



IMPROVING THE MECHANISMS OF ATTRACTING INVESTMENT IN THE ECONOMY

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**Abstract:** The article analyzes the sources of financing investment in fixed assets in the industrial sectors of the Republic, attracting foreign direct investment in the economy, sources of domestic investment financing, offers and recommendations for increasing the attractiveness of private and foreign direct investment.

**Keywords:** Economic modernization, foreign investment, fixed capital, investment policy, investment climate, private investment, human capital, domestic financing, economic growth, digitalization.

Modernization of the economy, the creation of new production facilities and fixed assets, the renewal of equipment and technologies used in industries and sectors of the economy, their support, the correct and effective implementation of investment activities. Therefore, special attention is paid in our country to an active investment policy aimed at modernization of production, technical and technological renewal, implementation of industrial, agricultural, transport and communication and social infrastructure projects. To this end, special attention is paid to the development of centralized, decentralized funds, foreign investment and credit, as well as their effective use.

In accordance with the Action Strategy for the five priority areas of development of the Republic of Uzbekistan, deepening structural changes in state programs in recent years, modernization and diversification of leading sectors of the national economy, increasing the competitiveness of enterprises, the Fund for Reconstruction and Development of Uzbekistan, commercial banks, foreign investment and loans Network programs are being implemented within 649 investment projects worth \$ 40 billion for 2017-2021.

In our country, 456 million dollars worth of foreign investment Practical work is underway on each project.

Today, Uzbekistan is a country ready for investment. The policy pursued here, the preservation of peace, the positive situation in macroeconomic indicators - all this serves as a key factor in actively attracting foreign investment. It is no coincidence that the existence of such a situation is of great interest to foreign investors.

At the current stage of radical transformation of the structure of the national economy, foreign direct investment is of great interest. The main ways to attract them are:

- opening of joint ventures (including through the sale of shares of Uzbek issuers to foreign investors);
- Registration of enterprises with foreign capital in the territory of Uzbekistan;
- concessions based on foreign capital attractive to reach ;
- foreign investors of the country certain regions active attractive to reach focused free economic multiplication of zones (FEZ) .

In his Address to the Oliy Majlis, President of the Republic of Uzbekistan Sh.M. Mirziyoyev said: “World experience shows that 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 Uzbek, the heart of the economy. We will achieve rapid development of our economy only by actively attracting investment and launching new production facilities. Positive results in the economy provide an opportunity to systematically address the problems that have accumulated in the social sphere. We all need to understand this deeply and organize our work on this basis. In order to attract foreign investment, we must take measures to fully demonstrate the investment potential of our country, which is one of the most pressing issues in our daily lives, "he said. [1]

An analysis of the structure of foreign investment in the Uzbek economy shows that the bulk of such investments are in export-oriented industries - fuel and energy, petrochemicals, gold mining and cotton processing, or short-term and low-cost. focused on high-profit projects: trade, telecommunications, catering, construction of office and hotel buildings in major cities, food industry and financial services.

Analyzing the sources of financing of fixed capital investments in the Republic of Uzbekistan, in 2008 foreign investments and loans amounted to 2170.2 million US dollars, in 2017 - 3348.2 million US dollars, which is 130% more than in 2008. indicates

According to the data, during 2010-2017, investments in fixed assets in the Republic of Uzbekistan increased almost 4.5 times, and in 2010 amounted to 15,338.7 billion soums, and in 2017 increased to 68,423.9 billion soums.

Investments in mining and quarrying in the industrial sector amounted to 1514.6 billion soums at the beginning of the analysis period, and increased to 14203.8 billion soums or about 9.4 times at the end of the period. This figure is twice the growth rate across the country.

The dynamics of investment in fixed assets in the industrial sectors of the economy of Uzbekistan also has a growing trend, in 2010 it amounted to 2334.9 billion soums, in 2017 it amounted to 12238.1 billion soums.

In 2017, it increased by 524% compared to 2010. In 2010, 895.9 billion soums were invested in electricity, gas, steam and air conditioning, while in 2017 its volume reached 5472.2 billion soums or increased by 611%.

As a result of the active investment policy pursued in the country, the volume of foreign direct investment and unsecured loans in the economy of the Republic of Uzbekistan over the past 20 years amounted to 25.3 billion US dollars, of which 11.8 billion US dollars (47%) were attracted over the past 5 years. Over the past 5 years, foreign direct investment has attracted 73%, mainly in the oil and gas sector, 6% in information technology and communications, 2% in electricity, 1% in light and textile sectors, and 0.2% in the automotive sector. This shows that there is a strong need to diversify foreign investment in the economy.

The total volume of investments in the country's economy from 2008 to 2016 had a steady growth trend. However, as a result of the initiated structural reforms, due to price liberalization in the first 2017, the volume of investment attraction increased by 13.4 billion soums. Led to a fall in the U.S. dollar. However, based on the consistent investment policy pursued, in 2018 it will move towards further growth, reaching 14.5 billion. Reached the U.S. dollar. It is noteworthy that, in contrast to total investment and foreign investment, foreign direct investment from 2011 to 2020

recorded only positive indicators. This both our state by take visited reasonable and effective investment policy is the result .

