



Improving the Mechanism of Attracting Foreign Investment in the Agricultural Sector of Uzbekistan

Kuchkarov Fayzullo Abdujabborovich

Independent researcher Tashkent Institute of Finance
E-mail: Kochkarov_F@mail.ru

Abstract: The article examines the role, importance and necessity of attracting foreign investment in the agricultural sector of Uzbekistan. The volume and growth rates of agriculture, forestry and fisheries of the Republic of Uzbekistan in 2022, the number and volume of investment projects implemented in the agricultural sector and sources of financing of investment projects implemented in the agricultural sector of Uzbekistan in 2019-2022 are analyzed. Based on the study, proposals and recommendations were developed to improve the mechanism for attracting foreign investment in agriculture in Uzbekistan..

Key words: investments, agricultural sector, agriculture, foreign investments, infrastructure, special economic zones, investment environment, joint venture.

INTRODUCTION

Attracting foreign investment in the agricultural sector of the economy of Uzbekistan is an important issue in the development and strengthening of agriculture in the country. Uzbekistan has a huge potential in the agricultural sector, thanks to its climate, fertile soils and water resources. Agriculture is considered a stable direction for medium- and long-term investment, because it is practically guaranteed not only constant demand for manufactured products, but also its further growth. It should be noted that there are many examples in world practice when new production facilities based on modern technologies are created by attracting foreign investment and focusing on exports.

A study conducted by the Food and Agriculture Organization (FAO) together with the International Agricultural Development Fund (IFAD) and the World Food Program (WFP) showed that the current level of investment and social spending will not lead to income growth and improved access to food sufficient to eradicate hunger by 2030. With the usual management of affairs, the scale of hunger will decrease, but more than 650 million people, or 8% of the world's population, will still be malnourished in 2030. «The report estimates that on a global scale, additional investments in the amount of 265 billion US dollars per year are required to eradicate hunger by 2030. These investments will be required for social protection programs (US\$ 67 billion), which will improve access to food for vulnerable groups of the population, as well as for investments in productive activities for the poor (US\$198 billion), which provides the poor with opportunities to earn, save, invest and improve their livelihoods» [1].

Therefore, the issues of attracting foreign investment in the development of the agricultural sector of the economy should be considered as topical, allowing us to solve the problem of ensuring

the country's industrial security, which determines, in our opinion, the relevance and prospects of our chosen research topic.

2. LITERATURE REVIEW

Various aspects of the problem of attracting and using foreign investments in agricultural production are reflected in the works of K.Nolte, M.Ostermayer, K.Schulze [2], A.Kozlov [3], T.Rasulov [4], R.Mustafayeva [5], V.Maslakov, V.Demichev [6], N.Agafonov [7], A.Altukhov [8], V.Butyrin [9], I.Isakov [10], V.Dobrosotsky [11]. In their works, such aspects of the agricultural sector as the role of agrofuels in the struggle for land, the peculiarities of reproduction of investment activity in agriculture in the region, the problems of attracting and using foreign investment in the development of agriculture, current trends in investment in agriculture, statistical analysis of the effectiveness of investment in agricultural development, assessment of investment attractiveness of rural areas, problems and prospects for the development of agro-industrial production, the effectiveness of state support and regulation of investment processes in agriculture, the transformation of instruments of state regulation of investment activity in the agricultural sector of the economy, the problematic aspects of regulation of the single agricultural market of the EAEU (Eurasian Economic Union) in the context of ensuring food security at various levels are considered.

3. RESEARCH METHODOLOG

Methods of grouping, comparative and economic analysis, induction and deduction, economic and statistical methods and expert assessment were widely used in the research.

4. ANALYSIS AND RESULTS

Why is agriculture a profitable area for investment?

Firstly, the continued growth in the number of consumers.

Во-первых, продолжающийся рост числа потребителей. «In 2022, humanity crossed the 8 billion mark. residents. According to forecasts of the United Nations (UN), by 2037 the number of people on the planet will increase to 9 billion, and by 2058 it will reach 10 billion. human» [12]. This means that the population of the Earth will need more and more food, and the agricultural industry will have to constantly increase the production of its products.

