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# LEVERAGING REGIONAL ECONOMIC POTENTIAL AND LOCAL RESOURCES FOR SUSTAINABLE POVERTY REDUCTION IN UZBEKISTAN

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**Annotatsiya.** Tezisda O‘zbekiston hududlarining iqtisodiy salohiyati va mahalliy resurslardan samarali foydalanish orqali kambag‘allikni qisqartirish mexanizmlari tahlil qilingan. 2021–2025-yillarda mamlakatda kambag‘allik darajasi 17,0 foizdan 5,8 foizgacha kamaygani, biroq 2025-yilda hududlar o‘rtasida 3,5 foizdan 6,7 foizgacha farq saqlanib qolgani ko‘rsatiladi. 2025-yil hududiy ma’lumotlari asosida kambag‘allik darajasi, aholi jon boshiga yalpi hududiy mahsulot va kichik biznes ulushi qiyoslandi. Tahlil yuqori iqtisodiy salohiyat kambag‘allikni kamaytirish uchun muhim ekanini, biroq natija mahalliy resurslarning bandlik, kichik biznes, qayta ishlash, xizmatlar va bozorga kirish imkoniyatlariga aylantirilishiga bog‘liqligini ko‘rsatadi.
**Kalit so‘zlar:** kambag‘allik, hududiy iqtisodiyot, mahalliy resurslar, bandlik, kichik biznes, yalpi hududiy mahsulot, iqtisodiy salohiyat, inklyuziv o‘sish.
**Аннотация.** В тезисе исследуются механизмы сокращения бедности посредством эффективного использования экономического потенциала регионов и местных ресурсов Узбекистана. Показано, что уровень бедности в стране снизился с 17,0% в 2021 году до 5,8% в 2025 году, однако региональные различия сохраняются: в 2025 году показатель варьировал от 3,5 до 6,7%. На основе региональных данных за 2025 год сопоставлены уровень бедности, валовой региональный продукт на душу населения и доля малого бизнеса. Анализ показывает, что высокий экономический потенциал важен, но устойчивое снижение бедности зависит от превращения местных ресурсов в производительную занятость, малое предпринимательство, переработку, услуги и доступ к рынкам.
**Ключевые слова:** бедность, региональная экономика, местные ресурсы, занятость, малый бизнес, валовой региональный продукт, экономический потенциал, инклюзивный рост.
**Abstract.** This thesis examines how regional economic potential and local resources can be converted into sustainable poverty reduction in Uzbekistan. The national poverty rate fell from 17.0% in 2021 to 5.8% in 2025, but spatial differences remain: regional poverty rates ranged from 3.5% to 6.7% in 2025. Using official regional statistics, the paper compares poverty, gross regional product (GRP) per capita, and the role of small business. The results indicate a clear inverse association between GRP per capita and poverty, while the relationship between poverty and the small-business share is more complex. The policy implication is that local resources reduce poverty only when they are transformed into productive jobs, higher-value local production, market access, entrepreneurship, and human-capital development. A region-specific mechanism is

proposed for linking natural resources, skills, infrastructure, and local value chains to household income growth.

**Keywords:** poverty reduction, regional economy, local resources, employment, small business, GRP per capita, economic potential, inclusive growth.

## INTRODUCTION

Uzbekistan has achieved a rapid decline in monetary poverty during the first half of the 2020s. According to official statistics, the national poverty rate fell from 17.0% in 2021 to 14.1% in 2022, 11.0% in 2023, 8.9% in 2024, and 5.8% in 2025. The World Bank estimates that this reduction lifted about 3.7 million people out of poverty and identifies rising wage employment and higher wage earnings as the main drivers of recent progress.

However, aggregate national progress can hide important regional differences. In 2025, the poverty rate was 3.5% in Tashkent city and 4.2% in Navoi region, while it remained 6.5% in Kashkadarya, 6.6% in Karakalpakstan, and 6.7% in Khorezm. These differences reflect unequal access to productive jobs, high-value sectors, transport networks, education, finance, and urban markets.

Regional poverty policy therefore should not be based on a uniform national template. Each territory has a different economic structure and resource base: irrigated agriculture, horticulture, livestock, mining, tourism, logistics, handicrafts, processing industries, or service clusters. The central policy problem is not merely the presence of resources, but whether local institutions and markets can convert those resources into stable household earnings.

The purpose of this thesis is to assess the relationship between regional economic capacity and poverty and to identify practical mechanisms for using local resources more effectively in poverty reduction.

