

CREATING A FAVORABLE INVESTMENT ENVIRONMENT FOR ATTRACTING FOREIGN INVESTMENTS INTO ECONOMIC SECTORS

Azimov Olimjon Orifovich

Bukhara State University, Lecturer of the Department of Economics

ANNOTATION

This article provides analytical information about the process of creating a functional investment environment to attract foreign investment in the sector of the economy.

Keywords: Country's economy, Investment environment, economic reforms, infusion and injection mixture, the government developed, the further liberalization, GDP, international transactions.

The fact that the country's economy is primarily an important factor in its development depends on the investments made and its efficiency is mentioned in educational literature and sources published by several domestic and foreign economists. It is worth noting that today investments are one of the most talked about topics. Because investments, especially foreign investments in the country's economy, and thus the development of economic sectors, are becoming one of the most urgent tasks today. Directing investments to a specific sector and domain, while directly determining its progress, makes it possible to solve in a timely manner a number of problems that are obstacles to the development of the country. The investment environment is an objective measure for any specific time and includes a set of existing conditions for investing capital. But the investment environment is formed under the influence of the management activities of state bodies, so the state's investment policy is one of the most important factors. In this sense, each country will have its own capital acceptance system when importing capital. The capital admission system is a set of state policies, laws, and regulatory documents in relation to foreign capital.

Investment environment is defined as a concept that covers the social, economic, organizational, political and legal aspects of this area in attracting investments to a certain area. In agreement with this theoretical view, it can be said that the investment climate is supposed to be created only by good factors, but as we know, the investment climate can be affected by the opposite circumstances, which the researcher has left out. It can be found in studies that the investment environment is created by evaluating the environment, taking into account the integrated features of the situation in the country for many years. The economic reforms carried out in the country, in particular, the effective implementation of structural restructuring, are directly related to the rational management of investment policy. For Uzbekistan, which is considered an agrarian-industrial country, the priority direction of the investment policy should be focused on the development of production. Foreign experience also shows that initially industrial sectors developed rapidly in developed countries.

In the early years of independence, the government developed the principles of measures to attract foreign investments to the economy. On the basis of these principles, positive actions were carried out and laws regulating these activities were created in our country, including the further liberalization of the domestic currency market and the conversion of the national currency for

current international transactions, based on the policy of pursuing a specific goal of the liberalization of foreign economic activities. The Customs Code, the Tax Code, laws on the regulation of currency affairs were adopted, as well as various incentives were created to direct foreign investments to priority sectors of the economy and increase the country's export potential. The process of structural changes and modernization actively implemented in the economy in recent years has further increased investment activity. A significant increase in the volume of investments in the economy from year to year has shown its positive results through the increase in the volume of national production.

As a result of the attention and support given by the state to the development of investment activities, the volume of GDP and the amount of investments attained growth rates..

In 2020, even in the conditions of the global economic downturn and crisis due to the coronavirus pandemic the volume of investments in our republic has increased 4 times compared to 2016. The fact that the growth rate of investments in 2020 was 3 percent is directly related to the pandemic conditions. However, the growth in 2019 was 57.7 percent, which is the highest figure in the last five years.

It is noteworthy that the rapid growth of investments is a practical result of our republic's long-term and well-thought-out investment policy.

Although a decrease in the main macroeconomic indicators was observed in 2020 due to the economic crisis caused by the coronavirus pandemic, in 2021 it is predicted that our republic will recover and achieve stable growth. For example, the gross domestic product of our country is forecast to grow by 5.1% in 2021 [14]. According to forecasts of the Asian Development Bank, the gross domestic product in our republic is expected to grow by 6.5% this year [15]. Achieving these growth rates requires attracting a large amount of domestic and foreign investments.

In 2017-2021, in accordance with the Action Strategy on the five priority directions of the development of the Republic of Uzbekistan, large-scale reforms are underway to further strengthen macroeconomic stability and maintain high economic growth rates in our country, and to increase its competitiveness. Special attention is being paid to modernization and rapid development of industry, continuing institutional and structural reforms to reduce the state's participation in the economy, further strengthening protection of the rights of private ownership, comprehensive and balanced socio-economic development of regions, cities and districts, active attraction of foreign investments into the country's economy and the regions via improving the investments climate. The main goal is to develop the economy of our country and ensure economic stability.