Secondly, the need for technology due to the reduction of vacant land. The amount of fertile land in the world is physically limited. «According to the latest research conducted under the guidance of the US Geological Survey (USGS) as part of the GFSAD30 project, there are 1.87 billion hectares of fertile agricultural land in the world» [13]. The industry will compensate for the shortage of land with new technological solutions, for example, vertical farming technology and others, and look for new ways to increase soil fertility and yield growth. All this will contribute to investments in agriculture.

Third, subsidies and state support. Agriculture is actively supported by the authorities of many states, including within the framework of food security policy, as this area is vital for the population.

In other words, agriculture relies on meeting basic human needs for food, so it is difficult to replace it with something. However, this fact does not automatically mean that investing in any direction of agriculture will be profitable and guaranteed to bring great profits.

«In Uzbekistan, the volume of agriculture, forestry and fisheries in 2022 amounted to 364.5 trillion. soums (\$32 billion)» [14]. The indicator increased by 3.6% compared to 2021. Including in crop and animal husbandry, hunting and the provision of services – 352137.8 billion. soums (103.6%), in forestry – 9223 billion. soums (102.3%), in the fisheries sector – 3162 billion. soums (101.9%). The increase in agricultural, forestry and fisheries production is mainly due to an increase in agricultural production by 3.6%. The volume of meat production increased by 3.4%, milk – by 3.2%, eggs – by 4.4%, grain – by 4.7%, potatoes – by 4.7%, melons – by 5.9%, fruits and berries –

by 4.6%, grapes – by 3.9%, fish – by 3.2%. It shows that 62.2% of the total agricultural output falls on dehqan (personal subsidiary) farms, 31.4% – on farms, 6.4% – on organizations engaged in agricultural activities.

The volume of agricultural products grown in 2022: cereals – 8 million tons; potatoes – 3.4 million tons; vegetables – 11.2 million tons; melons – 2.4 million tons; fruits and berries – 3 million tons; grapes – 1.8 million tons.

By the end of 2022, the volume of exports of fruit and vegetable products amounted to 1,134.3 million US dollars, in physical terms – 1,730.6 thousand tons. The growth rate compared to the same period in 2021 amounted to 18.5%. The largest share in the export of fruit and vegetable products is occupied by grapes (including dried) – 24.7%, mash – 8.2%, peach – 6.0%, tomato – 5.1%, persimmon – 4.6%, onion – 3.7%, cabbage – 3.5%, melon and watermelon – 3.3%. In 2022, the share of fruit and vegetable products in total exports amounted to 5.9%. «The main importers of fruit and vegetable products of Uzbekistan are Russia (42.5%), Kazakhstan (18.9%), China (9.1%), Pakistan (8.8%), Kyrgyzstan (3.7%), Afghanistan (2.7%), Turkey (2.2%), Belarus (1.7%), Azerbaijan (1.2%), Iran (1.2%)» [15].

The total volume of products (services) of agriculture, forestry and fisheries in 2022 amounted to 364522.8 billion. sum, including agricultural products 95.3%, forestry 2.5%, services of crop and livestock industries, as well as hunting 1.3% and fishing 0.9%. (Fig.1).

In 2022, the growth rates of products (services) of agriculture, forestry and fisheries, compared with the corresponding period of 2021, amounted to 103.6%, in forestry 102.3%, services of crop and livestock industries, as well as in hunting 108.2% and in fisheries 101.9%.

