



THE ROLE OF THE INVESTMENT ENVIRONMENT IN ATTRACTING RESERVES TO THE ECONOMY OF UZBEKISTAN

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Abstract

In this research paper describes important component and factor of favorable investment attractiveness of economy of Uzbekistan. In the future, it is necessary to find measures to further intensify the attraction of local and foreign investment in the national economy of Uzbekistan.

Keywords: *component, economy, environment, intensify, investment, factor.*

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INTRODUCTION

The study of investment problems is always the focus of economic science. This is determined by the fact that investments are drawn to the deepest foundations of economic activity, determining the overall process of economic growth. The concept of investment (derived from the Latin word "invest", which means "clothing") is interpreted in virtually any dictionary as an investment in sectors of the economy at home and abroad. This definition is defined as specified in the laws "On investment activities", "On taxes on enterprises, associations and organizations", "On foreign investment". Thus, we provide a brief interpretation of these concepts in our national legislation.

Investments are all types of property and intellectual property invested in entrepreneurship and other activities, as a result of which a profit (income) is created or a social effect is achieved. The Law of the Republic of Uzbekistan "On Investment Activity" defines investments as tangible and intangible benefits and rights to economic and other activities. As the head of our state Sh. Mirziyoyev noted, "A country that pursues an active investment policy has achieved



sustainable growth of its economy. That is why investment is the driver of the economy, in other words, the heart of the economy”.

Indeed, in 2019 alone, foreign direct investment accounted for about 30 percent of investments made from all sources. Large investments have also been made in remote areas where industry is underdeveloped. Total value

145 network and 167 regional projects worth \$ 5.4 billion have been launched. The list of 1569 private and direct investment projects for 2020 has been approved. According to this program this year 233 trillion 200 billion soums, including \$ 7.1 billion in foreign direct investment and loans.

RESEARCH METHODOLOGY

The effective organization of investment activity also depends on the level of its legal security. Over the past years, a number of reforms have been implemented to create a favorable investment climate for attracting direct investment, the effective operation of enterprises with foreign investment.

However, in addition to the achievements in the field, there are also some shortcomings. In particular, the current investment legislation was causing some difficulties in law enforcement practice. More specifically, most of the procedures related to investment activities and protection of the rights of foreign investors are scattered and regulated by several laws, most of the rules are duplicated, and some important issues are determined by regulations and guidelines rather than by law and was creating contradictions.

MAIN DISCUSSIONS

"On measures to radically improve the investment climate in the Republic of Uzbekistan" of the President of the Republic of Uzbekistan. As stated in Decree No. PF-5495, it was necessary to further improve and implement the unified draft legislation in the field of investment activities, aimed at creating the most favorable conditions for investment. Initially, the concept of the Investment Code as a single document in the field of investment was developed and discussed. The project was later renamed the Law on Investments and Investment Activities.

This law is enshrined in the laws "On foreign investment", "On investment activities", "On investment and mutual funds", "On free economic zones", "On concessions", "On product



sharing agreements" and other documents, as well as systematically incorporated the norms contained in a number of legal documents.

The Law "On Investments and Investment Activities" prepared on this basis by the President of the Republic of Uzbekistan

It was signed on December 25, 2019 and is scheduled to take effect one month after its official publication.

The Law "On Investments and Investment Activities", which consists of 12 chapters and 69 articles, has been further improved by new procedures and rules that did not previously exist in the investment legislation. In particular:

- The basic principles of investments and investment activities are defined.
- Guarantees of legislation against unfavorable changes for investors have been further strengthened.
- The powers of local government authorities to regulate investments and investment activities have been expanded.
- The norm on "Investment visa" and the procedure for its registration is introduced.
- The procedure for concluding an investment agreement with the Government of the Republic of Uzbekistan has been established.

Investments are playing an important role in the modernization, technical and technological renewal of the economy, radical change and diversification of its structure, ensuring high sustainable and balanced economic growth. The following measures are being taken in our country within the framework of investment policy:

- Accelerate the process of building industrial enterprises;
- Encouraging the participation of private capital in financing the construction of industrial facilities;
- Improving the reclamation of irrigated lands in agriculture, the implementation of structural changes in the industry, modernization of production, technical and technological equipment;
- Further development of social infrastructure, transport and communication systems, reconstruction, construction of housing in rural areas on the basis of standard projects;



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- implementation of investment projects with rapid return on capital;
 - creation of opportunities for free operation of economic entities;
 - further liberalization of access to information and data related to investment activities;
 - Assessment of industrial enterprises.

