



PRINCIPLES OF ATTRACTING FOREIGN INVESTMENT IN REGIONS

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Abstract. *The article analyzes the principles of attracting foreign investment in the region. Proposals are developed for the implementation of a number of target tasks for the transition to a "green" economy set out in the Uzbekistan-2030 strategy, and information is provided on investment criteria indicators. The article also discusses the importance of a favorable investment climate and investment activity in ensuring sustainable economic growth, creating jobs and increasing population incomes in the world, and you can also get information about research conducted in this area. There are also extensive works on the priority importance of attracting investment.*

Keywords: *Region, investment, green economy, strategy, infrastructure, national economy,*

The intensification of global competition in the world economy, the expansion of the financial and economic restrictions regime, the disruption of the value chain and the international transport and logistics system create the need to implement an investment policy aimed at actively attracting foreign direct investment, increasing the attractiveness of the investment environment and ensuring the competitiveness of economic sectors. According to the World Bank[1], “in 1991-2022, the investment rate in the economy was 29.4 percent in middle-income countries, 23.9 percent in



Uzbekistan, 25.4 percent in Kazakhstan, 25.6 percent in Turkey, 28.3 percent in Malaysia, 29.3 percent in Singapore, 33.1 percent in the Republic of Korea, 32.3 percent in India, and 41.4 percent in China.” Achieving high investment activity and expanding the attraction of foreign direct investment in developing countries is considered an urgent problem in ensuring sustainable economic growth, modernizing the economy and developing integration into the international division of labor through attracting foreign investment, implementing structural changes, and creating new jobs.

Priority attention is being paid to research and development work aimed at ensuring sustainable economic growth in the world, creating jobs and increasing the income of the population, the importance of a favorable investment environment and investment activity, diversifying sources of financing for investments in fixed capital and increasing the efficiency of investment use, assessing the determinants of attracting foreign direct investment, investment attraction mechanisms, and assessing the effectiveness of fiscal and financial incentive instruments. These studies pay special attention to such important issues as improving the legal and institutional framework for attracting foreign direct investment in developing countries in the context of the transition to a "green" economy, defining the criteria for classifying "green" projects and financing them, models for attracting investments in infrastructure projects and assessing their effectiveness, and ensuring the participation of foreign direct investment in financing public-private partnership projects.

Extensive research is being conducted on the scientific-theoretical, organizational-economic, socio-political, and natural-economic foundations of improving the investment climate and attracting foreign direct investment in the world, including an assessment of factors influencing the formation of investment attractiveness and the business environment (World Bank Institute, Washington); research on the correlation-regression relationship between the investment rate, economic growth, and other important economic indicators based on econometric models (International Monetary Fund, IMF), the investment climate and attracting foreign direct investment in countries with transition economies (European Bank for



Reconstruction and Development, London), determinants of foreign direct investment (National Bureau of Economic Research, Cambridge), and the specific characteristics of foreign investment directed at infrastructure projects (Asian Development Bank Institute, Tokyo).

Priority is given to further increasing the investment attractiveness of the Uzbek economy, achieving sustainable growth in the volume of investments directed to fixed capital, ensuring the effectiveness of investment projects related to the transition to a "green" economy, and improving the economic mechanism for attracting foreign direct investment. In accordance with the "Uzbekistan-2030" strategy[2], priority tasks have been set to "absorb \$250 billion in investments in our country, including \$110 billion in foreign investments and \$30 billion in investments within the framework of public-private partnerships." The implementation of these tasks determines the need to continue institutional reforms in the economy, widely introduce public-private partnerships and "green" economy projects, and develop proposals and recommendations on improving the economic mechanism for attracting foreign direct investment.

In economics, investments are interpreted differently depending on their purpose, sources of financing, industry, and other aspects. J. Keynes defines investments as "the part of the income earned during a period that is not used for consumption" in the form of a current increase in the value of capital assets as a result of the production activity of that period. [3] Economists who have conducted research in this area define investments as "money, target deposits, shares, other types of securities, technologies, machinery, equipment, licenses, any other property or property rights invested in business objects and other types of activities in order to receive income (profit) and achieve a positive social effect."

Sources of financing fixed capital investments in the economy of Uzbekistan, as a percentage of GDP¹

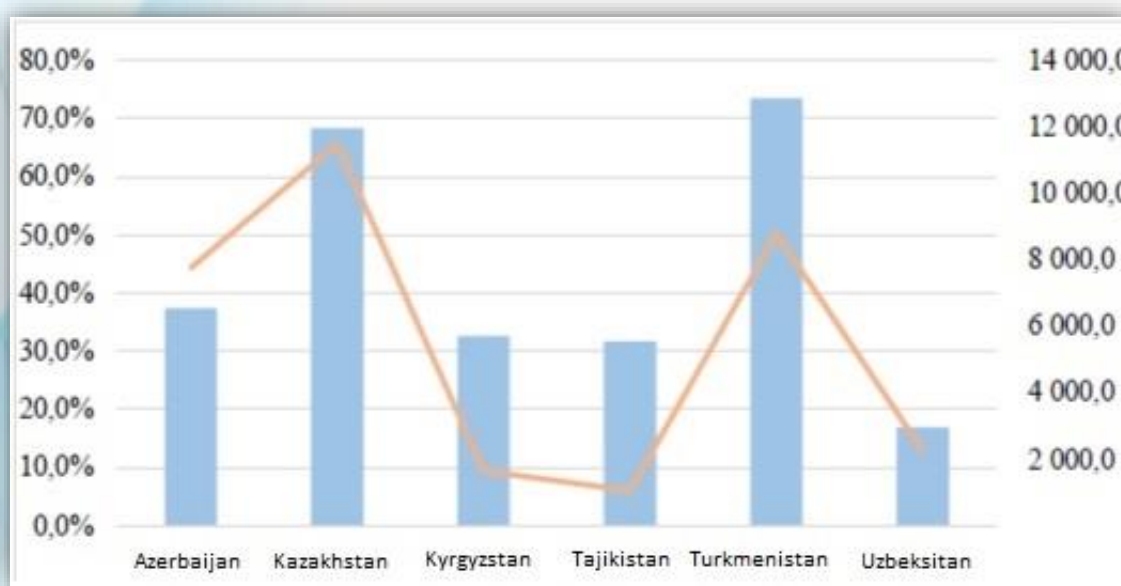
¹Compiled by the author based on data from the Statistical Agency under the President of the Republic of Uzbekistan.