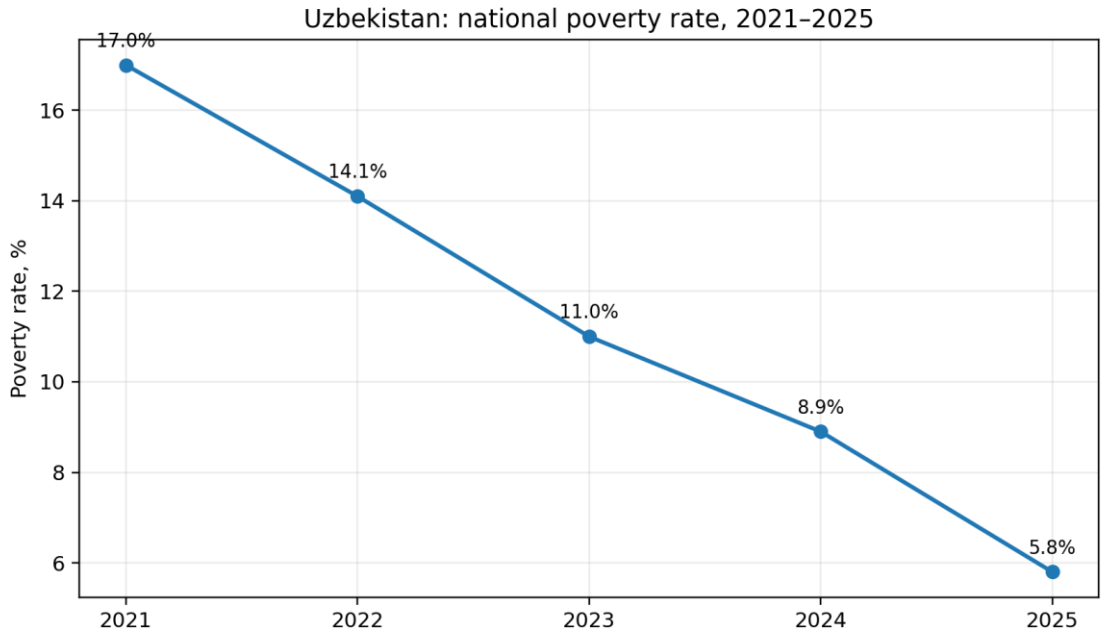


*Figure 1. National poverty rate in Uzbekistan, 2021–2025. Source: National Statistics Committee.*

## MAIN PART

Official 2025 statistics show substantial differences in regional economic capacity. GRP per capita ranged from 27.2 million UZS in Surkhandarya and around 30–33 million UZS in Namangan, Karakalpakstan, Fergana, Kashkadarya, and Khorezm to 138.5 million UZS in Tashkent city and 153.7 million UZS in Navoi region. These differences are important because higher regional productivity expands the tax base, wage opportunities, demand for services, and capacity for private investment.

A simple cross-sectional comparison of the 14 major territorial units shows a strong negative Pearson correlation between GRP per capita and the poverty rate in 2025 ($r = -0.90$). This is an association rather than proof of causality, but it is consistent with the proposition that regions with higher productivity and more high-value activities tend to have lower poverty.

At the same time, the role of small business is more nuanced. In 2025, small business accounted for 79.8% of gross value added in Surkhandarya, 77.5% in Fergana, and 75.8% in Namangan, but only 21.3% in highly industrialized Navoi. Across regions, the correlation between the small-business share and poverty is positive ($r = 0.72$). This does not mean small business increases poverty. Rather, it suggests that poorer and more agrarian regions often rely more heavily on small-scale activity, while richer regions may contain large industrial or high-productivity enterprises. Therefore, policy should focus on the productivity and formalization of small firms, not simply their numerical share.

***Table 1. Selected 2025 regional indicators in Uzbekistan***

| Region | Poverty rate, % | GRP per capita, thousand UZS | Small business share, % |
|---|---|---|---|
| Tashkent city | 3.5 | 138,525.6 | 53.1 |
| Navoi | 4.2 | 153,711.0 | 21.3 |
| Tashkent reg. | 5.3 | 55,983.7 | 57.1 |
| Surkhandarya | 6.1 | 27,212.8 | 79.8 |
| Kashkadarya | 6.5 | 31,774.8 | 73.0 |
| Karakalpakstan | 6.6 | 30,464.2 | 67.9 |
| Khorezm | 6.7 | 33,178.3 | 73.7 |

