



# **ISLAMIC PRINCIPLES OF FINANCING INFRASTRUCTURAL PROJECTS AND FRAMEWORK STRATEGIES FOR DEVELOPMENT OF UZBEKISTAN**

Ashurova Gold Yuldashevna<sup>1</sup>

Senior Teacher Samarkand Institute of Economics and Service

Subkhanov a Malika<sup>2</sup>,

Ismailova Sevinch<sup>3</sup>

4th Year Student

## **Abstract**

V sovremennom mire islamskoe finansirovanie, osnovanoe na shariate, predlagayet etichnuyu alternativu traditsionnym instrumentam, isklyuchaya riba, garor i maysir. In Uzbekistan, where Muslims make up 90% of the population, it is integrated into the "Strategy of Development of the Republic of Uzbekistan 2030" for financing infrastructure - roads, energy and education. Key principles: musharaka (risk distribution), mudaraba (trust management), ijara (leasing) and sukuk (Islamic bonds), enabling permanent investment.

Gosudarstvennye reforms include joining AAOIFI, creating Islamic banking and partnership with IsDB (funding of \$396.7 million in 2023 for M 39 and agricultural infrastructure). Eto privlekaet do \$5 billion ot OIS, diversify capital and increase social justice.

The article analyzes the evolution of the sector, the effectiveness of instruments and recommendations for institutionalization, emphasizing the role of "New Uzbekistan"

**Keywords:** Islamic finance, Sharia-covestimye principles, infrastructural projects; sukuk, musharaka, Islamic Bank Razvitiya, ustoichivye investitsii, ekonomicheskii rost, etichnoe finansirovanie.



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## **Introduction**

In the era of global economic transformation, Islamic financing emerges as a stable and ethical alternative to traditional financial systems, based on the principles of Sharia, exclusive *riba* (percentage income), *garor* (speculation) and *maysir* (gambling). Eti principy podcherkivayut sovместnoe raspredelenie riskov i pribyley, sposobstvuya realnomu sektor ekonomiki i sotsialnoy spravivosti. Soglasno otchetu Islamic Finance Development Indicator 2024, the global volume of Islamic financial assets will exceed \$4 trillion, with an annual growth rate of 11%, which makes it attractive for developing markets, including Central Asia <sup>1</sup>. In this context, Uzbekistan, as a country with a predominantly Muslim population (more than 90%), actively integrates Islamic financial instruments into its national narrative, especially for the financing of infrastructure projects and the framework of the New Uzbekistan Development Strategy for 2022-2026 and the perspective for 2030.

The strategy of the development of Uzbekistan is focused on semi-priority directions, including accelerated industrialization, digitization, development of human capital and infrastructural renewal, with the goal of doubling the GDP by 2030 and achieving the status of the country with a higher income level. And in 2025, the country plans to invest \$43 billion for the implementation of more than 300 large projects, including transport, energy and social infrastructure. <sup>2</sup>Odnako traditsionnye istochniki finansirovaniya stalkivayutsya s vyzovami, takimi kak volatility globalnykh rynkov and ogranichennyy access to capital. Zdes islamskoe finansirovanie suggests solutions through instruments such as *musharaka* (partnership with distribution of profits and losses), *mudaraba* (trust management), *ijjara* (leasing) and *sukuk* (Islamic bonds), which enable sustainable investment and minimization of risks. According to my forecast, Islamic banking assets in Central Asia will grow to \$2.5 billion by 2028, thanks to Uzbekistan and its role as a leader in the reform. <sup>3</sup>

Reforms in Uzbekistan are gaining momentum: in 2024, the Central Bank approved regulations for Islamic financing, joining the Islamic Council for Financial Stability (IFSB) and the original global standards of the AAOIFI. <sup>4</sup>In 2025, the draft law

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<sup>1</sup> Is Central Asia Primed for an Islamic-Finance Boom?

<sup>2</sup> Uzbekistan Update: May 1 - 15, 2025

<sup>3</sup> New Report Predicts Surge in Islamic Finance Across Central Asia - The Times Of Central Asia

<sup>4</sup> Uzbekistan Adopts Global Islamic Finance Standards to Drive Economic Growth - The Halal Times



on Islamic finance is being developed, prepared for the government and the parliament. <sup>5</sup>Partnerships with Islamic Development Bank ( IsDB ) play a key role: in 2003, IsDB provided \$3.464 billion to projects in Uzbekistan, including transport and energy. <sup>6</sup>In 2024-2025, the signed agreement will provide \$299 million for education and road infrastructure, an additional \$10 million for health care, and grants for rural development ( Phase II ) i obrazovaniya s podderjkoy GPE . Eti initiatives not only diversifitsiruyut istochniki kapitala, no i sposobstvuyut inklyuzivnomu rosu, privlekaya investitsii iz stran Organizatsii islamskogo sotrudnichestva (OIS) do \$5 billion k 2030 . <sup>7 8 9</sup>

Nesmotrya na progress, ostayutsya vyzovy: ogranichennaya institutional base, necessity and qualified personnel and harmonization with international standards. Aktualnost issledovaniya obuslovljena potentsialom islamskogo finansirovaniya kak katalysatora dlya realizatsii natsionalnoy strategy, osobenno v infrastructure, gde defitsit investitsiy otsenivaetsya v \$20-30 billion do 2030 goda. Tsel nastoyashchey stat - analysis of the application of Islamic principles and financing of infrastructural projects in Uzbekistan, effectiveness and recommendations and institutionalization of proposals.

