



Economic Features of Investment Management in the Conditions of Uzbekistan

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Abstract: *This article deals with the features of investment and economic management in Uzbekistan. A number of adopted Laws and conclusions of the President of the Republic of Uzbekistan on the development of this industry were also explained. At the same time, a number of opinions of world economists are explained, as well as the principles of a new approach to the development of the industry until 2030.*

Keywords: *Economics, investments, accounting, effective management, industries, banking, world economy, funds, income.*

Introduction

Achieving the goals of the Action Strategy in five priority areas of development of the Republic of Uzbekistan in 2017-2021, as well as solving the planned tasks for the period up to 2030, requires the creation of a new, high-quality functioning system of public administration, the organization of coordinated activities of government bodies and local executive authorities. To this end, the Republic is developing a concept for managing the national economy.

Earlier, in accordance with the Concept of Administrative Reform approved on September 8, 2017, the main tasks for the fundamental reform of public administration of the economy were defined, which are gradually being implemented in practice. The next steps towards improving the management system of the national economy are the adoption of Presidential Decree No. UP-5877 dated November 18, 2019, which provides for coordinated work by the Central Bank and the Cabinet of Ministers.

Discussion

In recent years, the Republic adopted the Concept for Improving Tax Policy (June 2018) and the Tax Code in a new edition (since 01/01/2020), which created the basis for the formation of a new architecture of the national tax system, creating prerequisites for improving the efficiency of the public economic management.

The President of Uzbekistan Shavkat Mirziyoyev, speaking (24.01.2020) with a message to the Oliy Majlis, noted that “... the creation of a comprehensively thought-out and effective management system is a key condition for the fulfillment of our large-scale tasks ...”. At the same time, he noted a number of urgent tasks in this area, in particular - further strengthening the role and responsibility of local executive and representative authorities in public administration; active participation of non-governmental non-profit organizations and other civil society institutions in identifying issues of concern to citizens, as well as their reasonable proposals.

In the speech of the Head of State, 9 program and target tasks for 2020 and subsequent years were announced, including ensuring macroeconomic stability and curbing inflation (the main task), expanding the production of competitive products and increasing exports, developing the



investment and banking sectors, developing industry, agriculture and tourism, further improving the business environment, comprehensive development of regions and accelerating urbanization.

The above tasks are included in the Action Program of the new Cabinet of Ministers for the near and long term. Subsequently, a number of other legal acts were adopted, in accordance with which the tasks of key regulators in the field of investment, innovation, information and other policies were determined. Among them, the adoption of the Decree of the President dated March 26, 2020 No. UP-5975 is of great importance for the economic management system. At a new stage of reforms based on the principles of economic liberalization and the widespread introduction of market mechanisms, the goal is to “develop a specific and transparent mechanism for managing the economy, aimed at results”.

The most key areas for further economic growth. At the conference call, which was held on June 9 this year, the Head of State Shavkat Mirziyoyev announced priority areas in order to ensure economic growth, including ensuring economic and financial stability; poverty reduction and employment growth; accelerating reforms in the banking system, increasing the inflow of foreign direct investment, increasing export potential, strengthening competitiveness in industry, developing small businesses and widespread adoption of digital technologies.

The change in economic development priorities during the current year is associated with the negative impact of the coronavirus pandemic on the economy. The introduction of forced restrictions led to the suspension of the activities of a large number of business entities, which led to an increase in unemployment and a decrease in incomes of the population. Therefore, in connection with the increase in poverty, the second most important direction of the country's economic development is becoming “poverty reduction and employment expansion”.

In order to qualitatively implement these key areas of economic development, it is necessary to create an effective system of economic management and adapt it to action in the context of expanding the scope of market incentives. The key factor of this system is the formation of a science-based concept of economic management, taking into account the fundamental principles and modern foreign experience accumulated in this area.

To develop an effective system of economic management, it is necessary to consider the institutional factors of market transformations and take into account their effect when carrying out further reforms.

It is well known that the vast majority of countries with a command economy have been transformed into market economies. However, the results of this transformational process are ambiguous. The market is just one of the tools for achieving goals, which, using mechanisms such as competition, free prices, openness, the institution of bankruptcy, and other levers, really allows you to activate the growth of production, economic and investment activities of economic entities.

At the same time, the market also has obvious “failures” in the form of the formation of social inequality, the expansion of poverty, the spread of fraud, the uneven development of territories, consumer attitudes towards the environment, excessive selfishness in behavior, etc. cases), which must be mitigated by appropriate measures.

The works of many domestic and foreign economists are devoted to the study of various approaches to the transition to a market economy.

