

# Opportunities to Improve the Functioning of Free Economic Zones in Expanding the Scope of Investment

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## ABSTRACT

The subject of the study of this article is a set of economic relations that arise in the process of attracting investment to the regions and increasing the efficiency of their use in an innovative economy. This article analysis the methods and tasks of state regulation of investment attraction and effective use of investments in Jizzakh region.

**KEYWORDS:** Free economic zone, investment, market, strategy

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## INTRODUCTION

The way to attract investment to the regions of the Republic of Uzbekistan is to create free economic zones in the regions for the development of production and living standards. In this regard, it is expedient to study the socio-economic mechanisms of these zones in the regions to expand the attraction of foreign investment, increase the volume and diversification of production and exports of domestic products.

In this regard, in recent years, the country has created a solid legislative and regulatory framework governing the activities of free economic zones and small industries, a comprehensive system of tax and customs benefits and preferences to help attract foreign and domestic investment for their development. As a result, 14 free economic and small industrial zones have been established in 10 regions of the country, 62 projects have been implemented in these zones so far, and work is underway on 87 more projects.

## RESEARCH AND METHODS

According to scientists, the experience of advanced foreign countries shows that one of the ways to increase investment attractiveness in the region is the creation of free economic and special industrial zones.

According to Article 1 of the Law on Free Economic Zones, a free economic zone is a specially designated area with clearly defined administrative boundaries and a separate

legal order, created to attract domestic and foreign capital, advanced technology and management experience for the rapid socio-economic development of the region. shown as. A number of tax and customs benefits have been provided to enterprises and free economic zones that attract foreign direct investment. For example, the Decree of the President of the Republic of Uzbekistan dated October 26, 2016 No. PF-4853 "On additional measures to activate and expand the activities of free economic zones." According to it, the existing tax and customs regimes in the territory of free economic zones of the Commission for Analysis and Development of Measures to Activate Free Economic Zones (FEZs) have been unified, and land tax, income tax, property tax for legal entities, depending on the amount of investment, tax on improvement and development of social infrastructure, single tax payment for micro and small enterprises, as well as reconstruction, capital repairs and equipment of extra-budgetary secondary schools, vocational colleges, academic lyceums and medical institutions under the Republican Road Fund and the Ministry of Finance of the Republic of Uzbekistan Mandatory contributions to the fund, including:

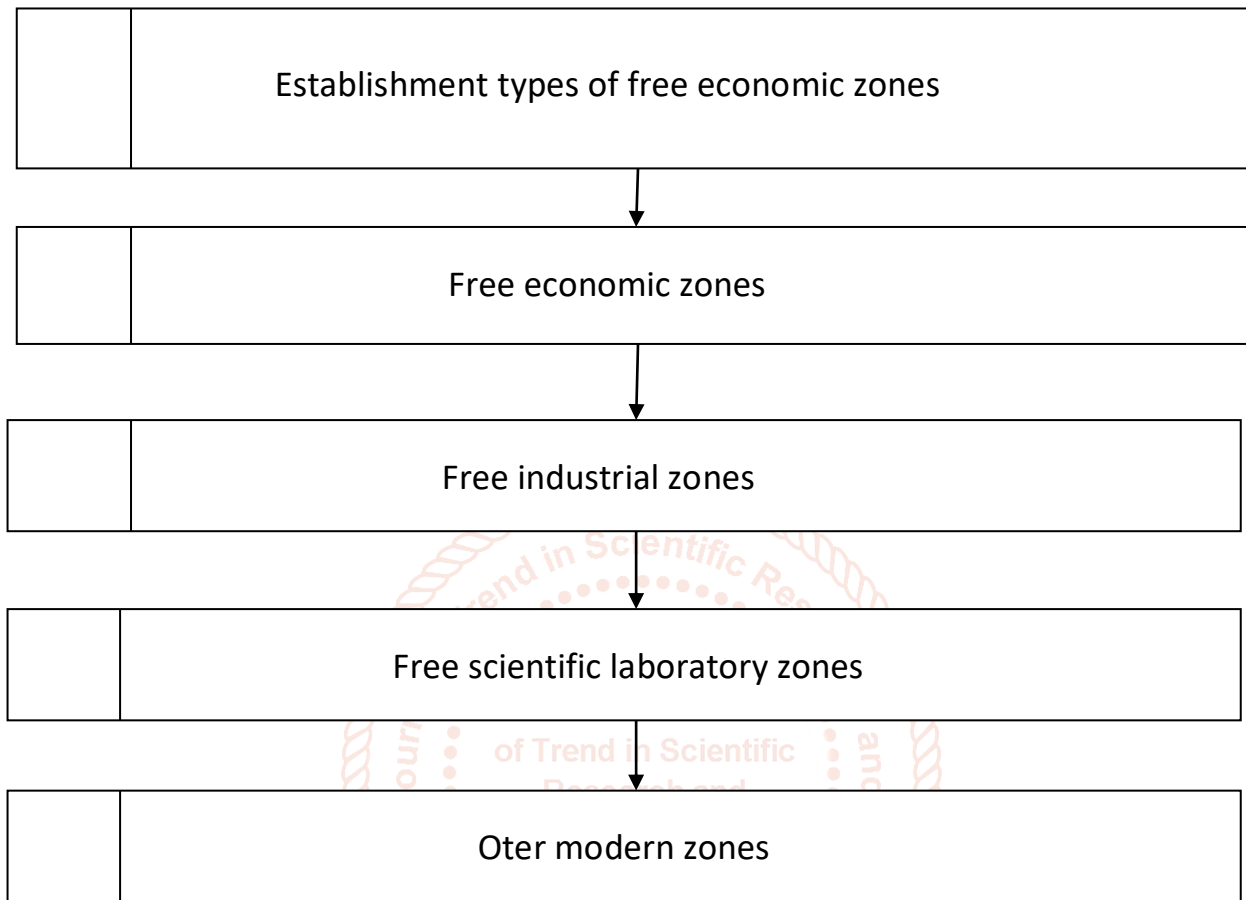
Investments in the amount of 300 thousand US dollars to 3 million US dollars - for a period of 3 years;

Investments in the amount of 3 million to 5 million US dollars for a period of 5 years;

Investments ranging from \$ 5 million to \$ 10 million were released for a period of 7 years.

Investments in the amount of 10 million and more US dollars will be issued for a period of 10 years, using income tax and single tax rates at a rate of 50% less than the current rates for the last 5 years.

Legal entities and citizens (individuals) are allowed to engage in any economic, financial and other activities on the territory of the free economic zone, except for activities prohibited by the legislation of the Republic of Uzbekistan (**Figure 1**).



**Figure 1 Types of organization of free economic zones**

Following this legislative act, on January 12, 2017, the President of the Republic of Uzbekistan issued a decree No. PF-4931 "On the establishment of free economic zones" Urgut ", " Gijduvon ", " Quqon "and" Hazarasp ", No. PF-5032 of May 3, 2017. Decrees "On the establishment of free economic zones" Nukus-farm ", " Zomin-farm ", " Kosonsoy-farm ", " Syrdarya-farm ", " Boysun-farm ", " Bostanliq-farm "and" Parkent-farm " accepted.

The Address of the President of the Republic of Uzbekistan to the OliyMajlis on the most important priorities for 2019 sets out the following main tasks: "... We must take measures to fully demonstrate the investment potential of our country to attract foreign investment. We can achieve a positive result in this regard if we can carefully formulate investment projects by regions and sectors for investors seeking to invest in our economy. In this regard, it is necessary to regulate organizationally and legally the placement of business entities in free economic zones and small industrial zones, providing them with benefits and preferences. First of all, it is necessary to create such an opportunity for entrepreneurs and foreign investors who export products, establish innovative and high-tech production.

In this regard, we pay attention to the activities of special industrial zones in our country. Decree of the President of the Republic of Uzbekistan dated March 18, 2013 No PF-4516 "On the establishment of a special industrial zone" Jizzakh "was adopted, allocating 363.7 hectares of land in Jizzakh, Jizzakh region and 150 hectares in Syrdarya district of Syrdarya region.

