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METHODOLOGY FOR ASSESSING REGIONAL INVESTMENT ATTRACTIVENESS AND STRATEGIES FOR ATTRACTING INVESTMENT

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Abstract. The methodology for assessing regional investment attractiveness, its key criteria and indicators, as well as strategic and institutional approaches to attracting investment are examined from a scientific perspective. The methodological importance of comprehensively considering economic, social, infrastructural, and environmental factors and assessing investment risks in determining regional investment attractiveness is substantiated. The assessment approaches employed by international rating organizations are comparatively analyzed, with particular attention to the application of composite indices, ranking methods, and expert assessment techniques. The role of institutional factors in improving the regional investment climate and developing effective investment attraction strategies is also highlighted.

Keywords: investment attractiveness, regional development, assessment methodology, composite index, investment climate, investment risks, regional strategy, international ratings, institutional environment.

Аннотация. Методология оценки инвестиционной привлекательности регионов, ее основные критерии и показатели, а также стратегические и институциональные подходы к привлечению инвестиций рассмотрены с научной точки зрения. Обоснована научно-методическая значимость комплексного учета экономических, социальных, инфраструктурных и экологических факторов, а также оценки инвестиционных рисков при определении инвестиционной привлекательности регионов. Проведен сравнительный анализ подходов к оценке, применяемых международными рейтинговыми организациями, и рассмотрены возможности использования композитных индексов, рейтинговых методов и экспертных оценок. Раскрыта роль институциональных факторов в совершенствовании регионального инвестиционного климата и формировании эффективных стратегий привлечения инвестиций.

Ключевые слова: инвестиционная привлекательность, региональное развитие, методология оценки, композитный индекс, инвестиционный климат, инвестиционные риски, региональная стратегия, международные рейтинги, институциональная среда.

INTRODUCTION

Attracting investment and effectively managing its territorial allocation constitute key priorities of state economic policy in the socio-economic development of regions. Investment contributes to expanding production capacity, modernizing infrastructure, creating new jobs, promoting technological renewal, and fostering balanced economic development across regions. At the same time, differences in the distribution of capital flows across regions highlight the importance of a scientifically grounded assessment of investment attractiveness, the identification of regions' comparative advantages and development opportunities, and the formulation of targeted investment policies.

Investment attractiveness is determined not only by a region's existing economic potential but also by institutional stability, infrastructure quality, human capital, financial capacity, environmental conditions, and the level of risk faced by investors. Accordingly, contemporary assessment methodologies rely on a comprehensive approach that captures a system of interrelated factors rather than isolated indicators. In the context of Uzbekistan, improving the methodology for assessing regional investment attractiveness is particularly relevant for promoting balanced economic development among regions, directing investment resources toward priority areas, and enhancing the effectiveness of regional development strategies.

The purpose of this study is to systematize methodological approaches to assessing regional investment attractiveness, classify strategies for attracting investment, analyze the potential of international assessment and rating systems, and provide a scholarly synthesis of the institutional foundations of regional investment policy.

LITERATURE REVIEW

The issue of regional investment attractiveness is examined in the economic literature in close connection with the location of capital, regional competitiveness, and institutional conditions. M. Porter explains regional competitive advantage through factor conditions, demand conditions, related and supporting industries, and firm strategy, thereby establishing a theoretical framework for understanding the structural determinants of regional investment decisions [1]. In J. Dunning's OLI paradigm, location decisions regarding foreign investment are explained through the interaction of ownership, location, and internalization advantages [2].

Sh. Mustafakulov emphasizes the need to classify economic potential, the resource base, and the factors influencing regional development when assessing the investment attractiveness of regions and advocates a multifactor approach to the formulation of regional investment programs [3]. This approach demonstrates that investment attractiveness should be assessed not merely through individual indicators, such as capital inflows or gross regional product, but as a combination of economic, social, and institutional factors.

The OECD FDI Qualities Indicators methodology assesses the economic and social outcomes of foreign investment in relation to labor productivity, innovation, employment, skills, and other sustainable development indicators [4]. This approach substantiates the need to analyze not only the volume of investment but also its quality. The World Bank's B-READY framework, in turn, measures the investment and business environment in terms of the regulatory framework, public services, and operational efficiency, offering a comprehensive methodology based on the stepwise aggregation of indicators [5].

