



THE WAYS OF IMPROVE AND ATTRACT INVESTMENTS IN REGION (THE CASE OF ANDIJAN REGION)

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ABSTRACT

This article explores the theoretical foundations of increasing investment attractiveness in the regions. The investment attractiveness of Andijan region is analyzed. Based on the results of the analysis, proposals and recommendations aimed at increasing the attractiveness of the investment climate in Andijan region were developed.

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1. Introduction

The priority in our country is to increase investment in the real sector of the economy and, therefore, accelerate socio-economic development. Increasing investment will ensure accelerated development of regions and cities, first of all, industrial and export potential, ensuring the comprehensive and effective use of natural, mineral raw materials, industry, agriculture, tourism and labor potential of each region.

In the Strategy of Development of the Republic of Uzbekistan for 2017-2021 "to reduce the disparities in the level of socio-economic development of regions by expanding the scale of modernization and diversification of regional economies, accelerated development of relatively low development areas and cities, first of all with industrial and export potential" ¹. has been identified as one of the important directions.

The effective implementation of these tasks, in particular, the accelerated development of small towns and cities through the comprehensive and efficient use of natural, mineral, raw materials, industrial, agricultural, tourism and labor potential of the region, increasing the investment attractiveness of the regions, the creation of small industrial zones, and attraction of foreign investment. development, reduction of subregional districts and cities, creation of favorable conditions for the

¹ Decree of the President of the Republic of Uzbekistan "On the Strategy of Action for the Further Development of the Republic of Uzbekistan". Issue PF-4947, February 7, 2017. - Collection of legislation of the Republic of Uzbekistan. 2017, Issue 6, Article 70.

placement of production facilities, development of industrial, engineering and communication areas development of targeted strategies for further development and modernization of the social infrastructure networks are required.

State Program of Action of the President of the Republic of Uzbekistan from January 22, 2018 of PF-5308 on the five priority directions of development of the Republic of Uzbekistan in the "Year of active entrepreneurship, support of innovative ideas and technologies", February 7, 2018 About formation of the State committee on investments of the Republic of Uzbekistan from April 25, 2017 of No. UP-4996 "About strategy of further development of the Republic of Uzbekistan" The decrees of the Government of the Republic of Uzbekistan and other normative and legal acts concerning this activity also testify to the need for effective implementation of investment policy in the regions of the Republic.

The purpose of the study is to determine the effectiveness of the investment programs in Andijan region.

The purpose of the study is to determine the effectiveness of the investment programs in Andijan Province. The object of this thesis is the investment program of Andijan region. The subject of the study is the socio-economic benefits of the implementation of investment development programs in Andijan region.

The main objectives of the study are:

1. The essence of the integrated development in the regions and the theory of investment programs have been studied
2. Methods of investment and regulation of investment policy in regions are classified.
3. Analysis of integrated regulation and investment policy in Andijan region
4. Proposals and recommendations on ways to improve and attract investments in the Republic of Uzbekistan and innovative sectors for investment in regions are elaborated.

In this thesis, the methods used to assess the region's investment attractiveness are widely used and statistically analyzed.

2. Literature review

Large-scale measures are identified in Uzbekistan for sustainable development of the economy, improving the welfare of the regions and the standard of living of the population. The Ministry of Economy and Industry and the Ministry of Investments and Foreign Trade are created by the decrees of the Head of the state for their effective implementation. The main tasks of the Ministry of Economy and Industry are integrated development of regions and industries, balanced allocation of production capacity, and the Ministry of Investments and Foreign Trade – ensuring development and effective implementation of sectoral and regional investment programs, coordination of export activities of enterprises and organizations.

The concept of "expanded productive capacity" was applied in the research of V. S. Nemchinov. Here, it is denoted as the relationship between the economic development of regions in the country with the capacity available in the domestic economy of resources².

