

Original Paper

Directions for Improving the Investment Environment and Increasing the Efficiency of Investment Projects in the Regions on the Example of the Republic of Uzbekistan

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Abstract

This article reflects the results of the research conducted within the framework of determining directions for increasing the attractiveness of the investment environment of the regions. In the first part of the study, the scientific-theoretical foundations of increasing the attractiveness of the investment environment, including the content of categories closely related to each other such as “investment environment”, “investment climate” and “attractiveness of the investment environment” by scientists of the national investment policy school, as well as the scientific- theoretical views are explored. In the second part of the article, directions for increasing the efficiency of investment projects in the regions, including the analysis of investment projects in the Youth Industrial and Entrepreneurship Zones in Uzbekistan, and the possibilities of using financial incentives to increase the attractiveness of the investment environment of the regions, including the methods of granting tax and customs incentives and recommendations for increasing their efficiency, are developed.

Keywords

Attractiveness of investment environment, investment, investment environment, investment projects, regional economy, youth industrial zones

1. Introduction

The experience of developed and developing countries shows that one of the main criteria for attracting investments to regions is to improve the investment environment, ensure its attractiveness, and develop a business environment by conveniently locating production infrastructure networks and production forces in the regions.

The development of the region's economy is difficult to imagine without foreign investment. Investment activity is understood as investment and implementation of practical actions with the aim of making a profit and achieving another beneficial effect. In practice, investment activity is carried out through the development and implementation of an investment project, which, according to the current legislation, is understood as a rationale for the economic feasibility, volume and timing of capital investments, developed in accordance with the legislation of this country and the norms and standards approved in the prescribed manner, as well as a description of practical steps for the implementation of investments (Vershina & Bambaeva, 2019).

In order to increase the economic potential of the regions of Uzbekistan, further improve the attraction of foreign direct investment in the economy, create a favorable investment environment for investors, ensure and develop its attractiveness, further liberalize the economy, organize and improve the free use of goods, as well as the necessary production in the regions. It is important to create an infrastructure, modernize the existing one from a technical and technological point of view.

2. Method

In this sense, it is appropriate to consider the scientific and theoretical foundations of increasing the attractiveness of the investment environment in the regions. In this regard, it is necessary to research the essence of categories that are close to each other, such as "investment environment", "investment climate", and scientific-theoretical views related to them.

We will consider the concept of "investment environment" as part of the research topic. In this direction, a number of foreign economists-scientists, including: J. D. Daniels and L. H. Radeba, evaluated the concept of "investment environment" as a synonym for the concept of "business environment", and the multinational corporations of the 1970s and 1980s of the last century are now "they emphasize that they managed to completely copy the conditions of adaptation to the requirements of the business environment (Daniels & Radeba, 2014).

In the scientific researches of A.M.Basenko, P.V.Taranov, the terminological aspects such as "investment environment" and "investment climate" refer to the level of riskiness during the investment of capital, the internal and external conditions and facilities that form the level of attractiveness of investment in relation to a clearly planned object. we witness that it was approached as (Basenko & Taranov, 2016).

According to research conducted by Ernesto M. Pernia and J.M. Ian S. Salas, "the investment climate can be broadly defined as 'the existing and expected policy, institutional and behavioral environment that affects the returns and risks associated with investment'" (Pernia & Salas, 2005).

According to Z.T.Mamadiyarov, F.S.Makhmudov, the attractiveness of the investment environment is assessed in terms of profitability, investment environment, infrastructure, development prospects and level of investment risk. Investment attractiveness is determined by the simultaneous influence of the country's investment potential and the level of investment risk. By assessing such indicators, it will be

possible to determine the appropriateness and attractiveness of investments. The level of investment risk is directly related to the investment environment (Mamadiyarov & Makhmudov, 2020).

It should be noted that there are a number of problems in doing business with foreign and local investors:

- projects and initiatives of business activities reported by foreign and local investors at the regional level are not fully formed by the mechanism of proper support by all local state authorities, responsible state organizations;
- the activities of relevant ministries and agencies are not clearly coordinated in terms of not violating the guarantees of the rights of foreign and local investors who wish to actively engage in investment activities;
- as a result of increasing illegal interference in the activities of investors, the confidence of foreign investors to protect their financial resources from risks for investment activities in the regions remains at a low level;
- the incomplete formation of the necessary production infrastructure, the strong need for technical and technological modernization of the existing infrastructure object systems, has a negative effect on the start and expansion of production activities at full capacity;
- the investment environment is unattractive as a result of the insufficient development of the financial market, the high participation of financial institutions with a state share in the infrastructure of financial services, the formation of investment projects mainly at the expense of bank capital;
- due to the existence of cases of artificially increasing the costs of investment projects (mainly projects implemented taking into account centralized investment sources) from the actual costs, the efficiency of the financial resources of the state budget and other centralized funds allocated for the investment project is very low, in this regard, due to the strengthening of offshorization processes, the regional investment environment is sufficient unable to develop and others.