Investment sources	1996- 2000	2001- 2005	2006- 2010	2011- 2015	2016- 2020	2021	2022
A. Foreign investment	5.8	5.2	6.2	4.8	9.2	13.2	12.8
Direct investments	0.8	1.2	3.7	2.3	3.9	4.1	4.5
Foreign loans	5.0	4.0	2.6	2.5	2.4	7.2	6.7
Government guarantee account	4.6	3.3	1.0	1.0	3.16	2.5	1.7
V. Domestic investments	20.2	16.5	16.7	18.9	19.7	18.3	16.8
Budget funds	7.0	3.9	1.9	1.3	1.8	3.0	2.4
Centralized bank loans	1.5	0.3	-	-	-	-	-
Extra-budgetary funds	0.3	0.3	1.1	1.3	1.2	0.0	0.0
Reconstruction and Development Fund	-	-	0.4	0.9	1.3	0.4	0.3
Enterprise funds	7.9	8.7	9.3	8.0	8.1	9.3	9.1
Commercial bank loans and other borrowed funds	0.4	0.8	1.4	2.6	3.6	2.6	2.0
Population funds	3.0	2.5	2.6	4.7	3.7	3.1	3.1
Fixed capital investment as a percentage of GDP, percent	26.0	21.7	22.9	23.7	28.7	32.4	30.0

The Uzbekistan-2030 strategy sets a number of targets for the transition to a "green" economy. In particular, "increasing the share of renewable energy sources to 25 thousand MW and 40% in total consumption, developing the market for green certificates in industry and introducing the practice of environmental labeling, switching public transport to environmentally friendly fuels, reducing greenhouse gas emissions per unit of GDP by 30% compared to 2010, radically improving the environmental situation, and eliminating environmental problems affecting human life" are among them.

Analysis shows that over the past 20 years, the share of investment financing in the national economy has had an increasing trend relative to GDP. In turn, the share of the non-state sector, including the own funds of enterprises, funds of the population and foreign investors in financing investments in fixed capital has increased sharply. In particular, the share of foreign direct investment in financing gross investments has increased from an average of 3.1 percent in 1996-2000, to an average of 5.6 percent in 2001-2005, to 13.5 percent in 2011-2015, the share of foreign investments and loans in 2016 - to 20.7 percent, and in 2022 - to 42.3 percent. This trend indicates that in recent years, foreign investment has become increasingly important in financing fixed capital investments and ensuring economic growth in the Uzbek economy.



	FDI cumulative, 2022. Relative to GDP in percent
	GDP per capita, current prices, 2022 (USD)

Indicators of attracting foreign direct investment in Uzbekistan and other countries of the region²

At the same time, it can be seen that the level of foreign direct investment attraction is low compared to Central Asia. According to the World Bank[4], the ratio of the cumulative volume of attracted foreign direct investment to GDP is much

²Author based on materials from the United Nations Conference on Trade and Development, World Investment Report, 2001 y.



higher in the economies of Turkmenistan (73.5 percent) and Kazakhstan (68.4 percent), while in neighboring Kyrgyzstan and Tajikistan it is more than 30 percent, and in Uzbekistan it is approaching 20 percent. These figures show that the volume of foreign direct investment attracted to date does not meet the requirements for ensuring high economic growth set out in the "Uzbekistan-2030" strategy. In accordance with the "Uzbekistan-2030" strategy, which defines the priority areas of the country's development, it is planned to absorb \$ 250 billion in investments into the national economy, including \$ 110 billion in It is planned to attract foreign investments of \$ 1.5 billion. The implementation of these goals requires increasing the average annual volume of foreign direct investment in the national economy from the current \$ 2.5 billion to \$ 4.0-4.5 billion. This, in turn, will increase the importance of foreign direct investment in the national economy in ensuring sustainable economic growth.

The share of enterprises with foreign investment in employment has shown an increasing trend, with the number of employees reaching 302.6 thousand by the end of 2022, up from 152.8 thousand in 2010. According to the Statistics Agency, as of January 1, 2023, 44.1 percent of jobs were in Tashkent city, 17.4 percent in Tashkent region, 6.1 percent in Fergana, 5.7 percent in Andijan, and 4.3 percent in Samarkand region. Attracting more investment to other regions remains an urgent task.

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