

## EFFECTIVE IMPACT OF ENHANCING THE INVESTMENT ATTRACTIVENESS POTENTIAL OF THE KASHKADARYA REGION ON THE REGIONAL ECONOMY

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**Abstract:** This article provides an in-depth scientific, theoretical, and practical analysis of increasing the investment attractiveness of the Kashkadarya region, one of the regions with the greatest economic potential in the Republic of Uzbekistan, and its synergistic impact on the regional economy. The main objective of the study is to assess the current state of the region's investment climate based on macroeconomic indicators, identify structural imbalances in the distribution of capital investment by industry, and develop strategic directions for diversifying the region's economy.

**Keywords:** investment attractiveness, regional economy, foreign direct investment, industrial clusters, diversification, Kashkadarya region, macroeconomic analysis, multiplier effect.

**Аннотация.** В данной статье проведен глубокий научно-теоретический и практический анализ повышения инвестиционной привлекательности Кашкадаринской области, одного из регионов с крупнейшим экономическим потенциалом Республики Узбекистан, и ее синергетического воздействия на региональную экономику. Основной целью исследования является оценка текущего состояния инвестиционного климата региона на основе макроэкономических показателей, выявление структурных диспропорций в распределении капиталовложений в отраслевом разрезе, а также разработка стратегических направлений диверсификации экономики региона.

**Ключевые слова:** инвестиционная привлекательность, региональная экономика, прямые иностранные инвестиции, промышленные кластеры, диверсификация, Кашкадаринская область, макроэкономический анализ, эффект мультипликатора.

**Introduction.** Under the conditions of modern market relations, ensuring the sustainable development of the national economy directly depends on the level of attractiveness of the regional investment climate. From the perspective of regional economics, the mechanisms of directing investment flows require a detailed study of a complex of factors, including the region's existing natural resources, human capital potential, infrastructure provision, and a favorable business environment. It should be noted that low indicators of investment attractiveness lead to a slowdown in macroeconomic growth, a decline in employment rates, the limitation of industrial capacities, and, moreover, the deepening of economic disparities between regions. In this context, objectively assessing the investment climate, identifying its main determinants, and improving it on a scientific-methodological basis are considered pressing issues in modern economic science.

The Kashkadarya region, one of the major economic zones of strategic importance in Uzbekistan, is characterized by its vast natural raw material reserves, favorable geographical location, and highly developed leading sectors—particularly the energy and oil-gas industries. At the same time, it is observed that the region's investment potential is not being fully utilized. Specifically, the inadequacy of infrastructure facilities in certain sectors, potential investment risks, and some shortcomings in institutional management manifest as factors reducing the region's investment attractiveness. Consequently, at the current stage of modernizing the regional economy, a systematic analysis of existing investment opportunities, the identification of barriers



hindering capital flow, and the development of scientifically grounded solutions aimed at mitigating them have become an objective necessity.

In recent years, the Kashkadarya region has been transforming into a hub for the sustainable development of economic sectors, the introduction of innovative industries, and the attraction of large-scale foreign direct investments (FDI). The investment attractiveness of the region is based on favorable state guarantees, major infrastructure projects, and strategic planning. The main directions defining the region's investment potential are as follows:

1. Stable economic growth indicators. High growth rates have been set in the region, indicating an expanding market size and demand for investors. In particular, for the period of 2022–2026, the goal is to increase the volume of the Gross Regional Product (GRP) by 1.5 times, industrial products by 1.5 times, and services by 2.9 times. In 2024–2025, the annual growth of GRP is targeted at 5.8-6 percent, and industrial production at 8-8.5 percent.

2. "Green energy" and large foreign investments. Foreign capital is being actively attracted to renewable energy sources in Kashkadarya. A prime example is the construction of a 500 MW solar photovoltaic power plant in the Nishan district by the Chinese company "China Gezhouba Group Overseas Investment Co. LTD."

Investment volume and guarantees. Within this project, the investor will inject \$350 million in foreign direct investment. The state guarantees the purchase of electricity for 25 years and ensures that payments are made at a fixed tariff denominated in foreign currency.

3. Rapidly developing innovative industrial zones. To turn the region into an industrially advanced area within the republic, a special Industrial Development Project Office has been established. "Rapidly developing innovative industrial zones" are being created with the participation of international consulting companies. In 2024–2025, 30 large and major business projects with a total value of at least \$400 million are planned to be implemented in the fields of pharmaceuticals, electrical engineering, chemistry, and electrical equipment manufacturing. Measures are being taken to increase the export potential of the regions by 3-4 times and attract famous foreign brands. Additionally, the establishment of 72 small industrial zones is scheduled for 2022-2026.