The experience of developed countries shows that each country seeks to improve its investment policy and investment climate in order to attract large amounts of foreign investment into the country's economy, and begins with the creation of an organizational and legal framework for the investment climate. Uzbekistan has also paid special attention to this issue. In a short period of time, the country has managed to create a favorable investment climate and provide it with legal support through various laws. To date, dozens of laws and resolutions of the Cabinet of Ministers, presidential decrees and other normative legal acts have been adopted in the management of investment activities of small business and private entrepreneurship in our country. Investment activity of small business and private entrepreneurship in the Republic is regulated by the Law of the Republic of Uzbekistan "On Investment Activity". This Law consists of 28 articles, which include legislation on investment activities, basic concepts, types of investments, investment resources, rights and obligations of investors, their relations with other subjects of investment activities, state regulation of investment activities, centralized investments and their implementation. The investment program of the Republic, examination of investment projects, as well as other issues of investment activity are identified. The Law of the Republic of Uzbekistan "On measures and guarantees to protect the rights of foreign investors" is one of the main documents regulating the investment activities of small business and private entrepreneurship in the country, as well as foreign investment.

Today, the successful implementation of all our plans for the modernization and renewal of our country, the formation of a qualitatively new, modern structure of our economy, the integrated development of our regions depends on the rapid development of infrastructure. It is difficult to increase the competitiveness of products and ensure their access to foreign markets without the formation of a system of technological modernization and technical modernization. This, in turn, requires the involvement of national and foreign investors to address these challenges. The country is implementing a program of gradual modernization, technical and



technological re-equipment of the economy by attracting funds from the Fund for Reconstruction and Development of Uzbekistan, foreign direct investment and enterprises. As a result of the implementation of an active investment policy aimed at deepening structural changes based on modernization of production, technical and technological renewal, acceleration of commissioning of important high-tech facilities, development of transport and communication infrastructure, the volume of investments in Uzbekistan increased to 220.7 trillion soums. increased by 2 times compared to the forecast. It was noted that the volume of investments in fixed assets amounted to 189.9 trillion soums, and the growth rate compared to 2018 was 1.3 times.

The share of fixed capital investment in GDP increased from 30% in 2018 to the current 36.2% (the share of total investment in GDP amounted to 42.1% in 2019).

During the reporting period, more than 2,800 social, infrastructure and production facilities were commissioned: 145 large production facilities, 167 major regional projects, more than 2,500 social and infrastructure facilities.

Significant growth of investment activity amounted to 13.3 billion soums. is directly related to the inflow and outflow of foreign investment, which includes:

foreign direct investment and loans - 9.3 billion soums USD (including fixed capital - \$ 6.6 billion;)

state-guaranteed foreign investments and loans - 4.0 billion soums USD (including fixed capital - \$ 3.2 billion).

At the same time, the share of disbursed foreign direct investment and loans in total investment reached 37% (for comparison, in 2018 this figure was 10.5%).

In Central Asia, the growth of foreign investment averaged 8-10%, while in the Republic of Uzbekistan this figure was 3.2 times compared to the same period in 2018 (\$ 2.9 billion, including \$ 1.6 billion in fixed assets) (9 , \$ 3 billion, including fixed capital - \$ 6.6 billion) and provided the republic's leadership in terms of growth among Central Asian countries.

China, Russia and Germany have become the main foreign partners in attracting foreign investment to the Republic. The total number of countries investing in the economy of



Uzbekistan has exceeded 50. The share of major investor countries in total foreign direct investment and loans decreased to 34%.

Compared to 2018, the active growth of foreign direct investment and loans attracted the production of electrical products (growth - 7.5 times), metallurgy (growth - 4.6 times), textiles (growth - 2.5 times), leather. footwear (growth - 2.1 times) and oil and gas (growth - 2 times).

The growth rate of foreign direct investment and credit flows will be strengthened in projects of regional significance, the total volume of which will reach \$ 4.8 billion in 2019 (including \$ 4.2 billion in fixed assets), which is 4 times more than in the corresponding period of 2018. and increased 24-fold compared to 2017. Only with the participation of foreign capital, 167 projects worth \$ 858.5 million were commissioned in the regions.

According to the investment program, in 2020, about 233.2 trillion soums will be invested in fixed assets from all sources of financing. It is planned to develop capital investments in the amount of 7.1 billion soums, including foreign direct investment and loans. USD, state-guaranteed foreign investments and loans - 2.7 bln. dollars is planned to be disbursed.

In 2020, it is planned to commission more than 2,000 social, infrastructure and production facilities: 206 large production facilities, 240 regional production facilities, 1,600 social and infrastructure facilities.

