

INVESTMENTS IN CONDITIONS OF DIVERSIFICATION OF UZBEKISTAN

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Annotation. This article is devoted to the analysis of current investment trends in the diversification of the national economy and the development of proposals to increase investment potential. The growth rate of investment in the regions of the country in recent years has been analyzed. Conclusions are drawn about the active attraction of investments.

Keywords: investments, diversification, national economy, territory, growth rates, fixed capital, reserve.

Introduction

The "Uzbekistan - 2030" strategy, which was adopted in the country on September 11, 2023 by a separate presidential decree, can be recognized as a document of significant historical importance in the socio-economic development of the country. The second part of this strategy covers the issues of ensuring the well-being of the population through sustainable economic growth, and long-term goals and tasks for the diversification of our national economy and economic development are also reflected in it. It is planned to increase the gross domestic product to 160 billion dollars by 2030 and to double the size of the economy. The sustainable development of the economy of any country requires diversification of production. Diversification refers to the process of increasing production efficiency, changing and expanding the types of products and services in order to obtain economic benefits, redirecting sales markets, mastering new types of production, entering into other sectors of production, such as specialized industry, transport, construction. In Uzbekistan, during the period of new reforms, special attention is being paid to structurally changing the economy, diversifying production, and increasing the investment potential of regions.

The "Uzbekistan - 2030" strategy describes the special tasks of further increasing the investment attractiveness of the national economy, rapid development of the securities market, achieving an optimal level of investment in relation to the gross domestic product, and actively attracting foreign investors. For example, in our economy, goals are set to absorb investments of 250 billion dollars, of which 110 billion dollars will be attracted as foreign investments and 30 billion dollars as investments within the framework of public-private partnerships. At the same time, the implementation of more than 500 technological and infrastructural projects of strategic importance with a total value of 150 billion dollars is planned.

The development of the capital market creates the opportunity for hundreds of thousands of owners and shareholders to appear among our compatriots, and for our people to invest their savings and get high incomes. Therefore, starting from 2023, specific measures are being taken to make the shares of the 10 largest companies and commercial banks available for "open and transparent trading" for the citizens of Uzbekistan, that is, it will be a truly public IPO. We plan to implement more than 500 technological and infrastructural projects of strategic importance to actively attract investment resources in Uzbekistan. The total value of these investment projects exceeds 150 billion dollars. In order to attract competent investors, it is



necessary to further increase the attractiveness of all our regions for investors, create a favorable business environment, for this purpose, the investment rating of each region need to be determined. There is another factor that has not been actively used in investment management until now, which is the establishment of equity and venture funds. Through this, we will double the size of the investment portfolio we aimed to increase.

Literature review

S.Radukits and J.Stankovits used twelve groups of criteria in their scientific work ¹to assess the business environment of the regions of Serbia: the need for a strategic approach to local economic development, the organizational capacity to support the economy, the presence of constant cooperation and communication with local businesses, the effectiveness of permitting construction work, full supply of information for business, investment and marketing support in the region, creditworthiness and financial stability, employment and human resource development support, strengthening public-private sector cooperation, adequate infrastructure and reliable household services, local payments, taxes and open and encouraging policy of fees, introduction of information technologies. P. Jadhav studied the impact of ²economic, institutional and political factors on direct foreign investments in BRICS countries in 2000-2009. His econometric studies include market size, trade openness, natural resources, inflation, political stability, quality of state institutions, rule of law, corruption control, and transparency as indicators of the investment climate of a group of countries. The calculation results show that the size of the market and the openness of the economy are the main factors in attracting foreign investments in the BRICS countries.

We will consider the essence and features of the investment potential, which is an important factor in the diversification of the country's economy, in reviews of several scientific literature. Yu.A. Gadjiev, V.I.Akopov and T.S. Krestovskikh said that the integral rating of the investment environment includes investment potential and investment risks ³. In their approach, in general, it is based on the fact that investment attractiveness depends not only on financial and economic factors, but also on legal, managerial, social and environmental risks, infrastructure, innovation, production and labor potential. In another source, the state's influence measures and institutional conditions are given as the main factors influencing the potential of attracting foreign investments ⁴.