4. International cooperation in modernizing infrastructure. International financial institutions (IFIs) are actively involved in improving engineering and communication infrastructure, which is a crucial factor for business and investment. From the credit funds allocated by the World Bank and the Asian Infrastructure Investment Bank, \$100 million is directed toward the comprehensive infrastructural development of medium and small cities in Kashkadarya. It is planned to attract \$122.5 million from international financial organizations for road repairs and \$31 million for the construction of drinking water supply networks in 2024-2026.

5. Huge tourism potential. Significant investments are being made to realize the tourism potential of the Kashkadarya region. To finance projects in this direction, a total of \$500 million in investments is planned to be attracted from the Fund for Reconstruction and Development and foreign investments, resulting in the projected reception of 4 million domestic and 500,000 foreign tourists annually.

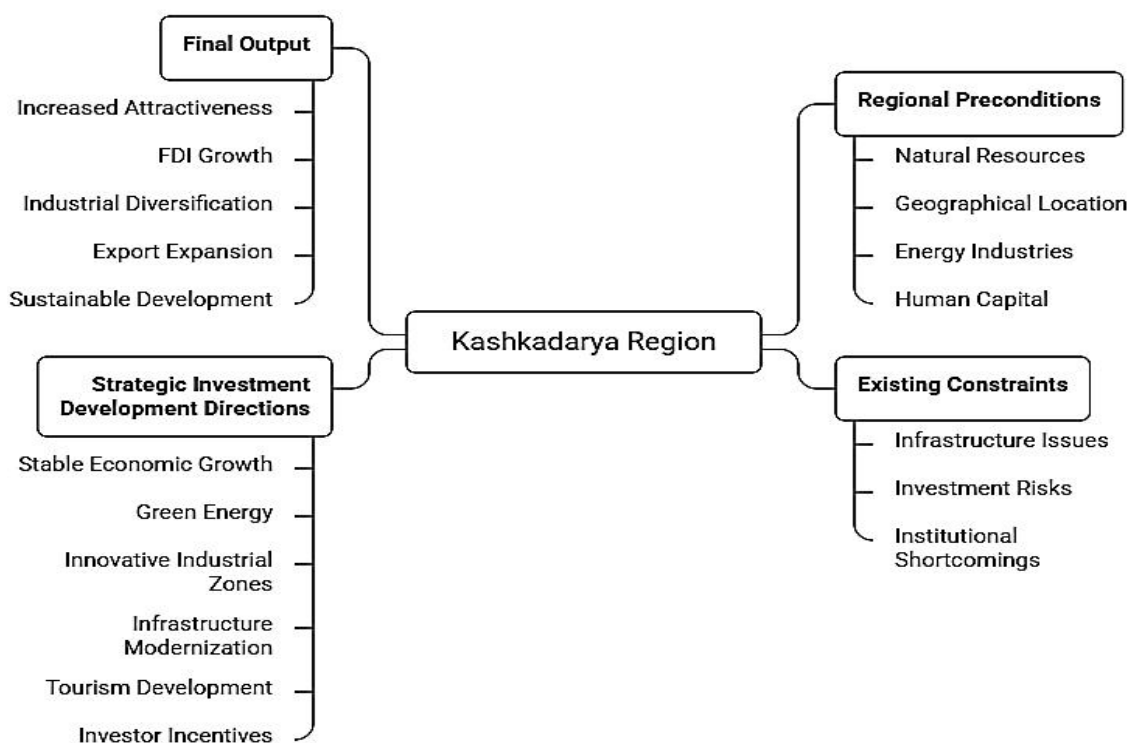
6. Conveniences and benefits for investors. The state guarantees direct legal and administrative benefits for foreign investors. These include land issues (for large energy projects like solar plants, agricultural land is re-categorized as industrial, and they are exempted from compensating agricultural losses, with the rent equalized only to the land tax rate), visa and registration (a system has been introduced to issue entry visas at the airport for foreign specialists and their families, extend multiple-entry visas, and expedite the issuance of work permits), and



free currency operations (large project companies are granted the right to open bank accounts abroad and make direct payments to foreign contractors bypassing local banks)<sup>123</sup>. (picture 1)

Creating large infrastructure and forming a favorable business environment in the Kashkadarya region is a focal point of state policy. In particular, "green" energy, high-tech industry, and tourism are considered the most profitable and guaranteed areas for foreign direct investment. Furthermore, the fact that each district in the region is directly supervised by the heads of national ministries and major commercial banks creates a solid foundation for the successful implementation of projects.