International consulting and rating systems place particular emphasis on investors' prospective decisions and the relative attractiveness of a region or country. The Kearney FDI Confidence Index identifies markets most likely to attract investment over the next three years on the basis of surveys of executives from global companies [6]. The EY Attractiveness Survey combines data on actual FDI projects with investors' perceptions [7]. The Milken Institute Global Opportunity Index comparatively evaluates investment opportunities through the business environment, economic fundamentals, financial services, the institutional framework, and international standards [8]. The International Trade Centre Investment Map platform enables the analysis of investment destinations by integrating FDI and trade data [9].

An analysis of existing scholarly and practical approaches shows that many international indices are primarily designed for country-level comparisons. Their application at the regional level can therefore be enhanced through an adapted system of indicators that takes into account local economic specialization, infrastructure, institutional governance, environmental conditions, and regional development characteristics. The OECD roadmap for investment policy reforms in Uzbekistan likewise identifies the legal and institutional environment, investment incentives, FDI quality, and regional diversification as important factors [10]. Consequently, integrating international methodologies with national and regional specificities is both scientifically and practically appropriate when assessing regional investment attractiveness.

RESEARCH METHODOLOGY

The study employed comparative analysis, scientific abstraction, induction and deduction, classification, and systematization. On the basis of these methods, the criteria and indicators used to assess regional investment attractiveness; the economic, social, infrastructural, institutional, and environmental factors shaping the investment environment; investment-attraction strategies; and approaches to their assessment and ranking were analyzed.

ANALYSIS AND RESULTS

The methodology for assessing regional investment attractiveness first requires the formation of a system of assessment criteria and indicators. These indicators generally encompass economic, social, infrastructural, institutional, and environmental factors. Economic indicators such as gross regional product, industrial output, export potential, household income, and the employment rate are regarded as key determinants of investment attractiveness. At the same time, transport and logistics infrastructure, energy supply, and communication systems also exert a significant influence on investors' decisions.

One important methodological issue is the systematization of indicators and the selection of appropriate assessment methods. In practice, the composite index method is frequently applied, whereby diverse indicators are consolidated into a single aggregate measure. This facilitates interregional comparison and makes it possible to identify relative strengths and areas for further development. In addition, ranking methods order regions according to their level of investment attractiveness, thereby providing investors with an important source of information for decision-making [3].

Assessing regional investment attractiveness requires the integration of qualitative and quantitative indicators. An assessment based on statistical data can be complemented by considering factors such as the institutional environment, the quality of governance, and the conduciveness of the business environment, which may be challenging to express quantitatively. For this reason, expert assessment methods, surveys, and the results of international ratings are also widely used. Their inclusion contributes to more accurate and reliable assessment outcomes.

Another important element of the methodology is the consideration of risk factors. Political stability, economic security, the reliability of the legal environment, and the effectiveness of institutional mechanisms within a region are of substantial importance to investors. Therefore, assessments of investment attractiveness should comprehensively analyze both opportunities and potential risks. Such an approach provides investors with a clearer understanding of the investment environment and improves the evidential basis of investment decisions.

Under contemporary conditions, the use of digital technologies and analytical tools in assessing regional investment attractiveness is becoming increasingly widespread. Big data, geographic information systems (GIS), and economic modeling methods can improve the accuracy and timeliness of the assessment process. This is particularly important for the development of regional development strategies.

Strategies such as regional specialization, infrastructure development, financial support, and the broad introduction of the digital economy are essential for promoting balanced economic development among regions and ensuring the efficient use of resources. At the same time, developing human capital, attracting foreign investment, strengthening regional marketing, and introducing the principles of the "green economy" contribute to the sustainability of investment processes. These strategies help strengthen the position of regions in the global economy.

The interrelationship among the strategic directions identified above and their functional role in enhancing regional investment attractiveness are systematized in Figure 1. The figure presents regional specialization, improvement of the investment environment, infrastructure development, financial support, attraction of foreign investment, innovation, human capital, regional marketing, and sustainable development as components of a single integrated mechanism.

