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DIRECTIONS FOR THE COMPREHENSIVE DEVELOPMENT OF REGIONS THROUGH THE ATTRACTION OF FOREIGN INVESTMENT

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Abstract. This thesis examines how foreign investment can support the comprehensive and balanced development of Uzbekistan's regions. It updates the statistical basis of the original study by replacing the 2015-2021 series with official data for 2021-2025. The analysis distinguishes foreign direct investment from the broader official indicator of foreign investment and loans in fixed-capital investment. Comparative, trend and institutional analysis show a substantial rise in the role of foreign financing: its national share increased from 42.3 per cent in 2021 to 71.9 per cent in 2025. Nevertheless, marked territorial differences remain. The paper proposes a region-specific investment policy based on project readiness, infrastructure, local supplier development, aftercare, transparent monitoring and measurable socio-economic outcomes.

Keywords: foreign investment, foreign direct investment, regional development, investment attractiveness, fixed capital, investment climate, territorial disparity, Uzbekistan.

Introduction

Balanced regional development is a central condition for sustainable national growth. A country may attract a large aggregate volume of capital while still experiencing spatial inequality if investment is concentrated in a small number of cities, resource-rich territories or already industrialised regions. For Uzbekistan, the policy challenge is therefore twofold: to increase the volume and quality of foreign investment and to distribute its benefits more broadly through employment, local value chains, infrastructure, exports and technological upgrading.

Foreign capital can accelerate regional transformation by supplementing domestic savings, financing modern equipment, transferring managerial and technological knowledge, and connecting local firms to international markets. Its impact, however, is not automatic. Projects based mainly on raw-material extraction may generate limited local spillovers; debt-financed investment may create repayment risks; and poorly prepared projects can remain delayed after formal approval. Comprehensive development requires investment policy to be connected with territorial specialisation, human capital, utilities, transport, environmental standards and the capacity of local authorities.

Uzbekistan has continued to strengthen the legal and strategic framework for investment. The Law 'On Investments and Investment Activities' establishes core guarantees and principles for investors [1], while the Uzbekistan-2030 Strategy links investment, industrial modernisation, private-sector expansion and regional development [2]. Against this background, the purpose of this thesis is to assess

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recent regional patterns and formulate practical directions for converting foreign capital into inclusive and sustainable territorial growth.

Literature Review

The theoretical literature identifies several channels through which foreign direct investment influences host economies. Dunning's eclectic paradigm explains international production through ownership, location and internalisation advantages [3]. At the regional level, location advantages include market access, infrastructure, labour quality, natural resources, institutional predictability and the presence of supplier networks. These factors help explain why foreign investment tends to cluster in territories that already possess stronger economic foundations.

Empirical studies also stress productivity spillovers. Foreign enterprises may raise standards among domestic suppliers, train workers and demonstrate new technologies. Yet spillovers depend on the absorptive capacity of local firms and institutions. If the technological gap is too wide or local linkages are weak, a foreign-financed project may operate as an enclave. The developmental effect is consequently determined not only by the amount invested but also by sector, financing structure, domestic content, export potential, innovation intensity and continuity of operations [4; 5].

Earlier Uzbek research emphasised investment climate, tax stability and regional attractiveness [6; 7]. These contributions remain relevant, but current conditions require an updated approach. Rapid growth in the share of foreign investment and loans makes it necessary to assess quality and resilience alongside volume. In addition, regional policy should distinguish genuine foreign direct investment, which implies lasting control and risk participation, from foreign borrowing used to finance fixed assets. Both can support growth, but their risk profiles and spillover mechanisms differ.

Research Methodology

The study applies comparative analysis, dynamic analysis, grouping, synthesis and institutional assessment. The quantitative base is the National Statistics Committee dataset on the share of foreign investment and loans in total fixed-capital investment by region, updated on 6 August 2026 and covering the complete 2021-2025 annual period [8]. Percentage-point change is calculated as the difference between the 2025 and 2021 shares. The indicator should be interpreted carefully: it includes both foreign investment and foreign loans and therefore is broader than FDI. It is used here as a consistent proxy for the role of external financing in regional capital formation, not as a direct measure of net FDI inflows.

The qualitative part evaluates the regional investment mechanism through five linked dimensions: investment potential, project readiness, institutional quality, local economic linkages and development outcomes. This structure permits movement beyond a simple ranking of territories and supports policy recommendations tailored to different regional conditions.

