



Article

Analysis of The Share of The State Budget in Investments in Fixed Capital in The Republic of Uzbekistan

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Abstract: This study focuses on analyzing the share of the state budget in investments in fixed capital in the Republic of Uzbekistan and examines its impact on economic growth and infrastructure development. The research analyzes the allocation and trends of state budget funds in fixed capital investments across key sectors. By evaluating data from recent years, the research team identifies the significance of the public sector in stimulating economic development while also considering the increasing importance of private and foreign investments. The findings of the study highlight the crucial role of the government in supporting strategic sectors and ensuring long-term growth, as well as emphasizing the need for further diversification of investment sources to sustain economic development.

Keywords: Uzbekistan, Investment, State Budget, Economic Growth, Fixed Capital Investment, Direct Investment, FDI

1. Introduction

Analyzing the share of the state budget in fixed capital investments in the Republic of Uzbekistan is a crucial research direction that highlights the economic development strategies implemented by the government. Uzbekistan is undergoing a transition from a centrally planned economy to a market economy, and understanding the impact of state investments on fixed capital formation is essential for assessing overall economic growth and stability [1].

According to the latest data from the State Committee on Statistics of the Republic of Uzbekistan, in 2022, the volume of fixed capital investments amounted to approximately 60 trillion UZS (about 5.7 billion USD), with state budget funds accounting for around 30%. This significant share confirms the government's role in infrastructure development, industrial modernization, and the improvement of social services, as well as its support for these areas through strategic financial commitments [2].

The importance of this study is increasing in the context of ongoing reforms aimed at enhancing private sector participation and attracting foreign direct investment (FDI). In 2023, the volume of FDI in Uzbekistan reached 4 billion USD, indicating growing confidence from international investors in the country [3]. However, despite these positive trends, reliance on state budget funds remains crucial for launching large-scale projects. The World Bank emphasizes that effective public investment management contributes to improving economic outcomes in developing countries, including Uzbekistan. By analyzing the interrelation between the state budget's share and fixed capital investments, this research aims to assess policy effectiveness and identify areas for improvement to strengthen Uzbekistan's economic stability and growth prospects [4].

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2. Materials and Methods

A mixed-methods approach, incorporating both quantitative and qualitative data, is applied to analyze the share of the state budget in fixed capital investments in the Republic of Uzbekistan. The quantitative component involves collecting data from official government sources, including the Ministry of Finance of the Republic of Uzbekistan and the State Committee on Statistics. These data include annual reports on state budget allocations and fixed capital investments over the past decade.

Statistical methods such as time series analysis and regression modeling are employed to identify trends, correlations, and patterns between state budget allocations and fixed capital investments [5]. Additionally, a comparative analysis with other Central Asian countries is conducted to provide a broader context for Uzbekistan's investment strategies. The qualitative aspect of the study includes interviews with key stakeholders involved in budget planning and investment decision-making within both the government and private sector.

Semi-structured interviews are conducted with policymakers, economists, and representatives of financial institutions to gain insights into the motivations behind state budget allocations for fixed capital investments [6]. Thematic analysis is applied to interview transcripts to identify key themes and perspectives influencing investment decisions. This comprehensive methodology helps develop a thorough understanding of the impact of state budget allocations on fixed capital investments in Uzbekistan and serves as a crucial foundation for future policy recommendations.

3. Results and Discussion

In recent years, the share of fixed capital investments financed by the state budget in Uzbekistan has shown a declining trend. In 2020, investments funded from the Republic's budget accounted for 6.8% of total fixed capital investments. This share decreased to 7.8% in 2021, marking a decline of 1.4 percentage points compared to the previous year [7]. This trend continued in 2022, with the share remaining at 7.8% but decreasing by another 0.8 percentage points compared to 2021. In 2023, the volume of fixed capital investments financed through centralized sources, including the state budget, amounted to 44.8 trillion UZS, representing 12.7% of total investments, see Figure 1 [8].

