



## The Analysis of the Investment Activity in Regions of the Republic of Uzbekistan

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### **Abstract**

The article considers the issues of territorial structure of the national economy of the Republic of Uzbekistan, the analysis of the social-economic development of the regions was conducted, the author points out the features and factors, influencing the region's development, basic directions of sharp differentiation decline in the region's development as well. The analysis on role and impact of carried regional policy on mitigation of territorial disproportionate in the country taking into account the features of agriculture specialization, structure, domestic problems of social territorial development and rational use of natural resources, etc. The authors paid special attention to the development of the strategy and complex program on region's social-economic development. The issues of investment to the basic capital as the most important factor of the region's economic growth, influencing the investment amount, contributing the economy's intensification, manufacture modernization, quality growth and competition of production were analyzed in the article. In terms of the investment activity development and structural problems solution, investment risks the authors propose the program actions with SWOT-analysis, for assessment the update conditions and tendencies of the region's investment activity development. The issues of the investment potential level, investment attraction of the republic regions have also been considered. In the frame of conducted scientific research the authors studied some aspects of the region's investment potential and competitive advantages of region for investment activity. In the end, the authors made the substantial conclusions. Key words: territorial structure, modernization, concentration, specialization, investment, infrastructure, free economic zones, business environment, swot analysis, cluster system, labor resources, innovation, investment attraction, investment potential, competitive advantages, development policy.

**Keywords:** *Investment Activity; Regions of the Republic of Uzbekistan*

### **Introduction**

One of the main strategic directions of reforming Uzbekistan is the restructuring of the economy. In the Strategy of Action adopted in 2017 for the five priority areas of development of the Republic of

Uzbekistan in 2017-2021, a special role belongs to the issues of ensuring the balance and stability of the national economy, increasing the share of industry, services, small business in its structure, as well as pursuing an active investment policy, aimed at modernization, technical and technological renewal of production, implementation of projects of production, transport, communication and social infrastructure [1].

The study of the territorial structure of the economy of the Republic of Uzbekistan shows a significant resonance in the scale of the economic and social development of the regions. Moreover, the differences between regions in terms of the most important socio-economic indicators are very significant. The city of Tashkent and the Tashkent region, Kashkadarya, Fergana, Samarkand and Andijan regions are distinguished by a relatively high share of GDP in the territorial structure of the national economy of the republic. But, if this situation is considered in the ratio of the occupied territory to the economic potential, then at present 14% of the territory of Uzbekistan produces almost 60% of the country's GDP.

### ***Discussion***

One of the main means of state regulation of the territorial unbalanced development of regions is the need for a regional economic policy.

“In the past, regional economic policy was carried out based on national interests, taking into account raw materials and socio-economic characteristics. At present, in the context of market reforms, regional policy must be carried out, both in the interests of the state level and in the interests of the region itself. An important task of regional economic policy is to use the possibilities of the advantages of the territorial division of labor, as well as the formation and strengthening of economic independence in order to socio-economic development of regions.

One of the effective forms of implementing the economic policy of Uzbekistan is the development of a strategy and comprehensive programs for the socio-economic development of regions.

“As evidenced by the foreign factor in the experience of enhancing the economic activity of depressed and backward regions, the most acceptable model has acquired the endogenous development of regions, based on the maximum use of local capital resources, labor resources, entrepreneurial potential, etc. In light of this, the regional economic policy for countries in transition is of certain interest to study the experience of the developed countries of the world»[1].

Regional policy should take into account the peculiarities, specifics, specialization of the economy, structure, internal problems of social development, rational use of natural resources and others. “In the conditions of the formation of market relations, the role of the regional factor is increasingly manifested, since reforms are carried out within the territory of republics, territories, regions, and other national administrative entities, differ significantly from each other in terms of natural and ecological indicators and other parameters. In this regard, an individual approach to each region is required in the process of implementing reforms»[2].

The ongoing regional policy aimed at mitigating territorial disproportionality in economic development, at first, can give a negative result, increasing differences, “the point is that at the initial stage, in the conditions of a market economy, not those regions that are considered to be have a diversified and dynamic structure of the economy and have objective economic prerequisites (market infrastructure, favorable investment climate, availability of resource and financial incentives, etc.) for development. This will inevitably lead to a temporary increase in the spatial difference in the economic development of districts, cities and rural areas.

On the part of the state, measures were taken to prevent a sharp differentiation of the socio-economic development of the regions and to ensure the balanced development of the regions, taking into account the natural, economic and demographic potential. These measures to a certain extent increased the share of regions in increasing the gross regional product (GRP) and the gradual acceleration of underdeveloped territories. The increase in the rate of gross regional production was due to the development of high-tech industrial sectors and the service sector, due to the modernization of the regional economy and the technical and technological renewal of the most important industries.

