



Investment Potential of the Regions of Uzbekistan at the Present Stage

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Abstract: The article defines the essence and significance of the investment potential as an essential component of the competitiveness of the national economy, summarizes the main reforms of the regulatory framework in the field of attracting investment resources, and analyzes the investment potential of the regions of Uzbekistan. It is concluded that tax incentives and comprehensive structural and regulatory reform make Uzbekistan an attractive center of Central Asia, thanks to which, over the past few years, the republic has made significant progress in attracting international business and investment.

Key words: potential, regional development, tax incentives, investment climate, economic growth, standard of living.

Introduction. Investments play a very important role in the economy, being the main stable development of the economy, ensuring sustainable economic growth. An active investment process predetermines the economic potential of the country as a whole and helps to improve the living standards of the population.

The investment potential of the region characterizes the ability of the territory for rational and efficient management and use of all economic resources at its disposal for the implementation of investment opportunities in order to ensure that the material, financial and intellectual needs of capital reproduction are met [1].

Methods. In the process of research, general scientific logical methods of analysis and synthesis, induction and deduction, and processing of statistical data were used. The information base of the study was the materials of domestic and foreign research institutions, international organizations.

Results. In the economic literature, the concept of "investment potential" is used quite often, but it is not clearly defined, and the term is not fixed in the legislation in the act. Some authors consider the "investment potential of the region" as "the ability of the region to cover its needs for investment resources without the use of borrowed capital and other sources of funds raised", other authors as "the total possibility of sectoral non-permanent resources that allow increasing the capital-labor ratio and the ability of business entities operating reserves these resources, to provide sustainable economic income over time". The term "potential" in Latin means "power", "strength". In the general economic sense, the term "potential" is a set of funds available to an enterprise or opportunities in a particular area [2].

The investment sphere is one of the most important sectors of the economy. To form an investment policy, it is necessary to develop an effective regional investment strategy, which defines the level of guarantees to the investor, in the form of a guaranteed minimum profit, with a certain level of risk and obligations of regional authorities. Potential investors are concerned about the state of the

investment climate in the region, namely the investment potential (the degree of obtaining profitable results from investments) and the level of investment risks (the possibility of losing from investments). Therefore, for investors, when they choose objects of capital investment, it is very important to assess the investment rating of the region based on these groups of indicators.

Investment policy is a set of rules and approaches on the allocation of state support to investors, on the provision of measures to stimulate investment projects. Among the various measures of state support for the investor, the most common form is the partial repayment from the regional budget of interest on commercial loans provided for the implementation of investment projects. Also, the most popular measure of state support is the provision of various guarantees and tax benefits to investors.

Conducting a competent investment policy involves managing the investment parameters of economic development, one of which is the investment potential. When assessing the investment potential, it is necessary to take into account such factors as the infrastructure development of the territory, innovation potential, the intellectual potential of the population, and the resource component. The investment potential of the region is also formed due to the natural features of the region, geographical location. Considering that the condition for the dynamic development of the economy is the development of investment processes, the strategy for the development of investment potential chosen by the state determines the real opportunities for attracting strategic investments to the region and, as a result, determines the speed and efficiency of the structural transformation of the socio-economic complex of the region into a system of a competitive market economy [4].

Domestic authors characterize the investment potential by the following criteria:

- ✓ availability of physical possibility of economic entities to invest in the economy (availability of resources suitable for investment activities);
- ✓ availability of an opportunity to attract free investment resources of economic entities (investment potential as a numerical indicator of investment attractiveness);
- ✓ investment capacity as an indicator of the physical ability and readiness of business entities to accept investment funds [5].

Analyses. Uzbekistan is rich in natural resources, the most populous country, strategically located in the heart of Central Asia. Uzbekistan's nominal per capita gross domestic product last stood at \$50 billion at a purchasing power parity of \$250 billion. Currently, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), the literacy rate is 97%, which is comparable to Singapore and other developed countries. In addition, there are 93 local universities and 21 affiliated foreign universities.

Currently, the Republic of Uzbekistan has the largest working-age population, which is about 19 million people, which exceeds the working-age population of the countries of Central Asia combined. The economy of the republic is the second in terms of growth in the CIS with an indicator of 5.1%, according to the results of 9 months of this year, growth accelerated to 5.7%. According to the Asian Development Bank, GDP growth in 2020-2021 was about 6%.

As of the beginning of 2022, the country has sufficient gold and foreign exchange reserves of \$28 billion (55% of GDP), a public debt of \$17.3 billion (44% of GDP). The reserves more than cover the amount of external debt, which is an important stabilizing factor. For comparison, the reserves to GDP ratio in Kyrgyzstan is 28%, the level of external debt to GDP is 48%, in Georgia 20% and 110%, in Tajikistan 18% and 39%, in Kazakhstan 16% and 93%, respectively [8].

In accordance with the Decree of the President of the Republic of Uzbekistan "On measures to further improve the mechanisms for attracting foreign direct investment in the economy of the republic" dated April 29, 2019 No. PD-4300, foreign investors are offered state shares in 29 large enterprises, including 4 financial institutions, 2 energy, 6 oil and gas, 3 chemical and other industries. In addition, the shares of Uzpromstroybank, Asia Alliance Bank and Jizzakh Plastic are put up for the initial public offering, the shares of Quartz, Aloqabank and the Uzbek Republican Commodity Exchange are put up for the secondary public offering.

