. These indicators answer the question: were the immediate economic objectives achieved? They are essential because a policy that does not deliver its stated economic result cannot be considered effective regardless of how well it was administered.

The second dimension, institutional and governance effectiveness, evaluates how the result was produced. Relevant indicators may include implementation time, administrative cost, procurement efficiency, regulatory burden, digital service quality, interagency coordination, the predictability of rules, competitive neutrality, and the quality of project selection. This dimension is necessary because two programs can achieve similar output targets while using very different amounts of public resources or creating very different long-term institutional effects.

The third dimension, social and developmental outcomes, examines whether the reform improves the welfare and productive opportunities of citizens. Possible indicators include

employment quality, real household income, poverty reduction, access to services, regional inclusion, skills development, environmental performance, and the distribution of opportunities among groups and territories. This dimension prevents the evaluation system from treating macroeconomic expansion as an end in itself.

Conceptually, overall reform effectiveness can be represented as R = f(E, G, S), where E denotes economic results, G denotes governance and institutional quality, and S denotes social-development outcomes. The function should not be interpreted as a fixed numerical formula at this stage. Different policies require different weights and indicators. The purpose of the formulation is to make explicit that economic performance, implementation quality, and public value are jointly necessary for a complete evaluation.

Table 2. Proposed multidimensional system for evaluating economic-policy effectiveness

Dimension	Core question	Illustrative indicators	Policy interpretation
Economic results (E)	Were stated economic targets achieved?	Real growth; productivity; exports; investment outcomes; inflation; fiscal sustainability	Measures direct economic performance
Governance and institutions (G)	How efficiently and predictably was the result produced?	Implementation time; administrative cost; procurement quality; competition; regulatory burden; digital service quality	Measures institutional capability and resource-use efficiency
Social-development outcomes (S)	Did reform improve welfare and productive opportunity?	Employment quality; real incomes; poverty; service access; regional inclusion; human capital; environmental effects	Measures public value and sustainability

Source: proposed by the author as a multidimensional framework for evaluating economic-policy effectiveness.

The framework can be operationalized through a dashboard rather than a single composite score. A dashboard is preferable when policy trade-offs must remain visible. For example, a project may have strong output effects but weak governance performance because of cost overruns, or good administrative execution but limited social impact. Collapsing these dimensions into one number can conceal useful information. The proposed structure therefore supports both aggregate monitoring and detailed diagnosis.

For national strategy, the system can be connected to the Uzbekistan–2030 agenda by linking each strategic objective to a limited set of output, institutional, and social indicators. For public investment, the same architecture could combine project completion and economic return with procurement quality and service outcomes. For tax administration, it could combine revenue performance with compliance costs, digital-service quality, formalization, and taxpayer experience. The principle is consistent across sectors: evaluate not only what was spent or produced, but also how efficiently and for what public result.

Policy Implications for the Next Stage of Transformation

The analysis suggests that Uzbekistan's next stage of economic development should be organized around a productivity compact linking macroeconomic stability, private-sector dynamism, public-sector capability, and human capital. These elements are mutually reinforcing. Stability without productivity can preserve existing structures but may not accelerate convergence. Productivity without macroeconomic stability is difficult to sustain. Private investment without capable public institutions may be discouraged by uncertainty and infrastructure bottlenecks. Human capital without dynamic firms may lead to underemployment or skill migration.

First, public investment management should place greater emphasis on economic return, lifecycle cost, implementation capacity, and complementary reforms. Large investment volumes can support growth, but project pipelines should increasingly be ranked by their contribution to productivity, connectivity, energy reliability, export capacity, and private investment. Ex-post evaluation should become routine so that future project selection benefits from evidence about actual rather than projected outcomes.

Second, competition and competitive neutrality should be treated as core growth policies. Market entry, equal application of rules, transparent access to infrastructure, and the gradual reform of state-owned enterprises can improve the allocation of capital and labor. The objective is not privatization as an end in itself, but the creation of incentives that reward productivity, innovation, and efficient service delivery.

Third, trade and investment policy should focus on integration into higher-value segments of regional and global value chains. This requires logistics, standards, customs facilitation, reliable energy, digital connectivity, and skills. Export promotion should prioritize firm capability and market access rather than permanent protection. Foreign-investment policy should assess technology transfer, domestic linkages, workforce development, and export contribution in addition to capital volume.

Fourth, public administration should shift further toward data-driven and results-based management. Ministries and agencies need interoperable data systems, professional analytical units, regulatory-impact assessment, project-management capability, and clearly defined outcome indicators. Digitalization should be used to redesign processes and increase transparency rather than merely to automate existing procedures.

Fifth, human-capital policy should be more tightly aligned with economic transformation. Vocational and higher education should respond to sectoral demand for engineering, digital, managerial, financial, logistics, and technical skills. Incentives for collaboration between firms and educational institutions can improve curriculum relevance, internships, applied research, and

technology commercialization. As productivity becomes the main growth driver, skills policy becomes industrial policy.

