

ANALYSIS OF INVESTMENTS AND DIRECTIONS OF INVESTMENT ACTIVATION IN UZBEKISTAN

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Abstract: The article analyzes trends in the dynamics of key indicators of investment activity for 2010-2017 in the Republic of Uzbekistan. In the context of innovative development of the economy, great importance should be given to intensifying investment activities in the context of implementing comprehensive measures based on the development strategy of the Republic of Uzbekistan. As shown by the bibliographic analysis of special economic and legislative literature on this issue, that the formed material and information, organizational and economic institutions, including political stability, established guarantees for the protection of the rights of foreign investors, combined a significant increase in the volume of attracted investment. And also the problems of investment analysis are examined and on its basis the ways of activating investment activity in the Republic of Uzbekistan, including at the regional level.

Key words: innovation, investment, investor, investment analysis, organization of investment activities, mechanism for organizing investment activities, enterprises, fixed assets, efficiency, economic growth.

In the conditions of innovative development of the economy, the formation of material, information, organizational and economic infrastructure, including the most favorable

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business conditions such as political and macroeconomic stability, established strong guarantees to protect the rights of foreign investors. For them the extensive system of benefits and new horizons for investment in Uzbekistan have been envisaged. In addition, foreign investors are attracted to this region due to a number of vital factors: lower prices for raw materials, energy resources and availability of highly skilled labor force. The Government of the Republic is pursuing an active policy in order to create the most favorable conditions for foreign investors. The introduction of the convertibility of the national currency on current international operations and the strategy of ongoing reforms in the country create a solid foundation for the implementation of projects involving foreign capital.

As the President of the Republic of Uzbekistan Sh.Mirziyoyev emphasized: “In 2017, 21 high-level visits were held with the leaders and representatives of more than 60 states and international organizations. As a result, more than 400 agreements were concluded, and trade and investment contracts were signed in total for almost 60 billion US dollars” [1, p. 19].

The positive changes taking place in Uzbekistan increase the interest for the country on the international arena, strengthening the republic's status in the world community [8].

The republic has created a wide system of legal guarantees and benefits for foreign investors, which is based on the Laws On Foreign Investments, On Investment Activities, On Guarantees and Measures to Protect the Rights of Foreign Investors and On Protection of the Rights of Foreign Investors in the Securities Market. These legal acts provide foreign investors with a fair and equitable treatment, protection and security. In addition, an integrated system of additional measures to stimulate the activities of enterprises with foreign investment, including tax incentives and preferences, has been developed.

Investments play a priority role in the development of the economy of any country, contributing to the expansion of reproduction, the development of new non-traditional productive sectors and the development of a resource base. However, the flow of investment depends on various factors, the main one being the country's investment climate.

It is known that the most important factor in carrying out the economic activity of any enterprise determines its competitiveness. An important condition for expanding the production capacity of the enterprise is the accelerated renovation, reconstruction and modernization of fixed assets, which requires significant investment. Namely, the final results of financial and economic activity of enterprises directly depend on the volume of investments in fixed assets. In this regard, the urgency of carrying out a detailed and comprehensive economic analysis of the level, structure and directions of investment, as well as on this basis, determine ways to improve the efficiency of reproduction of fixed assets and enhance investment activities.

In the course of implementation of large-scale market reforms implemented in Uzbekistan, a mixed economy was formed, the main economic entity of which is an entrepreneur, rationally and effectively connecting the factors of production in economic activity [2, p. 138-140.]. With the attainment of independence in the country, the creation of a favorable investment climate is one of the central tasks of economic policy.

Based on the analysis of the volume of capital investments directed to the economy and changes in their structure during the period of economic development of the country in years 2010-2017, one can notice a qualitative improvement in the structure and growth of investment.

For example, in 2010 the volume of investments invested in fixed assets amounted to 15338,7 billion UZS, or increased by 108,7% to the previous year. Of the total funds for the share of the population and enterprises in 2010 accounted for 49,0%, bank loans and other borrowed funds – 9,7%, foreign investments and loans – 28,3%, state budget – 5,6% and out-of-budget funds (including funds of the Fund for Reconstruction and Development, Fund for Reclamation of Irrigated Lands) -7,4%.

Based on the analysis of trends in the dynamics of investment in fixed capital, it should be noted that the lowest growth rate of 103,8% was observed in 2011, the highest growth rates were observed in 2012 and 2013, respectively 112,7 and 112,1% (Table 1).

According to statistics in 2017, the volume of investment invested in fixed assets relative to 2010 (15338,7 billion UZS) exceeded almost 4 times and amounted to 60719,2 billion UZS or 107,1% more against the previous year. The structure of investments in 2017 by sources was as follows: the funds of enterprises and the population amounted to 43,9%, bank loans and other borrowed funds 11,0 %, foreign investments and credits 26,9 %, state budget funds 5,5% and extra budgetary funds (including the funds of the Reconstruction and Development Fund, the Children's Sports Development Fund) 12,7%.

