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INVESTMENT FACTOR OF ECONOMIC DEVELOPMENT IN UZBEKISTAN

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Abstract: Introducing anti-crisis program and maintenance of high investment activity in Uzbekistan were among core factors of tackling with global crisis pressure. However, the high investment dynamics bears a threat of economic "overheating" and decrease of investment process effectiveness. Then, it can be neutralized by use of principles and tools of comprehensive innovation management.

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Introduction

In the heat of the recent global financial crisis the IMF, World Bank and other international economic organizations were very much concerned about its negative influence on countries with transition economies. However, in practice those countries which have their export, currency, banking and financial system as well as foreign external investments inflow not strongly dependent on leading economic centers have endured the crisis with minimum losses. As regards to China and some number of other countries, they have managed to maintain upward dynamics of social and economic development.

Uzbekistan is among that group of countries that could effectively resist downturn influence of the world financial crisis. While 1% downturn in the global economy in 2009 its GDP has increased by 8.1%, an industrial output - by 9%, export of goods and services -by 2.4%. Introducing anti-crisis program and maintenance of high investment activity were among core factors of tackling with global crisis pressure. The 2009 investment volume grew by 24.8% in comparison with the previous year and made up 8.2 bln. US dollars. High capital investment growth was achieved despite a global downward on investment trend, shortage of credit and financial resources as well as stagnant investment activity comparing to one in the pre-crisis period. In 2010 Uzbekistan's investment policy is going to be even more intense.

According to the world experience the high dynamics of investments bears threat of not only economic "overheating", but also efficiency decrease of the whole investment process. It gets even more crucial in conditions of the global financial crisis and absence of any perspective ways out of it. One of the useful tools if not for preventing this threat but for considerable lowering its pungency is a sound investment management.

Investment process optimization tool

The crisis in the global economy and earlier to it instability preconditions, especially in transboundary capital flows, have made the governments, business and scientific circles of many countries of the world sure of how expedient it would be to have a more effective state regulation of the economy. In particular, it became apparent while transforming approaches in treatment of tasks set by investment management, especially the scale of processes it is called to operate. Formerly investment management has been considered as the area of economic science and practice standing for "management of investments into a certain branch of economy or development of an enterprise" (Bocharov, 2000). It has also been equated to a "project management" (Sharp, 1998). Afterwards, a wider interpretation of this term was emerged: "managerial activity concerned with the process of investment at the level of a state, territory, region, industry, enterprise" (Maksimova, 2005).

Basically having agreed with well-known treatments of the essence of investment management (as a set of methods, principles of investment process management) and its functions (planning, organizational, coordinating), yet the author considers it unjustified when the tasks set by investment management add up only to economic and industrial potential growth, profit maximization and mitigation of investment activity risk.

The investment management tasks list should take proper account of specificity of the national economy, the problems to be solved and the goals pursued by its reformation. So, for example, for Uzbekistan the issue of present importance is not only the capacity of manufacturing and services sectors but also undertaking structural transformations. In a number of investment projects, a priority is given to maintenance of national security.

Given the importance of an effective forming and realization of investment policy as well as large scale and dynamics of investments in the national economy, it is crucial for Uzbekistan to work out methodical guidelines for practical use of investment management principles in business planning, stock-taking, control, analyzing and evaluation of investment efficiency, investment project realization and application of innovations nationwide. Obviously, one of prerequisites for this stands for understanding of tendencies in dynamics, industrial structure of investments, revealing of reserves and working out recommendations on intensification of both investments and the system of investment management influence on development and efficiency of the national economy.

Financial sources of investment activity

Comparative analysis of investment structure of Uzbekistan's economy shows it disposes multiple financial sources whereas the majority of countries in transition rely on budgetary funds only. The share of non-centralized sources prevails and makes up 4/5 of the total investment volume.

Analysis of the three-year investment dynamics (2007-2009) draws attention to considerable differences between the rates of increase by types. Foreign direct investments

(FDI), which are actively stimulated and supported by the government, grew to a greater extent (by 2.9 times). Having the share of 27.8% in the total volume of investments FDI stand for the second largest source of investment giving the first place to corporate funding (36.3%), which grew to a smallest extent in the period under review (1.7 times).