Based on the generalization of definitions and comments given to the concept of "capacity" in economic sources, one can learn them by dividing them into four (4) groups:

1. Economic capacity as aggregate capabilities sectors of the economy. Though it is a single property of economic potential, the main emphasis is made on its production function.

2. Economic capacity as a set of all available resources ("investment resources", "quantity of employed", etc.). Here, the capacities of enterprises, territories, and societies are associated with the activities of entities. Also, priorities are placed on their interconnectedness.

3. Economic capacity as a result of the economic relations between the subjects of economic activities. Here, the term "capacity" is used to refer to the achieved level in the existing conditions. However, this refers to promising opportunities of the development of widely used terms such as "potential capacity" and "potential level"³.

² Durdieva D.A (2013). Assessing the potential of sustainable socio-economic development of the region.. URL: http://dibase.ru/article/07112013_142069_durdueva

³ Ackerman E.N., Mikhalechuk A.A., Trifanov A.Yu. (2010). Factor approach in building the region's economic space // Tomsk State University Journal, Economics, № 3 (11), pp.84-92. URL: http://journals.tsu.ru/economy/&journal_page=archive&id=733&article_id=26619.

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4. Recognition of the terms "economic capacity", "capacity of the national economy", and "national wealth" as a general concept. Terms such as the capacity of the national economy, national wealth, and others are specific. Thus, the emphasis is on the explanation of economic capacity. Here, state resources are measured through the national wealth and it is not the same as economic capacity. Therefore, through an economic capacity, the price expression of general resources (wealth) of the region was obtained.

In scientific research dedicated to the explanation of the category "economic capacity", general provisions are explained in the following way:

- It is used relatively in the national economy, society, territories, regions, industries and enterprises;
- Treated as possibilities of existing economic resources for the production of consumer goods;
- Stressing on the relationship between the quantitative and qualitative properties of economic resources and economic systems, as well as their ability to meet the social, collective, and personal needs. That is, "... the inventory sources for the implementation of specific goals and which may be brought in case of need"⁴. However, there is a relationship between the external and internal climate to realize the potential of these resources.

3. Research Methodology

The analysis of global trends as for effective policy of investments attracting, particularly foreign ones, let to systematize instruments of its implementation and to adapt to the development of a particular area (territory): 1) advertisement in media focused on explanation of financial questions; 2) participation in investment exhibitions; 3) advertisement in publications, clearing up questions of the economy, individual industries, regions, cities; 4) organization of visits of potential investors from abroad to a country of residence or businessmen from a country of residence to abroad; 5) organization of seminars on investment opportunities of a state, region, city; 6) use of telemarketing or direct mail; 7) study of companies - potential investors; 8) provide with advisory services in some matters of investing process in a particular country, region, and city;

9) process of filling in documents by investors and getting permits by them; 10) provide with "services after investing" We can come to the conclusion that scientists are not unitary regarding instruments of regional investment policy and therefore they should be grouped according to their characteristics for better understanding of the purpose and ways of influences (table 1).

Table 1.

Classification of instruments of investment policy at meso level due to the sphere of their influence⁵

Sphere of influence	Instruments
Stimulation	Tax rules, financial support
Guarantees	Funds of guarantee of investment safety, authorities' guarantees
Information	Investment maps (cards), investment passports (certificates), informational portals
Spatial construction	City planning, special economic zones, territories of priority development
Planning	Strategic plans, concepts, predictions
Promotion	Advertisement, conferences, seminars

Nowadays the problem of investors' information both national and foreign as a factor of investment operations intensification as well as increase of investment attractiveness of regions and the country is rather urgent. We believe that this problem solving is possible through instruments of investment policy at regional and state levels, such as: investment regional and state maps (cards), investment passports (certificates), accumulation of information interesting for investors in one document, and strategy of the development of meso level. These documents provide with complete information about

⁴ Schukov V.N. (2002). The economic potential of Russian regions and the efficiency of its use: Students manual, Ivanovo. URL: <http://www.dissers.ru/books/1/7251-1.php>.

