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Article

Regional Characteristics of the Development of the Investment Climate in Bukhara Region

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Abstract: *This article analyses the regional characteristics of the investment climate in Bukhara Region over the period 2020–2025. Based on the sectoral composition of investment in fixed capital, changes in investment financed from household funds, and foreign direct investment per capita, it assesses the relationship between the region's investment potential and economic stability. The article develops the author's conclusions concerning the volatility of investment associated with large-scale projects, the balance between industry and energy supply, and the degree of integration into local production chains.*

Keywords: *Bukhara Region, investment climate, regional economy, fixed capital, foreign direct investment, industry, energy, regional specialization, economic stability.*

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1. Introduction

The level of development of a regional investment climate depends not only on the availability of resources in a region, but also on its ability to mobilize those resources for production, services, and technological modernization. In Bukhara Region, this relationship is reflected in the interaction of natural resources, manufacturing, energy infrastructure, agriculture, and tourism potential. Therefore, when assessing the investment climate, it is appropriate to analyze not only the volume of capital but also its sectoral composition, stability, and outcomes for the local economy. In view of these considerations, this study identifies the sectoral and financing characteristics of the investment climate in Bukhara Region during 2020–2025, interprets their impact on economic stability from a theoretical perspective, and substantiates ways to improve regional investment policy.

Relevance of the Topic

Failure to take regional differences into account when developing the investment climate may result in capital being concentrated in a limited number of large projects while other sectors receive insufficient funding. Since energy, mining, and manufacturing play a significant role in investment activity in Bukhara Region, investment volumes may fluctuate considerably from year to year depending on the construction stages of major projects. Under such circumstances, economic stability is determined not by the total amount of investment alone, but by the capacity of investment to generate economic outcomes across multiple sectors.

Problem Statement and Theoretical Foundations

According to D. North's institutional approach, the efficiency of economic activity depends on incentives and transaction costs shaped by institutions [1]. M. Porter explains

regional competitive advantage through the concentration of interconnected firms, suppliers, and institutions [2]. A. Rodríguez-Pose emphasizes the importance of institutional quality and local conditions for regional development [3]. These approaches make it possible to assess investment projects in Bukhara Region not as isolated facilities, but as part of a system linked to local value chains, infrastructure, and the labor market.[4]

Taking these theoretical approaches into account, the regional characteristics of Bukhara Region's investment climate can be understood at three levels. The first is natural resources and geographical opportunities; the second is the mechanisms for attracting capital and providing infrastructure; and the third is the capacity to convert investment into local value added, employment, and budget revenue. The first two levels describe investment attractiveness, while the third characterizes the actual contribution of the investment climate to economic stability.[5][6].

2. Materials And Methods

The study uses systems analysis and comparative analysis, statistical observation, comparison of time series, sectoral grouping, and index and relative-indicator methods.[7]

The statistical observations indicate that a key regional characteristic shaping the development of the investment climate is the uneven distribution of investment across sectors.[8][9] In Bukhara Region, mining, manufacturing, and energy supply are capital-intensive sectors. This indicates opportunities to implement large investment projects in these areas, while also making it necessary to examine interactions between sectors when evaluating investment efficiency.[10][11]

Table 1.

Investment in fixed capital by type of economic activity in Bukhara Region, billion soums

Sector	Years					
	2020	2021	2022	2023	2024	2025
Agriculture, forestry and fishing	1 576,2	1 983,2	1 917,2	1 215,9	1 438,1	4 924,8
Mining and quarrying	4 111,6	5 433,2	2 386,4	2 322,9	5 555,4	8 192,6
Manufacturing	1 489,8	2 794,1	3 000,3	5 203,0	14 255,2	9 622,8
Electricity, gas and steam supply	158,3	1 471,4	2 660,4	10 124,7	17 503,7	6 846,4

Source: Based on data from the National Statistics Committee of the Republic of Uzbekistan.

