

Тошкент давлат  
иқтисодийёт университети



Ўзбекистон Республикаси  
Банк молия академияси



BANKING AND FINANCE ACADEMY  
OF THE REPUBLIC OF UZBEKISTAN

Тошкент шаҳридаги халқаро  
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**ХАЛҚАРО ИЛМИЙ-АМАЛИЙ АНЖУМАН**

**ИЛМИЙ МАЪРУЗА  
ВА МАҚОЛАЛАР  
ТЎПЛАМИ**

**IV ШЎЪБА**

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Table 2 indicates that the columns 2, 3, and 4 are based on the average of the average annual investment in the five conditions, with the number of periods separated by 5-6% and its percentage to the total. The most important is the 7th column, which defines the distribution of investment by sectoral status.

According to it, 32.1 and 8.9 percent more than the norm for the first and second cases were distributed inter-sectorally, in the third and fourth position - by 0.6 percent and 1.1 percent less than the standard. In the fourth case, 60.3 percent, instead of 40.9%, ie 19.4% less, in general, it was found that the investment was 20.1% more than the volume of investment to be allocated to the sectors in 1995-2016.

This means that 20.1% of investment will remain uninterrupted. It should be noted that, in general, the current situation in the current sector (especially 1 and 2) has shown that the effectiveness of distributed investments is 155060,1 billion soums. At the same time, 131491,0 billion sums, which is 14,0% less than the national currency. It could also be made in soums. According to the results of the calculations, the actual amount of investment in the 100% case was 79.9%.

The figures presented in the picture are actually the volume of investment in the sectors, and the curve indicates the extent to which they should be included. These three scenarios reflect the changes that make it clear that distributed investments are accurate.

In conclusion, it should be noted that the results of the survey found that the volume of investments into all sectors was reduced to a certain period of time. This, in turn, has led to a reduction in production volumes. This should correspond to the amount of investment, volume of production and capacity constraints. In the investment division, the main reason for the effective utilization of investment is to avoid the useless investment and deficiency of capital.

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### **The Role of Investments in the Development of Power Industry**

As it is known, the industrial production and investment are interdependent, and the wider involvement and efficiency of investment will further boost the growth rates of industrial production.

It is possible to mention that investments not only increase the volume of production, but also play an important role in the industrial development, modernization and diversification of production and innovative development.

From the initial years of independence of Uzbekistan, the energy policy has been given priority in ensuring the country's energy security and its utilization of national energy resources to address social and economic problems of society. Particular attention was paid to the power industry, which is an important national energy policy.

As a result of large-scale reforms in the energy sector, the main strategic goals of the national energy policy, which were envisaged in the first years of independence, were to achieve energy independence and to solve social problems.

In the positive results, achieved in the national energy industry, attracting investments to the processes of technical and technological modernization of the sector's enterprises plays a significant role.

Therefore, in the Decree of the President of the Republic of Uzbekistan "On the Strategy for Further Development of the Republic of Uzbekistan" no. 4947, investment in the modernization and reconstruction of industrial sectors and the launch of new capacities are mainly attributed to enterprises' own funds, the Bank has been tasked with making investments and loans [1]. As a result, qualitative changes in the industry of Uzbekistan will be observed due to the large-scale investment in the industrial sector and the provision of tax, customs and other benefits to the state enterprises, the improvement of the legal framework for the production and supply of electricity to alternative energy sources.

A number of research works have been undertaken to improve investment in the development of industry, particularly in the energy sector.

In particular, some economists claim that in order to get the outcome of an investment unit to grow in economic growth, it should be directed to the advanced sectors of the economy and focus on the introduction of new technologies. This means that investments are directed to novations and innovation [3, 274].

Indeed, if investments are invested in old technologies, its efficiency will be low, as output and services will be lower than the resource consumption, resulting in reduced production efficiency.

Furthermore, other economist scientists say that investments are the main means of equipping modern technics and technology with arms, scientific, technical, industrial and intellectual capacity [2, 23].