⁵ Schukov V.N. (2002). The economic potential of Russian regions and the efficiency of its use: Students manual, Ivanovo. URL: <http://www.dissers.ru/books/1/7251-1.php>.

investment projects implementing or have already been implemented, the amount of investment flows, time of projects and provide with infrastructure facilities, natural resources, labour potential, businesses, free economic zones, technoparks, clusters, funding resources, transport solutions etc.

It is very important to investigate instruments of implementation of regional investment policy in detail, which would form a favourable investment environment, increase investment attractiveness, intensify investment operations and reveal an investment potential of a region with the aim of its social and economic development. It has been determined that a new model of implementation of investment policy is formed at meso level, which involves creation of attractive image of a region using modern instruments investment operations including more information about investments through formation of investment cards and investment passports of a region. For better understanding of purpose and ways of influence of investment instruments at meso level it has been presented the classification of instruments of investment policy at meso level due to the sphere of their influence: stimulation, guarantees, information, spatial construction, planning and promotion.

4. Analysis and results

The Strategy of Action on the five priority directions of development of the Republic of Uzbekistan for 2017-2021 envisages the implementation of tasks in the near future to "improve the investment climate, actively attract foreign, primarily foreign direct investments into the sectors and regions of the country's economy"⁶.

In the Message of the President of the Republic of Uzbekistan on the priorities of development of the country in 2019, the President of the Republic of Uzbekistan named 2019 "The Year of Active Investment and Social Development" and set important goals for economic reforms.

In 2019, it is planned to attract about 138 trillion soums of investments from all sources in the country, or 16% more than in 2018. In this regard, the volume of foreign direct investments will increase by almost 1.5 times this year to \$ 4.2 billion, resulting in the launch of 142 modern enterprises.

Consistent implementation of the regional economic policy on these tasks will form the fundamental foundations of strategic investment policy of the regional investment policy in the long term.

Investments in fixed assets throughout the Republic in nominal terms totaled 28,694.6 billion soums. This indicator has been growing steadily and will reach 107,333.0 billion soums by 2018. Thus, the nominal growth of investment in fixed assets during these years was 3.7 times.

The growth of investment in fixed assets in Uzbekistan in 2018 compared to 2013 was 374.1%. The growth rates in Andijan region in 2018 compared to 2013 was 315.1. This figure shows that investment in Andijan is lower than Uzbekistan's average. The highest growth rates were observed in Kashkadarya (437.9%), Namangan (673.2%), Navoi (619.9%), Surkhandarya (490.1%) regions and Tashkent city (439.2%).

The role and importance of investing in fixed assets in the socio-economic development of the regions can be explained by:

First, the increase in investment in fixed assets will have a positive impact on the annual growth rate of GRP as a factor of high-tech development and intensive economic growth;

Secondly, the diversification of the economy and the implementation of structural reforms will create opportunities for the production of import-substituting and export-oriented products;

Thirdly, in the context of the rational use of the existing financial and investment potential, it will ensure broader development of entrepreneurial activity and, consequently, betterment of the population through the creation of new jobs. As

⁶ Decree of the President of the Republic of Uzbekistan dated February 7, 2017 "On the strategy of further development of the Republic of Uzbekistan"

a result, the expansion of the aggregate demand in the economy due to the consistent increase in the incomes of the population will create conditions for further development of production.

Andijan region is one of the regions with the highest investment potential in the country. The volume of gross regional product (GRP) of the region in 2018 is estimated at 13177,8 bln. soums. Growth rate of GRP as compared to the corresponding period of the previous year was 108.3%.

Table 1. The structure of gross regional product by type of economic activity in Andijan⁷.

