



# The Evolution of Strategic Planning in the Republic of Uzbekistan (From the Post-Soviet Period to Innovative and Digital Transformation)

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**Abstract:** This paper presents a retrospective trend-oriented analysis of the Republic of Uzbekistan's experience in developing and implementing national and regional development strategies. The relevance of the study is due to the dynamic structural, innovative and market transformations in the country associated with digitalisation, the introduction of new technologies and the transition to indicative methods of regulation. The aim is to provide a comprehensive analysis of economic development in the context of digital transformation, liberalisation and democratisation reforms, as well as to identify best practices for modernising industries to enhance global competitiveness. The paper examines the stages of the post-Soviet transition, key strategies (Action Strategy 2017–2021, Uzbekistan 2030, Innovation Development Strategy 2022–2026), territorial planning methodology, investment policy, and the development of light industry, renewable energy and digital technologies. Based on empirical data, macroeconomic shifts, regional disparities and the effectiveness of reforms are analysed. The conclusions emphasise the need for further improvement of institutional mechanisms, human capital and innovation drivers for sustainable growth.

**Keywords:** Strategic Planning; Republic of Uzbekistan; Digital Transformation; Innovative Development; Economic Reforms; Regional Strategies; Investment Policy; Renewable Energy; Light Industry; Macroeconomic Indicators.

## Introduction

In 1991, after gaining independence, Uzbekistan, like most CIS countries, needed several years to begin developing long-term national and regional plans and strategies, which can be explained by the impact of objective factors.

Traditional approaches to developing the foundations for medium- and long-term development, both for the country as a whole and for its regions, were formed under the planned economy and detailed centralisation of the former USSR. The unification of a single economic and political space after the collapse of the Soviet Union initially led to the chaotic use of methods and forms of economic management and strategic governance by the newly formed market-oriented states [5; 49].

At the initial stage, many of these countries, including Uzbekistan, acted by trial and error, and socio-economic development scenarios were often unsystematic and adopted

without proper scientific study. This was due both to the macroeconomic conditions of the time and to the almost complete absence of national specialists trained to educational standards for the field of strategic planning. As a result, documents were developed with unrealistic or even incorrect strategic guidelines.

Since 1997, Uzbekistan has been developing current economic programmes that correspond to the priorities of national, sectoral and regional resource allocation proclaimed by the country's leadership. Initially, annual programmes focused on social priorities. For example, 1997 was declared the 'Year of Human Interests' and 1998 the 'Year of the Family,' with the development of corresponding state programmes.

## Methodology

As practical experience in implementing annual programmes accumulated, the need for a strategic vision for the country's long-term development became apparent. The factors hindering the improvement of the national economy's efficiency and competitiveness were the resource-intensive nature of the existing economic development model, the high share of raw materials in exports, and the accelerated growth of the deficit of energy, mineral and water resources.

Accumulated experience clearly confirms that long-term national and regional development strategies are necessary to improve the quality of life of the population and ensure more sustainable and targeted development of priority areas of the economy. Effective management of the socio-economic development of Uzbekistan and its regions can be achieved if the following conditions are met: national and regional medium- and long-term development strategies must be justified and developed on the basis of uniform methodological approaches. They must correlate with each other in terms of their priorities and objectives; strategies must be provided with the necessary labour, material and financial resources. Ultimately, they must make it possible to improve the quality of life of the people of Uzbekistan.

In the process of developing regional strategies, it is critically important to conduct an in-depth analysis of ongoing processes and identify key trends in territorial development based on a unified and sound methodology for strategic planning. Failure to comply with this requirement leads to the strategic documents being unworkable and the expected results not being achieved.

The Strategy for Action in Five Priority Areas of Development of the Republic of Uzbekistan for 2017–2021 was adopted in response to the objective need for a strategic policy document that takes into account acute global trends and forecasts of the international situation. Its adoption marked the beginning of rapid, qualitatively new structural and market transformations associated with a fundamental rethinking of priorities [7; 3].

The main priorities of the Action Strategy include:

1. Improving state and public administration: further strengthening the role of parliament and political parties in deepening democratic reforms and modernising the country, including expanding the powers of the Oliy Majlis in resolving key issues and exercising parliamentary control; Reforming the public administration system through decentralisation, improving management efficiency, and developing

the organisational and legal framework for the civil service; improving the e-government system and the quality of public services; implementing public oversight mechanisms and strengthening the role of civil society institutions and the media.