From this perspective, the relevance of this scientific research is justified by the need to comprehensively study the investment climate in the Kashkadarya region based on the principles of regional economics, conduct an empirical assessment relying on official statistical databases, diagnose systemic problems, and develop practical proposals aimed at enhancing the efficiency of attracting investment resources to the region. Modern economic analysis methods, statistical grouping techniques, and fundamental theoretical concepts of regional economic development were adopted as the research methodology.



**Picture 1. Investment Attractiveness and Development Drivers of Kashkadarya Region**

**Methodology.** The implementation of this research relied on the fundamental laws of regional economics and the principles of modern economic analysis. A systematic approach and institutional analysis methods were widely used to objectively assess the investment climate of

<sup>1</sup> Resolution No. PQ-389 of the President of the Republic of Uzbekistan dated December 14, 2023, "On Additional Measures for the Comprehensive Socio-Economic Development of the Kashkadarya Region in 2024–2025."

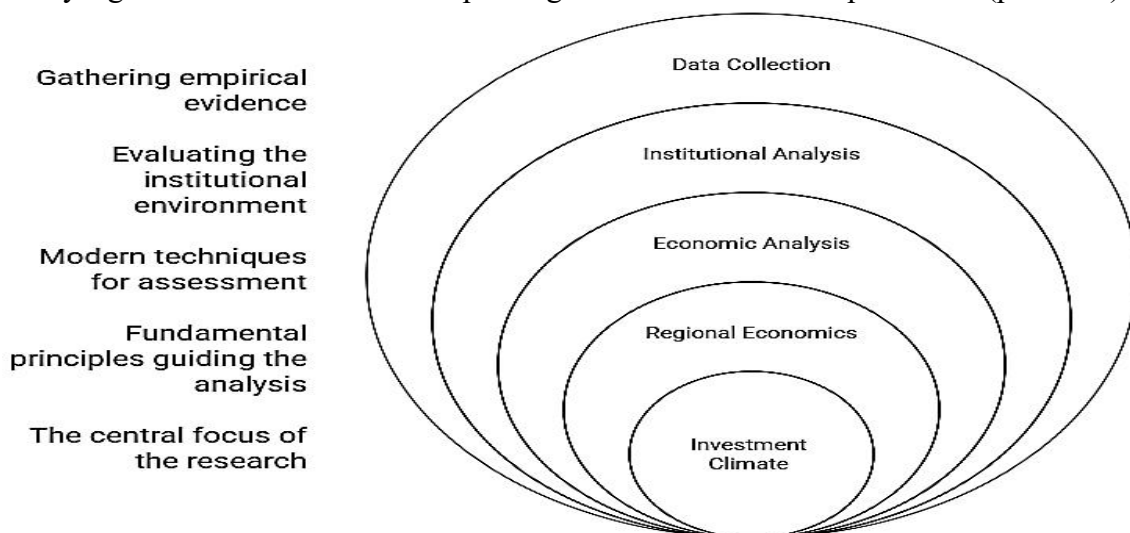
<sup>2</sup> Resolution No. PQ-191 of the President of the Republic of Uzbekistan dated June 14, 2023, "On Measures for the Implementation of an Investment Project for the Construction of a 500 MW Solar Photovoltaic Power Plant in Nishon District of Kashkadarya Region."

<sup>3</sup> Resolution No. 201 of the Cabinet of Ministers of the Republic of Uzbekistan dated April 20, 2022, "On Additional Measures for the Comprehensive Socio-Economic Development of the Territories of Kashkadarya Region and Further Improvement of the Living Standards of the Population in 2022–2026."



the Kashkadarya region and the mechanisms for managing the competitiveness of industrial enterprises operating within the area. In particular, the structural changes in the investment flows directed to the region, their impact on the region's macroeconomic indicators, and the dynamics of investment attractiveness in leading sectors were studied using comparative trend analysis methods.