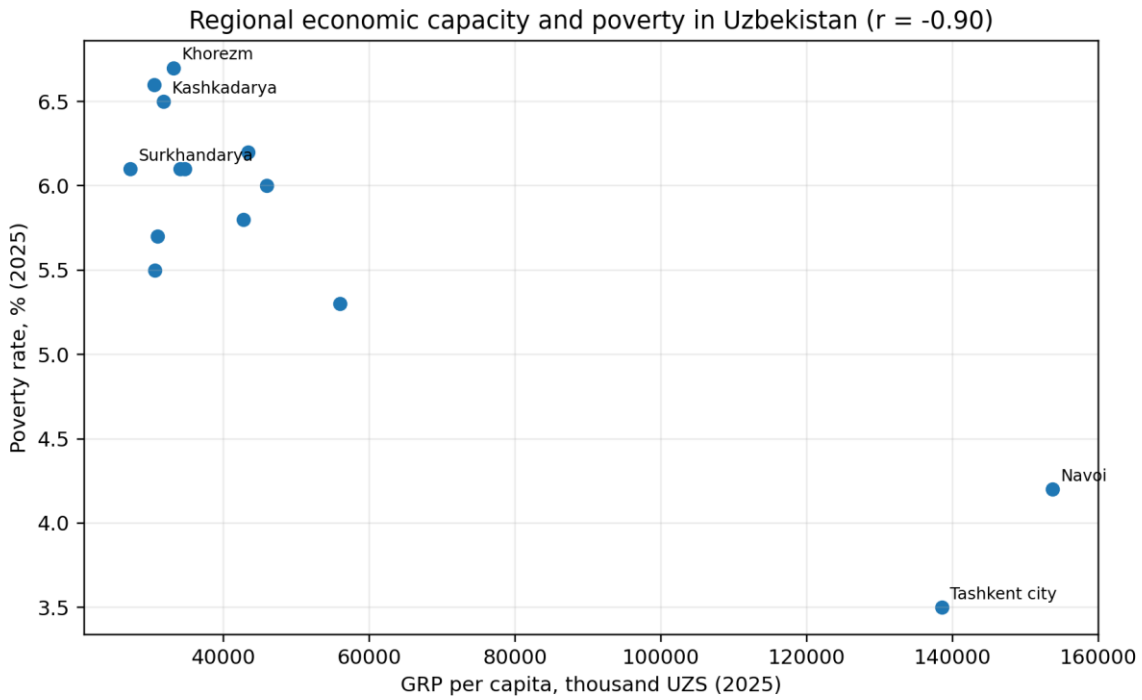


*Figure 2. GRP per capita and poverty across regions in 2025. Author's calculation based on official statistics.*

The World Bank's 2026 Poverty and Equity Assessment reinforces this interpretation. It notes that job creation has accelerated, but around 85% of new jobs are informal and two-thirds are concentrated in construction and trade. This means that the next stage of poverty reduction requires better jobs rather than only more jobs. Productive, formal, private-sector employment outside the capital is particularly important.

Regional resource policy should therefore begin with economic specialization. Agricultural regions need to move from raw production toward storage, processing, packaging, logistics, and branded food products. Tourism-oriented areas need road access, accommodation, guiding services, digital marketing, and local craft value chains. Mining and industrial regions should strengthen supplier networks so that local SMEs capture a larger share of procurement and service demand.

A second mechanism is productive entrepreneurship. Small business is a major employer and source of household income, but survivalist self-employment alone does not guarantee poverty exit. Access to working capital, market information, digital sales channels, vocational skills, quality standards, and procurement opportunities is necessary to raise firm productivity and wages.

A third mechanism is connectivity. Remote districts can have valuable land, tourism assets, or labor resources but still remain poor if transport and digital links to major markets are weak. Better roads, broadband, logistics, and affordable mobility increase the effective value of local resources by reducing the cost of reaching customers and jobs.

A fourth mechanism is human capital. The same natural resource can produce very different income outcomes depending on skills and technology. Vocational programs should therefore be aligned with each region's actual labor demand rather than delivered as generic training. The World Bank specifically recommends stronger

vocational and tertiary pathways linked to local labor demand and better transport and digital connectivity for lagging areas.

*Table 2. Regional resource-to-income mechanisms for poverty reduction*

| **Regional asset/problem** | **Economic mechanism** | **Practical instrument** | **Expected poverty effect** |
|---|---|---|---|
| Agricultural potential | Move from raw output to value-added chains | Cold storage, processing, cooperatives, standards, logistics | Higher farm and non-farm earnings |
| Tourism and cultural assets | Convert visitor flows into local spending | Guest houses, guides, crafts, digital promotion, routes | Local service jobs and household income |
| Mineral/industrial base | Local supplier development | SME procurement, skills, industrial services, clusters | Formal jobs and business growth |
| Labor-rich regions | Raise productivity of workers and firms | Vocational training, job matching, childcare, formalization | Higher wages and labor participation |
| Remote districts | Reduce spatial isolation | Roads, broadband, logistics, mobility | Access to markets and better jobs |
| High small-business share | Shift from survival to productive entrepreneurship | Finance, digitalization, accounting, standards, export support | More stable and scalable incomes |