The modernization process will serve as an important and stabilizing factor in the development of the economy. The main tasks of the implementation and implementation of the priority tasks of the modernization of industries are as follows: (Fig.1.)

The laws and programs of socio-economic development developed and adopted by the state in different periods of time determine the methodological basis for the strategy of regional development. Of no small importance in the formation and implementation of the regional economic mechanism is the system of legal, fiscal and monetary regulation in order to reduce deep differences in the socio-economic development of regions.

«World experience shows that countries use various methods and mechanisms of state regulation of the socio-economic development of regions, including the definition of “growth centers” in the economic system of regions, the creation of free economic zones, representation of powers to the regions to issue local bonds, subsidies and subventions, subvening problem areas or granting benefits for wages, development of territorial programs, etc. Determination of opportunities and conditions of the region when choosing methods of development, the implementation of which may affect the structure of the region's economy. In addition, the government can contribute significantly to improve regional development and reduce excessively deep disparities in socio-economic development. In the implementation of specific tasks, it is necessary to collect information about the objective prerequisites of economic development, such as natural, production, labor, capital, land, etc»[4].



**Fig. 1 \* Priority tasks of modernization of industries**

The combination of natural resources, consumer, infrastructural, financial factors create the investment potential of the regions. The sharp difference between the investment potential and the investment attractiveness of the regions is reflected in the different level of investment activity on the territorial scale of the republic. This ensured the activation of investment processes in the regions with rich natural resource and production potential, in the economy of which such priority sectors as oil and gas, non-ferrous metallurgy, mechanical engineering and electrical engineering are developed. The increase in investment activity in many regions had a positive effect on the economy of the territories and made it possible to achieve significant results in the investment sphere. But at the same time, a low level of investment attractiveness is noted in remote depressed and crisis areas.

At the same time, it is necessary to stimulate the attraction of investments depends on the application of special conditions of tax benefits and incentives that have a positive effect on the positively influencing the increase in the economic potential of the party, attracting investments in depressed and crisis areas contribute to modernization, technical re-equipment and reconstruction of production, and on the other hand, to increase employment of labor resources as a result of job creation in labor-surplus regions of Uzbekistan.

One of the main priority areas of the prospects for regional development, the need to form a single spatial structure of the economy, ensuring territorial balance and improving the standard of living of the population. In market conditions, the regional economy should provide for the effective distribution of investment resources in order to improve the living standards of the population of the regions. The study of world experience shows the role of growth poles with favorable conditions and opportunities for the effective use of investments. Over the past 40 years, countries with sustainable economic development in the world have achieved their goals at the expense of several basic regions. This model gave very high growth for such countries as Chile, South Korea, China, Spain, Italy, France. It would be advisable to use the theoretical issues of the growth poles of the experience of foreign countries in the development of a regional development strategy.

Investment in fixed assets is one of the main factors of economic growth in the region. An increase in the volume of investments will be facilitated by the intensification of the economy, the modernization of production, a decrease in its costs, an increase in the quality and competitiveness of manufactured products, and an acceleration of economic growth. That is why, in order to ensure high and stable rates of economic growth, the task of implementing program measures for the development of investment activities in the regions becomes extremely urgent.

Program measures for the development of investment activities in the regions should be developed in order to overcome the existing structural problems and investment risks in the region due to the emerging opportunities and prerequisites of the regions. Based on this goal, the most urgent tasks are:

1. Assessment of the development of investment activities in the region;
2. Strategic SWOT analysis;
3. Determination of the prerequisites for the implementation of the strategy;
4. Development of program measures for the development of investment activities in the region.

Analysis of the development of investment activities in regions is an integral element of the justification of regional investment policy. In the analytical part of the program, special attention should be paid to assessing the level of investment activity and investment potential of the regions, as well as the effectiveness of the implementation of investment projects.

It should be noted that in the practice of economic analysis, for a comparative assessment of the level of investment activity in a territorial context, such important indicators as the volume of investment

per capita, the growth rate of investment, the coefficient of investment concentration, etc. are traditionally used. These indicators make it possible to compare regions with each other and study the processes of differentiation of regions in the areas of investment, as well as group regions by the level of investment development, which is important both for forecasting and for developing program measures.