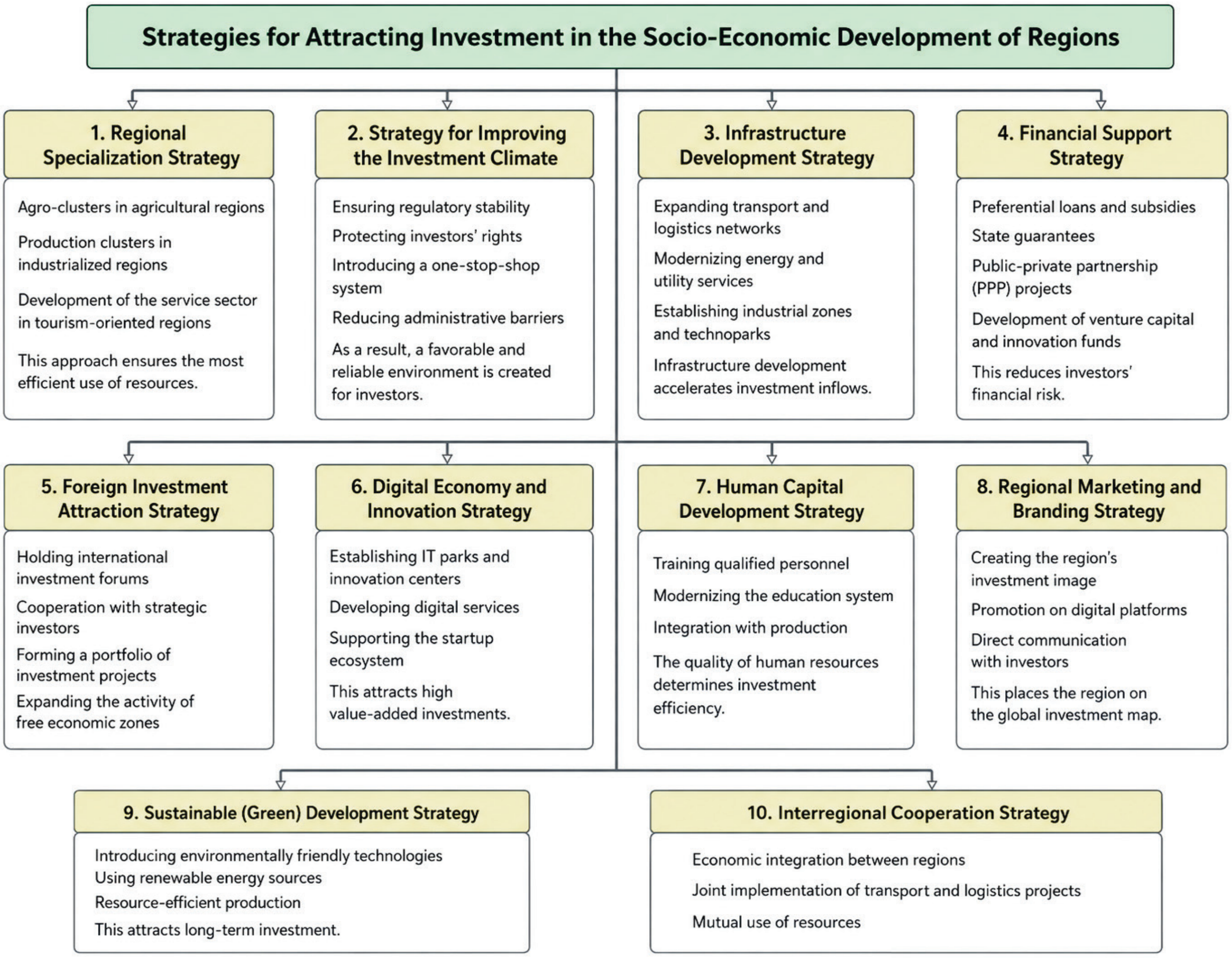

Figure 1. Strategies for Attracting Investment in the Socio-Economic Development of Regions[1]

As shown in the figure above, strategies for attracting investment in the socio-economic development of regions are interrelated, and their effectiveness depends on the consistent implementation of integrated mechanisms rather than on isolated measures.

Strategies for attracting investment in regional socio-economic development constitute a comprehensive and interconnected system. Developing agro-clusters, industrial clusters, and the service sector on the basis of regional specialization promotes the efficient use of resources. Improving the investment environment, modernizing infrastructure, and enhancing administrative procedures, in turn, create favorable conditions for investors.

Financial support mechanisms, including concessional loans, government guarantees, and public-private partnership projects, contribute to mitigating investment risks and stimulating economic activity. Attracting foreign investment and developing the digital economy and innovative technologies enhance regional competitiveness. At the same time, human capital development and regional marketing strategies further increase investment attractiveness.