Table 1

The growth rates of the main indicators of investment activity in 2010-2017 (as a percentage of the previous year) [6, p.235; 7, p.69]

Indicators	2010 y	2011 y	2012 y.	2013 y.	2014 y.	2015 y.	2016 y.	2017 y.
Investments in fixed assets	108,7	103,8	112,7	112,1	109,9	109,6	107,7	107,1
Construction works	105,1	107,8	113,7	117,2	117,6	118,8	110,2	109,8
Commissioning of the total area of residential buildings	115,4	103,9	112,7	103,6	106,3	105,5	105,6	106,3

The analysis shows that in Uzbekistan in 2010-2017 the volume of construction work increased by 4.7 points, according to 105,1% to 109,8%. The intensive growth of construction works was observed in 2012-2015, when the growth rate of their volume was from 113,7 to 118,8%, that is, this indicator grew by 5.1 points. As a result of the state employment policy, the living conditions of the population have been improved.

To date, in order to create favorable conditions for ensuring employment of the population and meet the demand of economic entities for enterprises in the labor force through economic stabilization, improve the quality and competitiveness of the workforce, develop the system of training personnel and improve public policy, the program "On the Strategy for Further

Development Uzbekistan”, where special attention is paid to the social sphere, was introduced, and it aims at a gradual increase in the improvement of the social protection and health protection of citizens, the increase in the social and political activity of women, the implementation of targeted programs for the construction of affordable housing, the development and modernization of road transport, engineering, communication and social infrastructures, the development of education, culture, science, literature, art and sport and the improvement of the youth policy of the state [9].

Based on the strategy for the next 5 years, it is planned to implement sectoral programs providing a total of 649 investment projects worth 40 billion USD. As a result, the production of industrial goods is expected to increase by 1.5 times, its share in GDP increasing from 33.6 percent to 36 percent and the share of processing industry from 80 percent to 85 percent.

In particular, the country provides for the unconditional implementation of employment programs by creating 256.4 thousand jobs through the implementation of about 25 thousand investment projects for the integrated development of regions. In regions with the highest level of unemployment, it is planned to create 46,800 new jobs and allocate loans to 10,000 graduates of educational institutions for organizing entrepreneurial activities [10].

At the expense of the Fund for Reconstruction and Development, 8 major investment projects were co-financed in strategic sectors of the economy, including “the organization of production of synthetic liquid fuel on the basis of purified methane of the Shurtan GCC”, “compensation for retiring capacities at Mubarek Gas Processing Plant”, “construction of three new sulfur gas cleaning units; development of the Yoshlik 1 (Dalnee) deposit, “construction of a cement plant in the Sherabad district” and others. In general, the volume of utilized investments by the Fund grew by 1.3 fold, having amounted to more than USD 1.0 billion. As a result, the Fund’s share in the total investment volume accounted for 8.5% comparing to 4.9% in 2016. [5, p. 6].

In Uzbekistan, GDP growth in 2016 slowed slightly to 7,8% from 8% in 2015. Growth was supported by the development in the services sector (12,5%), agriculture (6.5%) and industry (5%), based on the adopted development programs for 2016-2020 for infrastructure, industry,

agriculture and services, including tourism. The macroeconomic situation in 2017 in the country was formed in the context of the implementation of consistent measures for the innovative development of the economy. Priorities were aimed at strengthening macroeconomic stability and maintaining high economic growth rates, increasing its competitiveness, continuing reforms to reduce the state's presence in the economy, strengthening the role of private property, stimulating the development of small business and entrepreneurship, integrated and balanced socio-economic development of regions, actively attracting foreign investment as a result of improving the investment climate. As a result, by the end of 2017, the GDP in the republic was 249136.4 billion UZS at current prices and grew by 5.3% compared to the previous year. The dynamics of the absolute growth of investment in the fixed capital of the Republic of Uzbekistan in 2010-2017 is more graphically reflected in Fig. 1.