To analyze the conditions for rational investment in economic science and practice, the category of "investment potential of the region" is used. This category gives a generalized picture of the attractiveness and feasibility of investing capital in a particular economic system based on social and economic prerequisites. The level of the investment potential of the regions within the framework of this study is assessed on the basis of an integral calculated coefficient showing how many times the current investment attractiveness of a particular region is higher than the national average (IAMI methodology). In calculating the integral coefficient of investment potential, the comparative level of the following 9 factors characterizing the current socio-economic situation in the regions is taken into account:

- ✓ The scale of the economy;
- ✓ Degree of diversified economy;
- ✓ Geopolitical, economic, geographic and transport position of the region;
- ✓ The level of development of the institutional infrastructure;
- ✓ The level of education of the population, the availability and structure of qualified personnel;
- ✓ Provision of social infrastructure facilities;
- ✓ Standards of living;
- ✓ Assessment of the cost of the mineral resource potential of the regions;
- ✓ Factors of increasing the cost of capital investments.

Thus, within the framework of this methodology, it is possible to study the changes in the unevenness of regions in terms of investment potential, as well as to determine the direction of investment policy to equalize the socio-economic development of regions.

The assessment of the implementation of investment projects at the regional level is carried out on the basis of an expert assessment, which determines the qualitative characteristics of the effectiveness of implemented and implemented projects. For a qualitative assessment of the effectiveness of the projects being implemented, the following criteria are used: the period of commissioning and payback of the project, the effectiveness of the project, the quality of the project (based on the assessment of the preliminary feasibility study), the possibility and feasibility of the project (taking into account the interest of the region), resource and infrastructure support of the projects being implemented.

Evaluation of implemented projects involves taking into account the following parameters: the level of use of the project's capacity and jobs created, the degree of use of local resources, the degree of influence on the efficiency of the social sphere and the growth of the gross regional product, the level of raw materials supply of production, timely implementation of projects and achievement of design parameters.

In order to develop program measures for the development of investment activities in the regions, it is necessary to fix the prerequisites and risks based on the results of assessing the current state and trends in the development of investment activities in the region in accordance with the SWOT analysis method (Table 1). Based on the results of the SWOT analysis, program measures for the development of investment activities in the regions should be developed in such a way that, due to the emerging opportunities, they try to overcome the shortcomings in the region and level the risks.

A region's competitive advantages can be based on various sources - the availability of raw materials, cheap labor, or an active inflow of investment and innovation. In some regions, the

preconditions for the development of investment activities are rich natural resources. As a rule, in the regional economy this type of investment activation and the main access to the external market are provided by foreign capital (firms). In regions where there is a large production and financial potential and large enterprises, the strategy for the development of investment activities should be based on an active inflow of investments, the acquisition and adaptation of technologies for modern production. The strategy should be aimed at creating modern industrial sectors that can compete in the world market. At the same time, the state creates a favorable climate for foreign and local investment, seeks to create conditions that reduce investment risks, and takes active measures to stimulate the export of products.

*Table 1: SWOT analysis of the development of investment activities in the region*

<b>Strengths</b>	<b>Weak sides</b>
<ul style="list-style-type: none"> <li>• positive trends and features of the development of investment activities in the region;</li> <li>• qualitative structural changes;</li> <li>• high level of provision with investment resources;</li> <li>• positive factors to increase the level of investment potential of the region;</li> <li>• high efficiency of ongoing investment projects, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• negative trends in the development of investment activities (decrease in investment efficiency, lag in the region in attracting foreign investment, low share of investment in GRP, etc.);</li> <li>• disproportions in territorial, sectoral and technological structures of investments;</li> <li>• low level of provision with investment resources;</li> <li>• negative factors of investment potential, etc.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• preconditions for stimulating investment growth to increase investment activity and potential of the regions;</li> <li>• priority areas of investment in the regional economy;</li> <li>• factors of increasing the investment attractiveness of the region, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• investment risks in the region, which may lead to unfavorable conditions for the modernization of existing facilities;</li> <li>• low level of resource provision for investment and innovation activities in the region (in terms of the implementation of priority regional investment projects), etc.</li> </ul>

In addition, the Comprehensive Program for increasing the investment activity of the region can become the most important mechanism for implementing program measures to develop the investment activity of the regions in the medium and long term. Such a Program is being developed in order to stimulate the growth of investments in sectors of the economy, especially in priority sectors that give their effectiveness to the economic growth of the regions. This, in turn, will accelerate investment activity in the regions and ensure territorial balance in the development of the national economy of Uzbekistan. One of the main priority areas of the territorial development strategy is the development of entrepreneurship and business, which allows solving economic and social problems that contribute to the formation of a competitive environment, saturation of the market with goods and services, ensuring employment of the population and solving other important tasks. At the same time, the formation of a favorable business climate is the main factor in the development of entrepreneurship and business as a strategic resource for the development of the territory.

