

DEVELOPMENT OF THE INVESTMENT CLIMATE AND ANALYSIS OF MODERN MECHANISMS FOR FINANCING INVESTMENT PROJECTS IN UZBEKISTAN

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Abstract. *The development of a favorable investment climate is one of the key priorities for ensuring sustainable economic growth in Uzbekistan. In recent years, the country has undertaken large-scale reforms aimed at liberalizing the economy, strengthening the institutional framework, and creating competitive conditions for both domestic and foreign investors. This paper explores the main factors influencing the investment climate, including legal, regulatory, financial, and infrastructural dimensions. Particular attention is paid to the dynamics of foreign direct investment inflows, sectoral priorities, and regional disparities.*

Keywords: *investment climate, sustainable economic growth, foreign direct investment inflows, sectoral priorities, mechanisms for financing investment projects.*

1.Introduction

Foreign experts emphasize that in order to achieve the Sustainable Development Goals until 2030, developed in 2015 by the UN General Assembly as a "plan to achieve a better and more sustainable future for all", it is necessary to invest in production capacities. Investments are one of the main drivers designed to increase the financial stability of the national economy, its competitiveness, ensure expanded reproduction, allow for the development of advanced technologies, contribute to the development and creation of innovative products, give impetus to the development of knowledge-intensive sectors of the economy, reduce unemployment, improve the well-being of the population as a whole and achieve economic growth. In the modern economy of Uzbekistan, there are a number of problems associated with attracting investment resources, including foreign direct investment. Among the above-mentioned: poor infrastructure development, insufficient funding, lack of conditions for attracting investment in the development and implementation of innovative ideas and technologies, lack of advertising of investment attractiveness in the countries of the world community, a high level of differentiation in the distribution of investments between regions, etc. All this confirms the need

for further improvement of mechanisms for financing investment projects in the Republic of Uzbekistan and determines the relevance and significance of this study.

2.Literature review

In modern foreign literature, the issues of investment and investment attractiveness are reflected in the works of J.M. Rosenberg, D. Norcott, G. Birman, S. Schmidt and others.

The issues of the theory and practice of investment, investment activity and investment attractiveness are covered in the works of such scientists from the near abroad as I.A. Blank, V.V. Bocharov, V.M. Popov, Yu.A. Korchagin, D.E. Starik, S.V. Valdaytsev, I.M. Vorobyova, A.M. Ponomarev, G.V. Novikova, S.A. Gusarova, L.L. Igonina, L.I. Yuzvovich and others.

In the domestic scientific literature, the problems of forming a favorable investment climate are also the object of close attention of many scientists, such as N.G. Karimov, Zh. Zhamolov, M.N. Abdullaeva, A.A. Sobirov, O.D. Khamrakulova, Zh.K. Musaeva, M. Tursunova, M.I. Turaeva and others.

At the same time, despite the presence of many works by domestic and foreign economists in this area, issues of improving the mechanisms for financing investment projects require further research.

The scientific works and research of the above-mentioned scientists have made a significant contribution to the development of domestic science and contributed to the formation of methodology in the field of investments.

3.Analysis and results

In the sustainable development of the textile industry of Uzbekistan, the goal of which the government sees as the accelerated development of the country's economy, an important role is played by cotton-textile clusters created in various regions of the country. Cotton-textile clusters include profitable production chains where raw cotton is processed and turned into a textile product. Cotton-textile clusters unite various enterprises of the industry into a single whole, promote joint work of enterprises, exchange of experience and technology, as well as joint investments. The dynamics of the development of cotton-textile clusters is steadily growing: in 2022, cotton-textile clusters of Uzbekistan operated in 86 regions of the country.

