



## Creating a Favorable Investment Environment for Attracting Foreign Investments to the Economy

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**Abstract:** The article discusses the relationship of ecology and economy, the impact on the environment and the results of the country's economic activity. The advantages of the transition to the "green economy" will be highlighted in order to significantly reduce the environmental risks caused by the country's economy as well as its production. Moreover, this article analyzes and studies the annual reports of the World Bank on the transition to the "green economy".

**Keywords:** sustainable development, environment, environmental sustainability, environmental problems, "green economy", renewable energy, "green" transition.

Investment environment - is a concept that encompasses the social, economic, organizational, political, and legal aspects that shape a specific field for attracting investments. According to this theoretical definition, it can be said that the investment environment is created only through favorable conditions. However, it is known to us that negative factors can also influence the investment environment, which is evident from research conducted by scholars. Evaluating the investment environment in the country can be carried out by considering integral characteristics through analyzing the state of affairs over several years and assessing its impact on the environment. In this regard, it is important to emphasize the significance of both positive and negative factors in evaluating the investment environment. In our opinion, when giving an assessment of the investment environment based on its integral characteristics, it is necessary to pay attention to mathematical and statistical data as well.

Generally, direct investment plays a crucial role in the comprehensive development of regions by providing the basis for sustainable development through the utilization of sufficient investments and the

continuous development of productive activities. The attractiveness of investment depends on factors such as the reliability of the country or a separate area as a channel for investment flows, the investment environment, infrastructure, development prospects, and the level of investment risk. The attractiveness of investment is determined by the simultaneous influence of the country's investment capacity and the level of investment risk. By assessing these indicators, it is possible to determine the compatibility and attractiveness of investments to the goals. The degree of investment risk is directly related to the investment environment. The investment environment is a two-way relationship between the macroeconomic level and the interaction between investors and specific state bodies, business entities, where each side finds its own reflection.

The investment environment is an objective condition that encompasses the set of existing conditions for capital investment at any given time. However, the investment environment takes shape under the influence of the activities of state authorities, making the state's investment policy one of the fundamental factors. In this sense, each state has its own specific capital reception system when importing capital. The capital reception system consists of the totality of the state's policy and laws, as well as the set of normative documents governing the foreign capital.

The main purpose of investment-innovation activity in the economy is to develop and enhance the utilization of innovation opportunities based on investments. It involves creating optimal conditions and circumstances for benefiting from innovation possibilities. In addition, when introducing investments into various sectors of the economy, it is necessary to consider the nature and forms of organizational and economic mechanisms. The effectiveness of investment-innovation activity is supported by the investment infrastructure system, which includes leasing, insurance, scientific research institutions, information and consulting firms, banks, and other organizations. To promote and facilitate investment-innovation activity, the government should pay attention to the following:

- stimulating leasing activities, which, in turn, contributes to the availability of financial resources, provides the opportunity to carry out leasing payments according to the specified schedule and agreed terms and conditions, and enhances mutual benefits for both the government and leasing companies, thereby instilling confidence in the market and creating optimal economic and legal conditions to increase economic efficiency;
- providing budget loans, offering tax credits for investment purposes, and subsidizing interest rates on loans;
- implementing preferential tax payments;
- developing government programs for the development of various sectors of the economy.

In Uzbekistan, the capital attraction system for employment has been operating on an annual basis. Currently, laws and regulations based on international standards govern foreign investment relations, and infrastructure for foreign investments is being developed. All the mentioned factors are important for foreign investors. In particular, the revenues generated by foreign investors through their legal activities in Uzbekistan are guaranteed by the state in terms of their conversion into foreign currency and unrestricted transferability. In Uzbekistan, comprehensive measures are being taken to create a favorable investment environment for the development and financing of investment projects. Two main factors underlie these efforts:

- economic stability;
- macroeconomic policies aimed at managing inflationary processes and enhancing the payment capacity of the national currency, the Uzbek so'm.