It should be noted that investments are the main means of modernization, technical equipment and technology assortment, diversification of production, which

in turn creates new jobs, improves the quality of products, thus increasing the competitiveness of enterprises.

Investigations by economist scientists related to the economy of direct energy industry indicate that investments in power projects are characterized by their total cost reduction and non-return. These are investments in wind generator tubes and solar panels as their residual value is close to zero as energy is generated [5, 29].

It is important to make investment decisions for the energy sector. Accordingly, according to economists, the possibility of financial loss due to investment periodicity will increase the uncertainty of the future value of energy projects. Prior to making investment decisions, the investor can now choose to invest or wait after investing [4, 149]. In our opinion, in some cases the waiting or extension of an investment decision may result in an uncertainty about the investor's costs and incomes.

The power industry is one of the key sectors of the Uzbekistan's economy. The installed capacity of the power plants of Uzbekistan is \$ 12.4 million. kWh and accounts for nearly 50% of the entire production capacity of the entire United Energy System of Central Asia [6].

Uzbekenergo is the main producer and supplier of electricity in the country with a total installed capacity of 12.0 mill. kW, which includes 39 power stations. In the production capacity, the share of the company's power stations is less than 3 per cent (320 MW).

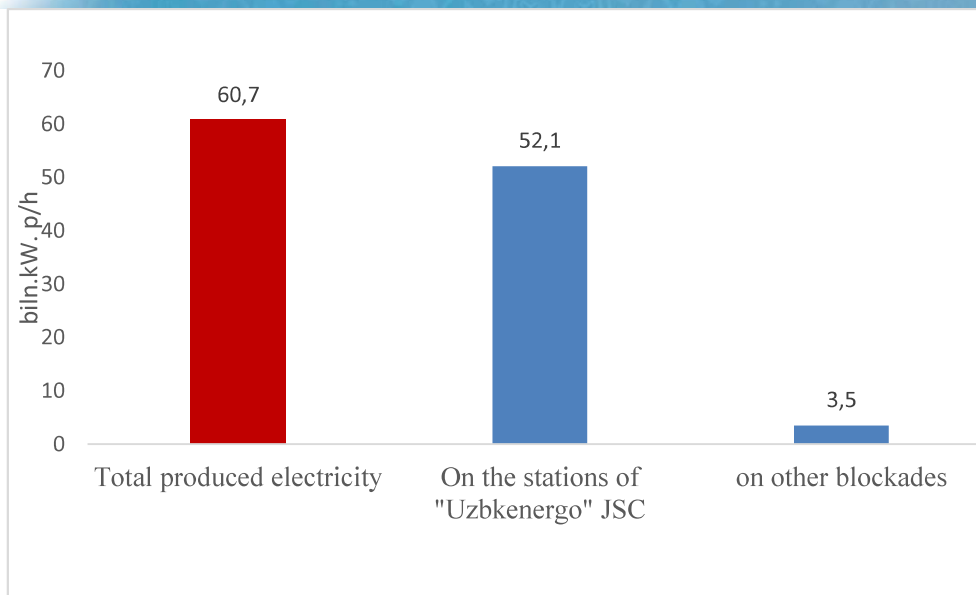
The installed capacity of the power plants are enough to meet the growing demand for electricity in the republic, fulfill its commitments to supply electricity and ensure energy security of our country.

The total capacity of the thermal power stations (TPS) of Uzbekistan has \$ 10.6 US million kilowatt per year. Five large TPSs installed power units from 150 to 800 MW. These are large thermal power stations such as Talimarjan, Sirdaryo, New Angren and Tashkent TPS and produce more than 85% of electricity.

All hydroelectric power stations (HPS) of the company are mainly connected to the cascades of hydropower stations and operate in the flow of water. The largest hydroelectric power station (Chirchik, Khojikent, Gazalkent) located on the upper Chirchik river has separate reservoirs. These reservoirs allow working in power regulation mode.