Should the government intervene in the economy? Carrying out a full-fledged market reform means the transformation of the entire economic system of the country. Thus, the liberalization of foreign trade and the liberalization of the domestic market are two different reforms, which, when completed, reinforce the positive effects of each other. However, one cannot conclude from this that both reforms should be carried out simultaneously: being positively complementary in statics,



they can be negatively complementary in dynamics. It is impossible to reform foreign trade before the liberalization of the domestic market (Polterovich, 2010).

It is advisable for the government in the process of transition to a market economy to “fully control the situation with price liberalization, the provision of social protection and the creation of social capital...”. The removal of price controls should coincide with the elimination of existing imbalances. At the same time, state-regulated prices limit the abuse of power by monopolies.

In the Russian Federation, during the shock price liberalization, despite the obvious negative consequences, the reformers did not make timely adjustments to the mechanisms used, which led to a default of the national economy in 1998.

The privatization program should also cover a relatively long period of time during which the state property should find the most efficient manager of the property.

The results of a number of studies of the activities of privatized and state-owned enterprises in transition economies have shown that “... privatization in itself does not guarantee an improvement in functioning, at least in the short and medium term” ... “the effect of privatization of enterprises by domestic owners ... was positive in countries Of Eastern Europe; it was zero or even negative in Russia and other CIS countries.”

In a transitional economy, stimulating investment growth is much more effective than increasing consumption, since investment has a direct impact on aggregate supply and an indirect effect on consumption.

The level of effective demand should ensure maximum matching with supply, as aggregate demand creates aggregate supply. In this regard, there is a need to regulate demand through taxation instruments.

Increasing the openness of trade leads to an increase in economic growth, by an average of 1.5 percentage points. Following the implementation of trade liberalization in Brazil in the early 1990s, as expected, many enterprises modernized. Most of the efficiency gains came from moving within one industry. As a result, many of the citizens who lost their jobs were not re-employed, and as a result, the number of chronically unemployed people working in the informal economy increased.

In the context of stage-by-stage market reforms, it is necessary to create conditions for clear, functional coordination of the activities of key government ministries, departments, agencies and other structures. At the same time, it is necessary to exclude duplication of functions and entrust each structure with certain tasks at the appropriate stage of development.

The answers to the question of how to make government efficient are far from simple and unambiguous. In order to create an optimal structure for managing the economy, it is necessary to solve not only local, but also systemic issues, including (Asadov Kh., 2020): introduction of a system for evaluating the effectiveness of local government structures; in-depth analysis of functional duties, areas of responsibility of each subject of management; search for new methods of managing health care, education, social protection, taking into account the problems identified during the coronavirus pandemic; the quality of the staff of state administration bodies.

According to experts, almost all successful reforms are arranged according to a general scheme, following the strategy of creating intermediate institutions. From the experience of the 1990s, a new understanding of reform follows: reform is not a one-time act, but the construction of a sequence of intermediate institutions in a suitable institutional space.

If we consider the effectiveness of the models of transition to the market of the post-Soviet countries and their further functioning for the period 1995-2019, then we can see that the largest



growth in GDP per capita (in US dollars in nominal terms) takes place in the PRC (16.8 times), Azerbaijan (by 12.1 times), Armenia (by 10.1 times), Vietnam (by 9.8 times), Lithuania (9.0 times), and the lowest growth is in the Republic of Belarus (by 4.9 times), Russia (4.3 times), Poland (4.2 times), Tajikistan (4.1 times), Kyrgyzstan (3.6 times), Uzbekistan (2.9 times). Among these countries there are those that used both the “shock therapy” model (Lithuania, Poland, Russia, Ukraine) and the concept of “gradual transition to a market economy” (PRC, Kazakhstan, Belarus, Uzbekistan).

Judging by the applied economic management mechanisms, Uzbekistan can be attributed to a group of countries that in recent decades have used an excessively high level of state regulation of the economy, which required a significant increase in budget expenditures to maintain administrative regulation. In this regard, in recent years, measures have been taken in the republic aimed at reducing state interference in the activities of economic entities, expanding the sphere of private property, developing private entrepreneurship and competition.

Suggestions and recommendations. An analysis of foreign experience shows that the best development is achieved by countries that have used predominantly market mechanisms for regulating the economy. However, the “market” is only one of many necessary tools for achieving the goals of the country's socio-economic development, which should be used on a systematic basis.

Therefore, it is necessary to clearly “delineate the boundaries” in which areas the state should support market relations, in which it should regulate activities, and in which it should produce or provide services itself.

