



**ECONOMIC EFFICIENCY OF ATTRACTING AND USING  
INVESTMENTS IN UZBEKISTAN**

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**Abstract:** One of the most important tasks in the field of economic development today is the creation of favorable conditions for attracting foreign investment in the economy of our country, the introduction of practical mechanisms for their legal protection and further improvement of the investment climate.

The investment policy of the Republic of Uzbekistan is a leader among the CIS countries in providing more favorable conditions for attracting foreign investment, building a practical mechanism for reliable legal protection of foreign investment and, on this basis, further improving the investment climate in the country.

Accepted field papers include:

- creation of the most favorable investment climate for foreign investors making direct investments in the development of high-tech industries;
- stimulating the attraction of foreign investment for the implementation of projects for modernization, technical and technological renewal of production;
- elimination of various bureaucratic obstacles and obstacles in working with foreign investors;
- prevention of illegal interference in the activities of enterprises with foreign investment by state and regulatory authorities.

**Keywords:** active investment policy, investment policy, investment services, leisure mode, utilized investments, fixed capital, foreign investment and loan amount, goodwill.

**INTRODUCTION**

"Strategy of the investment policy of the Republic of Uzbekistan until 2025", prepared by the Ministry of Economy and Industry of the Republic of Uzbekistan on the basis of international experience, analysis of trends and problems in the development of investment processes in the economy, industries and regions.





The goal of the investment policy until 2025 is to increase the competitiveness and balance of the economy, develop production and export potential, develop regions and improve the welfare of the population.

The main objectives of the strategy are defined in three main areas: improving the investment climate, expanding domestic sources of investment and increasing the efficiency of investment sources, implementing effective measures and developing new approaches to attracting foreign investment.

By 2025, direct investment will become the main sources of investment, including public-private partnerships, public investment and investment in corporate securities. In 2019-2025, it is planned to master more than 1002.5 billion soums of decentralized investments within the framework of current and promising new investment projects. In addition, about 30% of enterprises will be financed from their own funds.<sup>[3]</sup>

described and analyzed the economic efficiency of attracting and using investment in industry in the context of an active investment policy. Investment policy of Uzbekistan, in particular, indicators of economic efficiency of their use are analyzed in a narrow and wide range. The "Strategy for the Investment Policy of the Republic of Uzbekistan until 2025" sets requirements for all types of investments. There are proposals for the development of investment policy in Uzbekistan.

Foreign investors can invest in the territory of the Republic of Uzbekistan in the following ways:

- participation in statutory funds and other property of business entities and companies, banks, insurance companies and other enterprises created jointly with legal entities and (or) individuals of the Republic of Uzbekistan;
- creation and development of business communities and companies, banks, insurance companies and other enterprises, completely dependent on foreign investors;
- purchase of property, shares and other securities;
- the introduction of intellectual property rights, including rights to copyrights, patents, trademarks, utility models, industrial designs, trade names and know-how, as well as business reputation (goodwill);
- concessions, including concessions for exploration, development, production or use of natural resources;
- acquisition of ownership rights to trade and service objects, residential buildings together with the land plots on which they are located, as well as the





rights to own and use land (including in lease), as well as the rights to own and use natural resources;

- by acquiring the right to identify, explore and extract minerals in subsoil areas in accordance with production sharing agreements.

## MATERIALS AND METHODS

The share of investment in fixed assets in GDP is expected to grow from 30.5% in 2018 to 37.5% in 2025. In addition, foreign direct investment and attracted loans will reach USD 11 billion in 2025, up from USD 1.6 billion in 2018.

The implementation of the investment policy strategy will lead to the integrated regional and industrial development of the country, as well as to the formation of value chains from raw materials to finished products, to the strengthening of existing and the formation of new interregional and intersectoral ties, and the development of cooperation between industries and regions. , government and private business.

Attracting \$ 7.5 billion of foreign investment in 2021.

Next year, it is planned to attract foreign direct investment and increase exports to \$ 17 billion. According to forecasts, at the end of the year, the volume of foreign direct investment in Uzbekistan will increase compared to the previous year to \$ 6.6 billion, and exports - to \$ 15.1 billion.