Overall, strategies based on sustainable development, the “green” economy, and interregional cooperation support long-term economic growth and elevate the investment potential of regions to a new level.

The assessment, comparison, and ranking of investment-attraction processes in regional socio-economic development are of considerable importance in the contemporary global economy. These processes enhance the transparency of the investment environment, promote healthy competition among regions and countries, and provide investors with reliable sources of information. For this purpose, international rating agencies and organizations systematically assess investment attractiveness using a variety of criteria.

Today, major consulting firms such as A.T. Kearney, Ernst & Young (EY), and KPMG, as well as the World Bank Group, the International Trade Centre (ITC), and other international financial institutions, play an

1 Source: Compiled by the author based on sources [3; 10].

important role in examining the investment environment. In addition, credit rating agencies such as Moody's, Standard & Poor's, and Fitch Ratings indirectly influence capital flows by assessing countries' financial stability and investment risks. The ratings produced by these organizations enable investors to make more informed choices among regions and countries.

The approaches used by international organizations and rating agencies to assess investment attractiveness, together with their principal assessment dimensions and functional differences, are summarized in the figure below.

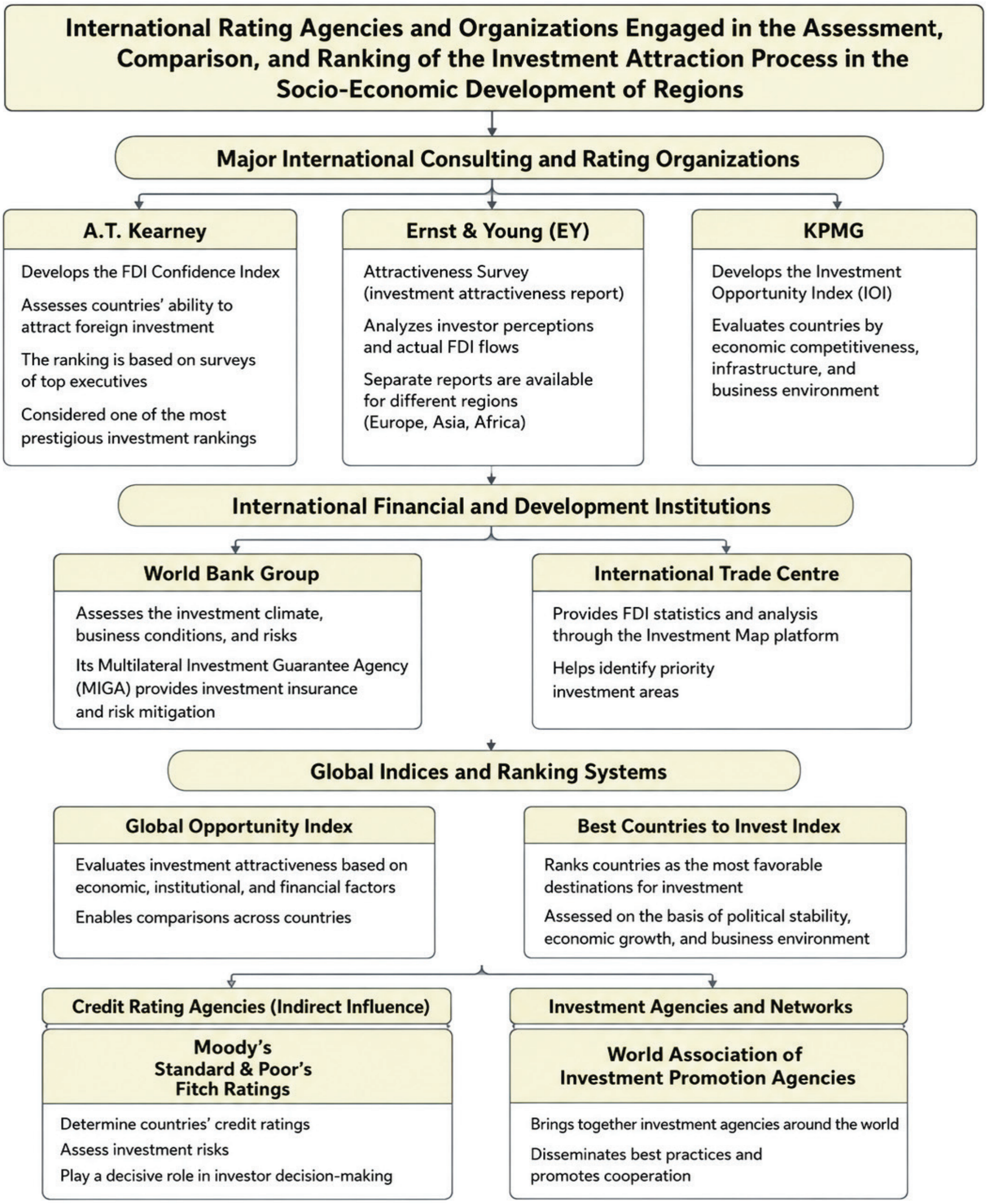

Figure 2. International Rating Agencies and Organizations Engaged in Assessing, Comparing, and Ranking Investment-Attraction Processes in Regional Socio-Economic Development[2]

2 Source: Compiled by the author based on sources [5–9].

The analysis above shows that international assessment systems measure investment attractiveness using different methodological approaches. Consulting organizations primarily assess investors' prospective decisions and confidence in the business environment; international financial institutions focus on institutional and economic conditions; and credit rating agencies prioritize financial stability and investment risks as key assessment criteria.

The institutional foundations for attracting investment are central to regional socio-economic development because the effectiveness of any investment process depends directly on the stability, transparency, and functional capacity of the institutional system. Under contemporary economic conditions, regional development is determined not only by the availability of resources but also by the effective performance of the institutions that govern them. Accordingly, government bodies implementing investment policy, financial institutions, legal mechanisms, and systems of international cooperation are of particular importance.

The institutional framework encompasses all stages of the investment process, including planning, financing, implementation, and monitoring. The Ministry of Economy and Finance, investment agencies, and local authorities play central roles in shaping regional investment policy. At the same time, special economic zones, financial institutions, and public-private partnership mechanisms facilitate investment flows. The effective functioning of this institutional system is an important factor in ensuring the sustainable socio-economic development of regions.