2. Ensuring the rule of law and further reforming the judicial and legal system: strengthening the genuine independence of the judiciary and guarantees of reliable protection of citizens' rights and freedoms, enhancing the authority of the courts, fully implementing the principles of independence, impartiality and adversarial proceedings; improving administrative, criminal, civil and commercial legislation; improving the effectiveness of the system for combating crime and preventing offences, including the fight against religious extremism and corruption; fully implementing the principle of adversarial proceedings in court; improving the system for providing legal aid and legal services.
3. Economic development and liberalisation: further strengthening macroeconomic stability and maintaining high economic growth rates; increasing economic competitiveness by deepening structural reforms, modernising and diversifying leading industries, including by bringing industry to a qualitatively new level; modernisation and intensive development of agriculture, including deepening structural reforms, optimising acreage (reducing cotton and grain cultivation) and introducing water-saving agricultural technologies; continuation of institutional and structural reforms to reduce the state's presence in the economy; strengthening the protection of rights and the priority role of private property, stimulating the development of small businesses and entrepreneurship; comprehensive and balanced socio-economic development of regions, districts and cities, including the active attraction of foreign investment through the improvement of the investment climate.
4. Development of the social sphere: consistent increase in employment and real incomes of the population, including increases in wages, pensions and scholarships; improvement of the social protection and health care system; increase in the socio-political activity of women; implementation of targeted programmes for the construction of affordable housing; development and modernisation of road transport, engineering and communications, and social infrastructure; development of education, culture, science, literature, art and sport; improvement of state youth policy.
5. Ensuring security, inter-ethnic harmony and religious tolerance: strengthening the independence and sovereignty of the state, creating a belt of security, stability and good neighbourliness; improving the information security system; implementing a balanced, mutually beneficial and constructive foreign policy [1; 130].

In particular, to implement the Action Strategy, the Development Strategy Centre was established in Tashkent, which functions as a public platform for discussing reforms, ensuring open dialogue between government, scientific, industrial and public structures, and organising public control.

The Uzbekistan-2030 Strategy was approved by Decree of the President of the Republic of Uzbekistan No. UP-158 of 11 September 2023. The Strategy was developed

based on the experience of implementing the New Uzbekistan Development Strategy and the results of public discussion.

The Uzbekistan 2030 Strategy reflects the following key ideas:

becoming one of the countries with above-average income through sustainable economic development; creating a system of education, healthcare and social protection that fully meets the needs of the people and international standards; creating favourable environmental conditions for the population, solving environmental problems and conserving water resources; building a fair and modern state that serves the people under the strictest rule of law; guaranteeing the sovereignty and security of the country, transforming it into a safe and peaceful state[2].

It is also necessary to note the 'Strategy for Innovative Development of the Republic of Uzbekistan for 2022–2026.' This strategy was approved by Decree of the President of the Republic of Uzbekistan No. UP-165 of 6 July 2022 and developed on the basis of previous programmes (Strategy for 2019–2021, Concept for the Development of Science and Higher Education until 2030, Strategy 'Digital Uzbekistan - 2030'). The main goal of the Strategy is to ensure that by 2026, the Republic of Uzbekistan will be among the 56 leading countries in the world according to the Global Innovation Index ranking (in 2021, Uzbekistan ranked 86th, author's note).

## Result and Discussion

The main directions of the Strategy are:

1. Support for start-up initiatives and organisation of large-scale production (capital creation); formation of a network of innovation infrastructure entities (technology parks, technology transfer centres, venture organisations, incubators, accelerators); development of a unified concept and legal framework for 'clusters' and 'cluster policy'; creation of youth innovation technology parks for prototyping and small-scale initial production; formation of modern mechanisms for financing start-up initiatives (venture capital, crowdfunding); improvement of institutional mechanisms for state support of innovative activities; introduction of unified tax and customs incentives to support innovative entrepreneurship among residents of technology parks. [1; 4].

Accumulation of resources and creation of new jobs through the introduction of AI, the Internet of Things and digitalisation in strategic areas of the green economy (renewable energy, biotechnology, food security); Increasing the innovative activity of small businesses; introducing annual national ratings of regional innovative development; supporting successful start-up projects by providing tax and customs incentives at the stages of large-scale production.

