



"INNOVATIVE ACHIEVEMENTS IN SCIENCE 2023"

INVESTMENT ENVIRONMENT ASSESSMENT ISSUES

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Abstract: *Current article examines the issues and methodology of assessing the attractiveness of the investment climate of the country for attracting foreign investment into the economy. The factors effecting the assessment of the attractiveness of the investment environment are also determined and appropriate conclusions are given.*

Keywords: *investment, FDI, doing business, international indices, fund for the world, insolvency.*

INTRODUCTION

Nowadays one of the urgent issues are further improvement of the investment environment in the country, promotion of attracting direct investments, and strengthening of investors' confidence in the consistency of state policy. To support the expansion of attracting foreign direct investments and rapidly develop more favorable conditions for attracting investments leads to develop the real sector of the economy, to implement production localization programs and to increase the quality of products based on the introduction of modern technologies into the economy which inextricably linked with issues of increasing export potential of the country.

Expansion of sources of production financing in the economy and active utilization of foreign investments, in particular foreign direct investments, is important for development of the country. Because foreign direct investment allows to find an additional source of financing and attracts modern technologies to production. It should be mentioned that international ratings and indexes reflect the development process of each country and they are a reflection of important aspects such as the quality of public administration, the standard of living of the population, the protection of human rights, business activity and a favorable environment for foreign investors, stable economic growth and competitiveness. These aspects are embodied in the essence of reforms in our country. All this acquires a deeper meaning as it serves to glorify human dignity, to ensure that people live contentedly with life.

For instance, Commission was established in order to coordinate works on improving the position of the Republic of Uzbekistan in economic and political-legal international ratings and indexes it is important effective coordination of the



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activities of official ministries and agencies, further raising the position of our country in the international arena, systematic implementation of cooperation with foreign rating agencies, integrated priority international ratings and indexes taking into account the need to increase the efficiency of execution and systematic coordination of relevant measures carried out by official ministries and agencies in terms of review and improvement (Decree of the President, 2019). This resolution stipulates that the preparation of proposals for the next release of international ratings and indices should include practical aspects aimed at taking into account the necessary indicators, as well as mechanisms for interaction with organizations publishing ratings and indices, and sources of information used in their compilation.

REVIEW OF LITERATURE.

The modern international investment market is characterized by a high degree of mutual competition between investors and countries receiving investments. Countries actively fight to attract foreign capital into national economy by creating a favorable investment environment. Investors, in turn, used to choose regions to invest their financial resources, taking into account different investment risks and the level of investment potential. The level of economic development of the country, the rate of growth of investment activity largely depends on the investment environment. It is important to create the necessary conditions for attracting foreign investments to the economy of the republic, it can be invested in the economy of that country only when there are positive economic, political, social and legal conditions in that country (Mustafakulov, 2017).

In the scientific literature, the term investment environment has many definitions. For example, according to Glagoleva and Belogura (1997), the investment climate of a country or region is a generalization of the description of the political, social, economic and legal conditions of the state, which determine a certain level of attractiveness of financial investments. Folomev and Revazov (1998) expressed the investment environment as a joint general description of political, social, legal, economic, organizational and socio-cultural conditions that predetermine investment opportunities and attractiveness in a specific economic system (country, region, individual enterprise economy).

Vahabov and some of other scientists (2010) stated that the investment environment is a set of economic, political, legal and social factors that predetermine the level of volatility of foreign capital investments and the possibilities of their effective use in the country. The investment environment is a complex, multifaceted concept, consisting of indicators such as national legislation, economic conditions (crisis, growth, stagnation), customs regime, currency policy, economic growth rates,



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inflation rates, exchange rate stability, level of foreign debt. Also, the set of economic, political, regulatory, social and other conditions affecting the investment processes in the country represents the investment environment.

G'ozibekov and Karalievlar (2007) stated that investment environment and investment climate are synonymous concepts, and investment climate is a concept used in a very broad sense, and it is shown that it embodies all the problems and issues considered by the investor. At the same time, the favorable and unfavorable aspects of allocating capital to a certain country by the investor are determined, besides, it is emphasized that the ideology, politics, economy and culture of the country in which the capital is to be invested are of great importance.

Summarizing the scientific views on the investment environment, it can be seen that this concept is expressed as a set of various factors that determine the implementation and development of certain investment processes. Thus, the investment environment is a generalized description of social, economic, political, legal, cultural, historical, financial, management and other conditions that predetermine the possibilities and attractiveness of investing in this or that economic system. In economic literature and other sources of information, the concept of "investment potential" has been used in scientific studies of the investment attractiveness of countries and regions. For the first time, this concept was mentioned in economic literature in the early 1980s, but there were no attempts to reveal its economic meaning (Muzyko, 2010). According to Ryaskova (2000), investment potential is "... which is the sum of investment resources that make up the accumulated capital part of the investment market in the form of potential demand".