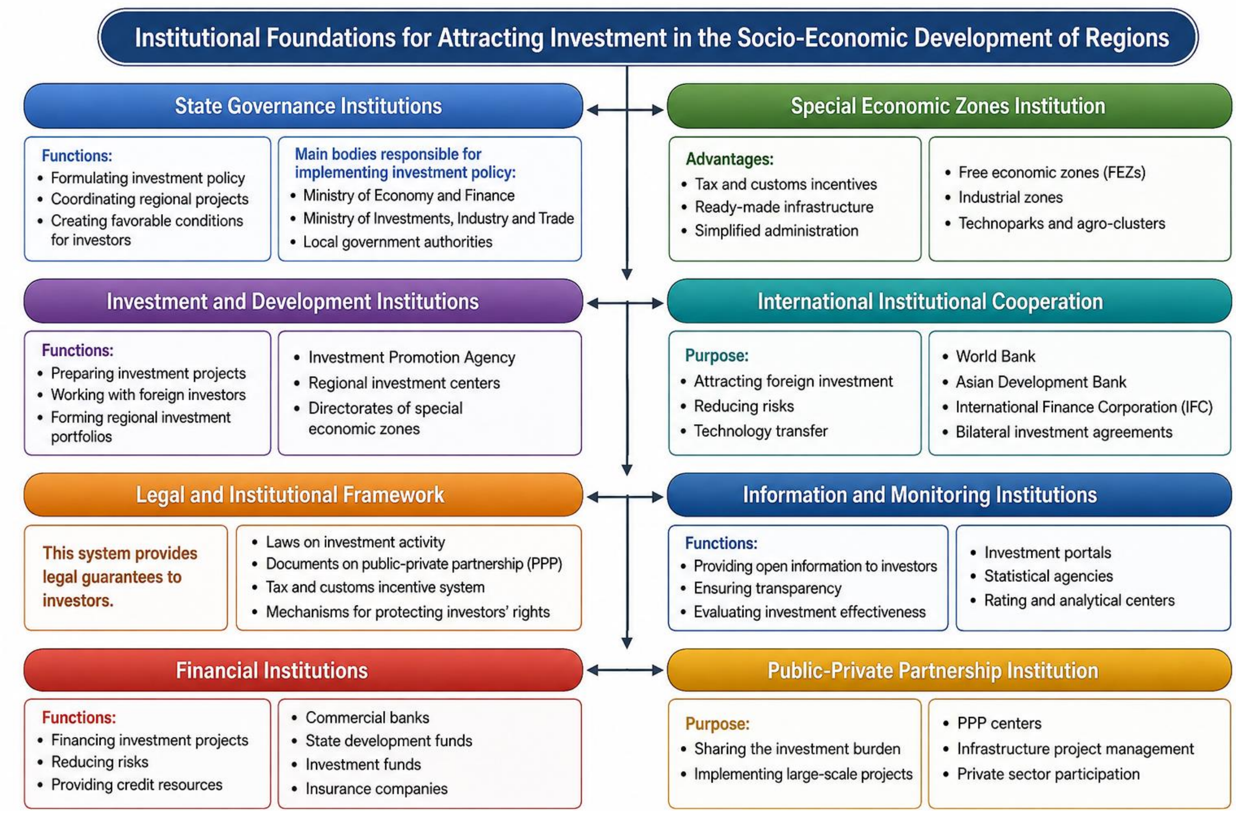

Figure 3. Institutional Foundations for Attracting Investment in the Socio-Economic Development of Regions[3]

The institutional foundations for attracting investment in regional socio-economic development constitute a multilevel and interconnected system. While public administration institutions develop and coordinate investment policy, investment agencies and regional centers are responsible for developing investment projects and engaging with investors.

One of the principal elements of the legal and institutional framework underpinning regional investment attractiveness in Uzbekistan is the Law of the Republic of Uzbekistan "On Investments and Investment Activities." The Law establishes guarantees of investors' rights, protection of investments, state regulation and support of investment activities, as well as the powers of local government authorities to attract investment to the regions [11]. The Law of the Republic of Uzbekistan "On Public-Private Partnership" establishes a distinct

3 Source: Compiled by the author based on sources [10–13].

institutional mechanism for mobilizing public- and private-sector resources for the implementation of investment projects [12]. The possibility for public-private partnership projects to be initiated by either public or private proponents, together with the development, appraisal, and approval of project concepts and the contractual specification of the rights and obligations of the parties, expands opportunities to implement major infrastructure and socially significant projects in the regions. The Law of the Republic of Uzbekistan “On Special Economic Zones” constitutes another important institutional dimension of regional investment policy [13]. It provides for the creation of specific legal conditions for investment and entrepreneurial activity in special economic zones, including the introduction of special customs, tax, and other regimes. Such mechanisms facilitate the targeted attraction of investment to specific regions and priority areas of activity and contribute to the development of regional production and export potential.

CONCLUSION AND SUGGESTIONS