Despite a 40 percent decline in foreign direct investment in the world and a 25 percent decline in global trade by 2020, the country has embarked on major investment projects. “He plans to attract \$ 7.5 billion in foreign direct investment and increase exports to \$ 17 billion next year. The priority will be the sector with the highest economic efficiency” the ministry said.

To this end, the following areas of work with national exporters will be strengthened:

- pre-export financing,
- posting and registering local products on international e-commerce sites;
- Bringing Uzbek brands to world markets.

It should be noted that the Ministry of Investment and Foreign Trade reported that the total volume of foreign investment in Uzbekistan in January-June 2020 amounted to \$ 4.8 billion, including foreign direct investment - \$ 3.2 billion and foreign loans under state guarantee - 1.6 billion dollars billion dollars.

## RESULTS





Projects worth \$ 6.5 billion will be launched in 2021. The effectiveness of work in the field of investment and export was analyzed at a videoconference chaired by President Shavkat Mirziyoyev on June 24. They also discussed the tasks to be completed by the end of the year. In order to develop the economy and infrastructure, to finance current projects, an active investment policy is being pursued in our country. Since 2017, 716 trillion soums (\$ 83 billion) have been disbursed from all sources, which is more than twice as much as in the previous period. Of this, about \$ 27 billion has been borrowed from abroad.

Almost 65% of utilized investments are in industrial and infrastructure projects. As a result, over the past 4 years, the share of industry in the country's GDP has grown from 25% to 33%, and the volume of industrial production has increased

1.3 times. During this period, more than 47 thousand large, medium and small projects worth 441 trillion soums were launched, more than 680 thousand permanent jobs were created.

In addition, over the past 4 years, 100 trillion soums have been invested in the implementation of projects in the field of local industry, agriculture and services. According to the analysis, for each allocated billion soums, 12 new jobs were created in Namangan, 11 in Andijan, 8-9 in Navoi and Syrdarya. This figure was 6-7 in Bukhara, Samarkand and Khorezm and 5 each in Kashkadarya and Fergana. There were only 3-4 of them in Karakalpakstan, Jizzakh, Surkhandarya region, Tashkent region and the city of Tashkent.

Only 40,000 new jobs have been created in the Tashkent region over the past four years, thanks to US \$ 950 million in foreign investment and bank loans. That's \$ 24,000 for the job. However, in Namangan region, 52,000 jobs were created with double the cost. It was also noted that more than 2,000 enterprises operate with low productivity, and in some areas the volume of production has decreased. The President stressed that the main task of the leaders of the industry and regions should be to increase investment activity, as well as increase their efficiency.

The Ministry of Investment and Foreign Trade, together with regional governors, was instructed to identify untapped industrial opportunities in each district and city and develop targeted investment projects.

Everywhere there is a demand for furniture, there are conditions for its manufacture. Nukus, Andijan, Altyнкуl, Romitan, Karshi, Karmana, Pstdargom, Uzun, Baghdad, Orta, Chirchik and Khankaisky districts, Jizzak, Karshi, Namangan and Yangier have been adapted for furniture production. They will create small





industrial zones specializing in furniture production, place 450 projects worth \$ 200 million and create at least 7,500 new jobs.

Of the more than 5000 furniture companies in the country, 1500 are located in apartments. Now their industrialization is possible, a further increase in production and jobs. An order was given to carry out such work in the leather and footwear, electrical, textile, pharmaceutical, jewelry, construction and food industries. This year, 112 projects worth \$ 202 million in the leather and footwear industry, 45 projects worth \$ 140 million in the electrical industry and 36 projects worth \$ 146 million in the pharmaceutical industry are due to launch on time.

A small industrial zone has been created on the basis of the former Andijan Mash enterprise, more than a thousand jobs have been created at 24 new enterprises. Examples of this are the Technopark in Tashkent and the Mechanical Plant in Fergana. Today, another 19,000 sites are idle and operate at low utilization. This year, it is planned to launch 226 large sectoral and regional projects worth \$ 6.5 billion and create 35,000 new jobs.

