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## Stages of Formation and Development Factors of the Digital Economy in Uzbekistan

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### ABSTRACT

The article covers the formation stages of the digital economy in the Republic of Uzbekistan and unveils the key development factors. Based on policy documents, sector reports and recent research, three major formation stages are distinguished that early digital infrastructure and policy inception, intensive growth and institutionalization, maturing and sectoral integration. The development factors are divided into technological-infrastructure, regulatory-institutional, human-capital, and external/market-oriented. The findings highlight that while there has been significant advancement in Uzbekistan (e.g. through the "Digital Uzbekistan 2030" programme), there remain significant challenges in human capital, regulatory harmonisation, and private sector vibrancy. The paper concludes with implications for policy makers along with suggestions for further research.

**Keywords:** Digital economy, sectors, development, stage formation, Uzbekistan.

### Introduction

In the global economy, the concept of digital economy has gained prominence as digital technologies revolutionize production, consumption, governance and innovation. The concept of a "digital economy," for example, was described by Tepcott in 1995 as a new concept emphasizing networked intelligence.

For developing countries such as Uzbekistan, the development of a digital economy has the promise of higher productivity, inclusive growth, new exports, and improved governance.

The Republic of Uzbekistan (hereinafter "Uzbekistan") has launched strategic reforms, among them the Digital Uzbekistan 2030 Strategy adopted in October 2020, aimed at developing digital infrastructure, e-government, and digital business. Yet the evolution of the digital economy is not linear, it happens in phases based on internal and external drivers. It is particularly important for Uzbekistan to learn about these phases and key drivers as it seeks to create a competitive, export-oriented, digitally enabled economy. Thus, the article's objective is two-fold: (1) to trace the main phases of Uzbekistan's digital economy establishment, (2) to disclose and investigate the main factors driving this process.

The research question is: What are the stages of Uzbekistan's digital economy development and which factors have been instrumental in its development?

## Methods

This study adopts a qualitative design based on documentary analysis and secondary data review. Some of the key sources include national policy documents ("Digital Uzbekistan 2030", "Development Strategy of New Uzbekistan 2022-2026"), sectoral reports (OECD, UNDP, World Bank), and peer-review articles examining Uzbekistan's digital economy. For example, OECD's report on digital skills in Uzbekistan provides an insight into human-capital determinants. The analysis was conducted in two phases. A chronology of major policy, infrastructural and sectoral events was first created to identify distinct formation stages (UNDP,2025). Then, development factors were thematically coded into four categories (technological/infrastructural; regulatory/institutional; human capital; external/market) and their presence/function in each stage was determined. The limitations are reliance on secondary sources (no primary data collection), and the challenge of precise demarcation of stages owing to concurrent activities.

## Results

### Stages of formation

Based on the available data, three main stages of digital economy formation in Uzbekistan can be identified:

During this stage, Uzbekistan initiated the development of the digital backbone: basic telecommunications and internet infrastructure, the first e-government systems, and pilot reforms. Initial conceptualization of digital economy as a strategic objective began. To exemplify, earlier documents refer to the "digital revolution" as a new stage of economic and technological development in Uzbekistan.

In October 2020, with the Digital Uzbekistan 2030 Strategy, there was a more focused and systematic approach. The strategy identifies priority areas: digital infrastructure, e-government, national IT sector, digital literacy.

Main initiatives included elaboration of an e-commerce strategy (2023-2027) to expand business participation in the digital economy.

The public sector drove digital payments, online services, and infrastructure development forward.

In this phase, the digital economy moves from a policy priority to integration across sectors—industry, tourism, services—and with an export focus of IT-enabled services. For instance, IT-enabled services exports took off from USD 600,000 in 2017 to USD 140 million in 2022.

There is also an emphasis on innovation, startups, AI and further digitalization of production. So, Uzbekistan is entering a stage in which the digital economy is becoming an engine of value-added and economic diversification.

Development factors are important and throughout these phases, four broad categories of development factors can be distinguished: Growth of broadband internet, mobile communication. Expansion of digital platforms, payment systems, and IT parks (IT Park Uzbekistan, for example). Regulatory of institutional factors are adoption of strategy documents and roadmaps (Digital Uzbekistan 2030). Legal reforms in support of e-commerce and digital business environment.

Human capital and skills factors:

- Emphasis on IT education, digital literacy, workforce upskilling.
- Startup culture and entrepreneurship support.
- IT-services export, attraction of foreign investment, integration into global digital value chains.

- Collaboration with international organisations (UNDP, World Bank) and regional digital economy integration.

## Discussion

The staging conceives how the digital economy in Uzbekistan has evolved—from the building of foundations to active growth and now integration across economic sectors. Factor-based analysis suggests that success in digital economy development requires an integrated combination of infrastructure, institutions, skills and market orientation—not any one dimension alone.

Policy implication: To transition fully to the maturation stage, Uzbekistan must continue investments in rural high-speed connectivity, deepen legal/regulatory reforms.

Private sector implication: Encouraging domestic entrepreneurship and small and medium enterprise participation in the digital economy remains crucial. Government-private sector partnership, incubators, and start-up ecosystems must be strengthened.

Research implication: Despite the rapid growth, it remains a challenge to quantify the contribution of the digital economy to GDP—the contribution of the ICT sector remained modest (~1.9% in 2022) despite high growth in IT-service exports. More empirical research based on firm-level data would yield a quantification of impacts on productivity, employment and sectoral transformation.

Limitations & challenges: Despite the advances, digital divides persist (urban vs rural, gender, skills), regulatory loopholes remain, and integration of traditional industries with the digital economy remains ongoing. The transition from policy to tangible implementation may be plagued by inertia. Comparison with international experience: The Uzbek experience is within international patterns of digital economy evolution (infrastructure first → institution and regulatory building → market/innovation orientation). However, as a transition economy, Uzbekistan will presumably have specific institutional and capacity constraints to be removed by specially designed solutions.

## Conclusion

Three successive stages were identified in this paper in the evolution of the digital economy in Uzbekistan:

- initiation and infrastructure-laying;
- rapid growth and institutional consolidation;
- maturation and integration into sectors.

Four categories of development determinants are technological/infrastructural, regulatory/institutional, human capital, and external/market-oriented were found to be instrumental to shape the trajectory. The research shows that Uzbekistan is on the right path but must continue to overcome human-capital deficits, regulatory simplification, and private sector dynamism in order to completely unlock the potential of its digital economy. Future research must as a priority quantify the role of the digital economy and sectoral change (e.g., tourism, manufacturing) in Uzbekistan.

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