In some literature, the influence of four groups of factors on the potential of attracting direct foreign investments is given ⁵. They are infrastructure (transport costs, quality of roads, proximity to airports or ports, availability of land for investment, availability of favorable

¹ Radukić S., Stanković Joe. Evaluation of Local Business Environment in the Republic of Serbia // *Procedia Economics and Finance*. 2015. Vol. 19. P. 353–363.

² Praveen Jadhav. Determinants of foreign direct investment in BRICS economies: Analysis of economic, institutional and political factors // *Procedia – Social and Behavioral Sciences*. 2012. Vol. 37. P. 5-14. doi : 10.1016/j.sbspro.2012.03.270

³ Gadjiev Yu.A., Akopov V.I., Krestovskikh T.S. *Ekonomika severnyx regionov Rossii: investitsii v osnovnyy kapital* // *Problemy prognozirovaniya*. 2012. No. 5. P.86-100.

⁴ Zaitsev Yu.K. "Diagnostic pritoika priamyx inostrannyx investitsiy v Rossiyu: ot teorii k praktike" // *Ekonomicheskii analiz : teoriya i praktika*, №19(418), 2015. P.16-25.

⁵ Strat Vasile Alecsandru, Danciu Aniela Raluca. A Regional Level Hierarchy of the Main Foreign Direct Investments' Determinants – Empirical Study of the Case of Romanian Manufacturing Sector // *Procedia – Social and Behavioral Sciences*. 2015. Vol. 181. P. 321–330.

conditions for distribution of products), labor potential (access to labor, cheap labor, availability of skilled labor, high level of education of local citizens). , agglomerations (presence of intermediaries supplying raw materials in the region, presence of other enterprises belonging to the same type of activity, presence of other foreign enterprises) and other factors (tax incentives for investors, universities and scientific research centers, low cost of renting or buying land, low cost of raw materials , the existence of a large market, the total operating costs of the firm).

It is recommended to use four indicators: a) share in the capital that a foreign investor can own; b) granting administrative permission for foreign direct investment; c) the possibility of hiring foreign citizens; g) Restrictions on land ownership and financing. A. Okhotina and O. Authors like Lavrinenka cite political, legal, environmental conditions as factors affecting the investment environment ⁶.

V.V. Nikitin, A.S. Krasnov and A.A. Nazarov cite seven private potentials as important factors in assessing the investment potential of regions ⁷: labor (labour resources and their level of education), infrastructure (economic-geographical location and provision of infrastructure). , finance (the size of the tax base, the profitability of regional enterprises, the income of the population), production (the gross result of the economic activity of the population in the region), innovative (the level of implementation of the achievements of science and scientific and technical development in the region), consumption (the general purchasing power of the population), natural resource (weighted average supply of main natural resources with balance reserves)

Another group of authors distinguishes five main areas as factors that increase the investment potential of regions ⁸: resource-based (availability of space for investment projects, investments in fixed capital, foreign investments), innovative (business incubators, technology transfer centers, the volume of innovative products, the share of innovative enterprises in the economy), who cited institutional (concepts and programs, management, participation in state programs).

Analysis

The dynamics of the volume of investment in fixed capital over the last five years shows that it has almost doubled and is on the rise. If we look at the growth rate of investments in recent years, in 2019 it reached 138.1%, in 2020 it was stable - 95.6%, in 2021 it increased - 102.9%, and until now it has a growing trend - 122 was .1% (see Fig. 1). In 2023, 352.1 trillion from the total sources of financing for the development of economic and social spheres in the Republic of Uzbekistan. soum was absorbed. Capitalized investments made 122.1% compared to 2022. It should be noted that investment in fixed capital refers to expenses directed to the purchase and reproduction of new fixed assets .

⁶ Ohotina A., Lavrinenko O. Education of Employees and Investment Climate of the Region: The View of the Heads of Enterprises // Procedia – Social and Behavioral Sciences. 2015. Vol. 174. P. 3873–3877. doi : 10.1016/j.sbspro.2015.01.1127

⁷ Nikitin VV, Artem S. Krasnov , Alexandr A. Nazarov Comparative Estimation of Russia's Regions Investment Potential on the Basis of Multivariate Statistical Analysis // European Researcher. 2013. No. 38(1-1). P. 20-27.

⁸ Kosinova NN, Tolstel M., Chekalkina AA . Comprehensive Evaluation of Investment Potential (The Case of the Southern Federal District) // Asian Social Science. 2014. Vol. 10. No. 23. P. 231–243.