Temporary idle funds, including household savings, play an important role in mobilizing credit institutions, particularly banks, which account for 80-90 percent of institutional aggregates. In the process of evaluating the investment environment, an investor determines the level of risk associated with investment. The more favorable the investment environment, the higher the entrepreneurial risk perceived by the investor. In the address of the President of the Republic of Uzbekistan, Sh.M. Mirziyoyev, to the Oliy Majlis, it is stated: "World experience shows that any state that has pursued an active investment policy has achieved significant economic growth. Therefore, investment is not just a mechanism, but the heart of the economy, or in other words, the engine of the economy. We aim not only to implement investments and mobilize new driving forces for development but also to achieve a comprehensive development of our economy. Positive economic results in turn create opportunities to address social issues in a systematic manner. It is crucial for all of us to deeply understand this and organize our work accordingly. Addressing the challenges to fully unleash the potential of foreign investment is one of the most important tasks that directly affects our daily lives." The statement emphasizes the vital importance of foreign investment in the development of the economy and acknowledges the necessity of addressing the challenges and ensuring the effectiveness of attracting foreign investments.

The world is currently going through the process of globalization. Integration into globalization implies cooperation with leading countries of the world and aligning the state policy in economic, political, and social spheres to be in line with the interests of those countries. From this perspective, Uzbekistan, with its current level of socio-economic development, geographical location on the world map, composition and potential of natural resources, and the investment policy pursued by the government, plays an important role in the global community. This, in turn, highlights the necessity of creating a favorable investment environment for attracting foreign investments. To achieve this goal, the President of Uzbekistan, Shavkat Mirziyoyev, announced the "Measures to Improve the Investment Climate in the Republic of Uzbekistan" program on August 2, 2018. According to this program:

The following provisions were introduced by the mentioned program in the Republic of Uzbekistan:

- Foreign citizens and stateless persons who have invested in Uzbekistan and do not have a criminal record are granted the right to extend their multiple-entry visa for up to three years without the need to leave the territory of the Republic of Uzbekistan;
- The minimum amount of foreign investment in the authorized capital of corporations involved in foreign investment has been reduced from 30% to 15%;
- The requirement for the participation of foreign legal entities as shareholders in corporations involved in foreign investment has been abolished;
- The minimum amount of the authorized capital of corporations involved in foreign investment has been reduced from 600 million Uzbekistani sums (approximately 76,000 US dollars) to 400 million Uzbekistani sums (approximately 50,000 US dollars).

Additionally, the Ministry of Internal Affairs of the Republic of Uzbekistan is required to submit proposals for the establishment of the "Honorary Citizen" status for foreign citizens who have made significant investments in the economic development of the country;

- The lease of agricultural land plots for a period of up to 50 years, with the possibility of extension, for the implementation of investment projects, unless otherwise specified in the application;

- The auctioning of permanent ownership rights to non-residential real estate objects (hotels, commercial facilities, cultural complexes, residential service facilities, educational and medical institutions, road infrastructure, etc.) for the construction of such objects.

These measures aim to attract foreign investment and promote economic development. By studying the foreign experience in attracting investments, it provides an opportunity to analyze the comparative advantages of the tools used in these countries to implement investment policies. The table presented below contains the approaches and instruments used by some countries in implementing their territorial policies in the global economy. It is important to note that our country utilizes various approaches and instruments to attract investments to its economy. The strategic utilization of these approaches and instruments, considering the unique characteristics derived from foreign experiences, enables the achievement of positive outcomes in the socio-economic development of the country and facilitates the influx of investments into the economy of the Republic of Uzbekistan.

### 1-table

**The tools and means utilized in attracting foreign investments to the regional economy.**

Countries	Investment grants	Subsidizing loans and interest rates.	Tax incentives	Depreciation incentives	Subsidies for creating new job positions	Transport incentives and subsidies
Austria	+	+	-	-	-	-
USA	+	-	+	+	+	+
Belgium	+	+	-	-	-	-
Great Britain	+	+	-	-	+	-
Germany	+	+	-	-	-	-
Greece	+	+	+	+	-	-
Denmark	+	+	-	-	-	-
Ireland	+	-	-	-	+	-
Spain	+	-	-	-	-	-
Italy	+	+	+	-	+	-
Luxemb	+	-	+	-	-	-
Netherla	+	-	-	+	-	-
Portugal	+	+	-	-	-	-
Russia	+	-	+	+	-	+
Finland	+	-	+	-	-	+
France	+	-	+	-	+	-
China	+	-	+	-	+	-
Sweden	+	-	-	-	+	+
Japan	+	+	-	-	-	-
Kazakhs	+	+	+	-	-	-

*Explanation:* + these tools are used in the investment process,  
- these tools are not used in the investment process.