3. Results and Discussion

An analysis of official statistics shows that investment in manufacturing increased from 1,489.8 billion soums in 2020 to 14,255.2 billion soums in 2024, before reaching 9,622.8 billion soums in 2025. Investment in energy supply was at its highest level of the period under review in 2023–2024, followed by a relative decline in 2025. Such volatility does not, in itself, indicate a deterioration in the investment climate. The dynamics of capital investment may be affected by the construction and commissioning stages of major regional projects. Project-level data would be needed to test this possibility.[12][13]

A second regional characteristic of Bukhara Region is the expansion of the local financial base of investment. Growth in investment in fixed capital financed from household funds makes it possible to assess the importance of housing construction and private capital investment. However, household funds are not equivalent to direct investment in production, so these statistics do not directly demonstrate their impact on productive capacity. Statistical observations show that, in nominal terms, this indicator increased 2.24-fold between 2020 and 2025 (see Figure 1). While this trend indicates growth in domestic sources of finance, firm conclusions about real investment activity cannot be

drawn without accounting for price changes and the intended composition of capital investment.[14][15]

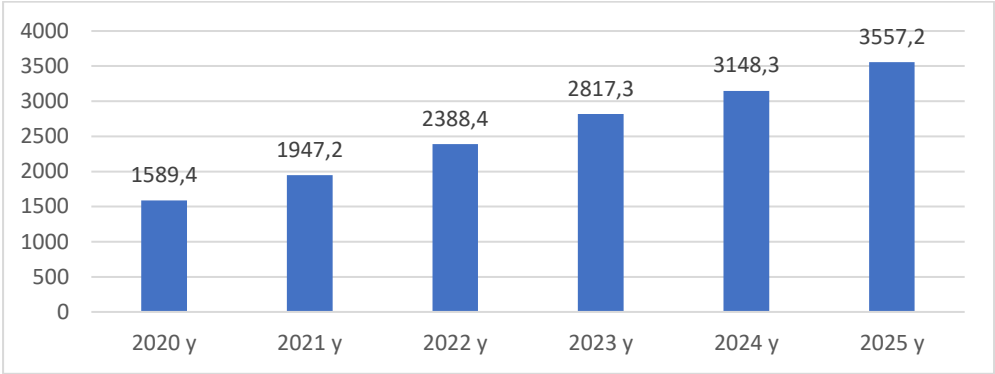


Figure 1. Investment in fixed capital financed from household funds in Bukhara Region, billion soums

Source: Based on data from the National Statistics Committee of the Republic of Uzbekistan.

A third regional characteristic of Bukhara Region is the sharp variation in the intensity of foreign investment. Foreign direct investment in fixed capital per capita makes it possible to assess the region's ability to attract external capital relative to its population. According to the statistical analysis, this indicator rose from 371.7 thousand soums in 2020 to 11,468.0 thousand soums in 2024, before reaching 8,648.9 thousand soums in 2025 (see Figure 2). The high values recorded in 2023–2025 suggest a possible influence of large capital projects; however, linking these changes to specific projects would require an investment register and company reports. In addition, a per-capita series expressed in current prices should not be interpreted as the real dynamics of foreign investment.