Indicators	Billion sums		As a percentage of 2017
	2017 year	2018 year	
I. Gross regional product, total	9719,1	13177,8	108,3
<i>including:</i>			
Gross value added to networks	9434,9	12771,2	108,1
Net taxes on products	284,2	406,6	113,8
II. Gross value added to networks	9434,9	12771,2	108,1
Agriculture, forestry and fisheries	2794,8	3566,7	100,4
Industry (including construction)	2551,0	4359,3	122,9
Industry	1959,8	3541,4	128,1
Construction	591,2	817,9	105,8
Services	4089,1	4845,2	104,1
Sales, living and catering services	1023,2	1273,2	103,8
Transportation and storage, information and communication services	972,2	1053,4	105,7
Other services	2093,7	2518,6	103,6

Growth rates observed in the main sectors of the economy of Andijan region served as a major factor in the growth of GRP. In particular, the growth rate of industry was 128.1% (its share in GRP - 27.7%), construction - 105.8% (6.4%), trade, accommodation and catering - 103.8% (10%), transportation and storage, information and communication - 105.7% (8.2%) and other services - 103.6% (19.8%).

Figure 1. Growth rate of GRP by types of economic activity in 2018 in Andijan region⁸, (in percent)

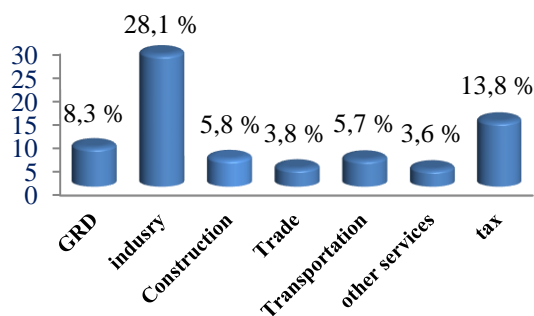


Diagram 1 shows the following economic growth in Anjidon Province in 2018:

GRD grew 8,3%, industry grew 28,1 %, construction grew 5,8%, trade 3,8%, transportation grew 5,7%, other services grew

⁷ Source: Prepared by the Andijan regional statistics department

⁸ Source: Prepared by the Andijan regional statistics department

3,6%, tax grew 13,8%.

Industrial production by region

The work on modernization, technical and technological re-equipment of industrial enterprises in Andijan region facilitates the increase in the volume and quality of production in the region. Asaka district (59.6% of Andijan region's industrial output), Andijan (17.7%), Hanabad (4.2%) and Shahrikhan district (2.6%) account for the largest share of industrial production in Andijan region. Andijan region (2.5%).

Investments in the amount of 3053,8 billion soums were invested to increase the main capital of the provinces in 2018, including foreign investments and net income 133,4 billion soums.

The volume of investments in fixed assets increased by 3.4% in 2017 and amounted to 4.3% of GDP.

Table 2. **Distribution of investments in fixed capital by sources of financing in Andijan region⁹(2018 year)**

<i>indicators</i>	<i>Billion soums</i>	<i>growth rate, in percent</i>	<i>as a percentage of completion</i>
Investment in fixed assets	3053,8	133,4	100,0
<i>including:</i>			
Centralized investments:	440,4	187,0	14,4
budget funds	116,6	142,6	3,8
State Targeted Funds	197,8	134,4	6,5
Fund for Reconstruction and Development	-	-	-
development of children's sports	3,6	85,6	0,1
foreign loans under government guarantee	122,4	52,7 M	4,0
Decentralized investments	2613,4	127,2	85,6
own funds of enterprises	735,4	138,9	24,1
population funds	794,3	91,9	26,0
foreign direct investment and loans	512,5	228,5	16,8
commercial bank loans and other borrowed funds	571,2	131,0	18,7

Investments from the state budget will be directed to support of social sphere and life support system, implementation of targeted investment programs aimed at the development of infrastructure in Andijan region.

Distribution of investments in fixed capital by sources of financing in Andijan region are: Centralized investments consist of 14,4%, Decentralized investments consist of 85,6%.

The highest share of decentralized investments in own funds of enterprises are 24,1 %.