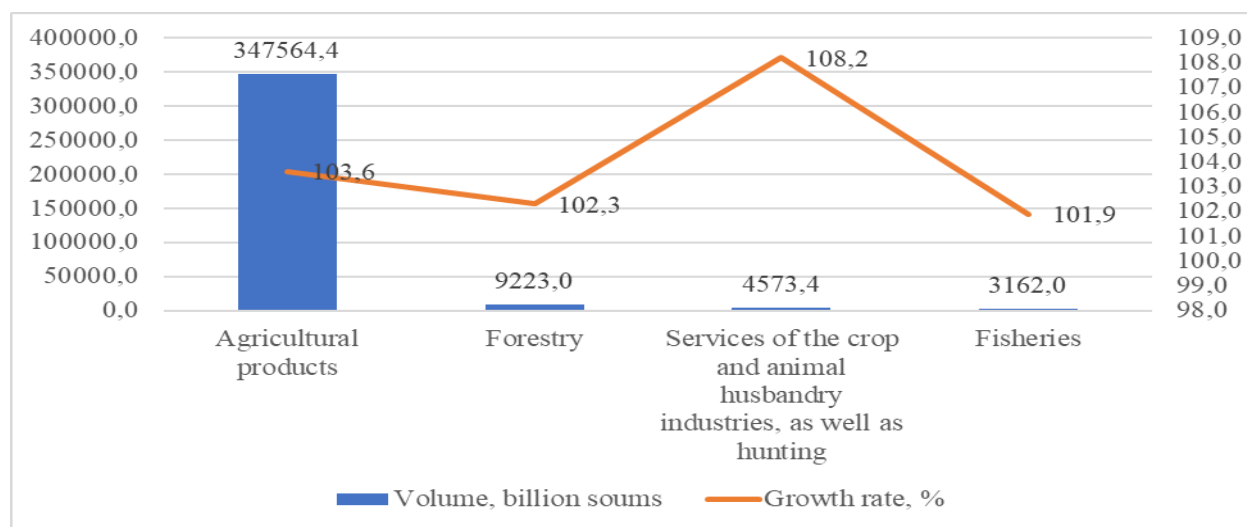


Fig. 1. Volume and growth rates of agriculture, forestry and fisheries of the Republic of Uzbekistan in 2022 [16]

In recent years, the Government of Uzbekistan has been actively working to develop the agricultural sector and improve the investment climate. In particular, investors from Europe, China, Russia and other countries are increasingly attracted to cooperation with Uzbekistan and the implementation of new projects in the agro-industrial sector, trade and logistics. Thus, according to the Statistics Agency under the President of the Republic of Uzbekistan, in the period 2019-2022, 143 projects worth 265.5 million US dollars were implemented in the country. Investments in the amount of 184.7 million US dollars (69.3%) were mastered only in the fat and oil industry. In addition, funds are being actively invested in the development of the feed industry in Uzbekistan (27

projects worth 27.1 million US dollars), as well as the construction of modern storage facilities and modernization of existing production facilities (Fig. 2).

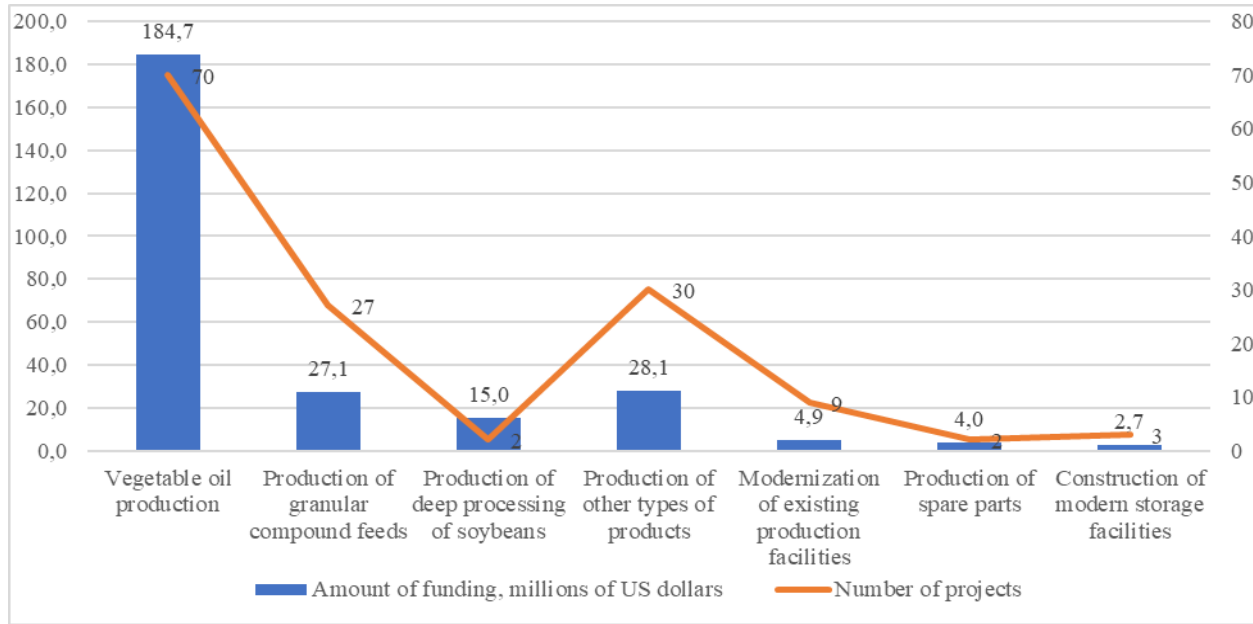


Fig. 2. The number and volume of investment projects implemented in the agricultural sector of Uzbekistan in 2019-2022 [17]

