

INVESTMENT ACTIVITY IN PUBLIC ROADS AND THE SPECIFIC FEATURES OF ITS FINANCING

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Abstract

This article comprehensively examines the theoretical foundations and practical mechanisms for implementing investment activities in public road infrastructure. The main objective of the study is to reveal the socio-economic significance of investments in the road sector, identify the specific features of financing such investments, and develop scientific and methodological recommendations to enhance their efficiency. Within the scope of the research, the concept of investment is interpreted in the context of market relations, and its essence at both macroeconomic and microeconomic levels is analyzed. The current state of investments directed to the road sector of the Republic of Uzbekistan is assessed based on data for the period 2020–2024. In particular, the dynamics of the length of reconstructed roads financed from the state budget and changes in financing volumes are evaluated using statistical methods. The study analyzes diversified sources of financing for road infrastructure projects, including state budget funds as well as loans from international financial institutions such as the Asian Development Bank and the World Bank. Furthermore, the necessity of considering economic efficiency and investment risks in decision-making processes is substantiated. The research findings indicate that investments in road infrastructure not only improve transport logistics but also play a crucial role in enhancing the overall economic potential of the country and improving the quality of life of the population.

Keywords: Gross Domestic Product (GDP), road infrastructure, investment, capital investment, state budget, foreign financial institutions (IFIs), international loans, public-private partnership (PPP).

Introduction

Attracting investments is of critical importance for increasing a country's economic potential. Investments contribute to the rapid development of industrial enterprises, the growth of gross domestic product, and the enhancement of a country's competitiveness in international

markets. At the level of key economic sectors and enterprises, investments play a decisive role, while investment risks are closely linked to the country's production capacity. The scale and efficiency of investment activity are also essential in addressing a range of social issues, such as improving living standards, reducing unemployment, and enhancing working conditions.

In the current context, creating a favorable business environment for the development of entrepreneurial activity and establishing a transparent and efficient system for regulating investment processes are key factors in ensuring sustainable socio-economic growth. In this regard, studying the scientific and methodological foundations of financially effective management of investment processes in public road infrastructure has become a pressing issue. This, in turn, necessitates identifying the essence and specific characteristics of investment and investment activity management.

Literature review

Today, the term "investment" has several interpretations, primarily in terms of its economic essence.

Thus, the concept of "investment" is defined in the *Encyclopedia of the Soviet Union* as follows: it refers to the allocation of resources in industry, agriculture, transport, and other sectors of the economy, both domestically and abroad, with the aim of generating profit.

Investment is also reflected in the following forms: cash funds, special bank deposits, shares and other securities, technologies, machinery and equipment, including trademarks, goods, as well as any other property or property rights contributed to business entities for the purpose of earning profit¹.

In modern economic dictionaries, the term "investment" (from the Latin *investire* – "to clothe") is defined as the allocation of capital for a long-term period into enterprises across various sectors, both domestically and abroad, as well as into socio-economic programs and social and innovative projects².

In economic and mathematical dictionaries, the term "investment" (from German *sarmoya* and Latin *investio* – "to clothe")—also referred to as capital investment or capital expenditure—denotes financial resources allocated to construction activities, including the building of new facilities and reconstruction, expansion of production, technical re-equipment, housing construction for employees, as well as expenditures on коммунал and cultural projects.

¹ Большая энциклопедия. М.: «Терра», 2006.

² Райзберг Б.А., Лозовский Л.Ш., Стародубцева Е.Б. Современный экономический словарь. М.: ИНФРА-М, 1997.

In financial, monetary, and credit dictionaries, two key aspects are emphasized. First, investment is understood as allocating money to generate income. Second, it refers to investing financial resources, securities, and property rights (including those without direct monetary value) into entrepreneurial and other activities with the aim of obtaining profit and achieving other beneficial outcomes³.

According to economist G.I. Rizavin, in his scientific works devoted to investment and investment-related issues, “investments” are defined as expenditures aimed at expanding and reorganizing production, including the introduction of new technologies, materials, and means of labor⁴.

L.J. Gitman and S.L. Jonk define investment primarily as the allocation of capital aimed at preserving its value, achieving its growth, and generating a positive return in the future. In their research, they also argue that investments represent a portion of income over a certain period that is not used for consumption, but instead contributes to the growth of capital assets as a result of productive activity within that period.

