

MULTI-DIMENSIONAL ASSESSMENT OF INVESTMENT CLIMATE: LESSONS FROM DEVELOPING COUNTRIES FOR UZBEKISTAN'S FDI POLICY

Khaydarov Khurshidbek Latipjonovich

Scientific Research Center “Scientific Foundations and Problems of the Development of the Economy of Uzbekistan” under the Tashkent State University of Economics (TSUE),
Uzbekistan

Abstract

In an era of intensified globalization and accelerating capital mobility, the ability of developing countries to attract foreign direct investment (FDI) has emerged as a decisive factor in shaping their economic trajectory. FDI is no longer perceived merely as a source of capital inflow; rather, it is recognized as a multidimensional instrument that facilitates the transfer of advanced technologies, management practices, access to global markets, and sustainable employment opportunities. For many emerging economies, FDI serves as a strategic lever to close developmental gaps, enhance industrial competitiveness, and diversify their economic base.

However, the global landscape for attracting investment has become increasingly competitive and complex. As capital becomes more selective and risk-sensitive, traditional incentives such as tax holidays and cheap labor are no longer sufficient to ensure sustained investor interest. Instead, institutional quality, governance standards, macroeconomic stability, and the efficiency of infrastructure systems have become critical determinants of a country's investment attractiveness. These elements not only influence the perception of risk but also shape the long-term viability of investment projects.

Moreover, the heterogeneity of investor preferences and the dynamic nature of geopolitical, environmental, and regulatory risks necessitate a shift from narrow, indicator-based evaluations to more holistic and multi-criteria approaches. Policymakers must go beyond conventional benchmarking and adopt analytical models that can capture the full spectrum of economic, institutional, and structural variables affecting investment flows.

This study responds to that need by deploying a hybrid evaluation framework—AHP–TOPSIS–DEA—to comprehensively assess the investment attractiveness of selected countries in Central, South, and Southeast Asia. By integrating expert-based weighting (AHP), proximity to ideal solutions (TOPSIS), and resource efficiency analysis (DEA), the model offers both diagnostic and strategic insights. It not only ranks countries based on attractiveness but also identifies key dimensions where each country can improve to optimize its investment climate. The level of economic infrastructure also has a strong impact on the investment climate. Well-developed roads, logistics services, electricity supply, and digital communication systems are critical for the successful implementation of investment projects.

For example, according to World Bank assessments, a 5–7% reduction in logistics costs can significantly boost FDI inflows. In addition, digitalized public services, electronic court systems, and online business registration mechanisms improve the ease of doing business and attract investors. Domestic market size and demographic factors—such as population and purchasing power—are also vital in signaling long-term demand potential to investors. However, such advantages may be offset by institutional barriers, bureaucratic licensing procedures, and fiscal uncertainty, thereby limiting the overall investment potential.

To objectively and holistically assess the investment environment, this study applies a hybrid AHP–TOPSIS–DEA model. AHP (Analytic Hierarchy Process) is used to assign relative weights to investment-affecting factors; TOPSIS (Technique for Order of Preference by Similarity to Ideal Solution) ranks countries based on attractiveness; and DEA (Data Envelopment Analysis) evaluates the efficiency of resource utilization. This integrated approach helps identify each country’s strengths and weaknesses in terms of investment competitiveness. Results reveal that countries such as South Korea and Poland rank high in attractiveness, while Uzbekistan currently falls within the “moderate” category.

Based on the findings, the following strategic directions are proposed for Uzbekistan: digitization of the judicial system and property rights protection; adoption of ESG (Environmental, Social, and Governance) standards; provision of incentives for R&D investment; development of green energy projects; establishment of carbon-neutral infrastructure; and creation of guarantee funds to insure against political risks. Additionally, Uzbekistan could enhance the sustainability and diversification of investment flows by joining multilateral trade and investment agreements.

In conclusion, the “quality–efficiency–resilience” triangle has become the central benchmark for attracting foreign investment. If a country can simultaneously improve institutional quality, enhance resource efficiency, and manage geopolitical risks, it can not only increase FDI inflows in quantitative terms but also ensure greater technological, social, and environmental value. Through such complex transformation, Uzbekistan has the potential to solidify its position on the global investment map.

References:

1. UNCTAD 2025, World Investment Report 2025: International Investment in the Digital Economy, United Nations Conference on Trade and Development, Geneva.
2. World Bank 2023, Logistics Performance Index 2023 – Global Rankings, World Bank, Washington DC.
3. World Bank 2024, World Development Indicators 2024, World Bank, Washington DC.