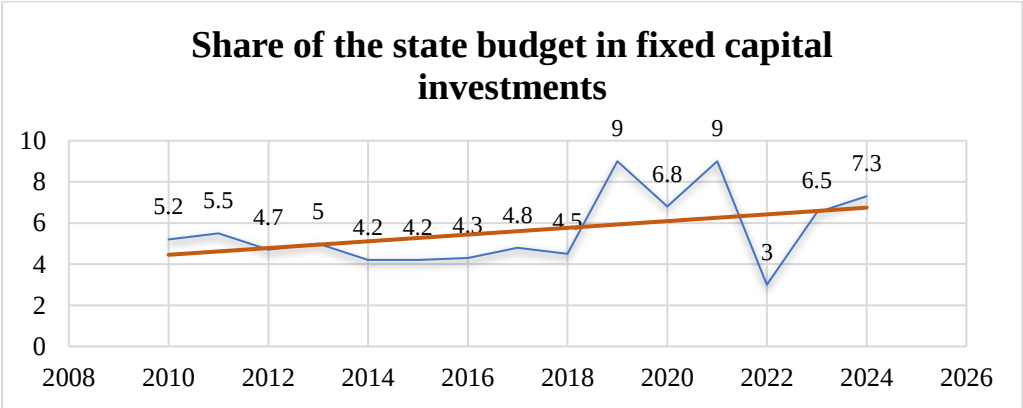


Figure 1. Share of the state budget in fixed capital investments in the Republic of Uzbekistan [9].

From a regional distribution perspective, state budget funds allocated for fixed capital investments in Uzbekistan have been distributed unevenly across different regions. In the first quarter of 2024, the highest shares were recorded in Sirdarya region (4.0%), the Republic of Karakalpakstan (2.4%), and Surkhandarya region (2.1%). In the first half of 2024, 6.2% of total regional investments in Samarkand region were financed from the state

budget, while this figure stood at 5.6% in Sirdarya region and 5.2% in the Republic of Karakalpakstan. These figures reflect the strategic allocation of state funds to specific regions, highlighting a targeted investment policy [10].

In 2023, the total volume of fixed capital investments in Uzbekistan amounted to approximately 352.1 trillion UZS (around 28.5 billion USD), representing a 22.1% increase compared to the previous year. (Figure 2) Of these total investments, 53.4% were financed through foreign sources and international loans. Specifically, foreign direct investments (FDI) and foreign loans obtained without government guarantees amounted to 84.3 trillion UZS (6.7 billion USD), while foreign loans attracted under government guarantees reached 21.2 trillion UZS (1.6 billion USD) [11].

Analysis and Results section Context: 2023 foreign and government-guaranteed loan contributions shown in Figure 2.

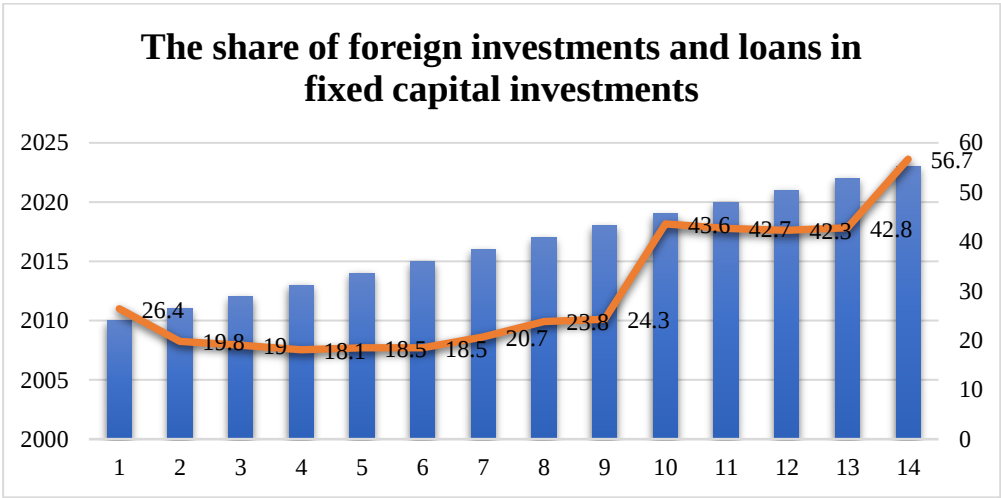


Figure 2. Share of foreign investments and loans in fixed capital investments in the Republic of Uzbekistan [12].