In particular, the classification of the innovation ecosystem includes 'disruptive' (requiring capital investment, creating new jobs), 'sustainable' (systematic improvement of "disruptive" innovations) and 'efficient' (reducing jobs, creating capital) innovations. Mandatory deductions of up to 10% of pre-tax profits from companies in which the state holds a 50% or greater stake for the creation and implementation of 'disruptive' innovations.

In addition, the development and phased implementation of the 'Innovative University' concept.

The socio-economic essence of Uzbekistan's investment strategy lies in orienting sectoral and regional investment policy and forming an investment vision for the country aimed at increasing and diversifying investment.

**An active state investment policy provides for:**

- a. Increasing the country's investment attractiveness to attract foreign direct investment (FDI, author's note).
- b. Introducing new technologies, increasing competitiveness and diversifying industrial production.
- c. Participating in international markets in global value chains.
- d. Stimulating capital inflows into the economy and developing entrepreneurial initiative.

Historically, priority has been given to high-tech industries such as the manufacture of microchips, computers and telecommunications systems, as well as the development of innovations. Tax incentives, special tax regimes and duty exemptions, as well as the creation of special economic zones in the regions, have been used to support promising industries.

Among the key problems limiting the implementation of medium-term development goals are insufficient investment, including foreign direct investment, and its irrational distribution. [8; 4].

Light industry, especially textiles, is a strategic sector for the Uzbek economy, providing high levels of employment and making a significant contribution to the country's socio-economic development and international standing. For example, thanks to the incentives provided, more than \$2 billion in foreign investment has been attracted to the industry since independence, and more than 180 enterprises with foreign investors have been established. The share of high value-added goods in the industry's total exports has grown to more than 33%.

The programme of measures for the further development of the textile and garment industry for 2017–2019 provided for the transition to the complete processing of cotton fibre produced in the country by 2020.

Energy efficiency and renewable energy development were identified as priority areas in the 2017–2021 Action Strategy.

**Despite the measures taken, the following problems were noted in 2017:**

- a. High energy intensity of the domestic economy.
- b. Low level of diversification of the fuel and energy balance due to renewable energy sources.
- c. Dominance of natural gas and other traditional hydrocarbon fuels in the primary fuel structure.
- d. The high potential of solar, wind and biogas energy was practically unused.

**The priority areas for renewable energy development for 2017–2021 included:**

- a. The introduction of innovative technologies and scientific and technical developments in the field of renewable energy and energy efficiency, and the expansion of energy-saving equipment production.
- b. Diversification of the fuel and energy balance, including the use of solar and wind energy, micro and small hydroelectric power plants.

Reducing the energy intensity of production by modernising and re-equipping facilities based on energy-efficient technologies. The programme of measures provided for the construction of 42 new and the modernisation of 32 existing hydroelectric power plants, with a 1.7-fold increase in capacity by 2025. The target parameters for the development of renewable energy sources included an increase in hydroelectric power generation capacity to 1,243.9 MW by 2025 (a 69.3% increase compared to 2016) and the commissioning of solar energy capacity up to 450 MW [6; 160].

The development of digital technologies and the digital economy is a global trend and is crucial for improving the competitiveness of the national economy, the standard of living of citizens, and the efficiency of all levels of government.

Key digital technologies being introduced into Uzbekistan's economy include blockchain, artificial intelligence, the Internet of Things, computer vision, natural language processing, big data, neural networks, robotics, and digital platforms and services.

Digital solutions implemented in the statistical activities of the Republic of Uzbekistan provide a more open and transparent statistical assessment of the implementation of socio-economic strategies. Among the digital mechanisms implemented are: the online version of the 'Automated Information System for Electronic Collection of Statistical Information e-stat 4.0'. Specialised digital services that use mobile devices and allow information to be obtained online from the State Statistics Committee server. An 'Automated Census System' has been developed, and by 2024, the introduction of space imaging and the full-scale use of drones in agriculture is planned.

The priority sectors for implementing the 2022–2026 Innovation Development Strategy include the widespread introduction of artificial intelligence, the Internet of Things and digitalisation technologies. National and regional development strategies must be based on uniform methodological approaches and be correlated with each other, ensuring an improvement in the quality of life of Uzbekistan's residents.

