



## **THE ROLE OF INVESTMENTS IN THE IMPLEMENTATION OF STRUCTURAL CHANGES IN ECONOMICS IN UZBEKISTAN**

**Namozov Olim**

Senior researcher at Tashkent Institute of Finance, Uzbekistan

[namozov.olim@mail.ru](mailto:namozov.olim@mail.ru)

### **Abstract**

*Wide attraction of investments, including foreign ones, to the economy of the republic is an important factor in ensuring effective implementation of economic reforms in the country. Therefore in Uzbekistan a great attention is paid for foreign investment attraction and economic reforms are targeting to improve investment environment. This paper studies the changes in macro indicators in Uzbekistan, because these changes can show how the economy of a country is growing or declining. In addition it analyzes labor force of a country which is considered to be another indicator that investors are concerned about.*

*Keywords: Investment, Economic changes, Economic reforms, Uzbekistan*

### **INTRODUCTION**

Uzbekistan has continued to implement measures to support and stimulate domestic producers, exporters, increasing the competitiveness of their products and develop new markets. Implemented systematic measures to improve the business environment and create more favorable conditions for the development of small business and private entrepreneurship, including the implementation of the principle of "single window" when starting a business, the maximum simplification of the mechanism of small businesses statistical and tax reporting, significant expansion of access to private entrepreneurs to raw materials.

With regard to the most important priorities and socio-economic development of the country in 2015, the document states that before the Government, ministries, departments, economic associations and administrations of all levels tasked to take the necessary steps to further preservation of high economic growth, expansion of structural changes in the economy,

modernization and diversification of active leading industries, deepening the localization of production, development of transport and engineering infrastructure.

Also identified organizational measures to further reduce state involvement in the economy to strategically and economically reasonable size, a radical change in the principles and approaches to corporate governance, the elimination of all barriers and constraints, providing complete freedom in development of private property and private enterprise, as well as create the necessary conditions for employment, growth, living standards and quality of life.

The purpose of the study is to estimate the role of investment policy and climate in economic reforms.

## ANALYSIS AND RESULTS

Wide attraction of investments, including foreign ones, to the economy of the republic is an important factor in ensuring effective implementation of economic reforms in the country. The results of the analysis show that in 2018 high growth rates in the socio-economic development of the country have been provided. This can be seen by comparing the years with key macroeconomic indicators that characterize socio-economic development. While the average annual GDP growth rate in the country was 4.1% in 2000-2003 and 7.9% in 2004-2007, economic growth in many foreign countries during the global financial and economic crisis declined significantly. At the same time, in Uzbekistan this figure was 8.1 percent in 2009 and 8.5 percent in 2010. In general, during the period 2000-2010, the country's GDP has almost doubled. Despite constant population growth in the country, these growth rates have ensured the increase in GDP per capita. If in 2010 the number of population increased by 14.4% compared to 2000, then per capita GDP increased 1.7 times. In 2018, the country's GDP was 407,514.5 billion UZS and increased by 5.1% compared to 2017. Growth in industrial output in 2018 was 10.6 percent compared to 2017, 0.3 percent in agriculture output, 9.9 percent in construction, 5.5 percent in retail turnover, and 18.1 percent in investment for fixed assets.

Table 1. Key macroeconomic indicators of social and economic development of Uzbekistan  
(in% to the previous year)

<b>Indicators</b>	<b>2014.</b>	<b>2015.</b>	<b>2016.</b>	<b>2017.</b>	<b>2018.</b>
<i>1</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<b>GDP</b>	108,1	108,0	107,8	105,3	105,1
<b>Industrial Output</b>	108,0	108,0	106,0	107,0	110,6
<b>Agriculture Output</b>	106,9	106,8	106,6	102,0	100,3
<b>Investment For Fixed Assets</b>	109,6	109,6	109,6	107,1	118,1

Source: stat.uz

The industry had the biggest impact on GDP growth, which was 10.6% more than last year. The positive dynamics in the industrial sector was ensured by the increase in value added in the mining and quarrying industry by 28.8%, value added in the manufacturing (processing) industry by 6.4% and value added in other industries by 4.7%.

Table 2. Composition of gross value added of industrial sectors in Uzbekistan

	Billion UZS		%
	2017.	2018.	
<b>Industry</b>	<b>59 570,4</b>	<b>95 083,9</b>	<b>110,6</b>
<b>mining</b>	12 052,0	24 634,0	128,2
<b>manufacturing (processing industry)</b>	42 243,5	63 532,8	106,4
<b>other industries</b>	5 274,9	6 917,1	104,7

Source: stat.uz

The basic sectors of the economy are the major contributors to sustainable macroeconomic growth in Uzbekistan. In 2018, the largest share of GDP growth was in industry and services. It is noteworthy that in the development of the national economy, increasing the standard of living and employment, industrial production is important for the country along with the agricultural sector. Therefore, much attention has been paid to the development of industrial sectors since the early years of independence and positive results have been achieved in this area.