Table 1. Development of investments in fixed capital of the regions of Uzbekistan in 2017-2021

| Регионы | 2017 y. | 2018 y. | 2019 y. | 2020 y. | 2021 y. | 2021/2017, % |
|----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| The Republic of Uzbekistan | 72155,2 | 124231,3 | 195927,3 | 210195,1 | 239552,6 | 332,0 |
| Republic of Karakalpakstan | 2822,0 | 6757,8 | 8750,6 | 7089,8 | 8110,7 | 287,4 |
| Andijan region | 2986,0 | 4711,9 | 7452,1 | 9622,6 | 11176,6 | 374,3 |
| Bukhara region | 11613,4 | 9610,9 | 10366,6 | 12183,9 | 20528,3 | 176,8 |
| Jizzakh region | 1788,2 | 3606,3 | 7900,9 | 12545,4 | 9233,6 | 516,4 |
| Kashkadarya region | 11175,3 | 16518,5 | 24462,5 | 20557,6 | 17359,1 | 155,3 |
| Navoi region | 3977,9 | 10579,5 | 17646,3 | 15688,4 | 15020,1 | 377,6 |
| Namangan region | 3586,7 | 8158,1 | 12084,9 | 12007,2 | 12982,0 | 361,9 |
| Samarkand region | 4384,2 | 7061,4 | 10266,7 | 14656,4 | 15641,6 | 356,8 |
| Surkhandarya region | 3551,0 | 7240,6 | 11835,1 | 10068,2 | 12037,8 | 339,0 |
| Syrdarya region | 1628,0 | 2699,3 | 5869,1 | 7191,9 | 8051,8 | 494,6 |
| Tashkent region | 5938,4 | 11226,9 | 20353,9 | 21148,6 | 28113,6 | 473,4 |
| Fergana region | 2954,5 | 5539,1 | 8685,4 | 11040,0 | 12625,2 | 427,3 |
| Khorezm region | 2175,9 | 3013,8 | 5032,0 | 5391,8 | 8292,0 | 381,1 |
| Tashkent city | 13573,7 | 26435,7 | 42458,1 | 50371,3 | 58172,7 | 428,6 |

In accordance with the data in Table 1, the increase in the development of investments in fixed assets in Uzbekistan as a whole for the period 2017-2021. exceeded 230%. The largest increase was observed in the Jizzakh region - there the development of investments increased by more than five times, the smallest increase can be seen in the Bukhara region.

In the structure of investments in fixed capital in the republic as a whole, the share of foreign investments tends to grow (Table 2).

Table 2. The share of foreign investments in investments in fixed capital of the regions of Uzbekistan in 2017-2021

| Регионы | 2017 y. | 2018 y. | 2019 y. | 2020 y. | 2021 y. | 2021/2017, % |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| The Republic of Uzbekistan | 52,7 | 58,0 | 70,7 | 59,2 | 62,0 | 117,6 |
| Republic of Karakalpakstan | 37,2 | 62,1 | 65,7 | 60,9 | 60,1 | 161,6 |
| Andijan region | 34,4 | 52,2 | 61,8 | 52,4 | 62,6 | 182,0 |
| Bukhara region | 79,4 | 64,5 | 71,1 | 61,7 | 69,0 | 86,9 |
| Jizzakh region | 44,6 | 55,7 | 77,5 | 79,1 | 67,8 | 152,0 |
| Kashkadarya region | 60,9 | 66,4 | 77,8 | 78,4 | 67,3 | 110,5 |
| Navoi region | 53,5 | 62,9 | 84,3 | 74,2 | 71,4 | 133,5 |
| Namangan region | 50,1 | 70,3 | 70,6 | 58,1 | 63,3 | 126,3 |
| Samarkand region | 31,6 | 42,5 | 61,5 | 47,0 | 59,0 | 186,7 |
| Surkhandarya region | 50,0 | 65,1 | 84,3 | 76,3 | 70,6 | 141,2 |
| Syrdarya region | 61,3 | 65,1 | 79,6 | 70,1 | 80,4 | 131,2 |
| Tashkent region | 48,6 | 49,0 | 61,4 | 48,4 | 54,6 | 112,3 |
| Fergana region | 32,1 | 53,9 | 65,3 | 56,7 | 58,3 | 181,6 |
| Khorezm region | 35,5 | 50,9 | 67,2 | 58,8 | 54,2 | 152,7 |
| Tashkent city | 47,2 | 50,3 | 63,4 | 46,0 | 55,3 | 117,2 |

As for the structure of investments in the fixed capital of the regions, there are contradictory dynamics here - in some regions there is a significant increase in the share of foreign investment

(Samarkand, Andijan, Fergana regions), in the Bukhara region, on the contrary, a decline in the share of foreign investment is noticeable.