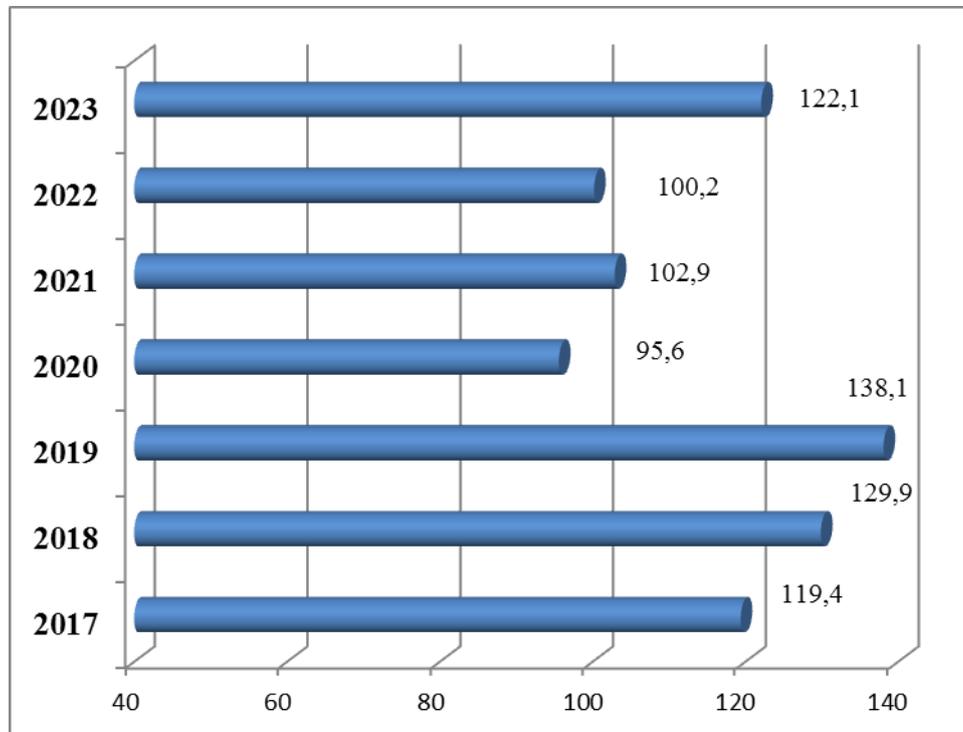


Figure 1. Investments in fixed capital in Uzbekistan growth rate, in percent

In the national economy in 2023, the share of investments in fixed capital financed from centralized financing sources decreased by 3.0 percentage points compared to 2022 and reached 12.7% or 44.8 trillion. soums. Accordingly, 307.3 trillion soums or 87.3% of total investments were absorbed, which increased by 3.0% compared to 2022. In the national economy in 2023, 66.4% of investments in fixed capital or 233.8 trillion soums were financed from the funds raised, from the own funds of the enterprise, organization and population. Soums were financed. 21.2 trillion in 2023 due to foreign loans under the guarantee of the Republic of Uzbekistan. Soums investments were absorbed and amounted to 130.3% compared to 2022. Their share in the total volume increased by 0.3 percentage points and was recorded at the level of 6.0%. The investment projects carried out at the expense of foreign loans under the state guarantee of the Republic of Uzbekistan are mainly the introduction of an automated system of natural gas control and accounting, the expansion of the Talimarjon TPP with the construction of two additional steam gas turbines with a total capacity of not less than 900 MW, the construction of two gas pipe installations with a capacity of 32 MW, was carried out within the framework of modernization of technological devices and expansion of the communication system, improvement of water resources management in Southern Karakalpakstan.

In Uzbekistan in 2023, investments in fixed capital financed from the own funds of enterprises and organizations will amount to 84.9 trillion soums, or 24.1% of the total fixed capital investments. 84.3 trillion of the investments financed by direct foreign direct investment in the



Republic of Uzbekistan. soums, or an increase of 9.1% compared to 2022, the total share of investments equal to 24.0% was absorbed. The highest indicators and growth rates in terms of sources of financing of fixed capital investments were accounted for by foreign direct investments, which amounted to 196.4% compared to 2022.