In accordance with the memorandum of understanding on the establishment of the Uzbek-Chinese industrial park in the Jizzakh special industrial zone, it is planned to create favorable conditions for attracting foreign and domestic investment for the establishment of high-tech enterprises that produce competitive products with high added value. To this end, the following areas of production have been identified as priority areas: chemical and petrochemical, food, light industry, construction materials, polymer products and others.

In the territory of the special industrial zone "Jizzakh" the total cost of 264.1 mln. A total of 25 projects have been approved for US investment, including \$ 165.5 million in foreign investment, 7 of which will be located in the Syrdarya branch.

As of April 1, 2017, 91.3 mln. 19 projects worth USD 1 billion were launched and a total of 1,324 new jobs were created. In particular, the total cost of 51.4 mln. 14 projects worth \$ 39.9 million were implemented in Jizzakh. 5 projects worth USD 1 billion are located in the Syrdarya branch. In 2016, a total of 19 projects produced goods worth 291.5 billion soums. soums (3 times more than in 2015), and the volume of exports amounted to 14.7 mln. USD (2.5 times more).

Indicators	2013	2014	2015	2016	2017	Percentage
Foreign investments to Jizzakh Free Economic Zone	5,6	13,3	36,5	35,9	40,3	34,7

**Table 1. The amount of foreign investments attracted within the Jizzakh Free Economic Zone, mln. dollars**

It is planned to increase the number of investment projects by another 25, for which an additional 213 mln. It is planned to attract investments in the amount of USD.

There are also some shortcomings in this regard, including the lack of infrastructure and information and communication systems of sufficient quality to increase the investment attractiveness of the districts of the region. Otherwise, there will be a problem of attracting foreign investment in the implementation of projects. In particular, the investment attractiveness is explained by the fact that the entry into the region is justified by the creation of the necessary conditions for the intended investor and the availability of facilities for the delivery of its products to markets.

According to experts, the quality of the portfolio of investment projects in free economic zones is much lower. The establishment of modern high-tech localized enterprises for the production of export-oriented finished products with the participation of leading foreign companies remains sluggish. In addition, industrial and cooperative relations between economic entities in the FEZ are not in demand.

If we pay attention to the activities of the Navoi Free Economic Zone, today 19 enterprises are effectively operating at this facility, of which more than 100 types of consumer goods are produced. According to the State Statistics Committee of the Republic of Uzbekistan, in the first half of 2017 in the region amounted to 205.0 billion soums. 1356 projects (120.2%) were launched (bank loans of 81.7 billion soums) and 4,754 new jobs were created.

Since the establishment of this zone, a total of \$ 122 million has been invested, of which about 35% is direct investment.

Due to the further development of Navoi International Airport, the establishment of a single international logistics center in Central Asia, which will be able to receive large volumes of cargo and passenger transit flights between Europe and Asia, plays an important role in the development of Navoi FEZ.

It is necessary to carry out systematic work on improving the infrastructure and information and communication systems, which will increase the investment attractiveness of this facility.

Decree of the President of the Republic of Uzbekistan dated January 12, 2017 PF-4921 "On the establishment of free economic zones Urgut, Gijduvan, Kokand and Khazarasp", on the basis of which the Cabinet of Ministers of the Republic of Uzbekistan on April 10, 2017 Resolution No. VM-196 "On measures to establish the Urgut Free Economic Zone" was approved.

A total of 816 hectares of non-irrigated, low-yield lands were allocated in Urgut, Pastdargom and Nurabad districts, a total of 390 hectares in Urgut district, 660.0 hectares in Pastdargom district and 360.0 hectares in Nurabad district. 281.1 mln. Targeted work is being carried out on 80 projects worth \$ 208.9 million (including a bank loan of \$ 658 million at its own expense and \$ 7.05 million in foreign investment), which will create 5,774 jobs. Systematic work is underway to build communication networks in the Urgut economic zone.