The share of gas in the primary energy resources required for the production of electricity is 90.8%, mazut - 5.3%, coal - 3.9%. This tendency will remain in the foreseeable future - the main fuel will remain natural gas and the share of coal in the fuel balance will increase by 10-12%.

Obviously, the power industry is directly linked to the national oil and gas and coal industry and operates on a very complex technological chain. This raises the question of technical and technological innovation, modernization and attraction of investments into the energy sector of the electric power industry.

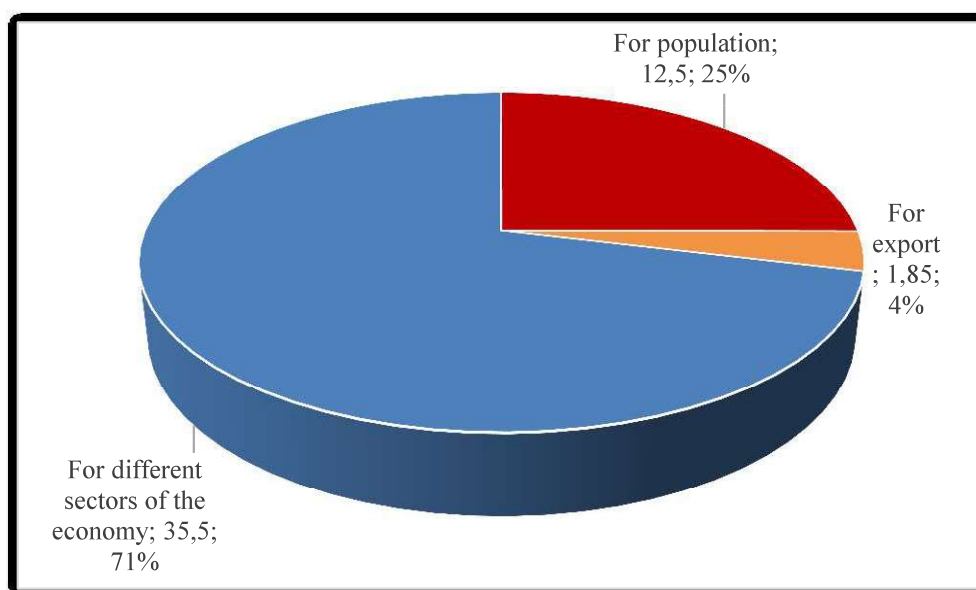


**Picture 1. Total electricity produced in Uzbekistan in 2017.**

Source: Estimated by the author based on annual reports of "Uzbekenergo".

In 2017, total power plants received 60.7 billion kWh of electricity was produced in Uzbekistan., which is 2.9% more than in the previous year. Uzbekenergo JSC is the main producer and supplier of electricity in Uzbekistan. In particular, in 2017, Uzbekenergo produced 52.1bn kWh of electricity and accounted for 85.8% of the country's total electricity (Figure 1).

The total volume of 35.5 billion kWh or 71% produced electricity provided to the different sectors of the economy, 12.5 bn. kW or 25% for the population, and 1.85 bn. kWt or 4% for the export (Figure 2). At the same time, 1.2 billion. kWh of electricity was imported from Kazakhstan.