## **Methodology**

Research (nastolnoe issledovanie) and analysis secondary data, chto yavlyaetsya standardnym metodom dlya analiza finansovykh and institutionalnyx reform v razvivayushchixsya ekonomikax Tsentralnoy Asia. Design research combines a review of literature, content-analysis, normative-legal basis and case study for direct application of Islamic principles in financing and infrastructural projects in Uzbekistan.

Sbor dannyx osushchestvlyalsya iz nadejnyx vtorichnyx istochnikov: ofitsialnyx otchetov Islamskogo banka razvitiya ( IsDB ), vklyuchaya Annual Development Effectiveness Report ( ADER ) 2024 on projects for 2024-2025; documents of the Central Bank of Uzbekistan and the Ministry of Economics and Finance; global standards AAOIFI and IFSB ; and also academic publications and analytical

<sup>5</sup> A bill on Islamic finance has been developed in Uzbekistan — UzDaily.uz

<sup>6</sup> Member Country Profile - Uzbekistan - ICIEC - The Islamic Corporation for the Insurance of Investment and Export Credit

<sup>7</sup> Islamic Development Bank and Uzbekistan Sign Landmark Education Project with GPE Grant Support | News | IsDB

<sup>8</sup> Health Sector in Uzbekistan Gets Additional US\$ 10 Million Financing Boost from Islamic Development Bank News | IsDB

<sup>9</sup> Islamic Development Bank Funds \$299M in Uzbek Education and Infrastructure - The Times Of Central Asia



reviews (eg, EBRD and World Bank ). Poisk provodilsya cherez bazy dannyx IsDB , UNDP and open repozitorii (for example, ResearchGate ), s ispolzovaniem klyuchevyx terminov: " Islamic finance Uzbekistan infrastructure ", " IsDB projects Central Asia.

### **Literary Overview:**

Classical works, such as the research of Chapra (2008), emphasize the principle of sharia, exclusionary interest (procent), garor (speculation) and maysir (adventure), and emphasize attention to the distribution of risks through instruments such as musharak and mudaraba , which enable the real economic sector and social justice. Eti principy lejat v osnovno globalnogo rosta islamskikh finansov, kak ukazano v otchete Islamic Finance Development Indicator ( IFDI ) 2024, where the volume of assets will exceed \$4 trillion with annual growth of 11%. The report highlights strategic insights into the sector, including infrastructure, where sukuk (Islamic bonds) account for 17% of the market (\$680 billion in 2024), and suggests sustainable alternative traditional financing.

In Central Asian literature, there is a transition from post-Soviet models to Islamic finance, especially in Uzbekistan with its Muslim majority. Analyticheskiy ochet UNDP " Landscaping Analysis of Islamic Finance Instruments in Uzbekistan " (2024) describes institutional reforms, including joining the AAOIFI and IFSB , and the potential for privileging \$2-5 billion in investment and infrastructure. Issledovanie Umarov (2024) " Implementing Islamic Banking in " Uzbekistan is developing a proposal, forecasting real assets of \$2.5 billion in 2028, with a focus on pilot projects and 15 banks. Analogously, the article " Improving the Use of Islamic Banking Services in Financing Investment Projects in Uzbekistan "(2025) analyzes the problems of the country, such as the need for personnel and harmonization of standards, and emphasizes the effectiveness of the fight for investment, transport and energy.

"Strategic Development 2030" specification for Uzbekistan and literature. Otchety IsDB , vklyuchaya Annual Development Effectiveness Report ( ADER ) 2024 i Resilience Report 2025, documenting \$3,464 billion investment in 2003, 60% in infrastructure, and additional \$523 million in 2025 in education, health and rural development ( IRD Phase II ). Partnerships with UNICEF and GPE ( Global Partnership for Education ) in the project " Enhancing Access until Quality Early



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Childhood Education " (\$299 million) illustrates social impact , involving 1.2 million people. Reformy 2024-2025 year, including draft Islamic bill banking (September 2025), vvodyashchiy regulation for sukuk and investment deposits, obsujdayutsya v rabotax vrode " Uzbekistan Drafts Bill until Introduce Islamic Banking " (2025), podcherkivaya expansion of access to capital and foreign investment.

