

ANALYSIS OF THE STRUCTURE OF ATTRACTION OF FOREIGN INVESTMENTS IN THE ECONOMY OF THE REPUBLIC OF TAJIKISTAN

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Аннотация. В статье анализируется динамика поступления ПИИ в экономику РТ. Показано, что приток ПИИ положительно влияет на производственный сектор и улучшает макроэкономическую среду. Доля инвестиционных вложений по производственным объектам в последние годы выросла, хотя ранее она была меньше чем непроизводственным объектам. Это вызвано в основном ростом инвестиций в такие объекты производственного назначения, как предприятия различных форм собственности в сферах промышленности, энергетики, сельского хозяйства, транспорта и т. п. Однако автор отмечает, что привлеченные иностранные инвестиции не формировали еще у нас мощную инвестиционную отрасль. Среди факторов препятствующих привлечению иностранной инвестиции в экономику страны главенствующим является неразвитость рынка ценных бумаг в республике. Отмечается, что фондовый рынок страны существует на бумаге, мировой фондовый рынок пока не признал наличие такого сегмента.

Abstract. The article analyzes the dynamics of FDI inflows into the economy of the Republic of Tajikistan. It is shown that the influx of FDI positively affects the manufacturing sector and improves the macroeconomic environment. The share of investment in production facilities has grown in recent years, although earlier it was less than non-production facilities. This is mainly due to the increase in investments in industrial facilities such as enterprises of various forms of ownership in the fields of industry, energy, agriculture, transport, etc. However, the author notes that the attracted foreign investments have not yet formed a powerful investment industry. The predominant factor that impedes the attraction of foreign investment in the country's economy is the underdevelopment of the securities market in the country. It is noted that the country's stock market exists on paper, the world stock market has not yet recognized the existence of such a segment.

Ключевые слова: инвестиция, прямые иностранные инвестиции, инвестиционный климат, инвестиционная политика, география инвестиции, инвестиция в отраслях экономики, конкуренция, рынок ценных бумаг, инфраструктура рынка.

Keywords: investment, foreign direct investment, investment climate, investment policy, investment geography, investment in economic sectors, competition, securities market, market infrastructure.

In recent years, the Government of the Republic of Tajikistan has made decisive steps in the direction of regeneration and ensuring the stable development of the national economy of the country. Adopted in 2016 RT the Law "On Investments", which replaced the earlier law "On Foreign Investments", in this sense, played a key role. The difference of this updated legislative act was that the meaning of the category "investor" was interpreted in a broad way, under which it became clear not only foreign investors, but domestic, that gave the incentive to develop [1, p14].

Therefore, in order to motivate the investment stream and the formation of a favorable climate for investment, the following legislative steps were taken by the enterprises: Law of RT "On Agreements, On Division of Products", "On the privatization of state property of the Republic of Tajikistan", "On public-private partnership", "On free economic zones", "On concessions", "On credit histories". Moreover, taking into account the current state of the national economy, the country's parliament adopted the Law of the Republic of Tajikistan "On Investment Agreements" [2, p3].

Immediately after the announcement of the priority goals for the creation of a favorable investment environment in the Republic of Tajikistan it began to carry out reforms for the simplification of procedures for state registration as legal, as well as physical persons, the procedure was simplified. The "Single Window" project, implemented for the purpose of simplifying the procedure of state registration, significantly reduced the number and simplified the system of registration for accounting. In many respects, thanks to these and other undertaken reforms in 2016-2017, the Republic of Tajikistan entered the top ten countries-reformers, as reported by the World Bank in its annual report on the ranking of doing business. This indicates that the efforts of our Government in this direction are adequately evaluated by the world business community [3, p1].

The expansion of cooperation between the Republic of Tajikistan and other countries and international financial institutions has contributed to the attraction of foreign investment and loans in the implementation of investment projects of significant economic significance.