We can observe from the world experience that any country that has pursued an active investment policy and attracted a lot of foreign investments has achieved stable growth of its economy.

In Uzbekistan, the way is being paved for the management of investment projects and their development based on their economic strategic goals. The fact that 202.0 trillion soums from the total sources of financing for the development of economic and social spheres in the Republic of Uzbekistan have been appropriated in 2020 is the basis of our opinion in this regard.

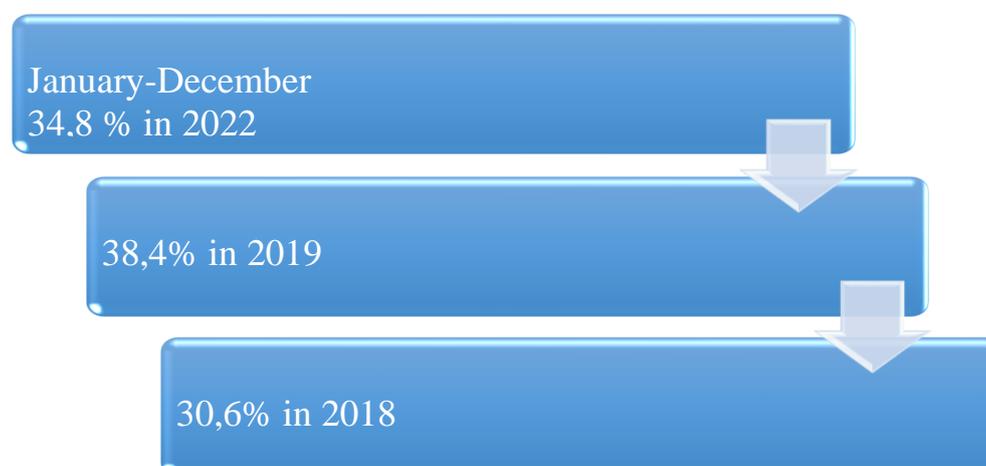
Table №1

The structural composition of investments directed to the economy of Uzbekistan in 2020[15]

Centralized investments 39310.2 billion soums	Total investments in fixed capital 202000.1 billion soums	Decentralized investments 162,689.9 billion soums
Foreign loans under the guarantee of Republic of Uzbekistan 22467.1 billion soums	Foreign investments and loans absorbed into the main capital 86647.0 billion soums	Foreign direct investment and loans 64179.9 billion soums

In 2020, a decrease in investment activity was observed, and compared to 2019, the volume of investments in fixed capital amounted to 91.8 percent. In 2020, 202.0 trillion soums of fixed capital investments were absorbed. 39,310.2 billion soums from centralized financing sources or 19.5% of the total investment volume and 8.0% less investment in fixed capital compared to 2019 were absorbed. Accordingly, 162,689.9 billion soums from decentralized financing sources or 80.5 percent of the total investment was absorbed. In 2020, 51911.3 bln soums of investments from enterprises' own finances were absorbed in fixed capital which makes up 25.7% of total investments. 18,077.8 billion soums from population funds or 8.9 percent were absorbed.

28,740.5 billion soums from direct foreign investments were absorbed which are down by 5.3% compared to 2019, making up 14.2% of total investments[17]. In 2021, a total of more than 10 billion dollars, including 8 billion 100 million dollars of foreign direct investment, was absorbed. As a result, 318 large and more than 15,000 regional projects were implemented and more than 273,000 jobs were created. The new businesses have the potential to export more than \$1 billion in total and to replace \$530 million in imports. Of course, the coronavirus pandemic is still having a serious impact on economic processes. Nevertheless, consistent growth is being achieved in exports. In particular, in 2020, the amount of exports in our country exceeded 9 billion dollars, and in 2021, it amounted to 12 billion dollars. It is noteworthy that the share of finished and semi-finished products has significantly increased [18].



Picture №1. Ratio of fixed capital investment to GDP in 2018-2020[15]

The highest rate of growth of investment in fixed capital was observed in non-guaranteed and other foreign investments and loans. Compared to 2019, this figure was 163.2 percent. Such a high growth was achieved due to the organization of cement production, production of electronic gas meters, yarns, infusion and injection mixture. Auminzo - Amantoy gold mines in the territory of gold deposits I-II stage, reprocessing of the "Muruntau" quarry (V line) I stage, construction of a man-made waste processing complex (I-II stages), a number of projects related to the construction of the Tashkent metal plant served to ensure high growth rates of investments.