It is known that direct investment plays a very important role in the development of the economy. This year, 756 projects are expected to attract \$ 7.7 billion in foreign direct investment and unsecured loans. In the Fergana region in 2021-2022 for a total of \$ 1.6 billion. It was noted that 949 investment projects will be implemented.

## DISCUSSION

"Drivers" will be the chemical, textile, leather and footwear, construction, and electrical industries.

In order to develop cities and districts in the system of makhallas, in each of the 76 sectors of the region, administrative offices will be created consisting of qualified personnel of the economic complex. These specialists, together with the bank staff attached to the district, study local conditions, formulate and assist in the implementation of projects. If necessary, the unemployed population, youth and women will be trained by profession. It was noted that 949 investment projects worth 17 trillion soums will be implemented in the Fergana region in 2021-2022. The "drivers" will be the chemical, textile, leather and footwear, construction and electrical industries.

In particular, Fergana Azot is implementing 3 projects worth \$ 537 million and 14 projects worth \$ 154 million in the textile industry. Due to limited land resources in the region, 33,000 hectares of land in deserts, pastures and hills will





be developed. Out of the spent 350 billion soums, 110 billion soums will be covered by subsidies.

Measures for the development of the social sphere and infrastructure have been identified. It was noted that this year 105 multi-storey buildings will be built in 11 locations in the region. The task was set to repair 503 kilometers of roads at the expense of 312 billion soums.

This year, in 19 districts and cities of the Fergana region, one Youth Industrial and Entrepreneurial Zone will be created, and more than 8000 unemployed will be trained in entrepreneurship and profession within the framework of the "Youth: 1 + 1" project. The importance of helping women start their own businesses, making a down payment for those in need of buying a house and preventing divorce was emphasized.

The leaders of Uzbekistan and South Korea signed a \$ 1 billion cooperation agreement with EDCF. As a result of the summit, a memorandum of cooperation in the field of digitalization, a three-year cooperation agreement with EDCF, a loan agreement for the construction of a modern multidisciplinary clinic and a design institute - the Center for Chemical Technologies in support were signed. The fourth industrial revolution.

This year, it is planned to invest up to \$ 400 million in projects with the participation of South Korean partners.

In addition, in high-tech sectors, including energy, oil and gas, chemical and petrochemical industry, pharmaceuticals, processing industry, agriculture, infrastructure modernization, transport and logistics, tourism and many other industries, totaling \$ 3.4 billion. More than 55 new projects are being prepared.

They highly appreciated the effective partnership with the Economic Cooperation Development Fund (EDCF) and the Korea International Cooperation Agency (KOICA) in the implementation of bilateral priority programs.

President Moon Jae In reaffirmed his full support for Uzbekistan's accession to the World Trade Organization. According to a 2021 report by the Ministry of Investment and Foreign Trade, foreign investment will reach \$ 10.5 billion.

Of these, \$ 7.6 billion will be foreign direct investment. According to preliminary estimates, the volume of foreign direct investment in fixed assets in 2020 amounted to 101.5% or \$ 6.6 billion compared to the same period in 2019.

Within the framework of the investment program, 197 projects have been implemented, 38,000 jobs have been created. In addition, within the framework of regional investment programs, 10,586 projects were implemented in the amount of





59.1 trillion. Soums, as a result of which 131.5 thousand new jobs were created. The indicators of foreign trade activity were taken into account, including the fact that in 2020 the volume of exports amounted to 15.1 billion dollars. At the same time, the export of 47 types of new products has been established and access to new promising markets in a number of countries has been ensured. In order to replenish working capital, a procedure has been established to guarantee up to 50% of the amount of loans issued to exporters. According to the forecast, the volume of foreign investment will amount to \$ 10.5 billion, of which \$ 7.6 billion will be direct foreign investment. In turn, 226 large, especially economically important industrial projects will be launched, 34 thousand jobs will be created.

The indicators of foreign trade activity were taken into account, including the fact that in 2020 the volume of exports amounted to 15.1 billion dollars. At the same time, the export of 47 types of new products has been established and access to new promising markets in a number of countries has been ensured. Within the framework of regional investment programs, it is planned to use 94.8 trillion. Sumy and launch 7106 investment projects, which will create about 162 thousand new jobs.