In collecting and processing initial empirical data, official statistical databases were consulted, and traditional methods such as economic-statistical grouping, periodic observation, and logical comparison were applied. At the same time, expert evaluation approaches were employed to comprehensively diagnose the factors influencing the region's investment potential, specifically the state of infrastructure, human capital, and the institutional environment. The coherence of this methodological framework makes it possible to view the region's investment situation as a unified system, identify potential risks, and formulate scientifically grounded, practically significant conclusions on improving investment attraction processes. (picture 2)



**Picture 2. Research methodology for investment climate analysis**

**Discussion.** The results obtained within the framework of the research allow for an in-depth scientific-theoretical analysis of the investment potential and the level of regional development of the Kashkadarya region, inextricably linking them with regional economics theories and modern investment policy concepts. These results indicate that the region's rich natural-economic resources, vast territory, and skilled labor force serve as the fundamental basis attracting capital flows<sup>4</sup>. It is appropriate to explain the obtained empirical evidence using the fundamental principles of regional economics, in particular, the economic geography and agglomeration theories put forward by Paul Krugman; according to these theories, increasing returns and the concentration of production at specific points enhance the region's comparative competitiveness<sup>5</sup>. At the same time, due to the prioritization of large industrial projects in the distribution of investments at the regional level, high volatility in capital flows and inter-district socio-economic disparities still persist. This necessitates the implementation of a balanced and differentiated regional policy in resource-rich areas<sup>6</sup>. It should be noted that a stable growth trend

<sup>4</sup> X.Abdurashidova, Uzbekistan's Kashkadarya region plans 195 industrial projects worth \$1.7bn in 2026, дата последнего обращения: марта 16, 2026, <https://daryo.uz/en/2026/03/11/uzbekistans-kashkadarya-region-plans-195-industrial-projects-worth-17bn-in-2026/>

<sup>5</sup> Priorities for development of Kashkadarya region discussed - president.uz, 10.03.2026-year, <https://president.uz/en/lists/view/9005>

<sup>6</sup> O.Valiev, Investment dynamics and regional disparities evidence from Kashkadarya region of Uzbekistan (2010—2024), Electronic publication, Issue 11. 393 pages. Approved for publication on November, 2025.



in macroeconomic indicators is observed in the region: specifically, the 6.8% growth in Gross Regional Product (GRP), 7.2% in industrial production, and 13.6% in the services sector in 2025 confirms that the regional economy is successfully diversifying structurally. The analysis of these processes implies that achieving the strategic targets of absorbing \$3.5 billion in foreign and domestic investments and ensuring an 8.6% industrial growth by 2026 will further accelerate the region's integration into global and regional value chains.

In particular, the establishment of the Mubarek Special Innovative Industrial Zone and the Karshi Green Technologies Industrial Zone, leading to the launch of 36 major projects worth over \$1.1 billion, will result in the direct transfer of "green" and innovative technologies to traditional industrial sectors. Additionally, under the conditions where the volume of foreign investments attracted to the economy of Uzbekistan has reached \$43.1 billion, it is observed that the capacity of the regions to utilize foreign capital does not fully meet the needs of the national economy. This, in turn, requires a fundamental overhaul of the investment process management system.<sup>7</sup> Regarding the improvement of the investment climate in the Kashkadarya region—the subject of this study—it has been practically determined that alongside existing infrastructural opportunities, systemic barriers are also present. Furthermore, the inadequate formation of modern digital infrastructure in the region, the persistence of administrative-bureaucratic barriers at the local level, and particularly the low internet coverage in rural areas are evaluated as the main restrictive factors in attracting foreign investments.

Consequently, transaction costs for potential investors are artificially inflated, creating a risk of a decline in the overall investment attractiveness rating of the region. To eliminate these problems and rehabilitate the investment climate, it is an objective necessity to implement deep digital transformation in the region, actively introduce public-private partnership mechanisms, and create an open competitive environment through the privatization of state-owned properties, including economic societies such as "AS Qashqadaryo servis". At the same time, modernizing transport logistics and energy supply to mitigate infrastructural constraints is a macroeconomic prerequisite that dramatically increases the region's competitiveness.