Attracting investments into the country's economy, mobilizing investment projects in lagging sectors remains one of the most important issues of our republic. At the same time, it should be recognized that in our republic, work with foreign investors who have the potential to invest in our economy is not being conducted at the required level. In particular, it is not possible to have the necessary and current information on the great opportunities for investment in Uzbekistan in real time, and the same applies to information on the comprehensive, favorable conditions and guarantees created for investors. In this sense, it is necessary to improve the social and political environment of the country, introduce various preferences, lower tax rates, as well as prepare skilled personnel for future contracts, organize training and, of course, follow the national "Uzbek model". It is necessary to establish a special fund or an economically significant institution for the management of investment projects.

In 2021, 14 of the projects implemented on the basis of foreign investments will be in the industrial sector, 6 in the agricultural sector, and 2 in the service sector. In 2021, not a single foreign investment project is planned for Olot, Shofirkon districts and Kogon city.

The results of the research on foreign investments show that in order to overcome the stagnation in economic growth caused by the pandemic and subsequent periods, the emergence of a fierce competition between countries to attract foreign investments increase the need to develop forecast parameters of foreign investments and resulting regional development indicators.

Based on the task set in the research, based on the observed values of gross regional product and foreign investment flow of Bukhara region in 2000-2020, using the equations of ARIMA (autoregressive integrated moving average) model with unobserved seasonality indices, the forecast of selected indicators for 2021-2025 were evaluated based on 3 scenarios. Calculations were made using the R-4.03 software package in relation to the current prices of 2019 (Table 4).

In the pessimistic scenario, ARIMA (1,1,0) - the first-order autoregressive difference model was used. According to this scenario, in 2025, compared to 2020, the volume of GDP in Bukhara region will increase by 7.8%, and the volume of foreign investments is predicted to increase by 17.5%.

In the average scenario, ARIMA (1,1,2) - a smoothing model with no fixed value, taking into account a linear trend, was used. According to the results of the forecast based on this model, the GDP growth in Bukhara region will reach 10.6% by 2025 from 2.2% in 2021. Correspondingly, the growth of foreign investments will reach 58.5% from 21.6%.

In the optimistic scenario, ARIMA (0,2,1) - a linear exponential smoothing model without constant value - was used. According to the scenario obtained on the basis of this model, the

volume of regional GDP and foreign investments in Bukhara region will increase rapidly, and the growth rate will be 13.4 and 80.0 percent by 2025 compared to 2020.

Table №2 Forecast values of regional GDP and foreign investment flow dynamics in Bukhara region (2021-2025 years)

№	Indicators	Prognozssenariylari	Years				
			2021	2022	2023	2024	2025
1	Regional GDP	Pessimistic scenario ARIMA(1,1,0)	1,9	3,6	5,1	6,5	7,8
		Average scenario ARIMA(1,1,2)	2,2	4,4	6,5	8,6	10,6
		Optimistic scenario ARIMA(0,2,1)	2,5	5,3	8,0	10,7	13,4
2	The volume of foreign investments	Pessimistic scenario ARIMA(1,1,0)	14,4	16,3	17,1	17,4	17,5
		Average scenario ARIMA(1,1,2)	21,6	31,8	41,3	50,2	58,5
		Optimistic scenario ARIMA(0,2,1)	26,7	40,0	53,4	66,7	80,0

Expanding the base of raw materials and deepening their processing in Bukhara region, increasing the volume of production of competitive finished products with high added value, wide involvement of foreign direct investments and high technologies in economic sectors, socio-economic development of investment projects ensuring its efficiency, creating high-income jobs on this basis, and achieving the expected forecast parameters through rapid socio-economic development of the regions require a systematic approach. Taking these into account, it is necessary to implement the following priority tasks on the example of the regions of Bukhara region.

First of all, taking into account the low level of entrepreneurial skills of local businessmen compared to other regions of the Republic of Uzbekistan, and the fact that foreign investors have scant information on the potential of the regions, the "Project Factory" was established in Bukhara region with the involvement of qualified specialists, and we believe that it is appropriate to organize the development of carefully economically based investment projects in the "driver" sectors of the Bukhara region and to offer local and foreign investors for the implementation of these investment projects in the "Project Factory".

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