The analysis shows that the accelerated modernization, technical and technological renovation of the industrial sectors in the country has led to an increase in the share of this sector in GDP over the last years (2014-2018) from 17.3% to 28.2%.

Figure 1. The share of industrial output in the country's GDP



Source: <http://mineconomy.uz/>

Dynamics of industrial growth in the country was 7.0% in 2017 and 10.6% in 2018. The highest contribution to the industrial production of Fergana, Andijan, Kashkadarya, Samarkand, Tashkent regions and the city of Tashkent. These regions account for 61.5% of the country's industrial output in 2018 (Figure 2).

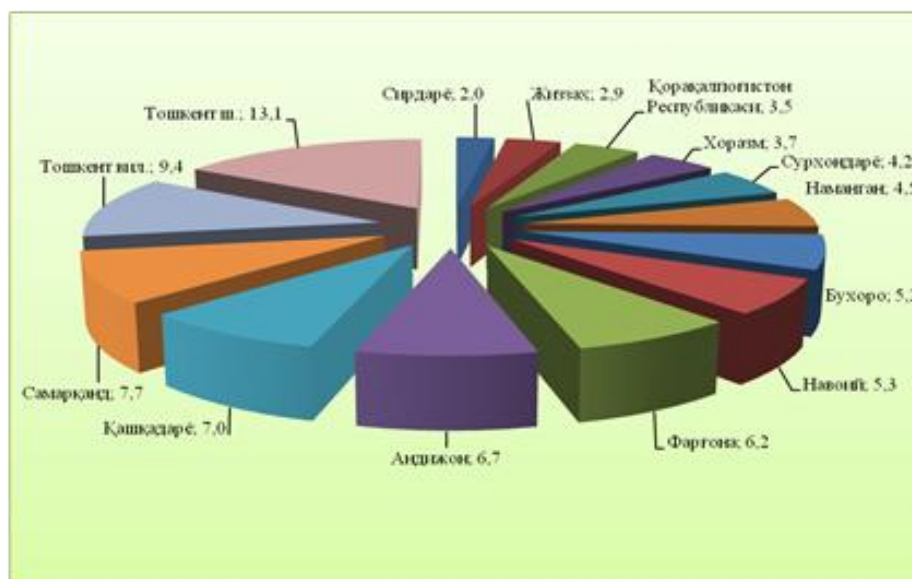


Figure 2. The share of regions in industrial production

Source: stat.uz

Particular attention is paid to the development of industrial production in the regions of our country. This is illustrated by the increase in the share of industrial sectors in the gross regional product of the regions. The Syrdarya (2.0%) and Jizzakh (2.9%) and the Republic of Karakalpakstan (3.5%) countries accounted for the lowest share of GDP. The city of Tashkent contributed 13.1% of the country's GDP. Tashkent region is next with 9.4% and Samarkand region with 7.7%.

It is well-known that from the early stages of implementation of structural transformations and attraction of investments, including foreign investments, especially direct investments, the country's economy has been paying much attention since the early stages of reforms. State policy is based on the peculiarities.

Speaking about the challenges facing the economy, first of all, it should be noted that following comprehensive economic reforms are the following:

- creation of necessary conditions for radical improvement of the open economy, healthy competition, business and investment climate;

- reduction of government involvement in the economy, the creation of new jobs through accelerated private sector development;
- Ensuring high economic growth through modernization and diversification of the economy, increasing labor productivity;
- Fighting the shadow economy, drastically reducing its size;
- consistent policy of currency liberalization, implementation of a stable monetary policy;
- training of qualified personnel capable of carrying out strategic tasks for economic development

The state policy on restructuring the national economy is aimed at creating a completely new economic complex that can provide economic and political independence of the republic and create decent conditions for the prosperity of our people. The main directions of structural transformations of the economy are developed for realization of this policy.

First, radical restructuring of agricultural production.

Second, structural shifts in industry are consistent with government policy goals and are aimed at creating competitive structures.

Third, as an important area of modernization of the basic sectors of the economy - the priority development of high-value-added industries, such as agricultural machinery, electrical engineering, electronics, etc., based on new techniques.