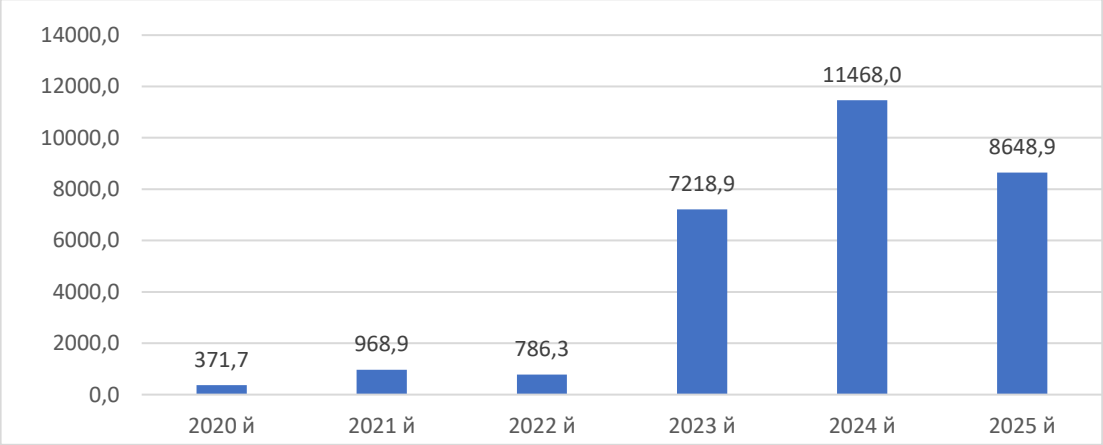


Figure 2. Foreign direct investment in fixed capital per capita in Bukhara Region, thousand soums

Source: Based on data from the National Statistics Committee of the Republic of Uzbekistan.

A fourth characteristic is the variation in investment needs across the districts of Bukhara Region. Areas located near industrial enterprises and infrastructure may have greater opportunities for production cooperation, whereas areas specialising in tourism and services may prioritise investment in transport, hotels, utility networks, and cultural heritage preservation. In rural areas, water resources, storage facilities, and processing capacity determine investment efficiency. This classification represents an analytical hypothesis and should be tested separately using district-level statistics.

In light of the above, Table 2 summarises the regional characteristics of the investment climate in Bukhara Region and the channels through which they affect the economy. It highlights the distinction between sectoral and territorial characteristics. If investment policy focuses solely on the volume of capital attracted, investment may become increasingly concentrated in locations with better infrastructure. Linking projects to local suppliers, labour resources, and the specialisation of districts can help distribute the economic benefits more widely.

The analysis suggests that assessment of the investment climate in Bukhara Region should be based on a three-dimensional framework: (1) investment inputs —the intensity of capital attraction and sources of financing; (2) investment transformation — the allocation of capital to production, infrastructure, and innovation; and (3) economic outcomes — real gross regional product, labour productivity, employment, and sectoral diversification. This framework helps reduce the risk of automatically treating periods of high investment volume as periods of high investment efficiency.

Table 2.

Regional characteristics of Bukhara Region's investment climate and channels of economic impact

Characteristic	Investment opportunities	Impact on stability / risk
Resource and industrial potential	Mining and processing projects	Growth in value added; risk of sectoral concentration
Energy infrastructure	Energy supply and industrial modernization	Continuity of production; dependence on large projects
Agricultural specialization	Water-saving technologies, logistics, processing	Income diversification; risk of water scarcity
Tourism and services	Hotels, transport, digital services	Employment in small businesses; risk of seasonal demand
Regional infrastructure disparities	Targeted investment in districts	Balance in economic opportunities

Source: Developed by the author

In practical terms, improving regional investment policy would benefit from introducing indicators such as the localization coefficient of projects, the quality of jobs created, energy and water efficiency, cooperation with small businesses, and post-project budget revenues. This approach would help manage not only the attractiveness of the regional investment climate but also its economic outcomes.

4. Conclusion

The findings of the study on the regional characteristics of the investment climate in Bukhara Region lead to the following conclusions:

The regional characteristics of the investment climate are marked by an uneven distribution of capital investment among manufacturing, mining, energy, and agricultural sectors, highlighting the need to strengthen intersectoral cooperation to support economic stability.

Although the growth in investment indicators at current prices during 2020–2025 reflects investment activity in the region, it is not sufficient to draw a definitive conclusion about economic stability without assessing investment returns and real economic outcomes.

To improve regional investment policy, it is advisable to develop a system of investment profiles for districts that takes account of their economic specialization and infrastructure constraints.

When evaluating investment projects, it is recommended that outcome indicators combine local value added, labor productivity, resource efficiency, and production cooperation.

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