### **Obsujdenie:**

The results of the investigation confirm the hypothesis that Islamic principles of financing are effective catalysts for infrastructural development in Uzbekistan in the frame "Strategy of development of the Republic of Uzbekistan until 2030". In particular, the analysis shows that instruments such as musharaka (partnership with risk distribution), ijara (leasing) and sukuk (Islamic bonds) do not only diversify consumer capital, but also enable social justice and sustainable development, minimize speculative risk, and comply with the principles of Sharia. For example, in the Integrated project Rural Development ( IRD ) Phase II , financed by the Islamic Bank of Development ( IsDB ) in the amount of \$299 million in 2024-2025, the implementation of the contract and lease will allow the reconstruction of 40 km of the M 39 road and a large social infrastructure in the Samarkand, Kashkadarin and Surkhandarin regions, attracting 1.2 million people with the coefficient of social income ( SROI ) 1.8. Eto znacheniet prevyshaet average indicators for traditional investment and development banks, kak ukazano and sovместnyx chetax World Bank i IsDB po public - private partnerships ( PPP ). In addition, in April 2025, IsDB allocated \$10 million to health care, which facilitates the integration of Islamic instruments and priority sector strategies, such as human capital and infrastructure.

Effektivnost etix instruments podcherkivaetsya rostom sektor: in 2024, the volume of Islamic financing in Uzbekistan will increase by 49.3%, the public banking sector will operate, which proves its potential for private investment from the Organization of Islamic Cooperation (OIS) to \$5 billion in 2030. In 2003, <sup>10</sup>public investment in Uzbekistan amounted to \$3,464 billion in 88 projects, 60% of which were infrastructure projects (transportation, energy, agriculture). In 2025, a

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<sup>10</sup><https://internationalbanker.com/banking/is-central-asia-primed-for-an-islamic-finance-boom/>





partnership approach: in April, health and education will be signed globally Partnership for Education ( GPE ) grant, in September — tri- partite initiative with UNICEF and government for health and early childhood education, as well as many portfolio projects, including modernization of highways , irrigation system and medical centers .<sup>1112131415</sup> Eti initiatives meet the priority of "Strategy of Uzbekistan-2030", including industrialization and digitization , and help prevent deficit investment and \$20-30 billion in 2030, private Sharia-Soviet capital without interest.

However, if there is no progress, there are significant challenges and barriers. Ogranichennaya institutionalnaya base and nekhvatka kalifitsirovannykh kadrov v shariatskom nadzore snjayut masshtabiruemost sektor, kak otmechaetsya v chetax Eurasian Development Bank ( EDB ) and IsDB Institute for 2025. Regulatory probes, including harmonization with the global standards of AAOIFI and IFSB (to which Uzbekistan will join in 2024), remain current, although in December 2024, the introduction of documents on the basis of AAOIFI will be announced . Draft for parliamentary review in September 2025 Islamic law banking , which establishes a framework for Islamic banking "okon", integrating ix and tax Civil Code Code , chto doljno stimulirovat inostrannye investitsii i snizit zavisimost ot traditsionnogo finansirovaniya. Krome togo, pilot projects in 15 banks and microfinance organizations stalkivayutsya s vyzovami v tsifrovizatsii , house " Digital Uzbekistan 2030" provides integration of fintech and Islamic finance.

Compared to global trends, Uzbekistan is the leader in Central Asia, where Islamic banking assets are forecast to reach \$2.5 billion in 2028 and \$6.3 billion in 2033, with the sukuk market at \$680 billion globally (17% of Islamic assets in 2024). Compared to Kazakhstan, where the sector is more mature, Uzbekistan wins due to demographic factors (90% Muslim) and strategic partnerships, and does not issue sukuk . Globally, Islamic assets will exceed \$4.5 trillion and grow by 11% in 2024, which makes Uzbekistan attractive for GCC investors, especially with international agreements ( Fitch Ratings , March 2025 : > \$500 million v Tsentralnoy Azii k kontsu 2024). " Triple A " framework ( Awareness , Alignment,

<sup>11</sup><https://www.isdb.org/news/islamic-development-bank-and-uzbekistan-sign-landmark-education-project-with-gpe-grant-support>

<sup>12</sup><https://www.unicef.org/uzbekistan/en/press-releases/historic-multi-millionaire-tripartite-partnership-isdb-government-and-unicef>

<sup>13</sup><https://www.uzdaily.uz/en/uzbekistan-and-the-islamic-development-bank-aim-to-double-their-joint-project-portfolio/>

<sup>14</sup><https://www.muslimnetwork.tv/uzbekistan-seeks-long-term-strategic-program-with-islamic-development-bank/>

<sup>15</sup><https://www.isdb.org/news/health-sector-in-uzbekistan-gets-additional-us-10-million-financing-boost-from-islamic-development-bank>



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Acceleration) at IsDB The Institute proposes a path for the region, including Uzbekistan, which is inclusive.

Ogranicheniya issledovaniya vklyuchayut oporu na torichnye dannye iz ochetov IsDB, UNDP i EDB , bez privichnykh oprosov steikkholderov, chto mojet nedootsenivat localnye nuances. Budushchie raboty doljny vklyuchat empirichesky analysis SROI s polevymi dannymi i modelirovanie scenarios post-2025 reform. In general, the integration of Islamic financing in "New Uzbekistan" not only solves the current challenges, but also positions the country as a regional leader in Sharia-Soviet investments.

### **Spisok literaturey:**

1. Is Central Asia Primed for an Islamic-Finance Boom?
2. New Report Predicts Surge in Islamic Finance Across Central Asia - The Times Of Central Asia
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