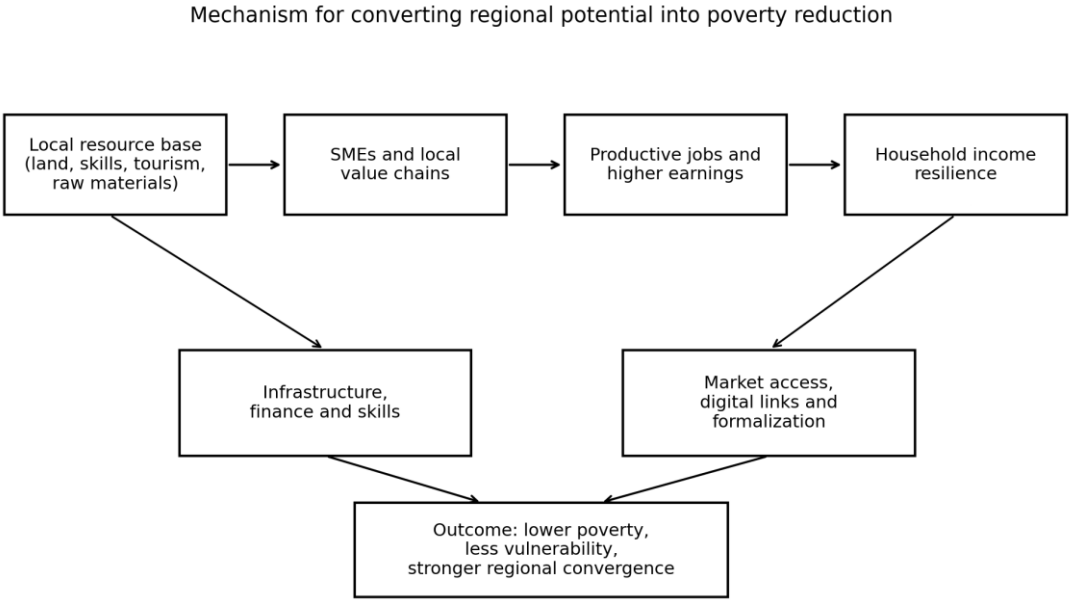


*Figure 3. Mechanism for converting regional potential and local resources into poverty reduction.*

Surkhandarya illustrates why a differentiated regional approach is necessary. In 2025 its GRP grew by 6.6%, market services by 14.1%, industrial production by 9.3%, and real aggregate household income by 9%. Agriculture still represented 37.4% of GRP, while small business generated 79.8% of gross value added. This structure implies that poverty reduction should focus on raising productivity in agriculture and local services, building processing and logistics chains, and helping micro and small firms move into higher-value activities.

Navoi requires a different model. Its GRP per capita is the highest among regions and poverty is relatively low, but the small-business share is only 21.3% because large industrial activity dominates. Here, poverty reduction can be strengthened through local supplier development, industrial services, skills matching, and stronger links between large enterprises and local SMEs.

These examples show why national poverty policy needs a regional resource map. A useful policy framework should identify: (1) the region's productive assets; (2) the main bottleneck preventing those assets from generating household income; (3) the target group that is excluded from the opportunity; and (4) measurable outcomes such as formal jobs, wage growth, business survival, or household income.

**CONCLUSION**

Uzbekistan's poverty reduction between 2021 and 2025 is substantial, but the remaining challenge is increasingly regional and structural. Poverty rates differ across territories because economic opportunities, productivity, infrastructure, skills, and market access remain uneven.

The 2025 regional comparison shows a strong inverse association between GRP per capita and poverty. At the same time, a high small-business share does not automatically imply low poverty; the decisive issue is whether firms are productive, formal, connected to markets, and able to create stable jobs.

The most effective mechanism for using local resources is therefore a chain: regional asset identification → local value-added production → productive entrepreneurship → formal employment and wage growth → stronger household resilience. Infrastructure, skills, finance, digital connectivity, and social protection act as enabling conditions.

Regional anti-poverty programs should be designed around measurable local constraints rather than uniform project lists. Agricultural regions need processing and logistics; tourism regions need service ecosystems; industrial regions need supplier linkages; remote regions need connectivity; and labor-rich regions need skills, childcare, and job matching. Such differentiation is essential for turning economic potential into sustained poverty reduction.

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