Fourthly, the most important direction of structural reorganization is changes in the chemical industry. The development of this sector is primarily aimed at providing agricultural services - providing it with mineral fertilizers, plant protection products and more.

Fifth, the development of such directions as the industrial development program of the republic, as well as the production and processing of building materials.

Sixth, the priority development of production infrastructure: engineering communications, transport and communications (Internet).

Seventh, further improvement of the territorial structure of the economy.

Eighth, the role of innovation and nanotechnology in the development of the economy also plays an important role in the implementation of structural policy.

The investment policy of Uzbekistan defines the sectors and industries that are focused on attracting foreign investment in these areas, based on the processing of local raw materials and resources, as well as the development of the country's export potential.

Conditions for foreign investments allow to increase the volume of investments into the economy of the country from year to year. Total investment in foreign currency over the past years increased from 1.2% in 2017 to 4.9% in 2018 (Figure 3).

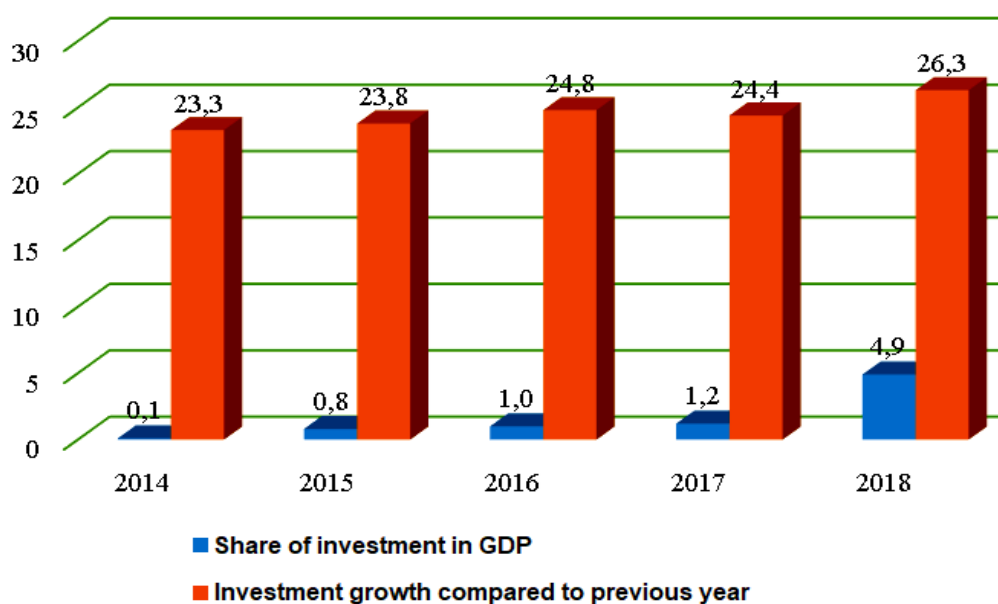


Figure 3. Dynamics of changes in the volume of investment in Uzbekistan for 2014-2018

Source: stat.uz

The total investment attracted to the economy at current prices amounted to 60,719.2 billion soums in 2017, while in 2018 this figure was 107,333.0 billion soums. The growth rate of investments during the same period was 76.7%. This demonstrates the importance of investment in sectors and sectors of the economy. During the period under review, there was a high growth rate of total capital investments in the economy. In particular, in 2014 it was attracted 33,715.3 billion soums of capital investments, and by 2018 this figure was 107,333.0 billion soums. That is, during this period investment in the sectors increased more than 3 times. This, in its turn, is the result of the great attention paid to the investment in the economy.

Effective addressing the tasks of modernization and technological renewal of the leading sectors of our economy, along with ensuring consistent and balanced growth of production, will also allow for the rapid development of the social sector, increasing employment and welfare, increasing the investment potential of enterprises.

In developed countries, funding is provided by public funds and private funds. In transition economies, investment in innovative activities is made mainly by centralized funds. At the peak of the ongoing reforms in our country are the task of providing employment, creating new jobs, improving living standards and welfare of the people.

According to the data, the total income of the population in 2018 will amount to 286.3 trillion. soums, an average of 8.7 mln. soums. The real per capita income was 7.3 million soums. The average per capita income in Tashkent city (16.2 million UZS) and Navoi (13.5 million soums), Bukhara (10.8 million soums), Khorezm (9.1 million soums) and Tashkent (9.1

million soums). UZS 9 mln., Which is higher than the national average. The lowest per capita incomes were registered in the Republic of Karakalpakstan (6.3 million soums) and Namangan region (6.8 million soums).

