



THE STATE OF INVESTMENT ACTIVITY IN UZBEKISTAN

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Article history:		Abstract:
Received:	1 st February 2023	This article describes the state and trends in the development of investment activities in the Republic of Uzbekistan. The regulatory and legal framework relating to investment activities is disclosed.
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INTRODUCTION. Today it has become obvious that a necessary condition for the sustainable development of the republic is high investment activity, which is achieved through the attraction and efficient use of internal and external resources.

Experience shows that foreign investments, combined with national natural production and labor resources, create a high cumulative effect when introducing advanced technologies, modern methods of management and organization of production, and more actively involving local, often previously untapped wealth in economic circulation.

Foreign investors not only invest in national enterprises, reconstruct and technically re-equip them, but also open access to world markets, which improves the adaptation of economic entities to civilized market relations, helping to raise their production and financial and economic activities to the relevant world standards. Therefore, stimulating foreign investments, increasing the efficiency of their use determines the need to maintain and improve favorable conditions and a preferential market in the republic.

World experience quite convincingly shows that the attraction and use of foreign investment contributes to the development of the economy and serves as a powerful stimulus for socio-economic reforms.

MAIN PART. The concept of "investment" is used in both the broad and narrow sense of the word. It is very difficult to unambiguously determine its content and essence. In different sections of economic science, as well as in relation to various areas of practical activity, different meanings are invested in it, based on the characteristics of the sphere and objects of application. Literally translated from Latin, the word "invest" means "to invest".

The content of the concept of "investment" in the Law of the Republic of Uzbekistan "On investment activity" is defined as "tangible and intangible benefits and rights to them invested in objects of economic and other activities."

Considering the essence of this category, it should be noted that in modern literature it is very often identified with the concept of "capital investments". In these cases, investments are defined as investments in the reproduction of fixed assets, but this is not entirely correct, since investments are made in current assets, and in certain types of intangible assets, and in various financial instruments.

In the popular textbook Investing, co-authored by Nobel Laureate in Economics (1990) W. F. Sharp, investment is defined as giving up some value in the present in order to gain (perhaps indefinite) value in the future. The authors of this manual interpret the meaning of the term "investment" as follows: "Part with money today for the sake of making a profit in the future", and they believe that you can invest in either real or financial assets.

That is, the content of investments lies in the fact that they are involved in the process of capital movement, more precisely, the process of capital movement itself reflects the essence of investments. The capital gain generated by this move must be sufficient to compensate the investor for not using available funds for current consumption and to reward him for the risk of offsetting inflation losses in the future.

From the foregoing, it follows that investments are a concept that is much more capacious than "capital investments". Investments are involved in the processes of capital movement. They are linked for a certain time for specific assets. Their main goal is to preserve the value of capital or increase it, and their main difference from capital is that they predict risk and determine the rate of return.

Investments are differentiated on the basis of a variety of characteristics. In the Law "On Investment Activities" investments are differentiated by the object of destination. Accordingly, they stand out:

- capital (into real assets);
- innovative - (for the development and development of a new generation of equipment and new technologies);



- social (in the development of human potential, skills, production experience, in other forms of intangible benefits).

During the period of independence, Uzbekistan has firmly won the authority of a reliable partner in the international arena, consistently pursuing an open door policy in the foreign economic sphere, active trade and investment cooperation.

Consistent liberalization of foreign economic activity, The improvement of procedures and rules of foreign trade operations, the transition to the convertibility of the national currency on the current account of foreign trade operations, created favorable competitive conditions for the further development of foreign trade, the growth of investment activity in the Uzbek market.

This direction provides for the creation of conditions for the development of entrepreneurial activity, ensuring guarantees for the freedom of entrepreneurial activity, limiting state interference in the activities of entrepreneurs and reducing the tax burden, as well as providing additional preferences.

In particular, in order to further improve the investment climate in the country, the Decree of the President of the Republic of Uzbekistan "On additional measures to stimulate the attraction of direct private foreign investment" was adopted, which defines the sectors of the economy that are subject to additional benefits provided for direct private foreign investment. These are industries such as light industry, silk, food, meat and dairy, chemical-pharmaceutical, radio-electronic industries, as well as the building materials industry.