China led as the main foreign investor, accounting for 25.3% of total foreign investments. Russia ranked second with a 13.4% share, while Saudi Arabia contributed 7.9%. Turkey and the United Arab Emirates also played significant roles, holding shares of 6.4% and 5.8%, respectively. This inflow of foreign capital reflects the growing international confidence in Uzbekistan’s economy.

In 2023, the volume of fixed capital investments in Uzbekistan amounted to approximately 352.1 trillion UZS (around 28.5 billion USD), representing a 22.1% increase compared to 2022. (Figure 3) Of these investments, 66.4% were financed from external sources, while the remaining 33.6% were covered by domestic funds [13]. Foreign direct investment (FDI) played a crucial role, amounting to 84.3 trillion UZS, which accounted for 24% of total fixed capital investments—an increase of 9.1 percentage points compared to the previous year. The technological distribution of these investments was primarily directed toward the purchase of equipment and machinery (45.9%) and construction and installation works (45.6%).

Comparative data of 2022 and 2023 investment volumes and sources, see Figure 3.

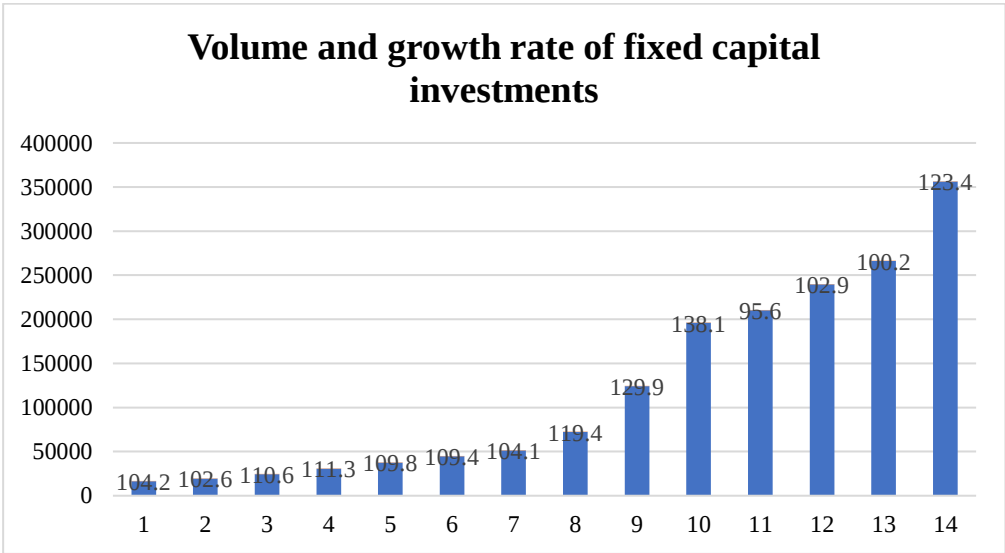


Figure 3. Volume and growth rate of fixed capital investments in the Republic of Uzbekistan [14].

In 2024, fixed capital investments in Uzbekistan grew significantly, reaching 493.7 trillion UZS (approximately 39.03 billion USD), marking a 27.6% increase compared to 2023. This growth was primarily driven by a 32.8% rise in decentralized investments, which accounted for over 90% of total investments, while centralized investments decreased by 4.2%. Foreign direct investment (FDI) continued its upward trend, increasing by 53.6% to reach 11.9 billion USD, raising its share in the country's GDP by 2.4 percentage points to 10.3% [15]. The largest portion of foreign investments was directed towards the manufacturing sector, followed by the electricity and gas supply sector, as well as the mining industry.

4. Conclusion

In conclusion, the analysis of the state budget's share in fixed capital investments in the Republic of Uzbekistan highlights the government's crucial role in financing key economic sectors and infrastructure development. Over the years, state budget allocations have served as the primary driving force behind capital investments in strategic industries, social services, and major infrastructure projects.

While government involvement remains significant, efforts to attract private and foreign investments have intensified, aiming to diversify funding sources and stimulate economic growth. Ensuring an optimal balance between public and private sector participation in fixed capital investments in Uzbekistan is essential for achieving sustainable development and enhancing overall economic efficiency.

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