Disbursement of IFI / IFRS funds in the framework of industry projects

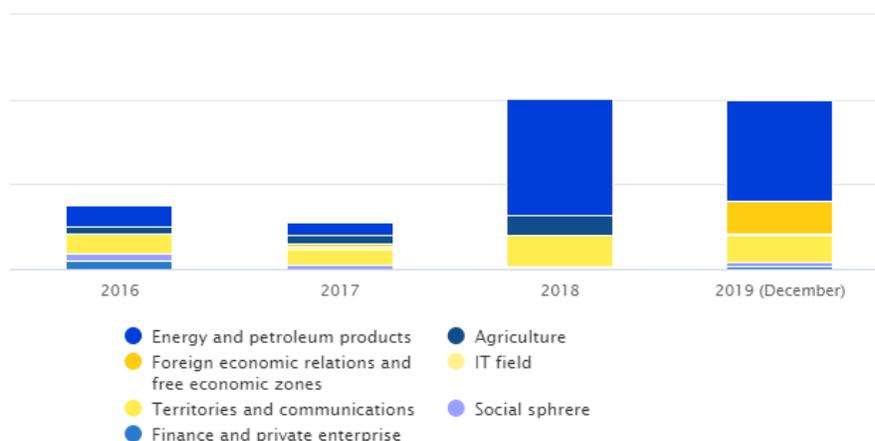




Fig.1.Attracting reserves to the economy of Uzbekistan

One of the important features of the investment process in Uzbekistan today is the active participation of enterprises in the implementation of the investment program at the expense of their own funds.

Investment policy envisages not only increasing the volume of capital investments, but also improving the structure of their reproduction, directing investments to more efficient and competitive industries. It is noteworthy that in this system, the enterprise is the main base, and each investment project is implemented on the scale of a particular enterprise, which, depending on the type of economic activity, belongs to a particular industry (sector). Also, if it reflects the attractiveness of regional investment because it is located in a particular region, when all regions are combined, this figure is reflected at the national level.

In order to pursue an effective investment policy, the state prioritizes the following principles:

- further liberalization of foreign economic activity;
- further improvement of legal, socio-economic and other conditions that ensure the wide attraction of direct capital investment in the economy of the republic;
- Consistent implementation of the policy of creating favorable conditions for foreign investors, bringing to our country modern technologies of world standards, helping to create a highly efficient structure of the national economy, and directing funds to the most important priorities. In our opinion, it is expedient to focus on attracting investments for the development of the national economy and production in the following areas:
 - modernization of the textile and textile industry, development of work with synthetic and man-made fibers, based on the potential of the national agro-industry, based on foreign investment and their best practices;
 - beautification of remote areas, cities and rural areas, expanding access to alternative energy sources in order to improve their welfare, attracting investment in industrial enterprises that create a competitive environment in the market of various energy and energy sources;
 - Further expansion of the construction of individual housing in rural areas on the basis of standard projects.



- Rapid development of the railway communications system, in particular, special attention to the reliable connection of all regions of the country with the communication networks that provide the bulk of freight traffic;

- Active investment policy should be the most important condition and source of measures taken to modernize and modernize the country, increase and coordinate their production capacity through investments in the regions.

CONCLUSION

In general, the business environment in our country is an important component and factor of favorable investment attractiveness.. In the future, it is necessary to find measures to further intensify the attraction of local and foreign investment in the national economy of Uzbekistan. Solving the problem of structural reconstruction in industries and regions can be achieved by expanding the scope of investment and at the same time increasing their efficiency. In order to increase the volume and increase the efficiency of investments in the national economy of Uzbekistan, we believe that the following measures should be taken:

- implementation of measures to attract free funds of the population to the investment process;

- expansion of the use of leasing, factoring, which are non-credit methods of financing investment projects;

- organization of a permanent exhibition of investment projects in order to improve the quality of investment projects, the compliance of projects with the requirements of capital investment efficiency.

- creation of a system of benefits for foreign investors in some industries and regions (including free economic zones);

- clear delimitation of property and powers between business entities, higher authorities and local authorities;

- creation of a stable economic foreign trade legislation, including a regulatory framework for free economic zones and concessions;

- tax reduction and simplification of the tax structure;

- creation of an effective mechanism for insurance of foreign investments;



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- implementation of measures to de-monopolize the economy;
 - privatization of basic sectors of the economy on individual projects;
 - sale of a part of shares of joint-stock companies to foreign investors in stock markets and other markets;
 - sale of enterprises producing goods and services to foreign investors.

We believe that the implementation of these recommendations will ensure the stability of the investment climate and, on this basis, the active attraction of domestic and foreign investment in the national economy.

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