In order to improve the legal protection of business entities, a Decree of the President of the Republic of Uzbekistan "On measures to further improve the system of legal protection of business entities" was adopted, which establishes the personal responsibility of the heads and officials of regulatory bodies for conducting any inspections of business entities on issues beyond their powers and areas of control.

Also, in order to further improve the system for protecting the rights and legitimate interests of business entities, creating favorable conditions for the implementation of entrepreneurial activities, Decree of the President of the Republic of Uzbekistan No 3622 June 24, 2005. offenses committed by business entities for the first time, which are unintentional and

insignificant, and also do not lead to shortfalls in payments to the State budget and state trust funds.

An important priority for deepening reforms is the banking and financial system of the Republic. At this stage, it is planned to take specific and comprehensive measures to involve significant financial resources and flows in the banking turnover, to study the experience of commercial and private banks in highly developed countries in various areas of activity. Also, an important role is played by the increase in the authorized and working capital of banks and the involvement of their funds for investment in the economy of the Republic.

Further improvement of the country's tax policy is a priority for reforming the country's economy.

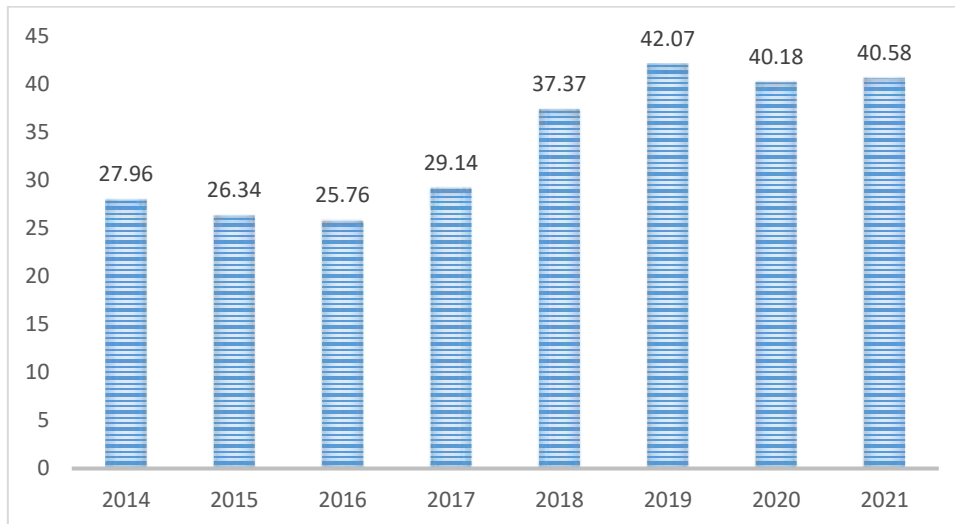
In this regard, work is underway to simplify tax legislation by adopting a new edition of the Tax Code, which provides for the simplification and unification of taxes, reduction of the tax burden, improvement and liberalization of tax administration.

The Republic of Uzbekistan attaches great importance to the expansion of trade, economic and investment cooperation with the countries of the world, and we believe that we have significant potential in the implementation of new projects.

The Republic of Uzbekistan, in addition to its favorable geographical location in Central Asia, which is a large market, has significant reserves of rich natural resources, high intellectual potential, developed industrial and agricultural infrastructure, which serve as a reliable base for the further development of our bilateral cooperation.

As is known, at the initiative of our President Shavkat Mirziyoyev, in order to develop economic integration and promote progress in the Eurasian space, it was decided to merge the Central Asian Cooperation organization with the Eurasian Economic Community /EurAsEC/. The new structure will make it possible to save time, remove duplication, and reduce unnecessary organizational costs.

All ongoing reforms contribute to a sharp increase in foreign investment in the country. In 2014-2022, the volume of foreign direct investment in Uzbekistan increased by 1.5 times. In the following chart, you can observe the dynamics of the growth of foreign investment:



If by the beginning of 2017 there were only 3 free economic zones (FEZ) operating in the country, then by 2022 their number reached 22. Of these, by specialization: 12 FEZs are industrial, 6 are pharmaceutical, 2 are tourism and 2 are agricultural.