However, it should be emphasized that the country's national economy, from 2010 to 2017, experienced a period of decline in investment in fixed assets, which was due to the consequences of financial disasters on the world stage. It is

noteworthy that the global financial crisis more negatively affected the growth of investment investments than the dynamics of changes in the gross domestic product in the country. As a result, the growth rate of investments in fixed assets fell to 1,6% in 2017, although in 2008 it was 36,6%. At that time, when the GDP growth rate in the same period confidently kept at around 6.5 – 7,9%. Although in 2011 this indicator decreased to 3,4% (Table 1).

Table 1

Growth rates of GDP and investments in fixed capital for 2010-2017, % to the previous year

Name of indicators	2010	2011	2012	2013	2014	2015	2016	2017
Growth rates of GDP, %	7,9	3,4	6,5	7,4	6,7	6,0	6,9	7,1
Growth rates of investments in fixed capital (at the expense of all sources of financing), %	1,2	1,1	0,9	1,3	1,3	1,3	1,13	1,6
Specific weight of investments in construction activity in GDP %	7,2	7,9	8,4	10,2	11,9	11,1	11,2	9,3

Source: Calculations of the author on the basis of the data of the Interstate Statistical Committee of the CIS for 2010-2017. (<http://www.cisstat.com>)

The analysis shows that the specific weight of investments in construction activity in GDP in 2010 - 2017 almost corresponds, but in 2017, it decreased to a mark of 9,3%, which is 2,6% lower than in 2014 (Table 1).

The ratio of investment volumes, which were directed to production and non-production facilities was also changed. The share of investments in production facilities in 2011-2017 increased to 66,5%, although earlier it was 53,4%. The analog indicator for non-productive objects, on the contrary, has a negative inclination of 46,6% vs. 33,5% respectively. This is due to the main growth of investments in such objects of production, such as enterprises of various forms of ownership in the spheres of industry, energy, agriculture, transport, etc. n. (Table 2).

Table 2

Development of investment activity in the Republic of Tajikistan for 2011 - 2017

(in actual prices, mln. somoni).

Name	2011	2012	2013	2014	2015	2016	2017
Contributions to fixed assets	2371,5	3842,1	4019,1	7615,9	4129,4	5406,5	6678,5
Introduction to living houses, thousands. sq. m of common areas	908	950	994,2	1123,3	1263,6	1158,3	1162
Investments in fixed capital	4988,3	4540,2	5796,8	7492,7	9750,1	1117,9	1137,1
including the number of objects:							
For production	2664,9	2485,1	2813,7	3726,9	5760,1	7458,2	7556,8
specific weight in total investment,%	53,4	54,7	48,5	49,7	59,1	66,7	66,5
non-productive	2324,4	2055,1	2983,1	3765,6	3989,9	3721,5	3814,7
specific weight in total investment,%	46,6	45,3	51,5	50,3	49,1	33,3	33,5
Specific weight of investments in GDP,%	7,9	8,4	10,2	11,9	11,1	11,2	9,3

Source: Calculations of the author based on the data of the Agency on Statistics under the President of the Republic of Tajikistan: Construction in the Republic of Tajikistan 2018. - C. 9-23 www.stat.tj

Now we consider the dynamics of the flow of foreign investment in the economy of the Republic of Tajikistan in terms of investment (Table 3). The data given below show that for the period 2007-2017, the total volume of foreign investment in the national economy amounted to a little more than 8,61 billion USD. The share of direct investments was 44,2% (3,67 billion), other investments – 51,1% (4,43 billion), portfolio investments – 5,2% (501,9 million USD).

Table 3

**The impact of foreign investment in the economy of the Republic of Tajikistan
in 2007-2017. (million \$ USD)**

Years	Attraction of investments			Total	in % to the total
	Direct investments	Other investments	Portfolio investments		
2007	388,4	472,2	-	860,6	9,9
2008	425,7	563,6	-	989,3	11,6
2009	89,4	293,8	-	383,2	4,5
2010	238,9	228,2	-	459,1	5,4
2011	161,4	164	0,05	325,45	3,7
2012	391,3	355	0,1	746,4	8,6
2013	341,1	670,6	0,2	1 011,9	11,9
2014	377,4	530,4	1,4	909,2	10,5
2015	470,9	506,9	0,04	977,84	11,5
2016	434,2	408,4	0,04	842,7	9,7
2017	354,5	245,9	500,0	1100,4	12,7
Total	3673	4439	501,9	8 613,9	100,0

