



IMPROVING THE ECONOMIC EFFICIENCY OF INVESTMENT PROJECTS IN UZBEKISTAN

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Abstract

This article analyzes the issues of improving the economic efficiency of investment projects in Uzbekistan. These studies have also been developed by reputable research centers and have studied ways to improve the analysis of investment activities of business entities in accordance with the requirements set by international standards. In addition, conclusions and recommendations were developed to improve the cost-effectiveness of investment projects.

Keywords: investments, cost-effectiveness, investment projects, discount rate, net present value, internal rate of return, return on investment, payback period.

Introduction

Criteria for the formation and analysis of financial information on the organization of investment activities in the world have been developed by international organizations, and special attention is paid to improving the management system of national companies based on the requirements of this criterion. However, the current global pandemic situation is dramatically increasing the likelihood that the world's economies will face a crisis. In particular, EU economists and experts say that "investment is the biggest contributor to the recovery of economic activity in the" loss period "of the economic crisis and in the face of a sharp slowdown in economic growth." According to research and forecasts of the United Nations General Assembly Conference on Trade and Development (UNCTAD), "the pandemic crisis will lead to a sharp decline in foreign direct investment in 2020-2021 and its inflows in 2019 will reach 1.54 trillion. The value of the US dollar is expected to fall by almost 40 percent by the end of 2020".

In this context, the importance of effective management decisions based on the analysis of investment activity of enterprises is growing. International organizations such as the World Bank, the International Monetary Fund, and the United Nations Development Program, which are leading financial institutions in international practice, pay special attention to scientific work aimed at improving methodological recommendations for effective investment decision-making in companies.





These studies were developed by reputable research centers, which allowed to improve the methods of analysis of investment activities of business entities in accordance with the requirements of international standards. However, important issues related to the theoretical basis of the analysis of investment activity of enterprises, methods of analysis and evaluation of investment activity of enterprises, sources and methods used in the analysis of investment efficiency of enterprises, ways to improve the analysis of indicators of investment efficiency in enterprises. As a result of active work with foreign countries and investors, 25% of total investments are foreign direct investment. In particular, \$ 4.2 billion is planned to be disbursed this year under 320 projects with foreign direct investment.

The President stressed that the unconditional implementation of projects with foreign direct investment, the full support of foreign investors should be the most important task of the government. It was noted that the practice of postponing the development of the bulk of investments to the last months of the year should be reduced to at least 35% in the first half of the year and 70% in the first nine months in all sectors and regions.

Tasks in this regard were analyzed by the Cabinet of Ministers. The share of foreign investment decreased compared to the previous year. By the end of the year, it was instructed to attract additional investments, direct them to areas and regions with high demand for foreign investment, to control the development of these resources. The meeting focused on the implementation of regional projects at the expense of foreign direct investment.

As a result of this work, more than \$ 1 billion was invested last year, and 133 new enterprises were launched. However, due to shortcomings in the organization of work by governors and their deputies for investment, some facilities in Tashkent, the Republic of Karakalpakstan, Samarkand, Andijan, Fergana, Namangan, Surkhandarya and Syrdarya regions were not commissioned.

The head of state instructed to develop network schedules and monitor the implementation of such projects.

This year, 209 regional projects with direct investment have been implemented, with a planned disbursement of \$ 1.9 billion, or twice as much as last year. At the meeting, the heads of republican agencies were assigned to each region to implement these and additional projects formed with the support of the ambassadors of our country.

It was announced that a new system will be established to expand the scope of projects with foreign direct investment in the regions and industries, to establish a strict control mechanism in their implementation. According to him:

the first is that the governors of the provinces go to one district or city every week and take measures to attract foreign direct investment there, by liaising with the ambassadors.





Similarly, network leaders visit one region each week to work with local businesses to accelerate the implementation of existing projects and work on additional investment projects. Train local leaders and entrepreneurs to develop investment projects as needed. The Prime Minister and his Deputy regularly discuss the state of development of foreign investments in the regions and sectors with the participation of ambassadors. Depending on the results, governors and industry leaders will be rewarded or fined 50 percent of their salaries.

Heads of republican agencies attached to the regions, together with regional governors and ambassadors, will study the status of implementation of projects with foreign direct investment in each district (city) and take specific measures to accelerate their implementation. It will also develop proposals for additional projects and attract foreign investors.

Second - the State Committee for Investments summarizes the proposals of regions and sectors on investment projects, evaluates their effectiveness and forms a single electronic "online" database.

Third, the Ministry of Foreign Affairs and the ambassadors attached to the regions will attract foreign investors to projects included in the single electronic database.

Fourth, the Cabinet of Ministers will take measures to formalize relevant agreements with foreign investors for the implementation of selected promising projects and approve a "road map" to monitor their implementation.

Shavkat Mirziyoyev stressed the need to hold investment forums with foreign investors at least once a year in all regions to further attract investors to new projects, as well as to ensure the participation of domestic entrepreneurs in major international investment forums abroad. He instructed the State Committee for Investment and the Ministry of Foreign Affairs to formulate plans for investment forums to be organized in the regions this year.