Tretyakov (2006) considered the investment potential to be the sum of investment resources that make up the part of the capital accumulated in the investment market in the form of potential demand, which has the ability to become a real investment demand that ensures the satisfaction of consumption for capital production. Semina (2010) indicated that the investment potential must take into account macroeconomic features, the wealth of regional production factors, consumer demand of the population, and 8 forms of private potential, consisting of raw materials, labor, production, innovative, institutional, infrastructure, finance, and marketing.

RESEARCH METHODOLOGY.

In this research work, methods such as induction and deduction, comparative analysis, graphic representation, expert assessment and economic statistics were



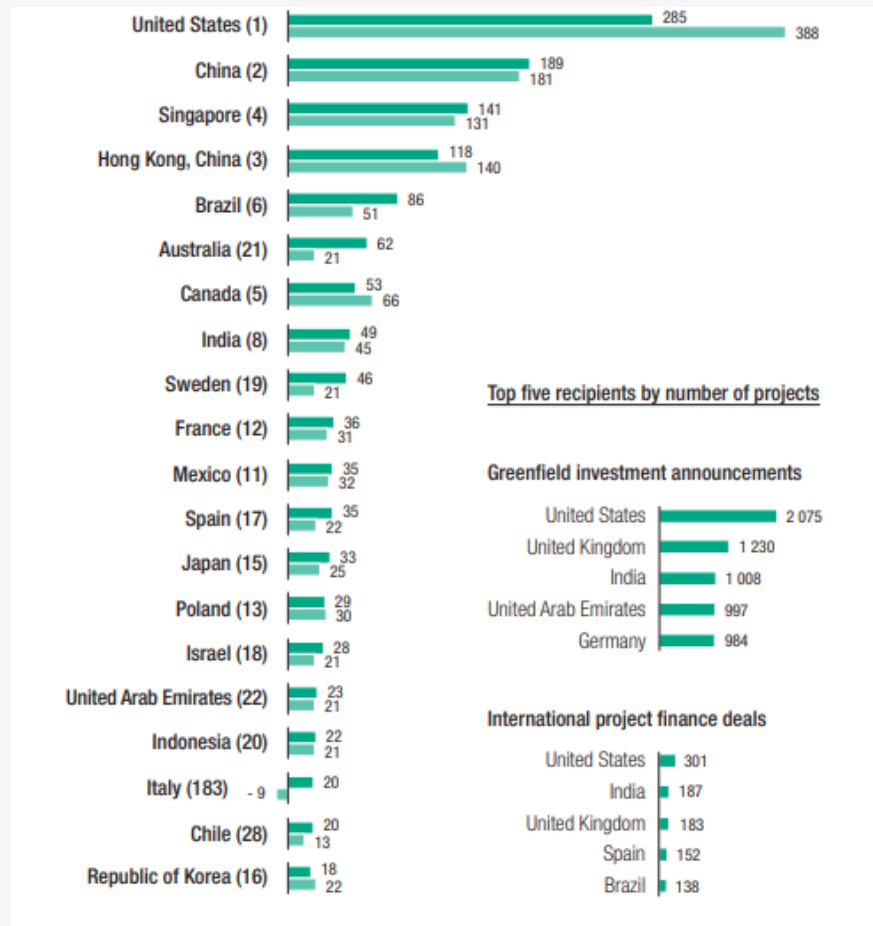
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used to form a conclusion based on the issues of assessing the attractiveness of the investment environment.

ANALYSIS AND DISCUSSION OF RESULTS.

In 2019, the growth of global flows of foreign direct investment (FDI) was imperceptible, increasing by 3% and amounted 1.54 trillion US dollars. Foreign direct investment income to developed countries increased by 5% and reached to 800 billion US dollars, and the world ranking was led by the USA, China, and Singapore were leaders in the World ranking.

Figure 1. FDI inflows, top 20 host economies, 2021 and 2022 (Billions of dollars), World Investment Report, 2020



Due to the pandemic situation and uncertainty in Russia and Ukraine political views, there has been a decline in FDI trends in regions, including a sharp fall in FDI in Africa during pandemic, and the decline may be exacerbated by low oil and commodity prices due to the commodity bias of the region's investment profile. Based on the growth of the gross domestic product and a number of factors specific



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to investments, FDIs are projected to decrease by 25-40% to 25-35 billion dollars. Due to the political issues, it is expected that the volume of FDIs in Asia will remain at a lower rate. In Asia, FDI is predicted to decrease by 30-45% (World Investment Report, 2020.).

There have been many attempts by the international community to quantify the investment climate based on country-by-country ratings and empirical data studies by international experts.