When analyzing the research results within the framework of the "Uzbekistan – 2030" strategy and the concept of 2026 as the "Year of Neighborhood Development and Social Upliftment", it becomes evident that the efficiency of investment activities in the region is inextricably linked not only to industrial macro-projects but also to the stable operation of micro-industrial centers at the grassroots—neighborhood level. The reduction of the poverty rate to 6.5% and the allocation of 820 billion sums (\$67.4 million) in credits and 52.3 billion sums (\$4.3 million) in subsidies to financially support regional entrepreneurship are of crucial importance in implementing the principle of inclusivity in economic development<sup>8</sup>. Moreover, the growth rate in the establishment of new business entities and the increase in business activity in Kashkadarya as of February 2025 indicate that the region's internal investment and innovative potential is sufficient.

As a result, to ensure the real effectiveness and profitability of funds attracted to the regional economy, the introduction of a regional investment attractiveness rating system across Uzbekistan starting in 2026 represents a strategic step<sup>9</sup>. This rating system allows for an

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[https://www.researchgate.net/publication/400933720\\_INVESTMENT\\_DYNAMICS\\_AND\\_REGIONAL\\_DISPARITIES\\_EVIDENCE\\_FROM\\_KASHKADARYA\\_REGION\\_OF\\_UBEKISTAN\\_2010-2024](https://www.researchgate.net/publication/400933720_INVESTMENT_DYNAMICS_AND_REGIONAL_DISPARITIES_EVIDENCE_FROM_KASHKADARYA_REGION_OF_UBEKISTAN_2010-2024)

<sup>7</sup> Priority Tasks for the Development of the Kashkadarya Region Were Discussed. March 11, 2026.

<https://pakistan.mfa.uz/uz/news/qashqadaryo-viloyatini-rivojlantirish-boyicha-ustuvor-vazifalar-muhokama-qilindi>

<sup>8</sup> Kashkadarya region: new opportunities and perspectives | United Nations Development Programme, July 19, 2019 y., <https://www.undp.org/uzbekistan/publications/kashkadarya-region-new-opportunities-and-perspectives>

<sup>9</sup> Uzbekistan - Country Economic Memorandum: Fostering Private Sector-Led Growth and Global Integration - World Bank, June 24, 2025, <https://www.worldbank.org/en/country/uzbekistan/publication/cem-2025>



objective assessment of institutional management quality through statistical indicators (resource provision, financial support, infrastructure) and surveys conducted among entrepreneurs, thereby compelling local authorities to continuously improve business conditions<sup>10</sup>. Overall, the factors for improving the investment climate and enhancing the efficiency of investment attraction in the Kashkadarya region are not limited solely to capital injection but encompass complex and interrelated tasks such as reducing the Incremental Capital-Output Ratio (ICOR), assimilating advanced foreign technologies, and eliminating disparities in regional development<sup>11</sup>. The measures noted above will activate the region's economic drivers at the district and neighborhood levels, ensure the competitiveness of the economy, and fully serve the practical realization of Uzbekistan's sustainable regional development strategy.

**Conclusion.** The conducted scientific-theoretical and practical analyses indicate that enhancing the investment attractiveness of the Kashkadarya region is a decisive factor in the structural transformation, diversification, and sustainable macroeconomic growth of the regional economy. Today, the region is successfully transitioning from a model relying solely on traditional raw materials and energy resources to a new developmental stage based on "green" energy, high-tech innovative industries, and tourism. In particular, large-scale infrastructure projects implemented with the participation of international financial institutions and foreign direct investment are accelerating the region's integration into the international division of labor and global value chains.

At the same time, a number of institutional and infrastructural challenges hindering the realization of the region's investment potential have been identified. The concentration of investment flows mainly in large centralized industrial projects sustains inter-district socio-economic disparities. Furthermore, the underdevelopment of digital infrastructure in remote areas and local administrative-bureaucratic barriers artificially inflate transaction costs for investors, negatively affecting the overall investment rating of the region.

To maximize the synergistic and multiplier effects of the investments attracted to the regional economy, it is required to further improve the investment management system. To achieve this, it is necessary to implement deep digital transformation in the region, widely introduce public-private partnership mechanisms, and form an open competitive environment by reducing state participation in the economy. The newly introduced regional investment attractiveness rating system will serve as an effective institutional tool to increase the responsibility of local authorities in improving business conditions, as well as to reduce the incremental capital-output ratio (ICOR). In conclusion, these strategic measures aimed at rehabilitating the investment climate in the Kashkadarya region will not only ensure the competitiveness of large enterprises but also stimulate entrepreneurial activity at the grassroots level, reduce poverty, and improve the welfare of the population, thereby fully serving the sustainable regional development of the economy of Uzbekistan.

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