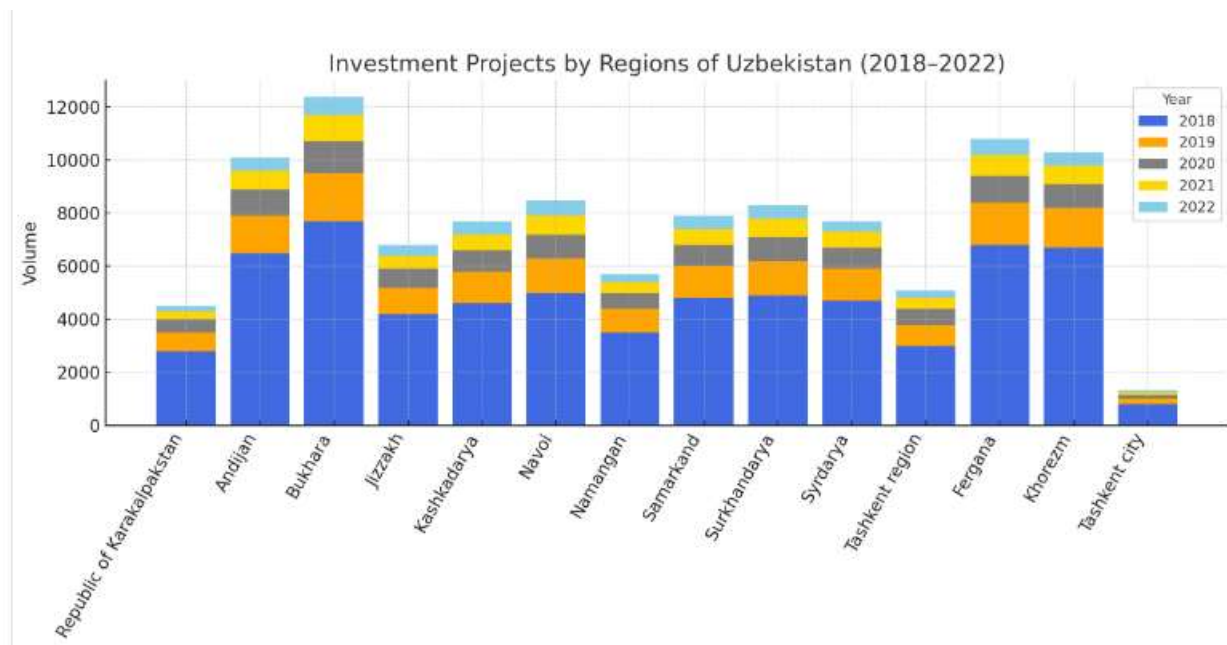


Fig.1. Dynamics of output of manufactured products by cotton-textile clusters, billion soums.

The creation of cotton-textile clusters influences the strategy of attracting investment by stimulating private investment in the cotton value chain. The activities of cotton-textile clusters allow optimizing the structure of sources of funds by developing financing within the cluster.

Since cotton-textile clusters in all regions of Uzbekistan produce products for export, they are forced to improve the quality of their products and introduce innovations in order to meet international standards, which increases their attractiveness for investment.

The export orientation of the cotton-textile clusters of Uzbekistan is a determining factor in the formation of an investment strategy, as it creates additional opportunities for growth, stability and long-term relations with investors.

The main types of manufactured products: knitted fabric, cotton fabrics, hosiery, garments and knitwear. World Bank experts note that "cotton-textile clusters should give priority to investments in their core business - the production and processing of cotton. They were created to benefit both cotton producers and processors."

Traditionally, the sufficiently high development of the sewing and textile industry of Uzbekistan contributes to the creation of such a form of production organization as cotton-textile clusters, which include all links in the technological chain of textile production: from cotton cultivation to the sale of finished products. The inclusion of agricultural enterprises in cotton-textile clusters contributes to the diversification of agriculture, during which cotton

yields increase, and the area of its crops decreases throughout the country. In this regard, the cluster can be considered as a center for investment and innovation, designed to stimulate the development of the domestic economy.

Joint activities of enterprises within the cotton-textile cluster contribute to the emergence of a synergistic effect, since in the implementation of production activities, enterprises exchange technologies and innovative ideas in joint scientific and production activities, which enhances the competitiveness of cluster enterprises.

The creation of clusters is considered by the government of Uzbekistan as an incentive to develop the textile industry more evenly throughout the territory of Uzbekistan. The task under consideration requires a significant amount of investment.