To date, the most promising areas for investment in the agro-industrial sector of Uzbekistan is the organization of modern plants for the production of soy protein (isolate), oilseeds, food emulsifiers, margarine, as well as solid fats from vegetable oils (trans-etherified fats, milk fat substitutes).

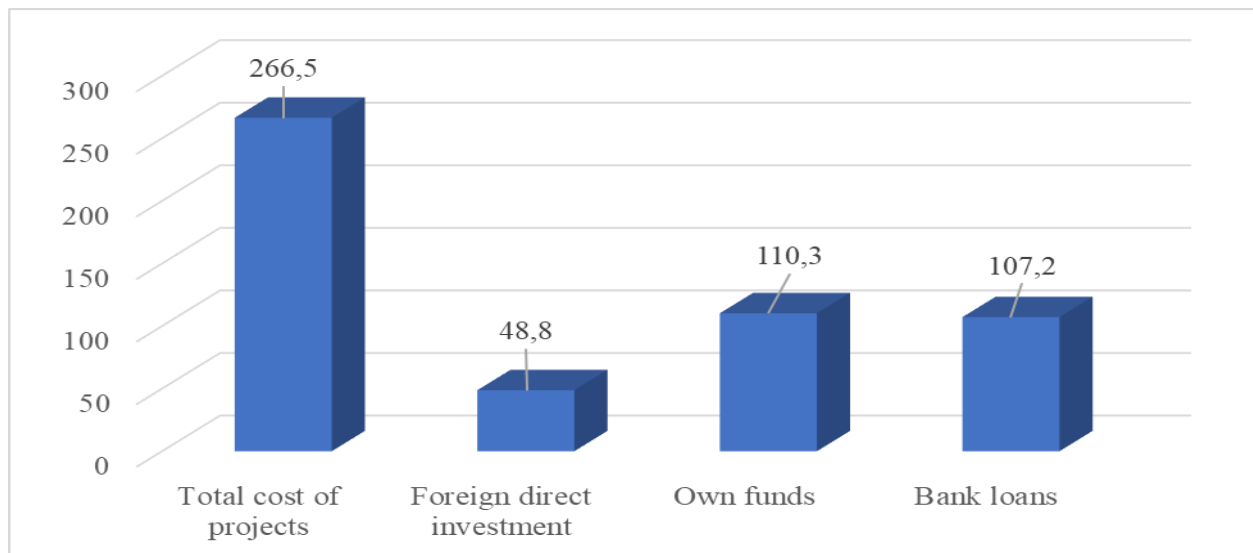


Fig. 3. Sources of financing of investment projects implemented in the agricultural sector of Uzbekistan in 2019-2022 [18]

The Government of Uzbekistan, in turn, offers tax benefits and preferences to all potential investors, as well as all the infrastructure necessary to create a new production. At the same time, it is worth noting the constantly growing demand for these products both within the country and in neighboring countries.

It should be noted that agriculture is often one-sidedly understood only as the cultivation of agricultural plants and the breeding of livestock. However, agriculture covers a fairly wide area of activity, including animal husbandry, horticulture, forestry, seed production, aquaculture, and much

more. The purpose of agriculture is to supply products and the population, and to cover the needs of producers, that is, to provide them with raw materials.

In this regard, investing in agriculture has a lot of directions that directly and indirectly cover these industries. There are a huge number of direct and indirect ways to invest in the agricultural sector.

In the case of direct investments, you invest in material production and sales, and you can also participate in the management of the company. Direct investments have a higher threshold for entry, large amounts of capital are required.