The world's leading economic magazines (Euromoney, Fortune, The Economist) as well as expert agencies (Moody's, Standard & Poor's, IBCA) are widely used in rating the investment environment and risks. In the USA, there is published "Annual Statistical Card" for all states taking into account various factors, including political aspirations, the state of the environmental movement, etc., it is based on the, which summarizes the investment environment by 4 component indicators (economic efficiency of investments, business environment, regional development potential and tax policy) (Avramenko, 1995). Moreover, there is the investment rating, developed jointly by Russian and foreign scientists, is based on the German concept, in qualitative and quantitative assessment of the investment environment. There are 20 important criteria consisting of 4 main groups (Borisova, 2001):

- factors of social stability (political, state, interstate, legal and social);
- level of economic transformation (liberalization of prices, privatization of property, development of small and medium-sized businesses, agrarian reforms, formation of market infrastructure);
- economic situation (economic growth rates, inflation, balance of trade and payments, etc.).

Today, several international projects are being implemented to evaluate one or another aspect of the investment climate of countries. At the same time, there is a need for a comprehensive assessment of the rating of the country's investment attractiveness, which is considered a means of comparative analysis scientific research on the improvement of the conditions for the activity of foreign investors and the country's investment attractiveness.

Table 1

Representing the investment climate and attractiveness for investors rating

Rating	constituent organization	Parameters to be evaluated	Database
doing business	world bank	legal environment of doing business	statistical, legal information, expert requests



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global competitiveness index	world economic forum	socio-economic parameters of the country	statistics and surveys of company managers
country's incapacity index	fund for the world	The current level of risk for citizens and companies in the country	internal system of data collection and analysis

There are ratings of international organizations that represent the investment climate and attractiveness of countries (Figure 1). One of the most common methods for assessing the attractiveness of the country's investment environment today is the Doing Business Index and the Global Competitiveness Index. In particular, the "Doing Business" report, published annually by the World Bank, provides a ranking of countries on the creation of favorable conditions for doing business. In this report, the set of indicators was expanded into 3 to cover all aspects of quality. The report was later amended to expand the assessment of quality and effectiveness in most cases across a set of five indicators. In the "Doing Business 2023" annual report of the World Bank, Uzbekistan rose 7 places and became one of the 20 countries with the highest performance in improving the business environment. In the annual ranking of the World Bank "Doing Business 2020" (Doing Business 2020) at the end of 2019, Uzbekistan scored 69.9 points out of 100 points and took the 69th place among 190 countries. In the "Doing Business" report, based on the analysis of the situation in 190 countries, changes in legislation in 10 areas were noted. It assesses changes for the 12-month period ending 1 May 2019.

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- 1) establishment of enterprises (businesses),
- 2) obtaining construction permits,
- 3) connection to the electricity supply system, 4



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-) property registration,
- 5) obtaining loans,
- 6) protection of minority investors
- 7) taxation,
- 8) international trade,
- 9) enforcement of contracts
- 10) insolvency.

Recruiting is another additional indicator in the evaluation, but was not included in this year's ranking. Uzbekistan has improved its performance on almost all indicators of the rating, except for the "Insolvency resolution" indicator (www.doing-business):

Registration of enterprises – 96.2 points, + 0.2% (8th in the global ranking place);

Obtaining construction permits – 61.7, + 0.3% (132nd);

Connection to the electricity supply system – 86.9, + 0.9% (36th);

Property registration – 67.9, + 0.9% (72nd);

Borrowing – 65, unchanged (67th);

Protection of minority investors – 70, + 8% (37th);

Taxation – 77.5%, + 0.6% (69th);

International trade – 58.2, + 8.4% (152nd);

Ensuring the fulfillment of contracts – 71.9, + 3.7% (22nd);

Allowing insolvency – 43.5, -1.7% (100th).

In 2022, New Zealand, Singapore, Hong Kong (China), Denmark, Republic of Korea, USA, Georgia, Great Britain, Norway and Sweden were included in the top ten for ease of doing business. Usually, the ranking leaders have online processes for registration and transfer of property, as well as electronic platforms for filing tax returns.

The Global Competitiveness Index is averaged from 0 to 100 points for 141 countries in the following areas. These are: quality of institutions, infrastructure, macroeconomic stability, health and primary education, higher education and retraining, efficiency of goods and services markets, efficiency of labor market, development of financial markets, level of technological development, scope of internal market, competitiveness of companies and innovation potential.



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CONCLUSIONS AND SUGGESTIONS.

Attracting foreign investments is very important for our economy in the current conditions, and in order to achieve such an effect, it is necessary to make the investment environment more favorable for foreign companies and firms. International rankings and indices are tools accepted by the world community as a key condition for economic development in assessing the quality of the institutional environment in the world. They are used not only by experts, but also at the state level as a criterion for reforms and socio-economic policies. It is important to ensure coordinated mutual cooperation to improve the position of the Republic of Uzbekistan in international rankings and indexes, to provide methodical and consultative support for effective and high-quality performance of the tasks set in these areas.

It is most important to implement the following: strengthening the protection of all types of investors by increasing corporate transparency; simplifying taxation and reducing the amount of tax reports and payments; easing requirements for documents on foreign trade activities.

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