Changes in legislation and created opportunities have a positive impact on the investment climate in the country. For example, in 2019, Uzbekistan was included for the first time in the OECD's Index of Regulatory Restrictions on Foreign Direct Investment, ranking 43rd in the world by 2020 and 7th in the Asian region. In 2017-2022 Uzbekistan has improved its position in the world ranking of the Economic Freedom Index by 31 positions, rising from 148th to 117th place.

The volume of foreign direct investment in the republic by the end of 2022 increased by 1.5 times compared to 2017 and reached 3.3 billion US dollars. Uzbekistan plans to implement investment projects worth about \$52.15 billion in 2022-2024. This is stated in the draft presidential decree on the investment program of Uzbekistan for 2022-2024, published by the Ministry of Investment and Foreign Trade. According to the document, in 2022 Uzbekistan plans to implement

projects worth \$16.57 billion, of which \$6 billion is foreign direct investment.

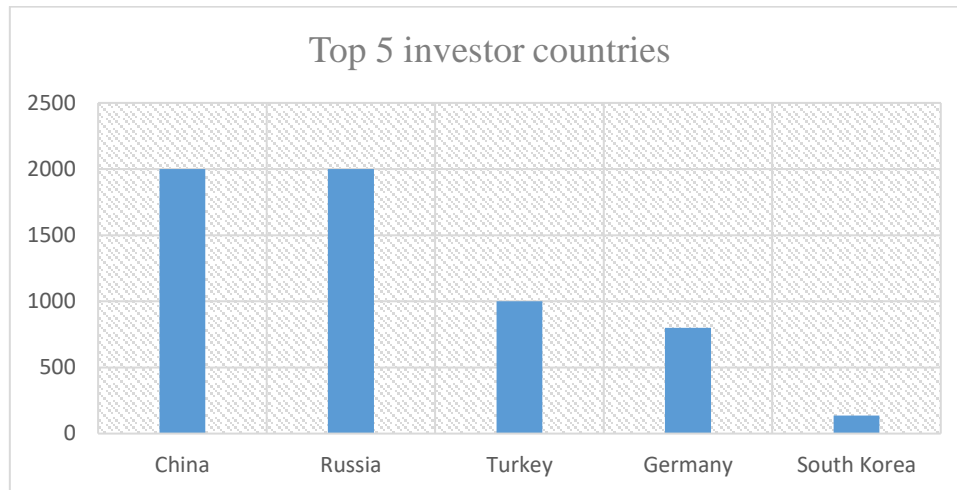
At the same time, projects worth \$7.51 billion will be implemented in the field of geology, energy, industry and its basic sectors. Uzbekistan plans to implement projects worth \$17.34 billion in 2023. The volume of foreign direct investment will amount to \$7.06 billion. As in 2022, most of the funds (\$9.24 billion) will be directed to geology, energy and industry.

In 2024, it is planned to implement projects worth \$18.2 billion. At the same time, it is expected that foreign direct investment in the amount of \$7.73 billion will be mastered.

In total, more than 50 countries invest in the economy of Uzbekistan. The top five investor countries are as follows:

- China - \$2.2 billion;
- Russia — \$2.1 billion;
- Turkey — \$1.18 billion;
- Germany - \$800.7 million;
- South Korea - \$137.4 million

The following chart shows the Top 5 Top Investors:



Summing up the results of the study, I would like to share a number of conclusions arising from the analysis of certain issues of attracting foreign investment in the economy of the Republic of Uzbekistan. Having considered the dynamics of attracting foreign investment in the economy of the republic, we can conclude that the Government's targeted policy is to attract foreign direct investment, which allows attracting not only the investor's own funds, but also modern advanced technologies.

A study of the advantages and disadvantages of existing forms of attracting foreign investment shows that direct investment can be considered the most acceptable, since they are characterized by the presence of long-term investor interests in the economy of the host country and cause greater benefits compared to external loans. The ongoing administrative reform in the country, aimed at reducing the role of the state in investment processes, contributes to a decrease in the volume of invested centralized funds.

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