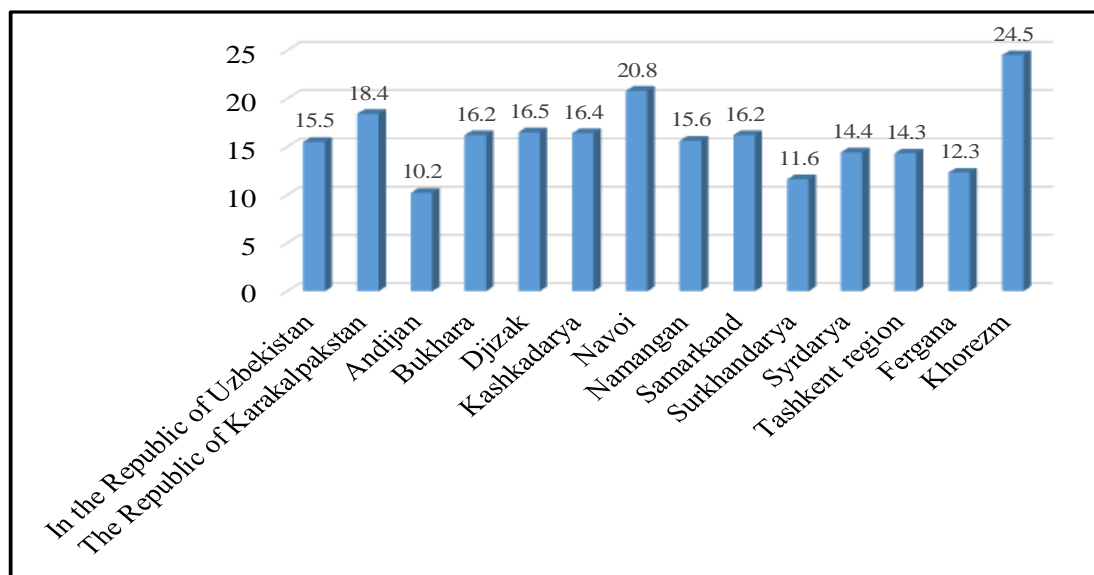
At present, the state's special attention in the near future continues to be the issue of socio-economic development of rural areas and an increase in the standard of living of the population. The provision of infrastructure has a huge impact on the well-being of people and a comfortable condition. "In the process of development of regional economic systems, infrastructure is starting to play an increasing role. It forms the conditions for the implementation of the economic activity of individuals and firms, as a sector of the economy creates jobs, contributes to the growth of the regional product and an improvement in the quality of life of the population»[6].The development of internal infrastructure is the main competitive advantage of the territories and an important factor in attracting investment to the region's

economy. Well-established infrastructural arrangement leads to a reduction in costs, stimulates the growth of entrepreneurial activity, integration with neighboring regions, the development of foreign economic activity, etc.

Of course, transport infrastructure plays a key role. Railway and road transport communications of Uzbekistan connect remote regions and settlements of the republic, providing access to international transport systems and wide access to the main sources and mineral resources. The study of the provision of road transport in the republic shows a sharp difference in the provision of highways in the context of cities and rural areas, at the end of 2018 the total length of all streets and driveways is exactly 40.0 thousand km, including 28.0 thousand km in cities. The length of paved roads was 19.3 thousand km (69.2%), in urban settlements - 6.9 thousand km (57.4%) [7].

On the territory of the Republic of Uzbekistan, as of January 1, 2018, there are 119 cities, 1071 urban-type settlements, 10996 rural settlements, the average resident population is 16.0 million people, or more than 48% of the total population of the republic. The total area of residential premises on average per person in rural areas was 15.5 square meters of total area, the highest indicators for the provision of housing in the context of regions in rural areas are noted in the Khorezm region (24.5 square meters) and the Republic of Karakalpakstan (18, 4 sq. M), and the lowest rates were noted in Andijan (14.4 sq. M.), Surkhandarya (12.7 sq. M.) And Fergana (13.4 sq. M.) Regions [7]. (Picture 2.)

At the same time, there is a serious lack of provision of engineering and communication systems, such as gas supply, water supply, sewerage, etc. The level of gasification of apartments (houses) with natural gas on average in the republic was 59.2%, in rural areas only 39.4%. At the end of 2018, the provision of hot water supply amounted to 31.3% of apartments (houses), and in rural areas this figure was 9.7%. Heating was provided to 94.3% of apartments (houses), and in rural areas - 24.9%. Heating was provided to 94.3% of apartments (houses), and in rural areas-24,9%[7].