The highest real per capita incomes were in Surkhandarya and Khorezm regions (11.3%). In addition, Jizzakh (11.1%), Bukhara (9.9%), Karakalpakstan (9.5%) and Fergana (9.2%), Navoi (8.8%) and Samarkand (8.5%) provinces) in the provinces, the real growth of per capita income was higher than the national average.

High indicators of the volume of investments into fixed capital per capita of the Republic of Uzbekistan in Navoi region amounted to 10 411.0 thousand sums (or 181.5% to 2017), and 8,787.5 thousand soums (112.7%) respectively in Tashkent. , Kashkadarya region - 4 816,6 thousand soums (or 104,9%), Bukhara region - 4 162,9 thousand sums (49,7%), the Republic of Karakalpakstan - 3 257,7 thousand soums (159,9%), Tashkent region 3 247,1 thousand soums (122.3%), and in Namangan region - 2615.0%.

Indeed, the main source of income growth is ensuring high economic growth rates in recent years. It should be noted that the real incomes of the population increased by 110.0% in 2018 and real per capita income increased by 108.1% (compared to the previous year).

All this is at the same time as the steady growth of labor resources in our country. According to the Ministry of Labor and Social Protection, labor resources in Uzbekistan in 2014 were 18,048.0 thousand, compared to 18,829.6 thousand by 2018, or over 600,000 (3.3 million). %. In 2018, we can see that the number of employed increased by 781,600 compared to 2014.

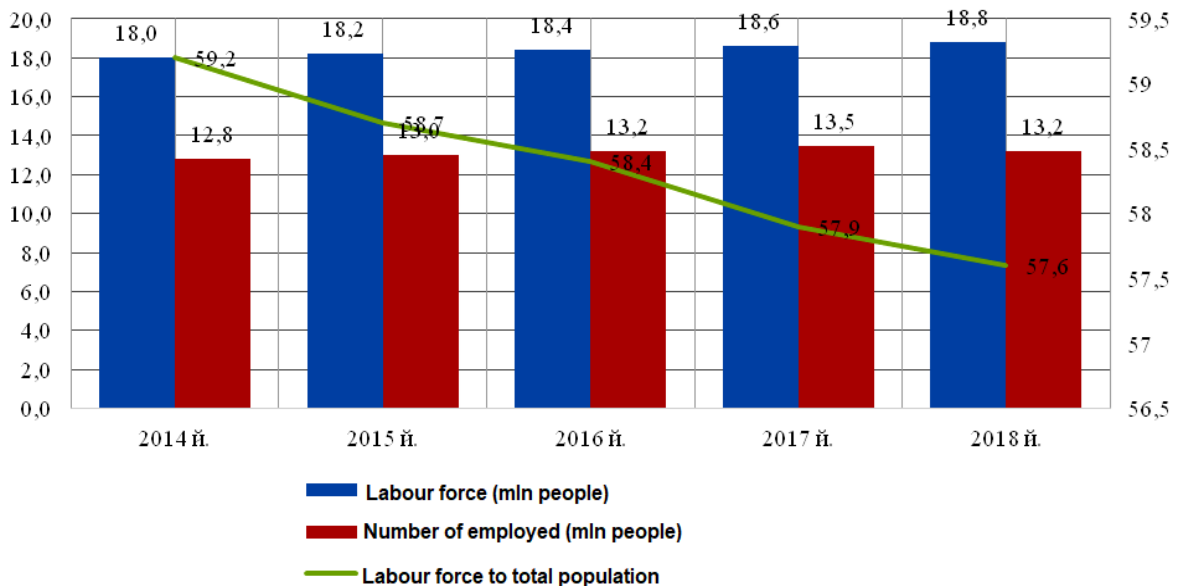


Figure 6. Dynamics of labor resources and employment in Uzbekistan

Source: mehnat.uz and stat.uz

Currently, as a result of measures taken by the Government, the number of employed in the country has increased from 7.5 million (1991) to 11.6 million (2010), from 13.8 million (2017) to 13.2 million has reached.

## CONCLUSION

It should be noted that such growth rates in the country are first and foremost provided by the intensification of reforms, the modernization of the economy and the consistent and balanced implementation of structural transformations. All this contributes to employment and incomes. In summary, each country strives to ensure sustainable economic growth because economic growth:

- First, there will be the increase in the volume of national product and income;
- Second, the resources will be used efficiently
- Third, the emergence of new needs and opportunities;
- Fourthly, it will increase the prestige of the country in the international markets and most importantly, ensure the welfare of the population.

In short, all economic reforms are directed to one goal - to improve the welfare of the population, to improve the quality of life and to please our people.

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