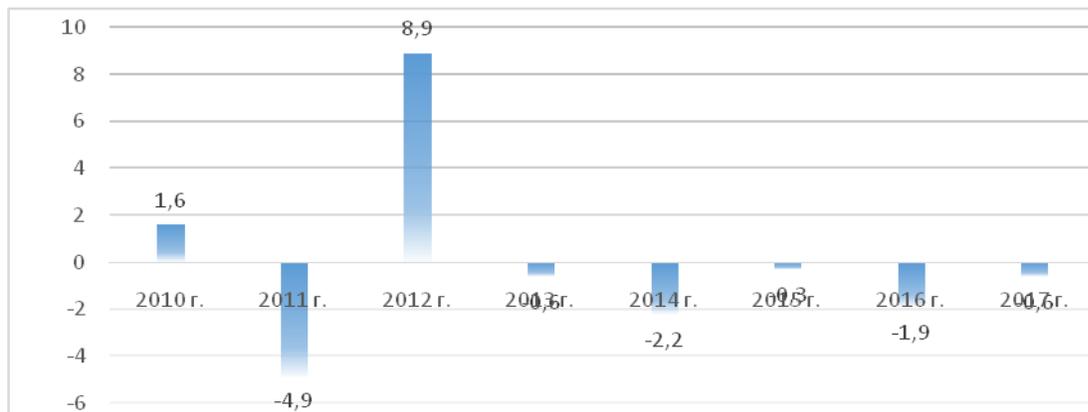


Fig. 1 Graphical representation of the tendency of absolute growth of investment in fixed capital of the Republic of Uzbekistan 2010-2017 [6, p.235; 7, p.69]

Experience shows that financing of investment in fixed assets can be carried out at the expense of own and attracted sources. In structure of own sources of financing of capital investments depreciation charges, profit and other own sources (incomes from liquidation of the basic means, insurance indemnifications, etc.) are of the greatest importance. The attracted sources of capital investments may include investment credit, government subsidies and financial leasing.

The volume of utilized direct and other foreign investments in fixed assets exceeded \$ 2,4 billion in 2017, in particular, the growth of utilized direct and other foreign investments amounted to 1.4 times

compared to 2016. Their share in the country's total investment grew during the year from 15.3% to 20.4%. The amount of funds of the Fund for Reconstruction and Development of the Republic of Uzbekistan, mastered strategically important large investment projects in construction amounted to over USD 1.0 billion. with an increase of 84.8 % compared with 2016.

In Uzbekistan, they intend to publish regularly the rating of investment attractiveness of regions within the framework of the State Program of 2018 - "Year of active entrepreneurship, innovative ideas and technologies". The draft state program notes that before June 1, 2018, a normative legal act will be developed to prepare a rating for the investment attractiveness of the regions. The rating will help assess the conditions created for investors in the regions of Uzbekistan. Among the investors are companies from the USA, Turkey, South Korea, Germany, Russia and Japan.

At the same time, in 2011-2016, the volume of foreign investment in Uzbekistan decreased by 40 percent - from \$ 3.3 billion to \$ 1.9 billion. To attract large investments in Uzbekistan, the State Committee for Investments was established by the presidential decree of March 31, 2017. The State Committee is committed to the fullest implementation of Uzbekistan's investment potential, further improvement of the investment climate, the quality development of annual investment programs and the formation of the most favorable conditions for attracting foreign investment.

The introduction of the convertibility of the national currency on current international operations and the strategy of reforms in Uzbekistan create a solid basis for further liberalization of the economy and the implementation of projects involving foreign capital. In 2018, the EBRD implements in Uzbekistan 15 projects worth more than \$ 186 million [11].

The structure of sources of financing investments in fixed assets in Uzbekistan is presented in Fig. 2.

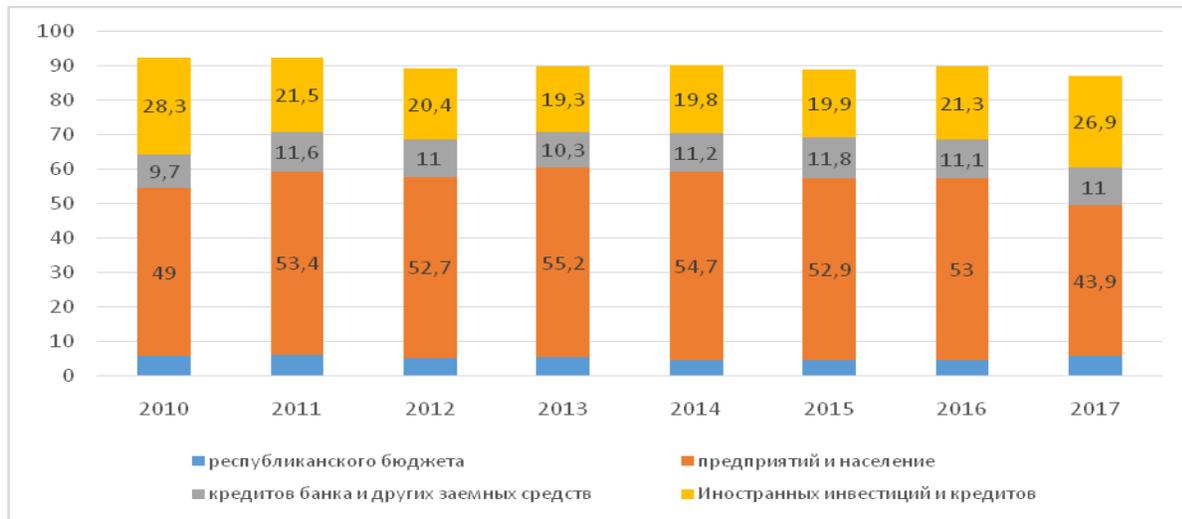


Fig. 2 Sources of investment financing of investments in fixed assets in Uzbekistan 2010-2017 [6, p.236; 7, p.69]