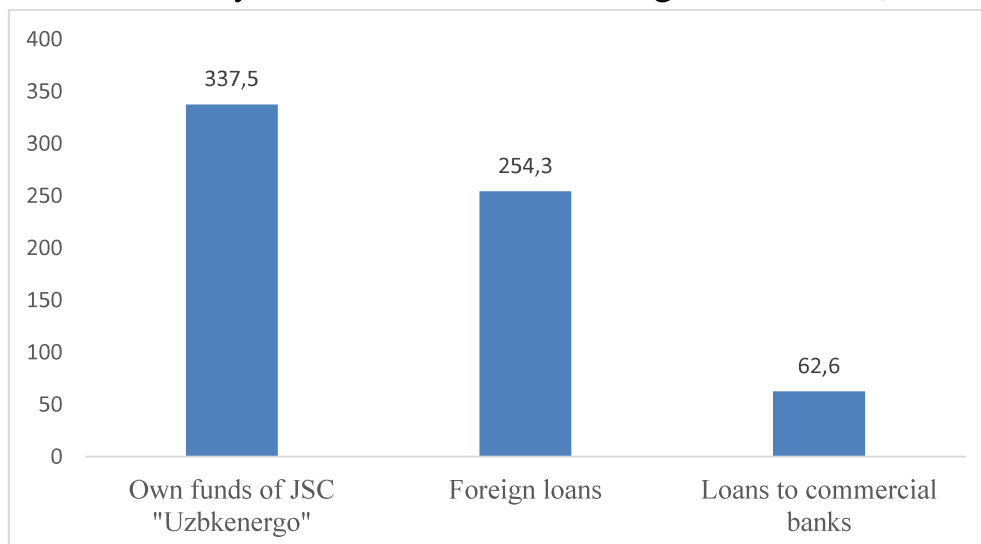
**Picture 2. Distribution of total electricity produced in Uzbekistan in 2017**

Source: Estimated by the author based on annual reports of “Uzbekenergo”.

As a result of the rising the living standards of Uzbekistan's economy and living standards, the demand for electricity in the country is increasing. In order to meet this need, the energy system capacity has been significantly increased. A number of investment projects aimed at increasing energy production are being implemented. In particular, in 2017, utilized funds for total investment projects amounted to 654.4 billion sums, including own funds of “Uzbekenergo” JSC - 337.5 billion sums, foreign loans - 254.3 billion sums, and commercial banks - 62.6 billion sums (Figure 3).

“Uzbekenergo” has implemented 17 projects in the framework of the Investment Program for 2017. In particular, the following key investment projects are being implemented:

- A new combined-cycle plant with a capacity of 370 megawatt was launched at Tashkent TPS;
- A 220 kW air line with 89.4 km long Kandym gas processing plant on external power supply was commissioned;
- The first stage of the 110 kV airline with the length of 85.6 km in the cement plant in Sherabad district of Surkhandarya region was launched;
- The implementation of two steam and gas facilities at Takhiatash thermal power station with a capacity of 230-280 megawatt and the construction of a second combined cycle power plant with a total capacity of 450 megawatt at Navoi thermal power station is underway with the attraction of foreign investments;



**Picture 3. The amount of investment attracted by Uzbekistan in the energy industry in 2017**

Source: Estimated by the author based on annual reports of “Uzbekenergo”.

- Implementation of the project on introduction of high-efficiency cogeneration gas turbine technology with construction of a gas turbine unit with a capacity of 17

megawatt at Fergana (TPS) and construction of Fergana Boiler-3 with a capacity of 7 megawatt.

Along with the achievements in Uzbekistan's energy sector, there are still some problems related to attracting and increasing investment in the industry. Including:

- availability of monopoly property in attracting investments into the industry;
- absence of competition in production and sale of electric power;
- ensuring the required level of investment only by increasing electricity tariffs;
- lack of incentives to increase the efficiency of electric power and efficiency of investment;
- transparency in the decision-making system in the energy sector;
- failure to evaluate fixed assets properly and, consequently, the low cost of energy companies.

Moreover, if low prices lead to excessive use of extortion, limited use of natural resources, on the other hand, high prices may lead to slowdown the society.

Without addressing the above-mentioned issues, the issue of attracting foreign investment and development of the sector remains topical. Therefore, for the sustainable development of the energy industry by addressing these issues, the following activities should be implemented:

- all opportunities for private investment should be created;
- creation of a single investment fund for producers and users;
- it is necessary to provide opportunities for energy companies to attract investment and tax incentives for an innovative activity;
- it is desirable to improve the regulation system and regulatory framework in the energy sector;
- to increase the level of renewal of key assets in the energy industry, it is necessary to increase the volume of attracting modern technology and technology into the industrial production through the use of international leasing.

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