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MECHANISMS TO ENCOURAGE INVESTMENT ACTIVITY IN DISTRICT-LEVEL ECONOMIES (SURKHANDARYA REGION)

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Abstract

This study examines the mechanisms for stimulating investment activity in districts and their role in promoting regional economic development. The research highlights the importance of creating favorable institutional, financial, and infrastructural conditions to attract both domestic and foreign investments at the district level. Particular attention is given to improving the investment climate, strengthening local governance mechanisms, providing tax and financial incentives, and developing modern infrastructure..

Keywords: Investment activity, investment policy, regional economy, district economy, investment attractiveness, investment climate, economic development, local governance, infrastructure development, investment promotion mechanisms.

INTRODUCTION

In the context of globalization and intensifying economic competition, attracting investment has become a key factor in ensuring sustainable economic growth and regional development. Investment resources play an important role in modernizing production, improving infrastructure, increasing employment, and strengthening the economic potential of regions. In particular, stimulating investment activity at the district level is considered an essential condition for

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balanced territorial development and the effective use of local economic resources.

In many developing economies, including Uzbekistan, regional disparities in investment distribution remain a significant challenge. While major cities and economically developed regions attract a large share of investments, districts often face limitations related to infrastructure deficiencies, insufficient institutional support, and limited financial resources. Therefore, developing effective mechanisms to stimulate investment activity in districts is crucial for enhancing their economic competitiveness and ensuring inclusive growth.

The implementation of targeted investment policies, improvement of the local business environment, expansion of public–private partnerships, and provision of financial and tax incentives can significantly increase the investment attractiveness of districts. At the same time, strengthening the role of local authorities in investment promotion and improving coordination between central and regional institutions are important factors for the effective functioning of these mechanisms.

This study aims to analyze the mechanisms for stimulating investment activity in districts and to identify key factors that influence investment attractiveness at the local level. The research also provides practical recommendations for improving investment policies and enhancing the efficiency of investment support mechanisms in order to ensure sustainable socio-economic development of district economies.

METHODOLOGY

In this study, a comprehensive methodological approach was applied to assess the role of the districts of the Surkhandarya region in territorial development processes and the dynamics of their socio-economic development. The theoretical framework of the research is based on the concepts of territorial economics, regional development, and sustainable development.

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During the research process, official data from the Statistics Agency of the Republic of Uzbekistan, regional and district statistical departments, state programs, regulatory and legal documents, as well as scientific literature were used as the main sources of information.

RESULTS AND DISCUSSION

Table 1 presents the distribution of foreign investments and loans across the districts of the Surkhandarya region, measured in billion soums. The data reveal significant disparities in the allocation of foreign direct investment (FDI), foreign loans under state guarantees, unsecured foreign investments and loans, and other forms of foreign capital across the region's districts. Such differences highlight the uneven spatial distribution of investment resources and the varying levels of investment attractiveness among districts.

Table 1. Foreign investment and loans by region (billion soums)

	Foreign direct investment	Foreign loans under guarantee	Unsecured foreign investment and loans	Other foreign investments
Surkhandarya region	6 469,6	1 746,7	6 156,0	629,4
Termiz city	731,4	137,3	281,0	10,9
Angor	276,7	28,4	189,9	0,1
Bandixon	515,4	-	115,7	-
Boysun	1701,2	976,4	60,4	-
Denov	509,6	5,4	109,2	-
Jarkurgan	22,2	67,3	1 168,5	-
Qumkurgan	-	5,5	788,6	-
Kizirik	522,0	-	268,5	-
Muzrabot	571,1	85,7	90,1	-
Oltinsoy	-	-	632,8	-
Sariosiyo	63,5	5,4	873,5	-
Termiz	150,1	344,2	1 142,6	-
Uzun	732,4	5,5	188,6	21,6
Sherobod	219,5	80,1	114,7	245,2
Shurchi	454,6	5,5	132,0	251,6

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First, the Surkhandarya region as a whole demonstrates a relatively high volume of foreign investment, with total foreign direct investment reaching 6,469.6 billion soums, while 6,156.0 billion soums were attracted in the form of unsecured foreign investments and loans. In addition, 1,746.7 billion soums were received as foreign loans under government guarantees, and 629.4 billion soums accounted for other foreign investments. These figures indicate that the region relies heavily on both direct foreign investment and external financing instruments to support economic development and infrastructure modernization. At the district level, the distribution of foreign investment shows considerable variation. Boysun district stands out as the largest recipient of foreign direct investment, attracting 1,701.2 billion soums, which significantly exceeds the investment volumes of other districts. This high level of investment may be associated with the district's natural resource potential, tourism opportunities, and the implementation of large-scale industrial or infrastructure projects. Uzun district also recorded a relatively high level of FDI, amounting to 732.4 billion soums, followed by Termiz city with 731.4 billion soums and Muzrabot district with 571.1 billion soums. These districts appear to benefit from more favorable economic conditions, developed infrastructure, or proximity to major transport and trade routes.