Direct investments in agriculture include:

- acquisition of land and organization of farming. The option of self-launching an agribusiness. The most expensive investment option, in which the investor bears all the risks of the project implementation;

- purchase of real estate for rent. A more passive and reliable investment option, but at the same time requiring a high level of investment. For rental, you can purchase production or storage facilities;

- providing loans to agricultural businesses;

- purchase of agricultural machinery for rent;

- purchase of shares of agricultural companies. Many agricultural companies sell shares on stock exchanges, which can be bought and sold freely. An investor can make a portfolio of such shares, which will grow with an increase in stock prices. With this method, you find a broker that suits you, register and replenish the brokerage account and proceed to the selection of securities. It can be difficult to understand the variety of offers, so you need to analyze the multipliers of companies. With their help, you can evaluate such indicators as the growth rate of earnings per share, the level of debt burden, and so on.

Indirect investments in agriculture include the purchase of bonds. Bonds are debt securities with which you lend to companies for business development. That, in turn, guarantees you the payment of face value and interest for the use of funds, that is, coupon income.

Attracting foreign investment in the agricultural sector of Uzbekistan has become one of the priorities in recent years. However, there are several problems that make this process difficult:

1. Lack of information: It may be difficult for foreign investors to get access to reliable information about investment opportunities in the agricultural sector of Uzbekistan. Lack of transparency and availability of data can scare off potential investors.

2. Uncertainty of the legal and regulatory environment: existing laws and regulations concerning foreign investments may be unclear and change over time. This creates uncertainty for foreign investors and may affect the decision to invest in the agricultural sector.

3. Restrictions on land ownership: Restrictions on land ownership in Uzbekistan may pose a problem for foreign investors. For example, foreign persons are prohibited from owning land and can only be granted land for a limited period of time. This may reduce the attractiveness of the agricultural sector for investors.

4. Infrastructure problems: lack of developed infrastructure, including the road network, irrigation systems and storage of agricultural products, which can be an obstacle to investment.

5. Lack of a skilled workforce: Creating a workforce with the necessary skills in the agricultural sector can be challenging. The lack of skilled workers may slow down the development of foreign investment in this industry.

To solve these problems, the following measures can be taken by the efforts of the government and the business sector of Uzbekistan: improving the availability of information on investment opportunities, simplifying and stabilizing the legal and regulatory environment, attracting

investments in infrastructure development, conducting educational programs to train qualified labor in agriculture. It is also important to actively promote and advertise investment opportunities in the agricultural sector of Uzbekistan on the international market.

5. CONCLUSION

Attracting foreign direct investment in the agricultural sector of the economy of Uzbekistan is an important priority for the development of agriculture and achieving sustainable economic growth. To improve this mechanism, the following measures can be taken:

1. Creating a favorable investment climate: Uzbekistan should provide attractive conditions for foreign investors to invest in the agricultural sector. This may include simplified registration procedures, preferential tax rates and guarantees of property rights protection. Uzbekistan should continue implementing reforms aimed at simplifying the business registration process, reducing administrative barriers and improving the legal protection of investors' rights. This will help attract more foreign investors to the agricultural sector.

2. Promotion of investment opportunities: Uzbekistan should actively promote its investment opportunities in the agricultural sector at the international level. This may include organizing investment forums and exhibitions, conducting business missions abroad and providing information materials about the country's potential. Increasing information transparency, in order to attract foreign investors, it is necessary to provide them with detailed and reliable information about the opportunities and conditions of investment in the agricultural sector of Uzbekistan. This can be done through the creation of an information and advice center for investors on agricultural issues.

3. Creation of special economic zones: Uzbekistan may create special economic zones with special benefits for foreign investors in the agricultural sector. This may include tax exemption, customs preferences, access to infrastructure, and other benefits. The development of investment privileges, the introduction of special investment zones or tax incentives for foreign investors in agriculture can stimulate capital inflows. These privileges may include tax exemption, simplified import and export procedures, as well as the provision of land plots for the development of agricultural projects.

4. Development of joint ventures: Uzbekistan can encourage the creation of joint ventures between foreign and local companies in the agricultural sector. This will allow combining foreign experience and technologies with local resources and knowledge, contributing to the development of agriculture.