Results and Discussion

Official statistics demonstrate a structural increase in the importance of foreign financing. At the national level, foreign investment and loans accounted for 42.3 per cent of fixed-capital investment in 2021, 56.7 per cent in 2023, 69.4 per cent in 2024 and 71.9 per cent in 2025. Thus, the share rose by 29.6 percentage points over four years. The scale of the increase suggests that external resources became one of the

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dominant sources of capital formation. This strengthens the investment capacity of the economy, but it also raises the importance of project selection, currency-risk management and transparent assessment of economic returns.

Table 1.

Share of foreign investment and loans in fixed-capital investment by region, 2021-2025 (%)

Territory	2021	2022	2023	2024	2025	Change, pp
Uzbekistan	42.3	42.8	56.7	69.4	71.9	+29.6
Karakalpakstan	37.4	38.7	56.6	70.1	77.2	+39.8
Andijan	45.6	48.4	63.9	77.9	81.2	+35.6
Bukhara	58.5	58.4	72.1	82.3	78.0	+19.5
Jizzakh	44.5	47.3	70.7	75.6	79.3	+34.8
Kashkadarya	53.6	47.0	58.0	70.7	76.3	+22.7
Navoi	61.3	54.4	66.7	82.1	83.7	+22.4
Namangan	29.8	34.7	55.7	82.3	77.6	+47.8
Samarkand	34.9	52.7	49.3	59.6	77.4	+42.5
Surkhandarya	45.2	42.3	66.0	62.4	68.0	+22.8
Syrdarya	59.8	79.1	81.4	70.0	71.1	+11.3
Tashkent region	34.3	32.4	56.0	71.3	70.5	+36.2
Fergana	39.1	44.8	51.8	60.9	69.9	+30.8
Khorezm	33.5	32.3	47.4	59.2	65.9	+32.4
Tashkent city	37.3	30.0	40.3	51.7	57.3	+20.0

Source: compiled from the National Statistics Committee of the Republic of Uzbekistan [8].

The 2025 distribution reveals both progress and continuing asymmetry. Navoi recorded the highest share at 83.7 per cent, followed by Andijan at 81.2 per cent and Jizzakh at 79.3 per cent. Bukhara, Namangan, Samarkand and Karakalpakstan also exceeded 77 per cent. By contrast, Tashkent city registered 57.3 per cent, Khorezm 65.9 per cent, Surkhandarya 68.0 per cent and Fergana 69.9 per cent. The 26.4 percentage-point gap between the highest and lowest regional shares confirms that territories differ substantially in financing structures and investment profiles.

A lower share does not automatically mean that a region attracts less foreign capital in absolute terms. Tashkent city, for example, has a large and diversified domestic investment base, so the denominator is much larger than in many regions. Conversely, a very high share can reflect the implementation of a small number of capital-intensive projects or reliance on foreign loans. Regional performance should therefore be assessed through a dashboard combining absolute FDI, foreign loans,

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greenfield projects, reinvested earnings, jobs, exports, local procurement, tax contribution and environmental effects.

The strongest cumulative increases occurred in Namangan (+47.8 percentage points), Samarkand (+42.5), Karakalpakstan (+39.8), Jizzakh (+34.8), Tashkent region (+36.2) and Andijan (+35.6). These shifts indicate wider territorial participation in external capital formation than in 2021. However, yearly movements also show concentration risk. Bukhara declined from 82.3 per cent in 2024 to 78.0 per cent in 2025, Namangan from 82.3 to 77.6, Syrdarya from its 2023 peak of 81.4 to 71.1, and Tashkent region from 71.3 to 70.5. Such volatility may reflect project cycles; it reinforces the need for diversified pipelines rather than dependence on individual mega-projects.

Priority Directions for Regional Investment Policy

First, regional investment promotion should be based on differentiated specialisation. Resource-rich territories should prioritise deeper processing, resource efficiency and domestic supplier participation instead of exporting unprocessed inputs. Regions with abundant labour should develop export-oriented light industry, agribusiness, logistics and business services. Large urban areas should focus on technology, finance, education, healthcare and high-value services. Every regional proposition must identify a credible market, workforce plan, infrastructure requirement and value-chain position.

Second, project preparation must be professionalised. A regional pipeline should include feasibility studies, land and utility status, environmental and social screening, projected cash flows, risk allocation, permits and procurement schedules. Investors should receive verified information rather than general promotional materials. A central digital project room can standardise documents, show approval status and reduce transaction costs. Public support should be conditional on readiness and measurable development additionality.

Third, infrastructure and administrative services should be coordinated around investment clusters. Access to stable electricity, water, gas, roads, rail, broadband and customs services often matters more than short-term tax preferences. Regional authorities, utility providers, banks, industrial zones and education institutions should use a shared implementation schedule. A single-window mechanism must have clear service standards and escalation procedures, not merely an information function.