In 2021, due to a significant increase in exports in agriculture, textiles, silk, electrical engineering and other sectors, the expected export volume will exceed \$ 17 billion. At the same time, it was reported that it is planned to attract more than 2,000 new enterprises to export activities and 120 new types of finished products will be exported.

The event reviewed new work mechanisms planned to provide practical assistance to entrepreneurs and exporters in 2021. In particular, they talked about creating a system for daily monitoring of the implementation of investment projects and weekly reporting on their current state by industry and region. The Deputy Minister of Investments and Foreign Trade, heads of relevant departments and local governments are personally responsible for the timely launch of projects.

In recent years, Uzbekistan has been accelerating the attraction of investments in fixed assets from the first quarter. In 2020, there was a slight decline due to the effects of the pandemic. In terms of the ratio of investments in fixed assets to GDP, a similar trend is observed in 2018 - 30.6%, in 2019 - 37.1% yes.





High growth rates of foreign investment in fixed assets are among the key factors. For example, in 2019, foreign direct investment and loans accounted for 31% of total investment, which is 3.9 times more than in 2018.

A further increase in investments after the pandemic and the recovery of the domestic economy, as well as attracting foreign investors during a deteriorating financial situation will require new mechanisms and approaches to improve the investment climate in the country.

This opportunity will be provided by the new Phase 3 monitoring mechanism, which is planned to be introduced in Uzbekistan by the end of this year.

In the first half of the year, Uzbekneftegaz invested about \$ 850 million. Additionally, 1 billion cubic meters of natural gas, about 22 thousand tons of condensate and 1200 tons of oil were produced. By the end of the year, it is expected that the volume of investments in the economy will reach 9.9 billion US dollars.

By the end of 2020, foreign direct investment in the economy of Uzbekistan is expected to reach \$ 6.8 billion, and funds from international financial institutions - \$

3.1 billion. It was noted that the global epidemiological situation and related restrictions directly affect the investment and foreign economic activity of Uzbekistan, creating certain barriers for entrepreneurs in terms of financing, construction, supply of raw materials and equipment for production.

In this regard, measures have been taken to provide timely support to domestic producers and exporters. At the same time, 1.2 billion dollars were attracted from international financial institutions to provide commercial banks with sufficient resources.

During the reporting period, 3.8 thousand new jobs were created through the implementation of 28 large investment projects worth 1.8 billion dollars. Jobs have been created.

At the same time, it was noted that today in a number of sectors, under the influence of the risks associated with the coronavirus pandemic, the implementation of the forecast indicators of investment absorption is delayed. In this regard, the head of state instructed to revise the indicators and lists of investment projects planned for implementation in order to achieve the expected results by the end of 2020.

At the end of the year, it is expected that the volume of investments in the country's economy will reach \$ 9.9 billion, including foreign direct investment - \$ 6.8 billion, funds from international financial institutions - \$ 3.1 billion. Particular





attention was paid to measures to support export activities as one of the important drivers of economic development. In 2020, the gross domestic product (GDP) of Uzbekistan in current prices will reach 580.2 trillion soums, which is 1.6% more than in the previous year. If we look at 2017-2019, we see that the growth rate of real GDP averaged 5.2%.

But in the context of the current pandemic, this figure fell to its lowest level for the first time. If we look at GDP by economic sector, then in 2020 positive growth rates were observed in agriculture, forestry and fisheries (+ 3.0%), industry (+ 0.7%), construction (+ 9.2%) and services sector (+ 0.1%). noted. At the same time, if we pay attention to the influence of regions on GDP growth, relatively high positive growth rates were observed in Navoi (+ 7.1%), Namangan (+ 4.8%) and Surkhandarya (+ 4.4%) regions.

The gross domestic product of Uzbekistan in 2020 will grow by 1.6%. According to the State Statistics Committee, the gross domestic product (GDP) of Uzbekistan amounted to 580.2 trillion sumov.