Currently, most economic entities operating in Uzbekistan do not manage to provide a full-fledged direction for their own savings in the investment process. In this regard, a new, more sophisticated mechanism for organizing investment innovation is required. According to many economists, further improvement and clarification of the current regulatory and legal framework, the formation of organizational and administrative structures at the state and regional levels that will promote the introduction of innovative technologies through investment funds are required [3, p.173]. Such structures can include insurance, audit, outsourcing firms, investment and financial organizations, etc.

Relations between entities should be built on a competitive basis in order to maintain closed systemic contacts, as well as to protect against unfair competition in the investment and innovation sphere. Expanded reproduction of industrial enterprises is largely determined by the factors of utility or high profitability of innovative projects. Without applying innovative development and obtaining from it a commercial result, it is impossible to justify the expediency of using innovation. As a result of statistical analysis it was revealed that for industrial enterprises significant factors of commercialization of innovations are the availability of a production base, as well as the availability of the necessary resources to achieve the production of more competitive products in the future [4, p.46]. Activation of investment and innovation

activities is impossible without improving the incentive mechanism. One of such measures may be tax support for investors.

One of the actual measures may also be the introduction of a functional system for insurance of investments in the sphere of innovative activity, which is expressed in tax or state support of insurance companies that assume the risks of innovation. At the level of the regional agrarian sector, methodical support becomes important, with the use of modern innovative projects. Methodical support of potential innovative investors and strategic assessment of investments in this area can be carried out by governors, in the context of individual regions together with research centers established on their territory.

The active use of the leasing mechanism in the investment process will make it possible to intensify the innovation and investment activities of the agrarian sector entities, promote the renewal of their resource and technical base, and increase the competitiveness of products.

Thus, an effective reproductive process of fixed capital is impossible without attracting a sufficient amount of investment, which must have the signs of innovation. The activation of investment and innovation activity involves the updating and improvement of all the above cumulative components of system elements that cannot be implemented without adequate state support at both regional levels.

The state investment policy for the development of investment activities should be focused on creating a favorable investment climate and conditions for the revitalization and growth of industrial, structural, entrepreneurial and investment activities of the subjects of the national economy. And also, it is necessary to provide functionality and target certainty of actions of subjects of national economy on increase of production efficiency on the basis of technological renewal. Carrying out the analysis of investments it is possible to draw conclusions about the direction of activation of investment activity in Uzbekistan. In our opinion, it is necessary to improve the state's investment policy in the field of science and technology development and focus on the following measures:

- development and improvement of regulatory and legal support for investment activity, tax incentive mechanisms and introduction of its instruments into economic circulation;
- development of the infrastructure of the innovation process, including information support systems, expertise, financial and economic, industrial and technological support, certification and promotion of development, training and retraining of personnel;
- development of innovative private entrepreneurship by creating favorable conditions for the creation and successful functioning of small high-tech organizations and providing them with state support at the initial stage of their activities;
- choosing a relatively small number of the most important basic technologies that have a decisive influence on increasing the efficiency of production and the competitiveness of products in the sectors of the economy and ensuring a transition to an innovative way of life;
- Assistance to accelerated industrial development of national and foreign scientific and technological achievements of world standards and reproduction of natural resources.

We are convinced that the improvement of the investment incentive system is the most effective option since contributes to the growth of domestic sources of financing, which are an important indicator of confidence in the policy of reform.

The growth of such savings will reduce the external debt of the country and contribute to technological development more than direct regulation of the money supply. When formulating state policy and strengthening innovation activity, it is advisable to:

- ensure interrelation between economic, social, scientific and technical aspects of development within the framework of a single strategic innovation policy;
- Account for the degree of uncertainty of innovation processes;
- ensure freedom of scientific and technical creativity, legal guarantees of intellectual property and

promotion of competition in science and technology;

- ensure concentration of resources on priority areas of science and technology and flexibility of innovation policy;

- integrate education, science and business;

- promote international cooperation in the context of globalization.

In conclusion, it should be noted that the above measures to improve investment and innovation activity and development of the national economy of Uzbekistan contribute to the development of scientific and technological potential, sustainable growth, increasing the competitiveness of the national economy and creating guarantees for the economic security of the country in the future.

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