We do not have the investment attraction mechanisms accepted in many countries of the world. Many leaders of organizations prefer not to take any economic responsibility, attracting financial resources from outside. That is why it is necessary to define the status of investment banks in the economic regions by law and to organize preferential work process at the beginning.

First, increasing the activity of the state during the investment process, that is, increasing the value of investments within the framework of the development of the state guarantee;

Secondly, to legislate the conditions that ensure the entry of investments into the economy;

Thirdly, to strengthen and develop the position of the banking community in investment activities.

3. Result

Regarding the development of the investment environment in the regions, the tariff and notary preferences given to newly established special economic zones should be revised based on the proposals of investors. It is expedient to consider the concessions given when making calculations with

the local budget in agreement with the regional administration.

Also, one of the factors that have a direct impact on the attractiveness of the investment environment in the country and regions are the processes related to currency and inflation. In order to stabilize relations in this regard, the following main tasks should be solved:

First, a free-floating currency mechanism should be chosen to ensure stable internal and external exchange;

Secondly, it is necessary to organize the foreign real exchange rate taking into account the price of the products of the main export competing countries;

Thirdly, during the period of export organization, it is necessary to strongly organize monitoring activities so that the effect of domestic inflation does not lead to a decrease in the competitiveness of local exporters;

Fourth, effective use of intensive and extensive methods of increasing gold and foreign exchange reserves (intensive method - attraction of capital from foreign countries, extensive method - effective use of domestic potential);

Fifth, optimizing the economic policy aimed at quality organization of the production and services market in order to prevent the growth of inflation.

Бундан ташқари, ҳудудларда инвестиция муҳитини янада ривожлантиришда ёшлар саноат ва тадбиркорлик зоналари омилидан фойдланиш мақсадга мувофиқдир. Бу борада, республикаимиз ҳудудларда ташкил этилган ёшлар саноат ва тадбиркорлик зоналарида умумий ҳисобда 4059 та инвестиция лойиҳаларини амалга оширилиши режалаштирилган. Инвестиция лойиҳаларининг умумий қиймати 5792,5 миллиард сўми ташкил этади.

Table 1. Information on the Implementation of Investment Projects in the Youth Industrial and Entrepreneurship Zones in 2022 (www.stat.uz/en/official-statistics/investments)

Indicators	Projects							
	<i>from that, according to the sources of financing</i>							
	Number of investment projects	Total value, million soums	Own funds, million soums	Loans in national currency from the Young Entrepreneurs Support Fund, million soums	Loans in foreign currency from the Young Entrepreneurs Support Fund, million dollars	Loans of commercial banks in national currency, million soums	Loans of commercial banks in foreign currency, million dollars	Foreign investment, million dollars
Implemented projects	249	663018	564839	27770	130	34051	150	3150

It is being implemented	1731	2768972	1945301	270498	2862	303489	7910	13968
Future projects	2079	2360567	1370061	601039	15571	93158	12383	-

According to Table 1, a total of 249 projects with a total value of 663 billion 18 million soums have been implemented by young entrepreneurs in the industrial and entrepreneurial zones of the regions. More than 564 billion of their own funds were invested by young entrepreneurs for these projects. Also, 27 billion in national currency will be allocated from the Young Entrepreneurs Support Fund for the implementation of these projects. A loan of 770 million soums and 130 million dollars in foreign currency was allocated. It is noteworthy that foreign investments in the amount of 3 million 150 thousand US dollars were attracted for these projects.

In order to increase the effectiveness of investment projects in the area of youth industrial zones, which are important for the development of the investment environment in the regions, the leasing of buildings by commercial banks to young business entities for production and service can have a positive effect. In this case, it is proposed to lease the buildings at an annual rate of 14 percent in the national currency.