Analysis of the Relevant Literature

In order to implement major infrastructure projects, build modern high-tech production facilities, the country is working hard to accelerate economic development and actively attract foreign investment. Among them, the content and purpose of the Resolution No. PQ3437 of December 18, 2017 on strengthening the legal framework for improving the efficiency of investment activities is important. The resolution commented on the status of investment projects included in the investment program: "... the effectiveness of activities in this area is negatively affected, first of all, by irrational use of available resources, superficial study of the economic feasibility and profitability of projects included in the investment program.





There is no concept of long-term development of sectors and regions of the economy, taking into account the existing resources, as well as the real potential of investment, especially foreign investment. As a result, there are cases of initiating projects that are not economically viable, inefficient use of financial resources, which, in turn, leads to a decrease in the investment attractiveness of the country as a whole.

A number of foreign economists have conducted research to improve the methodology of analysis of investment activity of enterprises. These include I.A.Blank, M.I.Bakanov, M.V.Melnik, A.D.Sheremet, U.F.Sharp, E.Helfert, N.V.Parushina, G.D.Alexander, D.V.Beyli, I.T.Abdukarimov, V.V.Smagina, Frank J.Fabozzi, Harry M.Markowitz, A.E.Abramov and N.V.Ten can be included. Although these economists have studied the modern principles and peculiarities of the management of investment processes in enterprises, their analytical conclusions on its methodological basis have not been sufficiently studied. These circumstances require a radical overhaul of the procedure for forming investment programs, its financing mechanisms, increasing the transparency and efficiency of the selection of proposed projects. G. Birman, S. ; In the economic evaluation of investment projects, Schmidt paid special attention to:

- ◆ The impact of the project on the development of the national economy will be assessed;
- ◆ Imported resources and products are valued at uncertain prices that reflect their true value to the national economy;
- ◆ The analysis includes aspects that directly affect the economy (imports, exports, employment, foreign exchange, supply and demand, environmental conditions, etc.), as well as indirect effects (impact on other sectors, etc.). ;
- ◆ Social conditions are taken into account, etc. I.I. Mazur, V.D. Shapiro, N.G. Olderoges in their works describe the effectiveness of investment projects as follows: "The effectiveness of investment projects is a category that reflects the relevance of the project to the goals and interests of its participants". Accordingly, it is required to evaluate the effectiveness of the project as a whole, as well as to determine the effectiveness of each participant in the project.

Analysis and Results

The project analysis mainly studies the investment project. In our economic literature, the word investment has entered as a new concept. Due to this, its essence and interpretation are still not sufficiently covered. This has been seen in many literatures, speeches and speeches as synonymous with capital investment. Investment is a historical concept because it has been in history. Mankind has spent money in one form or another before building houses and other material goods to meet its needs.





These costs are essentially an investment. One of the important tasks of the state, enterprises and organizations is to increase the economic efficiency of investments. The essence of the problem of increasing the economic efficiency of investments is that for each unit of expenditure (labor, material, financial) it is necessary to achieve an increase in production, services and profits, as well as national income. It is known that the terms "efficiency" and "efficiency" are common in micro and macro economies and their sectors. They differ from each other depending on their economic nature and content. The concept of "efficiency" reflects the result (achievement of a positive result) of the measures taken in any part (link) of the economic process. Efficiency is an absolute indicator that reflects the economic results of production. The following persons can usually be involved in the implementation of an investment project:

- * Sponsors (owners, investors);
- * Organizers;
- * Contractors (if the investment is made in construction);
- * Sub contractors;
- * Suppliers of construction materials, tools and equipment;
- * Consultants on insurance and financial affairs;
- * Marketing and advertising consultants;
- * Legal and tax advisors;
- * Creditors and other partners;
- * Managers known for project implementation;
- * Recipients of the project.

All of these participants have a specific duty and function in carrying out their task. Each of these must be clear. This is provided by the project analysis. That is its most important significance. The importance of project analysis is not limited to this. Its scope and content are much broader. The importance of project analysis can also include the following.

- Allows you to study the work in advance.
- Predetermine when and how much will be spent.
- Allowing private entrepreneurship to attract inventories of other legal entities and individuals, foreign firms and citizens.
- Indication of ways to preserve and increase the property of the owner.
- Blind start and prevention of various economic and financial crises.

From the above, the risk level is low in the first and fourth round investments, and high in the remaining two. The investment cost to produce a previously unknown product in the market and to conquer new markets requires a great deal of risk. Therefore, the third group of investments is the one with the highest risk.



The risk in investments in expansion of production is lower than in investments in new production.