Furthermore, S.V. Shkodinskiy emphasizes that investment is a part of the created and accumulated social product, expressed in monetary, tangible, and intangible forms, which is directed toward use in various fields of entrepreneurship in order to increase both the quantity and quality of production factors⁵. The scholar classifies investments into the following categories:

1. **Public investments** (formed from the state budget and other public financial sources);
2. **Foreign investments** (invested by foreign investors, including other countries, foreign banks, companies, and entrepreneurs);
3. **Private investments** (formed from the funds of private and corporate enterprises, organizations, and individuals, including both their own and borrowed funds).

At the same time, there are other classifications as well. On the one hand, investments are categorized into “investments” and “capital investments.” On the other hand, it is proposed to distinguish investments based on the specific characteristics of production. In this context, investments refer to the acquisition of means of production, whereas capital investments refer to the acquisition of financial assets.

³ Financial and Credit Encyclopedic Dictionary / Ed. A.G. Gryaznova. Moscow: Finance and Statistics, 2004.

⁴Ruzavin, G.I. Fundamentals of a Market Economy. Study Guide. Moscow: Bankiibirzhi, 1996.

⁵Shkodinskiy, S.V. Investments as a Factor in Strengthening the State's Defense Capability: Cand. Sci. (Econ.) Dissertation. Moscow, 2001.

In the scientific research of domestic scholars, the pressing issues of investment and investment activity have been extensively studied.

According to economist D.G. Gozibekov, “investments, in general, arise when the present value of capital is transformed into capital with the aim of preserving its value and increasing savings. Therefore, they are not consumed during this period but are allocated to specific objects and processes for a certain duration, where they are engaged and exposed to both certain and uncertain risks”⁶.

According to another economist, N. Haydarov, “investment is the allocation of financial, material, and intellectual resources owned by individuals, legal entities, or the state—regardless of the form of ownership—into any entrepreneurial activity within the framework of the law, with the aim of obtaining economic and social benefits”⁷.

One of the economists of our country, F. Dodiev, defines investment as follows: “Investment is understood as the totality of all types of property, financial, and intellectual resources invested by investors into entrepreneurial activity objects with the aim of obtaining future profit (income) or achieving social benefits”⁸.

Results and discussion

In the numerous definitions of the concept of “investment,” primary emphasis is placed on economic evolution, specific stages of historical and economic development, as well as the forms and methods of management.

Currently, in our Republic, construction and reconstruction works of public roads are being carried out through investment programs financed by the state budget, as well as through the attraction of loans from international financial institutions.

It should be noted that road construction represents a комплекс of technological, infrastructural, and managerial processes involved in building highways, whereas reconstruction refers to a set of works that involve changes in the parameters of a road or its sections, potentially leading to a change in the category of the highway and/or its classification, or to modifications in the boundaries of the right-of-way.

1 Table

⁶ Gazibekov D.G. Problems of financing investments. Dissertation for the degree of Doctor of Economic Sciences. - T., 2002, 24 p.

⁷ Khaidarov N. Issues of improving financial and tax relations in the investment activities of enterprises in the context of economic liberalization. Dissertation for the degree of Doctor of Economic Sciences. - T., 2003, 29 p.

⁸ Dodiev F. Financial stimulation of investment activities. Abstract of the dissertation for the degree of Candidate of Economic Sciences. - T., 1998, 10 p.

Information on the dynamics of constructed and reconstructed public roads, as well as allocated funds within the Investment Program for 2020–2024⁹

| Years | Length of reconstructed road (km) | Growth rate% | | Amount spent (billion soums) | Growth rate% | |
|-------|-----------------------------------|---------------------------|--------------------------------|------------------------------|---------------------------|--------------------------------|
| | | Compared to baseline 2020 | Compared to the previous years | | Compared to baseline 2020 | Compared to the previous years |
| A | 1 | 2 | 3 | 4 | 5 | 6 |
| 2020 | 105,9 | 100 | 100 | 924,8 | 100 | 100 |
| 2021 | 125,5 | 118,5 | 118,5 | 1686,0 | 182,3 | 182,3 |
| 2022 | 130,1 | 122,8 | 103,7 | 1682,1 | 181,9 | 99,8 |
| 2023 | 142,1 | 134,2 | 109,2 | 1138,1 | 123,0 | 67,7 |
| 2024 | 133,0 | 125,6 | 93,6 | 1427,1 | 154,3 | 125,4 |

Source: Prepared independently by the researcher based on data from the Committee for Roads.