Sixth, reform evaluation should explicitly incorporate regional differences. National averages can coexist with large variation in infrastructure quality, investment absorption, employment, and administrative performance. A common national framework with region-specific diagnostics would make it possible to distinguish whether weak outcomes arise from policy design, local implementation, infrastructure constraints, or limited firm capability.

Finally, macroeconomic discipline should remain the foundation of structural reform. The IMF's 2026 assessment notes strong recent growth but also emphasizes the need to manage demand pressures and preserve macro-financial stability [13]. Structural reform is most effective when inflation expectations, fiscal risks, and financial-sector vulnerabilities are contained. Stability should therefore be understood not as an alternative to development policy but as the platform on which productivity-enhancing reform operates.

Discussion

The proposed interpretation of Uzbekistan's transformation has two broader implications. The first is that development stages should be evaluated according to the constraints they were designed to solve. It would be analytically misleading to judge the institution-building policies of the 1990s by the same criteria used to assess today's digital public services or private-sector competition. Early policies created the institutional and physical preconditions for later reforms. At the same time, the success of earlier approaches does not imply that the same instruments should dominate indefinitely.

The second implication is that reform creates path dependence. Investment-led modernization expanded the country's productive base, but it also created a large stock of assets whose future contribution depends on maintenance, management, competition, technology, and market integration. Post-2017 liberalization therefore represents not a break with the earlier modernization strategy but a complementary phase designed to increase the efficiency of the capacity already created. This continuity is important for understanding the political economy of reform and for avoiding a false choice between industrial development and market institutions.

The three-stage framework also helps explain why policy indicators must evolve. When the key problem is missing capacity, the quantity of new capacity is informative. When the key problem becomes the efficiency of existing capacity, quantity indicators become less decisive. The same logic applies to public administration: the number of digitalized services matters in an early stage, but later the more relevant questions concern processing time, interoperability, user cost, reliability, and the extent to which digitalization changes organizational behavior.

There are limitations to the analysis. The periodization is intentionally broad and does not capture all sector-specific reform cycles. The article also does not estimate causal effects econometrically, so the identified regularities should be interpreted as an analytical synthesis rather than as statistically isolated causal coefficients. Future research could test the framework by constructing sectoral panels, estimating the relationship between investment and productivity over time, measuring regional variation in reform implementation, and developing empirically validated indicators for the proposed E–G–S evaluation system.

Nevertheless, the framework provides a useful basis for both academic analysis and practical policy design. It connects Uzbekistan's historical transformation with a forward-looking agenda centered on productivity, institutional quality, and public value. Most importantly, it makes explicit that the next increment of development will increasingly depend on how well institutions convert capital, labor, technology, and public decisions into competitive and inclusive outcomes.

Conclusion

Uzbekistan's economic transformation since independence can be understood as a sequential but cumulative process in which the principal development constraint, dominant growth factor, state function, and criterion of policy success have changed over time. The first stage was characterized by sovereign institution-building and macroeconomic stabilization. The second emphasized modernization, industrialization, infrastructure, and capital accumulation. The current stage increasingly focuses on liberalization, competition, digitalization, private-sector development, institutional capability, and the productivity of resources.

The central regularity identified in the study is the transition from resource mobilization toward resource productivity. This does not diminish the importance of investment. Rather, it changes the conditions under which investment produces sustainable returns. Project quality, technology, human capital, competition, governance, and implementation capacity now exert a stronger influence on the economic effect of each additional unit of capital. The same principle applies to public expenditure and administrative reform: the volume of activity matters less than the quality of the final result.

Recent performance confirms the scale of Uzbekistan's economic expansion. Real GDP grew by 7.7 percent in 2025 and foreign trade turnover reached USD 81.2 billion [7, 9]. Yet long-run success will depend on whether strong growth is accompanied by rising productivity, competitive firms, better jobs, technological upgrading, and more efficient institutions. International assessments increasingly identify these same priorities [12, 13].

For this reason, the article proposes that economic-policy effectiveness be assessed through three linked dimensions: economic results, governance and institutional quality, and social-development outcomes. Such an approach can help shift public management from measuring activities and inputs toward measuring value created for the economy and society. It can also make reform implementation more adaptive by identifying where weak outcomes result from insufficient resources and where they result from institutional bottlenecks.

The Uzbekistan–2030 agenda creates an opportunity to institutionalize this next stage of transformation. The strategic objective should be not simply faster growth, but higher-quality growth: growth that uses capital more productively, rewards innovation, strengthens competition, creates skilled employment, expands exports, and improves the effectiveness of the state. In this sense, the movement from state-building to productivity-led growth is not only a description of Uzbekistan's past transformation; it is also a guide to the policy logic required for its future development.

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