The study demonstrates that assessing regional investment attractiveness involves not merely aggregating isolated statistical indicators but analyzing economic, social, infrastructural, institutional, financial, and environmental factors as an interconnected system. Combining quantitative indicators with qualitative measures and risk factors increases both the objectivity and practical value of the assessment results.

First, the use of composite indices and ranking methods in assessing regional investment attractiveness facilitates comparisons among regions. At the same time, the final assessment can be further enhanced by expert analysis, consideration of the institutional environment, and the region’s specific development characteristics.

Second, the experience of Kearney, EY, the World Bank, the Milken Institute, and other international systems confirms that investors’ decisions are influenced not only by economic indicators but also by the quality of legislation, public services, infrastructure, governance, and confidence-related factors.

Third, a regional investment-attraction strategy should integrate regional specialization, infrastructure modernization, financial support, the attraction of foreign direct investment, the digital economy and innovation, human capital, regional marketing, green development, and interregional cooperation within a unified system. These strategies yield sustainable results when implemented as a coordinated and integrated mechanism.

Fourth, when developing an adapted methodology for assessing investment attractiveness in the regions of Uzbekistan, it is advisable to align the criteria of international indices with national statistics, regional development indicators, and the prevailing institutional and legal framework. The use of investment portals, GIS, big data, and digital monitoring tools can enhance the timeliness and transparency of regional investment policy.

From a practical perspective, it is recommended to establish a standardized indicator profile for each region, update indicators on a regular basis, develop an investment risk map, introduce a mechanism for assessing investor perceptions, and link assessment results to regional development programs. This approach makes it possible to identify regions’ comparative advantages, allocate resources more efficiently, and improve the effectiveness of investment policy.

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