In contrast, several districts received relatively low volumes of foreign direct investment. For instance, Jarkurgan district attracted only 22.2 billion soums, while Sariosiyo district received 63.5 billion soums in FDI. Such low investment inflows may indicate structural challenges, including insufficient infrastructure, limited industrial capacity, or weaker institutional support for investors. This situation underscores the need for targeted policy measures aimed at improving the investment climate in these territories.

Another notable aspect of the data is the distribution of **foreign loans under state guarantees**. The largest volume of guaranteed loans was directed to Boysun district

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(976.4 billion soums), suggesting the presence of major strategic projects requiring substantial financial backing. Termiz district also received a significant amount of guaranteed loans, totaling 344.2 billion soums, which may reflect its strategic importance in cross-border trade and logistics. Conversely, several districts such as Bandixon, Kizirik, and Oltinsoy did not receive any guaranteed foreign loans, indicating a more limited involvement in large-scale investment projects supported by government guarantees.

The data on unsecured foreign investments and loans reveal another interesting pattern. A number of districts, including Jarkurgan (1,168.5 billion soums), Termiz district (1,142.6 billion soums), and Sariosiyo (873.5 billion soums), attracted substantial amounts of financing without state guarantees. This suggests that investors may perceive these districts as having sufficient economic potential and financial reliability to secure external funding independently. Similarly, Qumkurgan (788.6 billion soums) and Oltinsoy (632.8 billion soums) demonstrate relatively strong positions in attracting unsecured foreign capital.

Finally, the category of other foreign investments shows a more limited distribution across districts. The largest amounts were recorded in Shurchi district (251.6 billion soums) and Sherobod district (245.2 billion soums), indicating additional forms of investment cooperation such as joint ventures, technical assistance, or portfolio investments. In contrast, many districts reported either minimal or no investments in this category.

Overall, the analysis of Table 1 indicates that foreign investment flows in the Surkhandarya region are highly uneven across districts. While certain districts such as Boysun, Uzun, and Termiz city attract substantial volumes of foreign capital, others lag behind due to structural and institutional constraints. These disparities highlight the importance of implementing targeted investment promotion mechanisms at the district level, improving infrastructure, strengthening institutional capacity, and providing additional incentives to enhance the investment attractiveness of less developed districts. Such measures

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are essential for achieving balanced regional development and ensuring the effective utilization of foreign investment resources in the regional economy.

CONCLUSION AND SUGGESTIONS

The analysis of foreign investment distribution across the districts of the Surkhandarya region demonstrates that investment flows are unevenly allocated among territories. While some districts such as Boysun, Uzun, and Termiz city attract relatively high volumes of foreign direct investment and external financing, other districts receive significantly lower levels of investment. This imbalance indicates the presence of structural constraints related to infrastructure development, institutional capacity, and the overall investment climate in certain territories. Consequently, enhancing the effectiveness of mechanisms aimed at stimulating investment activity at the district level becomes a key priority for ensuring balanced regional development.

In general, the results of the study show that foreign investments and loans play an important role in supporting regional economic growth, modernizing production sectors, and improving infrastructure. However, the effectiveness of these investments largely depends on the ability of local authorities to create favorable conditions for investors, strengthen institutional support, and ensure transparency and efficiency in investment management. Therefore, improving investment promotion policies at the district level is essential for increasing the overall competitiveness of regional economies.

Based on the findings of the research, the following recommendations are proposed:

First, it is necessary to improve the **institutional mechanisms for attracting investment** in districts by strengthening the role of local governments in investment promotion and establishing specialized investment support units at the district level.

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Second, the **development of modern infrastructure**, including transportation, logistics, energy supply, and digital connectivity, should be prioritized in order to enhance the investment attractiveness of less developed districts.

Third, the government should expand the **system of financial and tax incentives** for investors implementing projects in economically less developed districts, including preferential loans, tax exemptions, and simplified administrative procedures.

Fourth, it is important to strengthen **public-private partnerships (PPP)** in strategic sectors such as agriculture, industry, tourism, and infrastructure development to mobilize additional investment resources.

Finally, improving **investment information transparency and digital platforms** for investors can facilitate better communication between investors and local authorities, thereby increasing trust and reducing investment risks.

Overall, the implementation of these measures will contribute to creating a more favorable investment environment in districts, ensuring a more balanced distribution of foreign investment across regions, and promoting sustainable socio-economic development.

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