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## Prospects for attracting investment in the economy of Uzbekistan

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### Abstract

The last decade has seen an increase in the inflow and activity of foreign direct investment in our country. Every country strives and tries to attract foreign investment into its economy and to take advantage of direct and indirect use of foreign investment. We can also see from the experience of foreign countries that today foreign investment plays a key role in global development. Therefore, the subject of this article is about capital inflows into the Republic of Uzbekistan. Research of some theoretical bases of foreign investments in the regions of the Republic, analysis of change indicators, analysis of problems in attracting foreign investments. To achieve this goal, the following points should be covered:

- General information on the strategy for attracting and managing foreign investment in the Republic of Uzbekistan;
- Study the problems of attracting foreign investment to the Republic of Uzbekistan;
- Analysis of investments in fixed assets by regions;

**Keywords:** Investment, foreign investment, fixed assets, long-term experience, strategic area, strategic field, direct investment, analysis of investments, joint ventures, foreign investor, leasing agreements

### Introduction

Foreign investment is all the property, financial, intellectual wealth that foreign investors mobilize in the economy, entrepreneurship and other activities of another state in order to achieve a high level of income and efficiency. Foreign investment, unlike domestic investment, is a source of external financing. They are attracted to the national economy from abroad, encouraging their arrival. But not all forms of attracting foreign capital can be an external source of funding. This primarily applies to loans and borrowings that require repayment with interest payments. This is because foreign loans and loans from international financial institutions require the repayment of fixed interest rates along with the principal over time. There are specific differences between foreign investment and foreign loans. In this regard, the scope of risks of foreign investment differs from the breadth of risks of foreign loans.

Investments are the costs of building new enterprises, the purchase of machinery and equipment, the construction of new capital. The amount of investment costs depends on two factors: the first is the expected rate of net profit, which is calculated by entrepreneurs from investment costs. Intends to receive; the second is the interest rate or the price that an entrepreneur must pay to have the money needed to buy real capital. If the expected rate of return is higher than the interest rate, the investment is profitable, and vice versa, if the interest rate is higher than the expected rate of return, the investment is not profitable. Any form of property directed from one state to another for profit can be called a full-fledged foreign investment. But there are forms of ownership that we cannot call foreign investment. For example, an embassy is the property of a foreign state, or if a foreign citizen buys a private house, it is the property of a foreign person, but it cannot be a foreign investment. <sup>[1]</sup>

### Main Part

All developed countries are trying to attract foreign investment to their economies. They are directing foreign investment in strategic sectors of the economy, industry, medical institutions and other important sectors that require development. At the same time, a number of restrictions are imposed, based on the need to protect domestic producers and maintain employment. However, it is necessary to attract foreign investment in economically important areas.

International and long-term experience of developed countries shows that external debt can also be a reason for countries to use political pressure and incentives to protect the domestic market in unfavorable conditions. Therefore, the attraction and proper management of foreign investment should be in line with the strategic interests and priorities of the state. However, before making a decision, that is, before directing investments, it is necessary to determine the direction. For example, "strategic field" and "strategic areas" should be targeted. There should be no formal restrictions on investments. The Uzbek economy will have a healthy economic environment only after creating favorable conditions and opportunities for foreign investment. Direct investments in the main objects of transport infrastructure - railways and pipelines, federal highways; in the social sphere - involvement in pension funds, education, medicine, basic cultural facilities, civil aviation, communications, banking, development of these infrastructures and meeting the needs of the population.

Attracting direct investment in the real sector of the economy is one of the main problems of economic policy of Uzbekistan basic reforms, the legal and administrative framework for foreign investors, specific incentives for investment flows. The strategic goal of the policy in attracting foreign investment to the Uzbek economy is to create favorable conditions for foreign investors to invest and provide them with benefits. This will require serious preparations to change taxes, the investment climate and corporate laws, which will help speed up the investment process. The national order of the existing economic system in Uzbekistan is not very favorable for foreign companies. It is desirable that the existing principles of national relations in Uzbekistan be supplemented by a number of benefits and guarantees for foreign investors.

Today, there are several forms of attracting foreign investment:

- Establishment of joint ventures through joint ventures;
- Establishment of foreign enterprises in which 100% of the property belongs to a foreign investor;
- Establishment of subsidiaries and branches of large foreign companies and firms;
- Conclusion of concession and leasing agreements;
- Announcement of tenders;
- Establishment of free economic zones;
- Sale and purchase of financial assets <sup>[1]</sup>.