The methodology for developing a unified comprehensive strategy for the territorial development of Uzbekistan was based on a combination of sectoral and territorial principles for the location of large investment projects and the forecasting of macroeconomic indicators.

The process of developing specific programme measures involves the phased implementation of the following actions: analysis of the current level of economic and social development of the territories, identification of trends and problems, and their ranking; justification of key factors, conditions and prerequisites, definition of the goals and objectives of the strategy for each region; development of main priorities and factor-targeted guidelines; development of specific detailed measures; development of mechanisms and

identification of sources of financing. The forecast parameter of gross regional product was used as a summary indicator of development goals.

**In modern times, Uzbekistan has developed a practice of forming strategies based on three methodological approaches:**

- a. First, assessing and eradicating poverty.
- b. Second, the traditional balance sheet method of forecasting used in planned economies.
- c. Thirdly, territorial strategic planning (the most relevant, with more than a dozen methodological approaches in continental Europe alone).

Regional strategies have certain differences in their mission, main goals and objectives, which are determined by the specific geographical, demographic, environmental and socio-economic factors and development trends of a particular territory. For example, in the Andijan region, the emphasis is on the development of labour-intensive industries and the processing of fruit and vegetable products, while in the Surkhandarya region and the Republic of Karakalpakstan, the priority is to increase industrial capacity for the rational use of natural resources. The Khorezm and Tashkent regions place particular emphasis on innovation and the tourism industry.

**The strategy development procedure is identical and consists of several stages:**

- a. Stage one. Analysis of the external and internal environment, objective assessment of the situation, search for competitive advantages and promising 'growth points', determination of the region's position taking into account global trends, assessment of the potential of all types of resources.
- b. Stage two. Defining goals and objectives, justifying territorial development priorities, selecting areas of activity, and assessing the managerial, financial, and other resources required for implementation.
- c. Stage three. Forming an implementation mechanism and monitoring system to link strategic goals and the current activities of local authorities.

As a result of strategic reforms in Uzbekistan, high economic growth rates have been achieved.

According to preliminary estimates, in 2023, the GDP of the Republic of Uzbekistan at current prices amounted to 1 quadrillion 66.6 trillion soums and increased by 6.0% compared to 2022.

In 2021, GDP per capita amounted to \$1,983 (at the average annual exchange rate of the Central Bank of Uzbekistan, author's note), which is 5.3% more than in 2020. According to the New Uzbekistan Development Strategy for 2022-2026, the goal is to increase GDP per capita by 1.6 times over five years and bring annual per capita income to \$4,000 by 2030 [4].

Between 2017 and 2023, the economy saw significant positive shifts towards the production of high value-added products. The share of industry in the GDP structure increased from 21.1% in 2017 to 26.1% in 2023. The share of manufacturing increased from 15.5% in 2017 to 20.6% in 2023. Industrial production grew by 49.9% between 2017 and 2023.

The share of agriculture, forestry and fisheries in GDP gradually declined, reaching 24.3% in 2023 (compared to 32.2% in 2017), while the added value of this sector in constant prices increased by 20.5% over the same period. The volume of construction work increased by 97.4% between 2017 and 2023, and the share of construction in GDP rose from 5.4% to 6.2%.

The share of services in GDP increased from 41.4% to 43.4% in 2017–2023, while the added value of the sector increased by 53.6%.

In 2023, the largest contribution to the formation of the republic's GDP was made by the city of Tashkent with a share of 17.1%, followed by Tashkent (10.1%) and Navoi (7.7%) regions. The smallest share fell on Syrdarya (2.0%), the Republic of Karakalpakstan (3.1%), and Jizzakh (3.1%) regions [3].

## Conclusion

In conclusion, it should be noted that the analysis of strategic documents and empirical data indicates the high effectiveness of the reforms implemented in the Republic of Uzbekistan. Systemic measures aimed at the sustainable, dynamic, and balanced development of the economy, deepening structural transformations and diversification, and increasing the competitiveness of industries have allowed for significant achievements.

In particular, for the further enhancement of the country's competitiveness and sustainable economic growth, qualitative transformations based on the introduction of advanced methodological foundations, innovative technological and managerial solutions are necessary in individual sectors and spheres of the national economy. It requires further improvement of the technical and technological base of enterprises, qualitative development of human capital, as well as identification of new drivers for balanced economic growth.

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