Fourth, local linkages should be designed before a project becomes operational. Supplier-development programmes can help domestic small and medium-sized enterprises meet quality, certification, delivery and environmental requirements. Vocational and university curricula should be aligned with confirmed investor demand. Where appropriate, incentives can reward training, research cooperation, export creation and transparent local procurement without violating competition principles.

Fifth, investor aftercare is as important as initial attraction. Existing investors can reinvest faster than new entrants if operational constraints are resolved. Each region should maintain a structured aftercare portfolio covering permits, utilities, customs, workforce needs and supplier issues. Reinvestment, expansion and technology upgrading should be reported separately from newly announced commitments. This would improve the credibility of regional performance evaluation.

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Sixth, financing quality and risk must be monitored. Foreign loans can close infrastructure and capital gaps, but projects should demonstrate foreign-currency earning capacity or credible hedging and repayment sources. Public guarantees must be transparent and linked to value-for-money analysis. FDI, concessional finance, commercial borrowing and public-private partnership obligations should be disclosed as distinct categories to prevent the headline investment figure from concealing different fiscal and macroeconomic exposures.

Finally, policy evaluation should focus on realised results. A practical regional scorecard may include: actual capital disbursed; share of equity versus debt; number and quality of permanent jobs; export revenue; local procurement; labour productivity; energy and water efficiency; tax payments; and the survival or expansion of projects after three years. Publishing this scorecard would strengthen accountability, help investors compare locations and allow weaker regions to identify specific bottlenecks.

Proposed Implementation Mechanism

The proposed mechanism can be introduced through three consecutive stages. At the diagnostic stage, each regional administration should prepare an investment passport based on verified, machine-readable data. The passport should map available land, utility capacity, workforce skills, logistics, environmental constraints, operating enterprises and potential supplier clusters. Projects should then be screened against four minimum criteria: commercial feasibility, territorial comparative advantage, development additionality and manageable financial risk. This stage should end with a short list of bankable projects rather than a broad catalogue of undeveloped ideas.

At the implementation stage, every priority project should be assigned a responsible project team representing the regional administration, relevant ministry, utility providers and investment-promotion institutions. The team should maintain a single action plan containing permits, infrastructure connections, financing milestones, investor obligations, training needs and expected local purchases. Time limits must be attached to each administrative service, while unresolved issues should be escalated through a transparent digital workflow. Incentives should be granted through written performance agreements and linked, where legally permissible, to actual capital expenditure, job creation, export performance, technology transfer and compliance with environmental standards.

At the monitoring stage, announced investment should be separated from contracted and actually disbursed investment. Quarterly monitoring should identify delays, cost changes and infrastructure bottlenecks, whereas annual evaluation should measure realised outputs and outcomes. A project may be classified as successful only when the enterprise is operating, contractual commitments are fulfilled and measurable regional benefits are being produced. Independent review of large projects would reduce optimistic reporting and improve future appraisal. The results should feed back into the next diagnostic cycle, allowing authorities to discontinue ineffective support measures and scale up approaches that generate strong local spillovers.

Institutional responsibility should also be clearly divided. Central government should maintain legal stability, national investment standards, macroeconomic risk control and cross-regional infrastructure. Regional authorities should ensure project readiness, land and utility coordination, local workforce planning and aftercare. Universities and vocational institutions should provide demand-led skills and applied

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research, while banks and development institutions should test financial viability. This allocation of responsibilities converts investment attraction from a one-time negotiation into a continuous development-management process.

Conclusion

The updated evidence shows that foreign investment and loans have become a major source of fixed-capital formation in Uzbekistan. Their national share rose from 42.3 per cent in 2021 to 71.9 per cent in 2025, while most regions recorded substantial increases. Navoi, Andijan and Jizzakh had the highest shares in 2025, whereas Tashkent city, Khorezm and Surkhandarya had the lowest. These figures confirm broader regional involvement but should not be treated as a direct ranking of investment attractiveness because they combine investment with loans and are influenced by the size of domestic financing.

The main policy conclusion is that comprehensive regional development depends on the quality, diversification and embeddedness of investment rather than volume alone. Region-specific specialisation, bankable project preparation, reliable infrastructure, strong local supplier and skills linkages, investor aftercare, prudent debt management and transparent outcome monitoring can transform foreign capital into sustainable productivity growth. Implementation of these measures would reduce territorial disparities and increase the contribution of foreign investment to employment, exports, innovation and living standards.

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