Prevalence of corporate funding and foreign capital in sources of investment financing can be treated as a factor contributing to increase of investment process effectiveness. Those investments, assuming the competent investment management, correspond to the interests of economic units themselves to a greater extent; they are less affected or not affected at all by any kind of bureaucratic structures. At the same time, it is worth to note a small share of commercial banks (5.2%) and their next-to-last place ranking in the total volume of investments. We consider this as a gap in the mechanism of investment financing, especially taking into account measures taken to strengthen and increase the bank capital in 2008-2009.

Investments and structural transformations

Ensuring the structural transformations and thereupon increasing competitiveness of the national economy is one of the key tasks set by investment management. Its achievement is stipulated not only by parity of sources of investment financing but also by its target orientation.

During the last few years investments to new construction have been exceeding investments to modernization and renovation by 2.5 times. In particular, in 2009 2/3 of capital investments was made in the service industry of Uzbekistan. Half of them were embodied in new objects of transport infrastructure, logistics, and telecommunications. The rest of investments were made in social sectors as well as in geology and exploration for the sake of energy security.

The structure of investments in material production shows that 4/5 of total investment volume was made in industrial production, primarily in fuel and energy as well as metallurgical sectors. The domination of the above mentioned investment-beneficiaries should not be regarded as strengthening the industrial raw orientation. The common concept used in economic literature, stating that progressive investments are the ones made in mechanical engineering, in our opinion shall not be considered as absolute. The most effective and recoupable investments in Uzbekistan are the ones made in deeper processing of local mineral and agrarian raw materials (hydrocarbons, ores of nonferrous metals, cotton fiber, etc.). Rather insignificant investments in mechanical engineering (about 3% in 2009) are conditioned by the prevalence of less capital-intensive expenses to modernization, reconstruction and renovation.

In 2010 investment processes in Uzbekistan will gain some innovation while remaining in the tideway of previous trends. FDIs are expected to grow at higher rates (by 46%). 3/4 of total investment volume will be directed to running industrial programs and projects, mainly in power engineering and chemical industry. Analysis of the investment program brings to conclusion that its traditional purpose of production output increase with higher value added (for example, polymers on the basis of natural gas processing, qualitative textile goods made from domestic cotton fiber) to a greater extent than ever before is combined with the purpose of efficiency growth and competitiveness increase (energy savings due to economical steam-to-gas installations, use of coal instead of gas, etc.). Another innovation -considerable increase of investments in modernization, technical and technological renovation of existing industrial capacities.

Investments and competitiveness of private sector

In 2009 the share of private sector in Uzbekistan's GDP has made 81.3%. Despite the growing significance of privatized enterprises, majority of them have low innovative component and need investments in further restructuring and renovation. However, quite often, investments to innovations are sacrificed to having momentary economic gains, especially due to current demand for products of privatized enterprises.

In our opinion, those enterprises should seek out fundamentally new ways of efficiency growth taking into account a long-run development prospects, access to the global market as suppliers of final and semifinal industrial goods with higher value added. It is suggested, the innovation management at the level of private enterprises should not be driven by modernization and production renovation only. It is necessary to take up any alternative potential object to invest in with prompt payback - trade houses, service centers, quality control labs, etc. It is often efficient to carry out modernization not only by a wide scale and expensive replacement of technological equipment, but also by making relatively small-scaled local investments, e.g. major repairs of working units of equipment.

Conclusion

High investment dynamics bears a threat of economic "overheating" and decrease of investment process effectiveness. Then, it can be neutralized by use of principles and tools of comprehensive innovation management. Developing methodical guidelines for practical use of investment management principles in business planning, stock-taking, control, analyzing and evaluation of investment efficiency can also contribute to efficiency of investment management on macro and industry level. Investment management of private sector should also follow more comprehensive mode when enterprises focus on the high rate of return investments., combine large scale investments and local capital-saving innovative projects aimed to modernization of existing production capacities.

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