According to the committee, growth in 2020 was 1.6 percent compared to 2019. The cost of goods was 341.5 trillion. Soums, services - 194.4 trillion. Soums, as well as taxes - 44.3 trillion. Sumov. GDP per capita amounted to 16.9 million soums.

This is 0.3% less compared to 2019. The gross domestic product of Uzbekistan for the first nine months of 2020 increased by 0.4%. The World Bank also predicts that Uzbekistan's economy will grow by 4.3% in 2021. Uzbekistan aims to increase economic growth to 5.1% in 2021. Providing the economy of our country with financial resources during a pandemic, gold is a key commodity for increasing economic stability. In particular, the volume of gold exports of our country in October, November and December 2020 amounted to \$ 5804.4 million, respectively. This amounted to 38-38.2% of the total export of goods and services. The economy of Uzbekistan will grow by 1.5 percent in 2020 and by 6.6 percent in 2021, which will be the highest among the countries of Europe and Central Asia. This is stated in the reports of international experts.

Earlier this year, positive economic growth was expected in more than 160 countries. But the spread of the coronavirus pandemic was followed by a global economic and social crisis. As a result, less than six months later, these economic forecasts have changed dramatically.

In 2020, China and Russia, the region's main trading partners, are projected to shrink 3.8-4 percent in some neighboring countries following a downturn in





their economies. The economy of Uzbekistan is expected to grow at 1.5 percent per year, despite a slowdown in economic growth compared to forecasts at the beginning of the year. This is the best indicator among the countries of Europe and Central Asia during the coronavirus pandemic crisis.

The government has allocated more than 30 trillion soums in the form of a set of social benefits, benefits and preferences to support entrepreneurs and the private sector.

At the end of the first quarter, the economy of Uzbekistan will return to a strong growth trajectory. Gross Domestic Product (GDP) grew by 3% in the first three months of 2021. Inflation in Uzbekistan continues to decline, with inflation rising to 2.5% in the first quarter and 2.8% over the same period in 2020.

However, the main factor behind inflation was the rise in food prices, which increased by 3.1% compared to December 2020, while there was a decrease compared to the same period last year (4.3% in the first 3 months of 2020). The rise in prices for non-food products remained at 1.7%, but prices for services grew faster than in the same period last year - 2.7% compared to the same period last year, 1.5% in the first three months of this year. In 2020, the gross domestic product (GDP) of Uzbekistan amounted to 580.2 trillion soums. Compared to 2019, the growth was 1.6% January 26, 2021, 18:04 According to the State Statistics Committee, in 2020, the gross domestic product (GDP) of Uzbekistan amounted to 580.2 trillion soums. Compared to 2019, the growth was 1.6%. According to him, the cost of goods was 341.5 trillion. Soums, services - 194.4 trillion. Soums, as well as taxes - 44.3 trillion. Sumov.

GDP per capita amounted to 16.9 million soums. This is 0.3% higher than in 2019. In April 2020, the World Bank announced that Uzbekistan's GDP growth rate is expected to be 1.6%.

## CONCLUSION

Based on the results of the analysis, we would like to make the following suggestions and comments on the development of the investment climate in our country:

- Improving investment policy by industry, identifying large investment projects to be implemented in 2022-2026 through foreign investment and loans, expanding public-private partnerships.

- Organization of electronic trade in services of the tourism industry and investing in the creation of an interactive tourist map of the region, which will





collect information on high-quality infrastructure facilities and tourist resources of foreign and domestic visitors.

- Ensuring that the recruitment process for obtaining tax incentives is conducted in an open manner in accordance with the demands of strong competition.

- To prevent the "hufen economy" from "flourishing", laws must not lag behind today's requirements.

- Measures to ensure flexibility in the relationship between inflation and bank rates (inflation is called 11%, bank rate is 25%)

- To exempt enterprises and business entities that introduce and use "green technologies" from customs duties and taxes for 5-10 years. For investors, these advantages provide the advantages of a competitive environment and industrial policy.

Eliminate corruption in the highest echelons of power and ensure the rule of law in practice, and not at meetings, respect for human rights.

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