**Fig 2. Provision of the population with housing in the context of regions (for 2018)**

\* Figure compiled according to the material of the State Statistics Committee of the Republic of Uzbekistan

An important topical issue of the social sphere and improving the life of the country's population is the provision of settlements with high-quality drinking water, especially in rural areas. In this period,

the provision of water supply in the republic is 75.6%, and in rural areas, the provision of drinking water in rural areas is 62.8%. At the same time, the water availability indicator varies greatly by region, in Tashkent (100%), in Fergana (98.7%), in Andijan (92.7%), the highest rates are noted, and the lowest rates are noted in the Republic of Karakalpakstan (56, 7%), in the Bukhara region (58.7%), in the Samarkand region (57.5%) and in the Khorezm region (58,6%)[7].

At the same time, the priority direction is the acceleration of the industrial development of the village, the placement of environmentally friendly industrial production and types of services in rural areas, the widespread use of local resources, the formation and development of a modern technological base, the training of qualified personnel in labor-surplus regions. Taking into account the specifics of the village, measures are being taken to stimulate home-based work and small business in cooperation with industrial enterprises. Moreover, it is necessary to create a number of economic preferences for enterprises participating in this project. Analysis of the study of the dynamics of industrial production growth in rural areas of Uzbekistan's regions shows that relatively high growth is noted in Namangan (125.1%), Samarkand (123.1%), and the Republic of Karakalpakstan (122.4%), and in some regions there is a very low growth rate (Fig. 3) [7]. This situation is associated with a favorable business climate for small business entrepreneurship in the regions.

Improvement and economic development of the region has an objective relationship, if, on the one hand, economic development determines the well-being of the region, and on the other hand, the improvement affects the economic development of the region. The primary tasks are to accelerate the industrialization process, provide employment and increase the income of the population, transform the external appearance of the village by creating modern rural housing and rural infrastructure. Consequently, the creation of clusters in the regions is an effective mechanism for increasing the competitiveness of the region and increasing the pace of its economic development, as well as the industrial development of rural areas. One of the main features of economic development in the near future is the urgent need to rapidly improve various forms of organization of production.

The goal is to unite all the constituent parts of the enterprise into a single structure, which will ensure the rational interaction of individual segments and increase their socio-economic efficiency. In Uzbekistan, the use of the cluster model of organizing production in the context of economic modernization has become widely developed. The production cluster system facilitates the integration of several enterprises and firms belonging to various sectors and spheres of the economy, from the cultivation of raw materials to the production of finished products, through deep processing. In the republic, an integrated and innovative approach of clusters has been widely used in cotton growing and further sequential processing until the production of finished products.

## ***Conclusions***

The conducted research allowed the author to draw the following conclusions:

1. In the territorial structure of the economy of the Republic of Uzbekistan, there is a significant resonance on the most important socio-economic indicators, Mitigation of territorial disparities in the development of the economy, reduction of spatial differences in the economic and social development of regions, cities and rural areas, it is necessary to develop and implement science-based regional policy.
2. When developing and implementing regional programs in the context of economic diversification, a prerequisite should be the study of the economic potential and its future development, the identification of "growth factors" of the region, which are reserves and means of territorial development, as well as the mechanisms of their involvement in the economic turnover to achieve specific goals.



3. Investment in fixed assets is one of the main factors of economic growth in the region. An increase in the volume of investments will contribute to the intensification of the economy, the modernization of production, a decrease in its costs, an increase in the quality and competitiveness of manufactured products, and an acceleration of economic growth. That is why, in order to ensure high and sustainable rates of economic growth, the task of implementing program measures for the development of investment activities in the regions becomes extremely urgent.
4. Development is the development of entrepreneurship and business, allowing the solution of economic and social problems, contributing to the formation of a competitive environment, saturation of the market with goods and services, ensuring employment of the population and solving other important problems. At the same time, the formation of a favorable business climate is the main factor in the development of entrepreneurship and business as a strategic resource for the development of the territory.
5. At present, the state continues to pay special attention to the issues of socio-economic development of rural areas and raising the standard of living of the population in the near future. The provision of infrastructure has a huge impact on the well-being of people and a comfortable condition. The development of internal infrastructure is the main competitive advantage of the territories and an important factor in attracting investments into the region's economy.
6. It should be noted that a comprehensive assessment of regional characteristics, monitoring of determining the causes and factors of various levels of socio-economic differences, the production and financial potential of regions should be the main criteria for attracting investments and applying special tax regimes.

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