The investment attractiveness of our country is also due to the existence of large-scale sales markets, the development of transport infrastructure integrated into the multimodal communication system, which determines the prospects for investment and trade and economic cooperation in Eurasia. Foreign companies investing in Uzbekistan have access to five major and fast-growing markets - the CIS, Central and Eastern Europe, South and Southeast Asia, and the Middle East, with markets of more than 300 million people. It contains the basic provisions of international investment law, including the guarantee of the rights of foreign investors, the provision of certain preferences to investors, and more.

The investment legislation of the Republic of Uzbekistan occupies one of the leading positions in the legal system of the CIS countries. Laws on "Foreign Investments", "Investment Activities", "Guarantees and Measures to

Protect the Rights of Foreign Investors", as well as a number of resolutions adopted by the President and the Government normative legal acts to attract foreign investment in the Republic of Uzbekistan serves as a solid basis for legal regulation <sup>[2]</sup>.

### Research Findings and Analysis

It should be noted that mutually beneficial cooperation with foreign partners is yielding good results. After all, Uzbekistan is trying to create all the conditions to strengthen the confidence of foreign investors. The public investment policy of our country is designed for the long term and is aimed at creating all the necessary conditions for the effective operation of investors. Uzbekistan's geographical location, well-developed transport network, abundant natural resources, highly developed production and social infrastructure, among other factors allow investors to look to the future with confidence.

Based on the data in the table below, we will study and analyze investments in fixed assets in the Republic of Uzbekistan in 2015-2019.

As can be seen from the data in the table, as a result of measures aimed at creating a favorable investment climate in our country, the amount of investment in fixed assets has been growing over the years. In the signed resolution of the President "On measures to implement the Investment Program of the Republic of Uzbekistan for 2019", investments under the Investment Program for 2019 The main parameters of capital investment, the forecast of commissioning of social, housing, engineering and transport infrastructure facilities, as well as the commissioning of facilities and production facilities were also determined.

#### • Also financed by centralized investments

-targeted program for construction and reconstruction of land reclamation facilities, as well as the purchase of equipment; construction and reconstruction of roads, bridges and overpasses, as well as targeted program for the purchase of equipment and machinery; construction, reconstruction, overhaul and equipping of higher education institutions, specialized Olympic reserve boarding schools, children's music and art schools, medical, research, general education and preschool education facilities targeted programs; targeted programs for construction and reconstruction of drinking water supply and sewerage facilities; Targeted program of development of the Aral Sea region with the organization of project financing in the Republic of Karakalpakstan and Khorezm region; thirdly, targeted program of investment projects implemented with the involvement of foreign loans guaranteed by the state; targeted program of investment projects with the involvement of the Fund for Reconstruction and Development of the Republic of Uzbekistan; integrated targeted program of investment development within the framework of sectoral investment projects;

#### • Financed by decentralized investments

Targeted program of sectoral investment projects involving foreign direct investment and loans; targeted program of regional investment projects with foreign direct investment; investment projects that require acceleration of pre-project and project documentation development, coordination and approval are included in the plan