At the end of 2020, the volume of investments in fixed assets in real terms decreased by 8.2% compared to 2019 and amounted to 202 trillion soums, while the volume of investments financed from centralized sources decreased by 34.9% to 39.3 trillion soums.

At the same time, investments financed from the budget decreased by 33.6%, the Fund for Reconstruction and Development of Uzbekistan - by 75.7%, foreign investments and loans provided by the government - by 28%.

In 2020, the volume of foreign direct investment decreased by 32.7% (excluding unsecured foreign loans) and amounted to \$ 2.9 billion (a decrease in the dollar equivalent was 33.8%).

Unsecured foreign loans increased more than 1.6 times (from \$ 2.4 billion to \$ 3.5 billion) compared to the same period last year due to the implementation of investment projects in the following sectors, including:

- Navoi Mining and Metallurgical Combine (NMMC) - \$ 636.5 million;
- Uzbekneftegaz JSC - \$ 154.8 million ( developed by Shurtan GKM LLC remove power increase - \$ 122.7 million);
- Uzeltehsanoat JSC - \$ 101.8 million ( household refrigerators functional issue - \$ 48 million);
- Ministry of ATKR - \$ 89.4 million ( broad ) broadband telecommunications network development - \$ 35.5 million);
- " O'zqurilishmateriallari " - \$ 91 million.

Directly foreign 22.1 % of investments natural gas production remove in the field of projects instead increase , 22.5 percent other non- metallic mineral products functional output , 9.3 percent construction to work focused .

From this in addition , export potential high which was - mechanical engineering, electrical engineering, metallurgy, chemistry and in the pharmaceutical industry basic capital formation for directly investment degree low remains .

This trend indicates the lack of a favorable investment climate in these areas , in particular, the competitive environment, the inviolability of private property, the existence of systemic problems in financial markets, manufacturing and market infrastructure.

Continuation of current trends in investment may threaten to achieve economic growth in 2021, which requires practical measures to improve the investment climate and increase their efficiency, aimed at significantly increasing the volume of investment in the economy.

The ratio of public external debt, the Fund for Reconstruction and Development, unsecured foreign loans and foreign direct investment, as well as loans of commercial banks to GDP in 2019, which are the main sources of investment, amounted to 23.1% in 2019, compared to 20.1% of GDP in 2020. percent.

The lack of active foreign direct investment in high-tech and human capital also jeopardizes the process of achieving goals such as achieving high levels of inclusive growth and poverty reduction in the country.

The development and effective implementation of a long-term strategy for the development of the Uzbek economy requires, first of all, a thorough development of a medium-term investment

policy strategy. In our opinion, the following measures should be taken to increase the efficiency of the use of domestic sources of investment financing and investment resources:

- expanding their investment opportunities by strengthening the financial condition of enterprises on the basis of increasing production and improving the quality of enterprises;
- increasing the efficiency of loans through expanding the investment potential of commercial banks and the full use of market mechanisms in the banking system;
- The organization of wide use of modern instruments of the financial market in the active involvement of the population in the production, etc.

The following measures should be taken to improve the mechanism of attracting investment to the economy through the introduction of modern market instruments:

- Transferring the responsibility of the state to attract the investment to the private sector by encouraging the widespread use of market mechanism institutions such as investment agencies, engineering companies in the active attraction of investment in the economy;
- Encouraging investment in the secondary and tertiary processing of raw materials, taking into account the relative advantages of the regions, the development of labor-intensive and demanding industries, the efficient use of available unused or vacant space and production facilities, etc.

If such measures are taken, the domestic investment potential in the national economy will be used effectively and the volume of domestic investment in the economy will grow.

A key step in improving the investment climate is to form a comprehensive and effective institutional framework through efforts to create the conditions for attracting private and foreign direct investment.

Liberalization of entrepreneurial activity is required to activate private investment. There is a need for constant communication with business, the effective organization of work aimed at identifying and overcoming obstacles to the development of certain sectors.

In our opinion, taking into account the above, it is necessary to work actively in the following areas.

First, in order to maintain a steady and stable pace of economic growth, it is necessary to form a model of a stable and competitive economy, in which most of the assets of the banking system are in the hands of private investors.

Second, to actively promote investment activities through the development of public-private partnerships and project financing tools to increase investment attractiveness and ensure the rapid growth of infrastructure-oriented investment, which is one of the key factors of sustainable economic growth.

Third, optimize the relationship between investors and the state to completely eliminate bureaucratic barriers and restrictions in the implementation of investment projects through digitalization and remote provision of public services. Improving the quality of organization of work with appeals and requests of foreign investors to ensure maximum transparency and prevent corruption.

Fourth, continue to reduce transaction costs that lead to the outflow of labor and capital from the legitimate sectors of the economy to the shadow economy.

Fifth, to develop an investment policy strategy focused on the most promising areas of Uzbekistan, which could become a point of technological progress in the future and lay the foundation for the development of the country's production capacity over the next 20-30 years.

Considering that the investment climate affects all areas of activity in the country, ensure that the scope of reforms covers economic, institutional, education, health, agriculture, water supply, energy, transport and other areas.

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