Within the framework of funds allocated from the state budget Investment Program for the reconstruction of public roads:

The minimum length of reconstructed roads was recorded in 2020 (105.9 km), while the maximum was observed in 2023 (142.1 km).

These indicators accounted for 0.25% of the total length of public roads in 2020 and 0.33% in 2023.

Over the analyzed period (2020–2024), this indicator amounted to a total of 1.5% relative to the overall road network length.

Considering that a total of 636.6 km of roads were reconstructed during 2020–2024 under the Investment Program financed by the state budget, it can be concluded that, on average, 127.32 km of roads were reconstructed annually.

Given that the total length of public roads is 42,869 km, it can be estimated that a full cycle of reconstruction and construction would take approximately 335 years under current conditions.

Analysis of the dynamics of reconstructed road length:

⁹ Information from the Highways Committee.

Using the base method (base year: 2020): In 2020, 105.9 km of roads were reconstructed, while in 2024 this figure reached 133 km. Thus, compared to the base year, 27.1 km more roads were reconstructed in 2024, with a growth rate of 125.6%.

Using the chain method (year-on-year comparison): Although 142.1 km of roads were reconstructed in 2023, this figure decreased to 133 km in 2024. This indicates a reduction of 9.1 km compared to the previous year, corresponding to a performance rate of 93.6%.

Analysis of the dynamics of allocated funds:

During the analyzed period, the lowest amount of funding was allocated in 2020 (924.8 billion UZS), while the highest was recorded in 2021 (1,686.0 billion UZS).

Using the base method: Compared to 2020, in 2024 (1,427.1 billion UZS), an additional 502.3 billion UZS was allocated, representing a growth rate of 154.3%.

Using the chain method: Compared to 2023 (1,138.1 billion UZS), in 2024 (1,427.1 billion UZS), funding increased by 289.0 billion UZS, corresponding to a growth rate of 125.4%.

One of the fundamental objectives of the Constitution of the Republic of Uzbekistan is to ensure the constitutional rights of citizens.

The ultimate goals of investments in road infrastructure include:

Ensuring the free movement of goods and services by forming a road network that meets the needs of the population;

Providing efficient logistics by enabling enterprises and the state to transport people, goods, works, and services to their destinations in the fastest, most cost-effective, and safest manner, while maintaining quality and integrity.

Currently, projects related to construction and reconstruction in the road sector are financed not only from the state budget but also with the participation of foreign financial institutions, such as the Asian Development Bank (ADB), the World Bank, the Islamic Development Bank (IsDB), the OPEC Fund for International Development (OFID), the Asian Infrastructure Investment Bank (AIIB), and the European Bank for Reconstruction and Development (EBRD).

Conclusion

Ensuring sustainable economic growth and competitiveness of Uzbekistan largely depends on investment in road infrastructure. The analysis shows that although the government allocates funds for road construction and reconstruction within the framework of state investment programs, the current pace remains insufficient given the existing needs and the total length of

the road network. In particular, the fact that a complete modernization of road infrastructure would require many years indicates the seriousness of the challenges in this sector.

To address these issues in the future, a number of comprehensive measures should be implemented:

Diversification of financing sources: Instead of relying solely on state budget funds, it is necessary to expand cooperation with international financial institutions such as the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. This will help increase the volume of investments and attract advanced technologies and expertise.

Expansion of public-private partnership (PPP) mechanisms: It is essential to actively involve the private sector in road construction and operation through PPP models. This will reduce the financial burden on the state budget and enhance project efficiency.

Improvement of the road infrastructure management system: To ensure the effectiveness of investments, it is necessary to make the management system of the road sector more transparent and efficient, including improving the mechanisms for selecting and evaluating investment projects.

Implementation of technological innovations: The use of modern, cost-effective, and high-quality technologies in road construction and reconstruction will increase efficiency and extend the service life of roads.

In conclusion, increasing the scale of investments in Uzbekistan's road infrastructure and optimizing financing mechanisms are key conditions for strengthening the country's transport potential, reducing logistics costs, and achieving overall economic growth. This is important not only from an economic perspective but also for improving the quality of life of the population and deepening regional integration.

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