It is indicative that by the decision of the Head of State, a decision was made to introduce a visa-free regime for the entry of tourists from 86 countries of the world. In this regard, Uzbekistan is becoming the most open country for tourists among the CIS countries. For comparison, in 2017, citizens of only nine countries had such an opportunity. At the same time, the number of countries with visa-free entry has been increased from 9 in 2017 to 86 in 2022 (an increase of 9.5 times);

The above measures made it possible to sharply increase the flow of foreign citizens from 1.9 million to 5.4 million people, and by 2022-2023, 10 million foreign citizens are expected to be received. It is worth noting that according to the Gallup Global Law Enforcement and Individual Travel Safety Report, Uzbekistan is ranked 5th in the list of the safest countries in the world in terms of personal safety, law and order and travel, along with Switzerland and other developed countries. Moreover, an "investment visa" has been introduced for investors who have contributed at least 200 thousand US dollars.

The Republic of Uzbekistan pursues an open, mutually beneficial and constructive foreign policy based on the national interests of the country. The current foreign policy of Uzbekistan is formed taking into account dynamic changes in the world and the region, as well as large-scale reforms within the country. The main turnover partners are China, Korea, Turkey, Germany and the CIS countries. The main export structure consists of gold, energy for tourism and textile products. While machinery and chemical products are the base sectors for imports.

One of the biggest advantages to attracting international capital is that we have significant mineral reserves, more than 2,000 deposits. The annual gold production is 90 tons [7].

One of the key benefits of starting a business is the low cost of energy. Compared to neighboring countries, Uzbekistan has one of the lowest prices for gas and electricity and has a huge potential for energy development. The country has more than 310 sunny days a year, the technical potential of solar energy exceeds 2 trillion kWh, wind energy 1 trillion kWh and hydropower 27 billion kWh.

In addition, infrastructure is developed in the republic, namely, the total length of roads exceeds 184 thousand km, electric networks 237 thousand km, railways 4.7 thousand km, gas pipelines 13.7 thousand km, 11 international airports, construction "dry port of Navoi" is under consideration [7].

Currently, the Government of Uzbekistan is implementing the Program for the Development and Modernization of Engineering Communications and Road Infrastructure for 2015-2019, which provides for the development of a single comprehensive strategy for the development of the domestic transport industry that meets high international standards and ensures its wide integration into international transport communications, taking into account long-term needs domestic producers in promoting their products to regional and world markets.

Efforts are being made in the country to increase the capacity of the transport system, remove existing barriers to unhindered transit through the territory of Uzbekistan, which is of great importance for the development of international transport corridors in Central Asia.

Discussion. Uzbekistan participates in the CIS free trade zone with general access to 275 markets. Over the past two years, large-scale reforms have been carried out in the tax system, the rates of the single tax payment, VAT, property tax, social payment have been reduced, a single scale of taxation of personal income has been introduced, and certain types of taxes and mandatory payments have been abolished. In addition, the VAT rate was reduced from 20% to 15%.

The tax burden on business entities is gradually decreasing. The measures taken to radically improve the country's investment climate and simplify the business environment over the past 3 years have led to a sharp increase in the number of enterprises with foreign capital, namely from 5370 in 2017 to 9730 by October of this year (an increase of 81%). The share of capital investments through private domestic investment is 45% [9].

Presidential Decree No. PP-4300 provides for the granting of investment residency in the Republic of Uzbekistan “Uzbekistan is my second home”. It is planned to introduce a procedure for granting a residence permit to foreign investors, subject to investment in the Republic of Uzbekistan. When purchasing real estate in:

- Tashkent region and Tashkent city - at least 400,000 US dollars;
- Samarkand, Bukhara, Namangan, Andijan, Fergana and Khorezm region - at least 200,000 US dollars;
- The Republic of Karakalpakstan and other regions of the republic - at least 100,000 US dollars.

In the case of other types of investments (for example, in shares, replenishment of the authorized capital or the acquisition of shares in enterprises), the amount of investments must be at least 400,000 US dollars [10].

To actively attract foreign capital, tax and customs benefits are currently in place, 21 free economic zones (7 pharmaceutical, 12 industrial, 1 agricultural and 1 tourism), a business ombudsman institute has been introduced, the Tashkent International Arbitration Center has been created, a draft unified investment law has been developed and investment activities”, which is designed to combine the norms of 3 laws and about 100 by-laws relating to investments. Today, a solid foundation has been laid for increasing FDI in the economy of the republic. In particular, they received sovereign credit ratings from Standard & POOR'S, Fitch Ratings, Uzbekistan rose from the 6th to the 5th group according to the OECD country classification of credit risk. Last but not least, more than 50 international companies with foreign direct investment operate in Uzbekistan [8].

Thus, the strategically important geographic area, a wide range of tax incentives, as well as the comprehensive structural and regulatory reforms being carried out by the government of Uzbekistan make Uzbekistan an attractive center for financial investments. Over the past few years, Uzbekistan has made significant progress in attracting more international business and investment, redefining virtually every aspect of doing business in the country in an attempt to facilitate and increase foreign direct investment. The strategic location of the country as a major land corridor with a developed infrastructure contributes to the rapid growth of the market with high growth rates, thus contributing to the investment potential of the country's regions.

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