For the successful functioning of the textile industry, it is necessary to control the dynamics of the balance of raw materials and semi-finished products (Table 1)

Table 1 Dynamics of the balance of raw materials and semi-finished products for the textile industry of Uzbekistan

Name of product	2019 y	2020 y	2021 y	Forecast		Growth rate	
				2022 y	2023 y	by 2019, times	
						2025 y	2030 y
Cotton fiber, thousand tons							
Chemical fibers and threads, thousand tons	715,5	887,4	982,4	1105,9	1117,6	1,4	1,5
Finished fabrics of various types,	194,4	298,3	343,0	394,5	552,3	2,1	2,8

million sq. m.							
Knitted fabric, thousand tons	18 2,5	226 ,3	305 ,1	425 ,8	530 ,0	2, 3	2, 9
Textile haberdashery (million pieces)	14 6,7	234 ,4	309 ,5	419 ,4	541 ,2	2, 8	3, 6
Name of product	85 0,0	113 9,0	217 8,0	326 8,0	464 2,4	3, 8	5, 4

The greatest growth dynamics is observed in textile haberdashery (buttons, zippers, accessories) due to their demand for many sewing and textile products. Significant growth is expected in the production of knitted fiber, fabrics of various types (blended, clothing, scarf, etc.). The main goal of the development of the textile industry of Uzbekistan is to change the volume (upward) and structure of exports: an increase in the share of finished sewing and knitwear, a decrease in the share of cotton fiber.

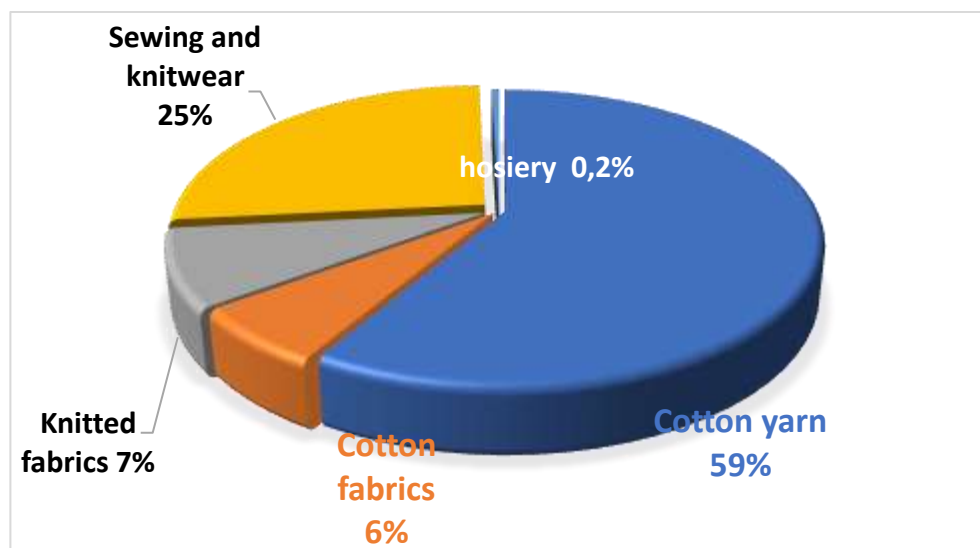


Fig.2. Structure of textile industry exports in 2018.

In 2018, cotton yarn dominated the export structure (59%). Among the products with high added value, there were garments and knitwear (25%), knitted fabrics (7%), cotton fabrics 6%, and hosiery (0.2%). In 2030, as a result of the development of the textile industry, a fundamentally different structure of exports of the garment and textile industry is expected (Fig.2).

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4. Conclusions

Based on the calculations, it can be concluded that the most significant risks for each type of financing for textile industry projects in Uzbekistan are different:

- for FDI financing, the most significant are a decrease in the country's credit rating, insufficient financing, and changes in the investment climate;
- for financing fixed capital investments, the most significant are: the risk of non-recoupment of investments, lack of enterprises' own funds, and a decrease in the country's credit rating;
- when financing PPP investments, the most significant risks are: ineffective interaction between the public and private sectors, ineffective financial management, changes in investment and property legislation;
- when financing investments in the banking sector, the most significant risks are: borrower default, reduction in bank profits, fluctuations in securities and exchange rates.

There are also general risks for all types of financing for textile industry investments: rising inflation, geopolitical instability, and unfavorable conditions in external commodity markets.

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