At the same time, investments in efficiency improvement are aimed at improving the quality and reducing the cost of goods already accepted by the market, so the level of risk in them is much lower than in the second and third groups of investments. The level of risk of investment in compliance with the requirements of similar public administration is much lower. Investments are also divided into domestic and foreign investments according to their sources. Sources of domestic investment are the state budget, funds of enterprises and the population, bank loans and extra-budgetary funds, sources of foreign investment, funds of foreign countries and firms, as well as international financial institutions. Such grouping of investments by sources also allows to determine their structure by sources. Almost 65% of utilized investments are in industrial and infrastructure projects. As a result, over the past 4 years, the share of industry in the country's GDP has grown from 25% to 33%, and the volume of industrial production has increased 1.3 times. During this period, more than 47 thousand large, medium and small projects worth 441 trillion soums were launched, more than 680 thousand permanent jobs were created. In addition, over the past 4 years, 100 trillion soums have been invested in the implementation of projects in the field of local industry, agriculture and services. According to the analysis, for each allocated billion soums, 12 new jobs were created in Namangan, 11 in Andijan, 8-9 in Navoi and Syrdarya.

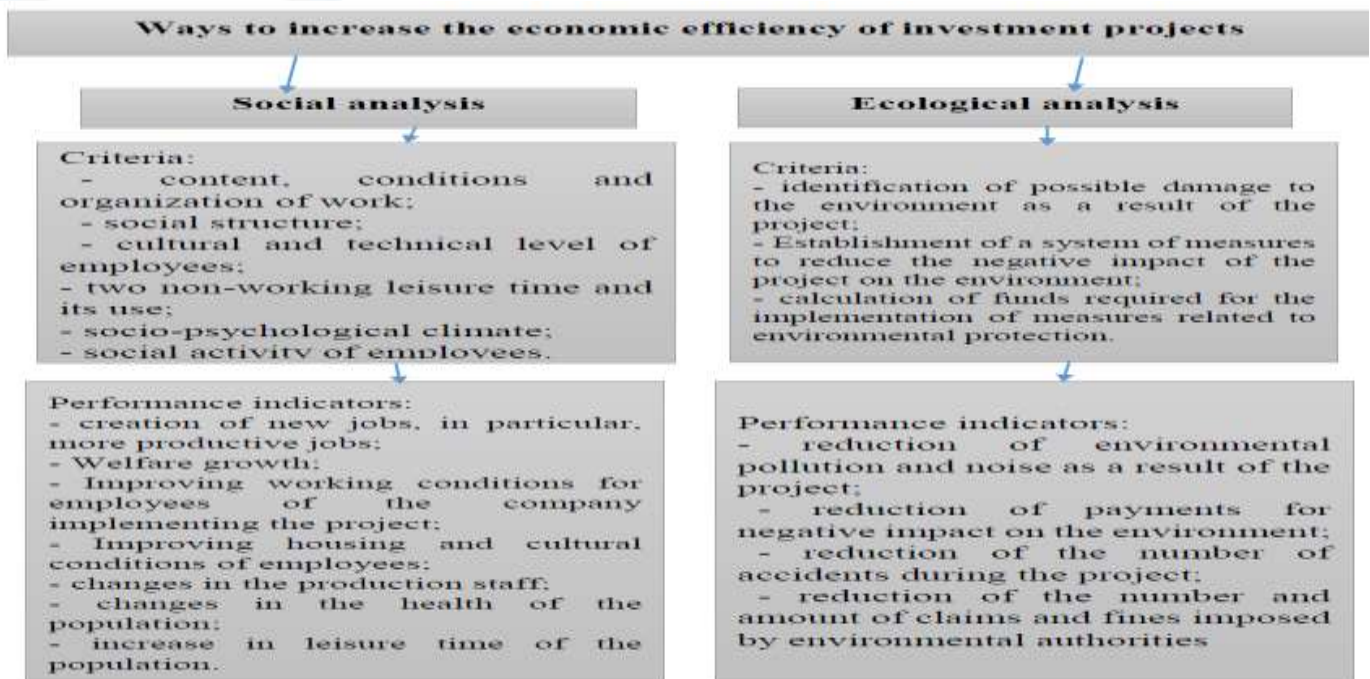


Figure 1. Improving the economic efficiency of investment projects



Socio-environmental analysis has recently played an important role in the implementation of investment projects in the world economy. Especially in the current pandemic, the relevance of this analysis has been proven once again. To date, taking into account social and environmental risks and the consequences of the project is one of the important conditions for assessing the social effectiveness of the investment project, compliance with funding norms and standards. Figure 1 below shows the indicators of increasing the economic efficiency of investment projects.

Conclusions

Determining whether these conditions are realistic is the key to investing in projects. Assessing these conditions is a very difficult process. The main reason for this is due to the influence of the following factors: the attraction of investments can be repeated once, all at once, or several times over a long period of time; the period for achieving results can also be very long; as the period for achieving results increases, the level of uncertainty also increases, and the risk increases. The existence of these factors in life requires the development of methods for evaluating investment projects. Of course, no one can calculate this in advance quickly and with one hundred percent accuracy. However, the proposed valuation methods help to eliminate shortcomings (coincidences) in the acceptance of investment projects.

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