When developing a new system of economic management, it is necessary to include tasks both for the development of market institutions and administrative procedures. The parallel use of administrative levers will ensure an adequate transition to a market economy. This allows you to mitigate social consequences and maintain stability in society. First of all, this concerns the spread of free prices, the privatization of state-owned enterprises, the liberalization of foreign trade activities, the use of subsidies to support low-profit areas of activity (especially in the face of a worsening epidemiological situation and forced restrictions).

In a transitional economy, the budget deficit must be adjusted depending on the situation in the country and in the world. Under these conditions, the policy of “public procurement”, support for business and vulnerable segments of the population and environmental protection are of great importance. The need to expand the government's maneuver is of great importance in the face of internal and external shocks (natural and man-made disasters, the negative effects of climate change, the impact of the coronavirus pandemic and other adverse factors).

At present, the importance of forming a unified land-water-vegetation-air-resource fund on the basis of the existing Fund for Reconstruction and Development, the funds of which should be used to increase the efficiency of the use of basic, life-supporting natural resources, protect the environment and maintain a favorable climate, create conditions for the transition to renewable, safe and environmentally friendly sources of raw materials and energy resources.

The main resource of the country is the accumulated human potential, which requires special attention from the state. At a new stage in the development of the country in the context of the transition to a full-fledged market, it is necessary to create a modern system for the reproduction of human potential and its development.

As a result of economic and social reforms, all citizens of the country should have access to an appropriate set of basic consumer values (the level of access and their composition should expand as the productivity of social production, GDP growth, revenues of the State budget, legal entities



and individuals) increase. Step by step, it is necessary to reduce excessive gaps in the level of incomes of workers in agriculture and the sectors serving it, between the level of consumer prices and wages, and between the incomes (potential) of individual regions of the country. The use of this approach will allow consolidating the efforts of all sections of society to solve priority tasks and overcome growing challenges.

In this regard, it is necessary already from 2021 to widely use, in order to assess and stimulate the activities of the relevant executive structures, the dynamics of such indicators as the “Gini coefficient” (income inequality index), the growth in the availability of basic goods for the population (at the initial stage - goods and services included in a full-fledged “consumer basket”), the ratio of the value of commodity exchange between agricultural products and the industries serving it (for basic goods and services) and other indicators.

The transition to a full-scale market economy in Uzbekistan should continue to be carried out in stages as the appropriate conditions are created (if the conditions are not created or worsened, then state regulation instruments should be reintroduced in the relevant areas). At the same time, it is necessary to clearly define in which areas full-fledged market levers are introduced, and in which areas state regulation remains (or is reintroduced) and monitoring of the activities of individual structures (city-forming entities, subjects of natural monopolies, monopoly enterprises and other entities) is carried out.

Results

In order to create favorable conditions for ensuring an effective transition of the republic to the widespread use of market instruments, it is necessary to adhere to the following principles:

- by stages in the process of price liberalization and property privatization;
- discretionary and balanced nature of monetary policy;
- flexible stimulating fiscal policy;
- an efficient financial system;
- gradual liberalization of international trade;
- indicative planning and forecasting of economic development;
- the need for clear coordination of the activities of state bodies;
- borrowing advanced ideas from the experience of reforms in other countries.

In order to reduce errors during the reform of economic management, it is advisable to announce a republican competition for the development of “basic approaches” to this archival document (goal, objectives, implementation mechanisms, stages and deadlines for their implementation, forecasts of consequences indicating risks, executing structures) with connection to it well-known scientists and leading scientific teams (specialists from research institutes, centers, universities, independent scientists). Transparency, alternativeness and responsibility (the authors of the ideas should be known) in the preparation of the Concept of Economic Management Reform will make it possible to formulate such a document that will work successfully for many decades without significant changes.

There is another methodological approach, which is now being implemented in the republic. The Ministry of Economic Development and Poverty Reduction is preparing a draft Concept for Improving the Economic Management System based on proposals from ministries, departments and other interested structures, which is being submitted for wide discussion in scientific and business circles.



Conclusion

After that, the draft Concept is finalized and sent for consideration to the Government, and then to the Parliament of the Republic of Uzbekistan. After making changes and approval by the Legislative Chamber and the Senate of the Oliy Majlis, the finished document is approved by the President of the Republic of Uzbekistan and put into effect throughout the republic (its individual parts can be introduced in stages, as the necessary conditions are created).

The proposed approaches to the formation of a new economic management system in the context of expanding the scope of market incentives will contribute to the formation of a business environment that ensures the growth of the competitiveness of the economy, improving the welfare of citizens, and the country's gradual transition to a "knowledge economy" ("green economy", "smart economy") and achieving the planned long-term sustainable development goals until 2030.

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