5. Infrastructure development: improvement of rural infrastructure, such as roads, energy supply, water management systems, which will help attract foreign investment. This will increase the availability and efficiency of agricultural production and reduce the cost of transportation and storage of agricultural products.

6. Development of promising sectors: Uzbekistan should actively develop promising sectors of the agricultural industry, such as organic farming, production of high-tech agricultural products and processing of agricultural products. This will create new opportunities for foreign investors and increase the competitiveness of the agricultural sector.

Attracting foreign investments into the agricultural sector of the Uzbek economy requires a systematic and purposeful approach. It is also important to ensure transparency and openness in the investment process, as well as protection of investors' rights. A stable and predictable investment policy will help attract more foreign investors and contribute to the development of the agricultural sector of Uzbekistan. Along with these measures, Uzbekistan should continue to strengthen cooperation with international organizations and other countries to attract foreign investment in the agricultural sector. This will improve the technological level, increase the productivity and competitiveness of agriculture in Uzbekistan.

REFERENCES

1. [\(PDF\) Current Trends in Investment in Agriculture \(researchgate.net\)](#).
2. Kerstin Nolte, Martin Ostermeier and Kim Schultze. Food or Fuel – The Role of Agrofuels in the Rush for Land. GIGA Focus International Edition English. German Institute for Global and Area Studies. Number 5 | 2014 | ISSN: 2196-3940. ([gf_international_1405_0.pdf](#) ([giga-hamburg.de](#)).
3. Kozlov A.A. Features of reproduction of investment activity in agriculture of the region. Abstract for the degree of Candidate of Economic Sciences. – Voronezh: "Voronezh State Agrarian University named after Emperor Peter the Great". 2022. – 25 p.
4. Rasulov T.M. Additional parameters and the use of invested funds in various agriculture (on related materials). Abstract dissertation on the quarterly degrees of Candidate of economic sciences. - Monday: TAU. – 2004. - 24 P.
5. Mustafayeva R. Modern trends of investments in agriculture. Azerbaijan State Agrarian University, Ganja, Azerbaijan. Economics, entrepreneurship and law. Volume 11, Number 6, June 2021. ISSN 2222-534X. Journal of Economics, EntrEprEnEurship and law #6'2021 (June).
6. Maslakova V.V., Demichev V.V. Statistical analysis of the effectiveness of investment in the development of agriculture in Russia: monograph – Moscow: Publishing House "Scientific Consultant". – 2021. – 194 p.
7. Agafonova N.P. Assessment of investment attractiveness of rural territories of Krasnodar Krai / N.P.Agafonova, Yu.I.Matveeva, D.A.Chendirova // Proceedings of the Kuban State University. – 2020. – No. 83. – pp. 5-12.
8. Altukhov A.I. Problems and prospects of development of agro-industrial production. Monograph. M-vo of the rural household of the Russian Federation, FGBOU VO "Penza State Agricultural Academy.", Intersectoral scientific information. the center of the Penza State Agricultural Academy. – Penza: MNITS PGSHA, 2016. – 151 p.
9. Butyrin V.V. et al. Efficiency of state support and regulation of investment processes in agriculture. – Moscow: Ministry of Agriculture of the Russian Federation, Saratov State Agrarian University, 2012 – 207 p.
10. Isakov I.Ya. Transformation of instruments of state regulation of investment activity in the agricultural sector of the economy. Abstract of the dissertation for the degree of Candidate of Economic Sciences. – Krasnodar: "Kuban State Agrarian University", 2013. – 25 p.
11. Dobrosotsky V.I. Ensuring food security in the countries of the Eurasian Economic Union: global and regional aspects: monograph/ – Moscow: Odintsovo branch of MGIMO, 2019. – 128 p.
12. The world's population has reached 8 billion ([tass.ru](#)).
13. "Recommendations for the national strategy on foreign direct investment with a roadmap for Uzbekistan: new sources of growth." World Bank, DC, 2022 - The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: pubrights@worldbank.org.
14. In Uzbekistan, the volume of agricultural products amounted to almost \$32 billion - [Kapital.uz](#).
15. Infographics | Institute of Macroeconomic and Regional Studies ([imrs.uz](#)).
16. [qishloqxoypressreliz2606ru.pdf](#).
17. <https://www.apk-inform.com/ru/news/1507940>.