Table 3. **Distribution of investments in fixed capital by sources of financing in Andijan region¹⁰ (2018 year)**

<i>Indicators</i>	<i>Total</i>		<i>including construction and assembly work</i>	
	<i>Billion soums</i>	<i>growth rate, in percent</i>	<i>Billion soums</i>	<i>percent of total, in percent</i>
Total:	3053,8	133,4	1839,8	100,0
<i>city:</i>				
Andijan	1090,0	179,1	526,5	28,6
Khonobod	36,6	132,1	30,9	1,7
<i>regions:</i>				

⁹ Source: Prepared by the Andijan regional statistics department

¹⁰ Source: Prepared by the Andijan regional statistics department

Andijan	144,5	92,8	102,0	5,5
Asaka	219,0	163,2	161,5	8,8
Balikchi	95,3	199,1	53,2	3,0
Boz	69,4	188,7	55,3	3,0
Bulokboshi	73,4	94,3	56,7	3,1
Jalalkuduk	98,8	98,5	88,9	4,8
Izbaskan	215,3	254,4	90,5	4,9
Ulugnor	37,0	239,2	33,3	1,8
Marhamat	103,8	120,2	85,0	4,6
Oltinkul	186,0	71,1	155,8	8,5
Pahtaobod	124,3	147,8	113,0	6,1
Xujaobod	156,8	140,9	81,3	4,4
Shahrihon	162,6	159,0	95,5	5,2
Kurgontepa	241,0	262,7	110,4	6,0

In the Table 4 we can see the highest share of distribution of investments in fixed capital by sources of financing in Andijan region are in: Asaka (8,8%), Oltinkul (8,5%), Pahtaobod(6,1%).

Regions that have the lowest share of distribution of investments in fixed capital by sources of financing in Andijan region are in: Khonobod (1,7%), Ulugnor (1,8%), Balikchi (3,0%).

Since the survey, numerous reforms have been implemented to address these issues. Andijan has seen its investment climate improve rapidly in response to investors' concerns. Numerous reforms are ongoing to reduce the complexity and improve the transparency of the regulatory, customs and tax systems. One of the most emblematic reforms of this new era is the currency liberalization that was implemented in 2017. The reform makes it much easier for foreign investors to consider Andijan an investment destination. Over the next 10 years, the city expects an inflow of FDI of \$8 billion, with \$4 billion invested into non-extractive industries.

Table 4. **Technological Structure of Fixed Capital Investments in Andijan in 2018 year¹¹**

	Total	including by forms of ownership:	
		Governemeant	non-governmental
Total, billion soum	3053,8	447,2	2606,6
<i>including:% of total volume</i>	100,0	100,0	100,0
construction and installation works	60,3	87,9	55,5
<i>production of machinery, equipment, vehicles and business equipment</i>	36,2	6,8	41,3
Other expenses	3,5	5,3	3,2

The practice of attracting foreign investment in Uzbekistan shows that today the efforts of the central ministries and agencies are aimed at targeted attraction of foreign investments on major investment projects included in the State Investment Program and the Consolidated List of Prospective Investment Projects annually approved by the Interdepartmental Council

¹¹ Source: Prepared by the Andijan regional statistics department

of the Cabinet of Ministers. The powers of local authorities are limited to assisting project proponents in developing a passport and investment proposal.

Because of overload of duties of central authorities the investment proposals received from direct initiators from the regions are not given due attention, which hampers the ability to timely implement investment projects in certain regions.

It seems expedient to develop and implement programs for the development and modernization of infrastructure for medium-term periods, as well as the creation of a mechanism for accumulating local budget funds to provide external infrastructure for enterprises.

Foreign experience clearly shows that during the transition period investments become the most important factor not only for reconstruction and renovation, but also for the creation of new industries and enterprises. Therefore, attracting and using foreign capital in the economy of Andijan region is an essential regularity of the investment process at the present stage.