The following major investment projects were implemented at the expense of direct and unsecured foreign loans. For example, construction of a new power station with a capacity of 1500 MW in the Syrdarya region, conducting geological exploration in the oil and gas regions of the republic in 2021-2025, development of the "Yoshlik 1" field in the Tashkent region, implementation of the program to increase the volume of oil production in 2020-2030 projects can be cited. Direct and unguaranteed foreign loans were also involved in the projects of building a 500 MW solar power plant in Bukhara region, increasing the production volumes of hydrocarbon raw materials in 2017-2023, and establishing a mineral fertilizer production complex in Samarkand region.

In 2017-2023, the volume of investments in fixed capital in our country increased by 2.6 times. In Jizzakh and Syrdarya regions, the volume of investments in the economy increased by 5.5 and 5.2 times, respectively, and was significantly higher than the national level. Also, during the said period, the volume of investments increased 3.8 times in Surkhandarya region, 3.6 times in Tashkent region, 3.5 times in Samarkand region, and 3.3 times in Khorezm region. This shows that the investment activity in these regions is high. In the economies of Tashkent city (total investment growth 2.7 times), Andijan region (2.7 times), and Navoi region (2.8 times), the total investment growth was at the national level. In the Republic of Karakalpakstan, Kashkadarya and Bukhara regions, the rate of growth of enterprises slowed down due to the completion of large investment projects.

The volume of investments absorbed at the expense of the Recovery and Development Fund is 1.6 trillion soums (US\$ 132.4 million in dollar equivalent) and its share in total investments decreased by 0.5% compared to 2022 and amounted to 0.4%. Also, the volume of investments financed from this fund was 58.0% compared to 2022. In the Republic of Uzbekistan, the volume of investments directed to the development of infrastructure, economic and social spheres financed from the Republican budget amounted to 88.6% or 20.4 trillion soums compared to 2022. Also, investments from the funds of the water supply and sewage system development fund increased by 52.9% compared to 2022, 1.7 trillion soums. Their share in total investments decreased by 0.6 percentage points and amounted to 0.5%.

Summary

Summarizing the results of the above-mentioned studies, it can be concluded that the effectiveness of the investment policy in the country depends to a large extent on the extent to which macroeconomic and regional aspects are taken into account in its formation, on the rational coordination and compatibility of the activities of the center and regions in achieving general economic results. Based on its reserves and potential, the sub-regional economic system helped to strengthen the common economic space, so the ability to absorb the advantages of interregional integration in the country is the main link of the national economy development.

Determination of the main directions of institutional reforms in local state organizations within the region. It is of particular importance to increase the quality of local state bodies and ensure



transparency in the active development of investments in regions. In clarifying the main directions of institutional reforms, it is necessary to pay special attention to ensuring the economic stability of the regions by conducting effective budget policy in the local areas, completing the work on the fundamental reform of the taxation system, and improving the quality of state institutions.

It is necessary to accelerate the process of transition of the republic to a market economy based on competition, based on the widespread introduction of market principles in the distribution of basic resources, the use of effective instruments of the market economy. In the development of investment projects, it is necessary to take into account the aspects of increasing the efficiency of natural resource use, ensuring environmental cleanliness, improving the management of water resources use, and modernizing the irrigation and reclamation system. Consolidation of strategic planning principles, which will be the basis for long-term sustainable economic growth, will also be the basis for determining long-term investment policy directions. Special emphasis should be placed on the implementation of investment programs related to the development of industrial sectors, development of energy, resource-saving sectors, modernization of the metallurgical industry, development of the chemical industry, rapid development of the mechanical engineering and electrical engineering industries by using unused reserves in the economy of the regions. Also, the use of reserves in the field of construction materials production, modernization of this industry, increasing the capabilities of the food industry, the development of medicine, pharmaceutical and microbiological industries, and light industry are the priority sectors for attracting investment resources. It is necessary to take into account a number of factors in the development of the economy and industrial sectors in the regions. For example, the increasing global competition, which includes not only commodity, capital, technology and labor markets, but also public administration, innovation support, human capital development system. Also, a new wave of technological changes is expected, increasing the role of innovation in socio-economic development and reducing the influence of most traditional factors of growth. Lagging behind in the development of the latest generation technologies can reduce the economic competitiveness of regions. Third, increased reliance on fuel and raw material exports may slow down economic development.

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