The relationship between the volume of foreign investment and the overall economic policy, forms of foreign investment, and competitiveness of national companies varies in different countries. The attractiveness and viability of the investment environment can also be assessed through macroeconomic indicators that reflect the socio-economic conditions of the country. According to the classification of the World Bank (WB), Singapore is among the countries with the highest investment attractiveness. One important factor that affects investment climate is the inflation rate. The higher the inflation rate, the less attractive the investment opportunities become. In 2005, the inflation rate in Singapore was 0.5%, and by 2019, it had decreased to 0.4%. One of the widely used methods to assess the attractiveness of the investment environment is the Doing Business index, which measures the country's competitiveness. According to the Doing Business index announced by the World Bank Group and the International Finance Corporation, Singapore ranked 2nd out of 190 countries in 2019. From 2008 to 2014, Singapore consistently held the 1st position in this index, and during the 11-year period, it maintained an average score of 1.45, which is significantly lower than the global average. Based on the observed trends and the results of conducted surveys, the factors contributing to Singapore's success in promoting and managing businesses are the stability of the political system, effective economic policies, favorable investment opportunities, and well-developed infrastructure. The Global Competitiveness Index, which evaluates 141 countries based on various criteria, assigns scores ranging from 0 to 100, with the average score being calculated. The criteria include the quality of institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods and services market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation capability. Currently, among the top 10 highest-rated countries, Singapore holds the first position. If we look at the available statistics, Singapore has consistently maintained its position as a leader in this rating for the past eight years. In the Global Competitiveness Index, Singapore ranks first in four out of the 12 indicators, namely infrastructure, health and primary education, higher education and training, and goods and services market efficiency. It also secures the second position in three indicators, namely the quality of institutions, labor market efficiency, and financial market development. These results reflect the efforts made by the government to enhance the higher education system and prepare highly skilled professionals in the country. By focusing on improving the higher education system and developing competent experts, the government has significantly influenced these outcomes. Based on the mentioned experiences of China and Singapore in attracting foreign investments and improving investment climate, it becomes evident that applying these experiences in Uzbekistan's context can contribute to the country's higher rates of development and increased revenue sources. In particular, actively participating in international competitions organized by both Uzbekistan and international organizations, such as the "Global Competitiveness Index," "Global Innovation Index," and "Ease of Doing Business Index," can help attract foreign investments and positively impact the country's investment attractiveness. Therefore, enhancing collaboration with international organizations in these areas will provide Uzbekistan with reliable information about its investment environment, which is crucial for investors to make informed decisions before entering a particular country.

Of course, one of the most reliable sources of information comes from internationally recognized indices conducted by global economic organizations. Yes, that's correct. These indices allow investors to



access the necessary and reliable information about Uzbekistan. Therefore, Uzbekistan's participation in the mentioned indices is crucial in showcasing the country's investment environment to foreign investors. Similarly, the key factor that contributed to China and Singapore's improved investment climate is the official dissemination of necessary information about the country's boundaries by the responsible state agencies. In line with this goal, the State Statistics Committee announces the "Annual Statistical Map" of each region (provinces, Tashkent city, and the Republic of Karakalpakstan) regarding the investment climate, which serves the purpose of providing reliable information to investors.

In our opinion, in order to ensure an investment-friendly climate, it is necessary to first and foremost develop the system of investment risk mitigation or protection. It is also important to effectively implement legal and regulatory documents. Furthermore, in our view, the political attitude of the state towards foreign investments, the degree of integration of the state apparatus into the economy, the political stability of the state, the overall state of the economy (growth or recession), the inflation rate, the stability of the exchange rate, tax and customs privileges, the cost of labor and the utilization of labor resources, the availability of specific demand and supply for various goods and services, credit rating, the state's attitude towards foreign capital and private property formation, the ideological knowledge of society, and the entrepreneurial and managerial skills of the society's members can be analyzed and ensured by conducting in-depth research and analysis.

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