**Table 1:** Investments in fixed assets per capita

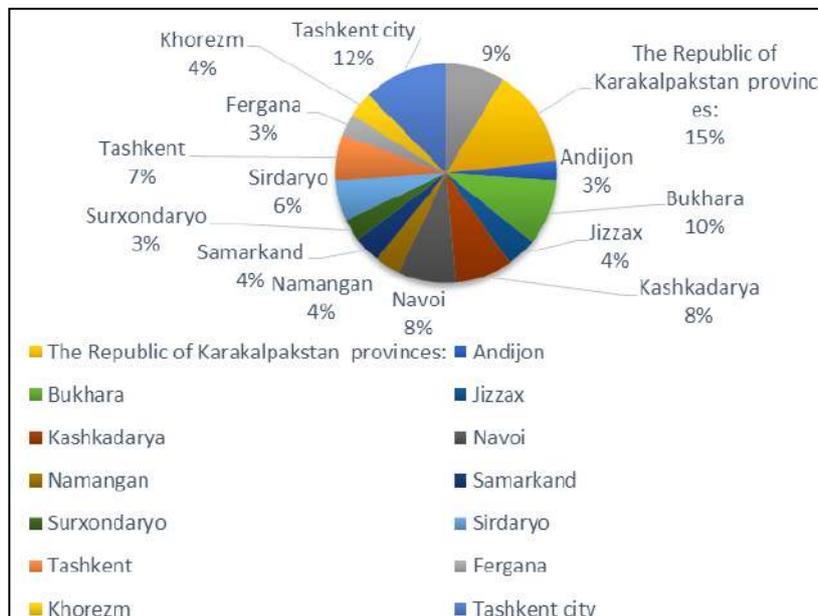
|   | in a thousand soums |        |        |         |         |
|---|---------------------|--------|--------|---------|---------|
|   | 2015                | 2016   | 2017   | 2018    | 2019    |
| The Republic of Karakalpakstan provinces: | 3388.2              | 2094.0 | 1542.2 | 3641.1  | 4476.7  |
| Andijon                                   | 678.4               | 745.3  | 999.6  | 1550.3  | 2642.3  |
| Bukhara                                   | 2264.0              | 3237.6 | 6254.2 | 5105.4  | 5167.3  |
| Jizzax                                    | 1033.1              | 1125.1 | 1361.9 | 2693.9  | 5792.3  |
| Kashkadarya                               | 1969.9              | 2389.3 | 3583.4 | 5193.4  | 7246.1  |
| Navoi                                     | 1965.1              | 3168.1 | 4185.4 | 10920.2 | 17985.7 |
| Namangan                                  | 863.8               | 1074.8 | 1340.3 | 2992.5  | 4380.8  |
| Samarkand                                 | 912.0               | 1001.6 | 1189.4 | 1878.3  | 2552.7  |
| Surxondaryo                               | 773.0               | 879.1  | 1427.1 | 2848.3  | 4705.5  |
| Sirdaryo                                  | 1382.2              | 1660.3 | 2011.1 | 3280.2  | 7312.4  |
| Tashkent                                  | 1595.0              | 1507.5 | 2087.2 | 3898.4  | 5799.9  |
| Fergana                                   | 731.6               | 747.8  | 822.4  | 1516.8  | 2465.1  |
| Khorezm                                   | 884.7               | 885.8  | 1215.1 | 1655.6  | 3007.2  |
| Tashkent city                             | 2877.4              | 3848.1 | 5552.7 | 10627.8 | 16332.0 |

\* stat.uz

From the data in the table we can clearly see that the share of investments in fixed assets in all regions of the country is growing from year to year. We can see that most of this growth was in Bukhara region and the cities of Tashkent. In addition, in Kashkadarya, Navoi, Namangan and regions in 2019 there was a positive growth compared to previous years.

Comparing the results of the analysis with 2018-2019, we can see significant changes. Due to the laws and favorable

conditions created in these years, Andijon (70.4%), the Republic of Karakalpakstan (23%), Bukhara (1.2%), Jizzakh (115%), Kashkadarya (39.5%), Navoi (64.7%), Samarkand (36%), Surkhandarya (65.2%), Syrdarya (112.9%), Tashkent region (48.7%), Fergana (62.5%), Khorezm (81.6%) and Tashkent city (53.6%). These data show that the flow of investments in Jizzakh, Syrdarya, Khorezm, Andijon regions in 2019 increased significantly compared to 2018. \*



**Fig 2:** Investments in fixed assets per capita

In the diagram below, we can clearly see the share of fixed capital investment attracted by regions. In general, investments in fixed assets have a high share in Tashkent, the Republic of Karakalpakstan and Bukhara region.

### Conclusion

During the transition to a digital economy, today it is becoming more and more important to expand cooperation with foreign investors, create new types of production, as well as create additional jobs. Announcing and providing information on the rating of favorable conditions created for investors in the regions will create

\*the diagram was prepared by the author on the basis of statistical data an opportunity to attract foreign investment to sectors and regions of the economy by creating a good investment climate. In addition, investments will help increase the living standards of the population by ensuring sustainable economic growth and job creation.

Each country seeks to attract more foreign investment into its economy and take advantage of direct and indirect foreign investment. Today, foreign investment plays a crucial role in global economic development. We all know that Uzbekistan is rich in natural resources, especially mineral resources. There are large-scale projects aimed at the proper use of resources and attracting foreign investment in related sectors. However, external flows to Uzbekistan should enter not only the main sector, but also the services sector. In general, other foreign investments are mostly directed to Tashkent, Navoi and Bukhara regions. It is expedient to diversify them. There are some problems with investing in Uzbekistan. For example, bureaucracy and lack of legislation in Uzbekistan are strong barriers to investment. Recently, Uzbekistan has significantly increased its position as a region for attracting foreign investment. This is very important for the economy of our country. Foreign investment is one of the important foundations for Uzbekistan's economic growth. Acceleration of the process of attracting investment to the economy of Uzbekistan requires proper diversification of sources of investment flows to the country, both at the expense of economically developed countries and dynamically developing markets. Should be aimed at overcoming obstacles, using a system of guarantees focused on the specifics of foreign investment, and compensating for the drawbacks of the developed investment climate.

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