Conclusions

In this regard, it is necessary to take the following measures to ensure the development of new types of competitive products for stimulating investment processes:

1. reduction in the tax burden to exporters of finished products;
2. wide use of tenders for the implementation of innovative technologies, which will increase the share of realized fast payback of innovative projects in general economic activity, focused on the growing demand;
3. active implementation of government programs to support manufacturing industries, aimed in 1st place to reduce the tax burden of high-tech industries that will create preconditions continued growth and modernization;
4. purposeful use of fiscal policy expressed in the provision of enterprises producing high technology products, targeted investment tax credits and benefits;
5. development of the stock market will attract investment, including portfolio, as for large foreign capital plays an important role the stock market, since in this case the investor can obtain detailed information about the acquired company, as well as a low probability of losing made by capital;
6. and, finally, the development of small business is the most important mechanism to stimulate the investment processes.

In order to increase the attractiveness of the investment climate in Andijan region, the following strategic directions should be pursued.

When investors attraction strategy forming it is necessary to estimate the existing capacity of the region, its advantage, strengths and shortcomings. First of all, it is the assessment of the branches presented in the region. Successful branches and enterprises will help to reveal geographical advantages of the region and the opportunities it can offer a new business. Existing delivery chains are necessary to include into the assessment of successful experience — it will help to define perspective productions which will be able to become raw material suppliers or products of already existing companies consumers. A similar analysis creates the basis for the cluster approach introduction. Cluster approach allows to lower expenses when building the value added in the production chain. Thus, the profit received on the limited territory is maximized.

Assessment of goods and services offer for end consumers has to become the following step. Perhaps, some types of goods or services are still inaccessible, but demanded among local population.

On the basis of the first two analysis stages the list of the priority investment directions is formed. Besides, the conducted analysis allows to define obviously unpromising projects for which either there will be no resources, or there will be no sufficient demand for products. When determining the priority directions it is also necessary to consider the developed or desirable image of the region.

Representatives of business community, branch departments, municipal authority bodies and other interested parties are necessary to be involved in definition of the priority direction. Business representatives, besides participation in priorities definition, can provide contacts with potential investors being their suppliers or consumers. Involvement of third-party consultants with the fulfilled techniques will help to optimize the strategy creation process.

Efficiency of investments attraction activities demands simplification of new products creation procedures. It will be promoted by drawing up the list of existing platforms for productions placement, formation of specialized economic activity preference zones, creation of specialized service on investments attraction and support of investment projects and other measures. In general, the investor has to be sure that the region has advantages which will provide profitability, and

administration of the region is focused on productive interaction. The most effective communication channels with potential investors are personal contacts with the company heads, investment portals, special events running, advertising and publications in mass media.

We should mark that investment strategy existence assumes the statement of quantitatively measurable purposes, connected either with dynamics of investments volume, or with new enterprises number, or with other parameters which are authentically reflecting the situation change.

Results of the strategy implementation have to be controlled with the established frequency, and the strategy of results monitoring have to be corrected if needed.

The most successful investment strategy, according to experts of the Strategic initiatives Agency which created the Standard, are the documents accepted in Andijan Territory, Asaka and Balikchi Regions. Strategy of Andijan Territory differs with the detailed analysis of the region capacity, the current investment activity; it includes comparison with foreign countries, assessment of investment activity risks, and also assessment of investment climate from the point of view of investors. Strategy of Andijan region lays the emphasis on cluster approach at the priority directions choice. Feature of Andijan region strategy consists in orientation to investment infrastructure creation and increase of the region appeal in general.

Moreover, the factor of using local area networks is not interconnected and does not affect the processes of investment activity in the region. The largest increment in investments in fixed assets is provided by such factors as the use of wide-area networks and electronic document exchange. Strengthening positions on these factors is the most promising direction for improving the regional investment strategy. The expected result of that should be an increase in the investment attractiveness of the region as a whole..

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