The issue of timely conversion of loans for equipment and technology for the implementation of projects under the integrated development program of the region is pending, which in turn will negatively affect the timely implementation of some projects included in the program.

709.3 hectares of land have been allocated for the establishment of 3 industrial zones in Kokand, 61 investment projects aimed at deep processing of local mineral resources, production of import-substituting products have been developed. Their total value is 1.1 trillion. soums, which will create about 6,000 new jobs. Today, the total cost is 46.7 billion soums. Construction work has begun on 9 projects worth 430 billion soums, which will create a total of 430 new jobs.

As can be seen from Table 2.4, a total of 61 projects are planned in the Kokand Free Economic Zone, which will create a total of 5,871 new jobs and an annual production volume of 996,359.5 billion soums. soums.

№	Name of the project	Quantitative	Project Value	Project Value	Including source of funding			New jobs	Production
					Own funds	Bank loan	Foreign investment		
1	Light industry	21	101,466	405,894	73,8	136,1	72,3	1995	511305
2	Leather and foot wear industry	7	14,07	56,6	27,2	27,9	0,6	1030	47179,5
3	Chemical industry, polymer and plas. mahs.	6	2,275	9,1	4,2	4,6	0	158	33600
4	Fruit processing and food industry	6	124,075	496,352	150,2	346,2	0	1200	1332201
5	Building materials industry	8	22,295	89,18	54,6	34,6	0	492	147120
6	Pharmaceutical industry	5	3,82	15,28	6,7	7,1	0	260	22100
7	Electrical engineering industry	2	1,613	6,5	3,2	3,3	0	260	22100
8	Other directions	6	4,526	16	7,6	6	1	316	38124
	<b>Total</b>	<b>61</b>	<b>274,14</b>	<b>1094,906</b>	<b>327,5</b>	<b>565,8</b>	<b>73,9</b>	<b>5871</b>	<b>996359,5</b>

**Table 2.4. Targeted investment projects implemented in the Kokand Free Economic Zone in 2017-2018**

The experience of developed countries shows that they invest more in the fuel and energy sector. The fact that the bulk of investments in Uzbekistan are made in the same area. The establishment of free economic zones or concessions requires attention to attract investment and develop other sectors as well.

In this regard, there is a problem of attracting foreign investment in the implementation of projects, the lack of infrastructure and information and communication systems of sufficient quality to increase investment attractiveness in almost all economic zones of the country. In particular, the investment attractiveness is explained by the fact that the entry into the region is justified by the creation of the necessary conditions for the intended investor and the availability of facilities for the delivery of its products to markets.

## CONCLUSION

1. In this regard, first of all, the investment legislation of the Republic of Uzbekistan contains the main provisions of international investment law, in particular, the main provisions on guarantees of foreign investor rights, the provision of certain preferences for investors, etc. The results achieved in economic growth depend on the correct organization of investment policy. It should be noted that on the basis of legal mechanisms of investment activity, measures are being taken to improve it.
2. One of the most important tasks today is to create favorable conditions for attracting foreign investment to the economy of our country, the introduction of practical mechanisms for their legal protection and further improve the investment climate, expand production and increase its efficiency. In particular, to create the most favorable investment climate for foreign investors making direct investments in the development of high-tech industries, encourage the attraction of foreign investment for the implementation of projects on modernization of production, technical and technological renewal, as well as various bureaucratic work with foreign investors. elimination of barriers and obstacles, prevents illegal interference in the activities of enterprises with foreign investment by government and regulatory agencies.
3. Particular attention should be paid to eliminating imbalances in attracting investment, expanding the production of consumer goods, technological modernization, strengthening the policy of diversification. The main elements of assessing the investment attractiveness of the regions include:

economic development, investment infrastructure, level of market relations and commercial infrastructure, security of investment activities in the region and the demographic characteristics of the region. It is expedient to analyze the current state of investment in the regions, first of all, to study the investment climate, to focus the attention of investors on the most necessary and priority sectors. Each of the individual regions of the country can achieve the formation and development of its own favorable investment conditions, environment and make it attractive to investors, increase the investment image of the region.

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