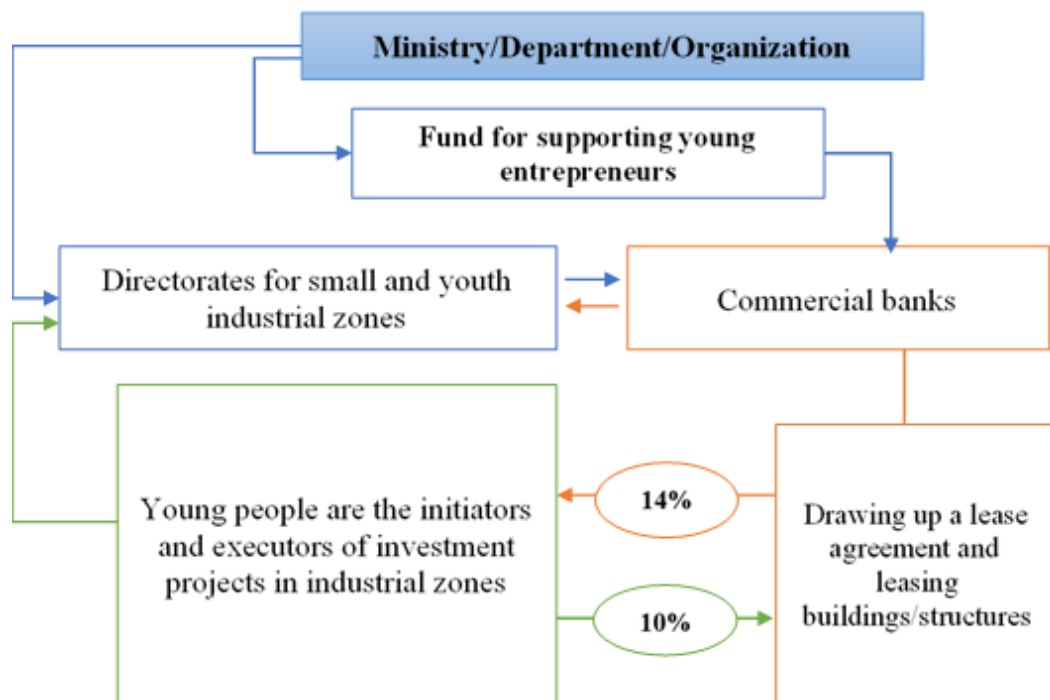


Figure 1. A mechanism for Leasing Buildings/Structures in Youth Industrial Zones in the Development of the Investment Environment of the Regions

According to the mechanism in Figure 1, “Financial resources are provided to commercial banks from

the funds of the Fund for the purpose of construction of buildings for production and service in the territory of Youth Industrial Zones based on the financial indicators of the Fund and its resource base, including: commercial banks from the funds of the fund to young business entities financial resources for the construction of buildings are provided in the national currency at an annual rate of 10 percent; Commercial banks lease buildings to young entrepreneurs at an annual rate of 14 percent in national currency. In this case, the young business entity pays 10% of the value of the building to be leased as an initial payment (Decree of the President of the Republic of Uzbekistan, 2021).

As a result, the mechanism of financial support for the construction of production and service buildings within the framework of the development of a favorable investment environment in the territory of youth industrial zones has been improved.

In order to increase the attractiveness of the investment environment of the regions, it is proposed to rate the effectiveness of investment projects on strategic investment projects. As a result, the mechanism for rating the efficiency of investment projects for strategic investment projects will be improved. Ўзбекистонда инвестиция лойиҳаларининг иқтисодий самарадорлигини баҳолашни такомиллаштириш доирасидаги илмий-тадқиқотларда “молиявий баҳолаш инвестиция лойиҳасини амалга ошириш жараёнидаги ликвидлигини таҳлил қилишда ишлатилади. In other words, the task of financial assessment is to determine whether the enterprise will have sufficient financial resources to fulfill its total financial obligations in order to implement the project within the specified time. Economic evaluation is used to determine the potential ability of the investment project, to maintain the value of the funds invested in this project and to create a sufficient level of their growth rate (Bozorov, 2018).

4. Discussion

Based on the above, it will be possible to determine the effectiveness of investments made by rating the effectiveness of investment projects on strategic investment projects.

Also, the state and level of development of production infrastructures play an important role in increasing the attractiveness of the investment environment of the regions. For this reason, it is proposed to allocate funds from the republican budget for the implementation of the infrastructure costs of the investment project at the rate of 5 percent with the condition of repayment within three years. As a result of the implementation of this proposal, it was possible to increase the attractiveness of the investment environment of the regions by improving the financing of the external infrastructure of investment projects.

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