Source: State Committee on Investments and State Property Management of the Republic of Tajikistan www.gki.tj

The global financial collapse in 2008 negatively impacted the volume of investment inflows from outside. In 2009, there was a minimal inflow of foreign investment, which amounted to 383,2 million US dollars or only 33% of the 2008 level (989,3). However, after two years from the onset of the crisis, there has been a trend in the growth of foreign investment in the country. This trend smoothly shifted to rapid growth, so that the volume of foreign investment in 2013 compared with 2009 increased by 2,6 times and amounted to a little more than 1 billion US dollars.

The share of foreign direct investment (FDI) and other investments in the country's national economy over the ten-year period (2007-2017) amounted to 44,2 and 51,1%, respectively. This ratio of direct and other (credit) foreign investment in the country's economy does not meet national interests, because it leads to an increase in the volume of external public debt. Compared to them, the share of portfolio investments in total foreign investments for the same period was very low – 5,2%, which indicates that our domestic economy does not yet have strong ties with global financial markets, especially with stock exchanges.

Among the countries that invested the most in Tajikistan, the leading places are occupied by China, the Russian Federation, and Great Britain. In the period 2010-2017 investments from 56 foreign countries poured into the national economy of our country, the leading position among which is the People's Republic of China (377,113 thousand US dollars) in investments, which is 43% of the total volume of all foreign investments. China is followed by Russia with 21 percent (390,665 thousand dollars) and the UK – 7,4% 248973 thousand US dollars).

Table 4

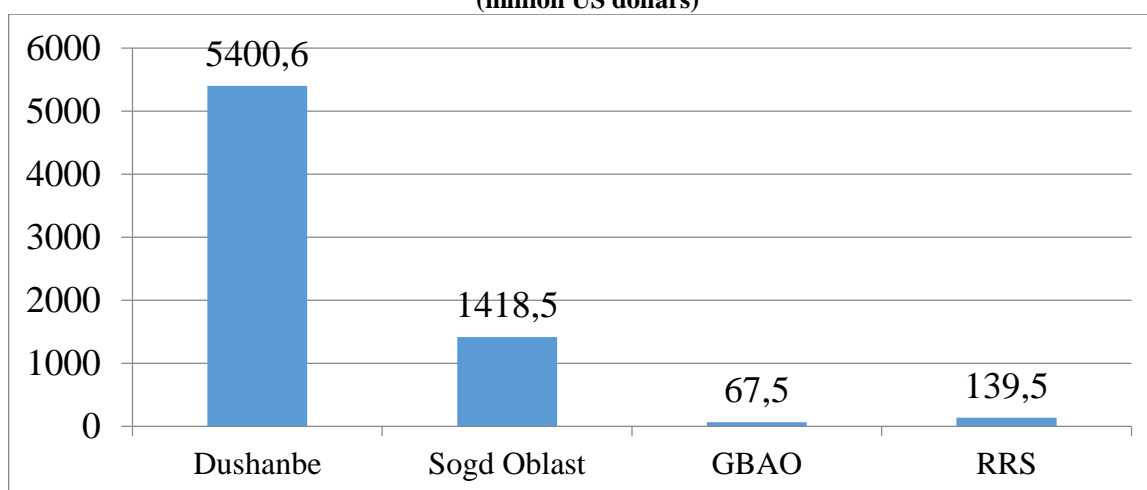
**Foreign investment from the countries that invested the most in the economy of the Republic of Tajikistan in the
period 2010-2017 in thousands of US dollars**

	2010	2011	2012	2013	2014	2015	2016	2017
China	42 988	57 480	99 450	118 39	131 96	329 94	304 07	88 759
Russia	41 314	83 043	71 693	14 798	46 815	34 534	35 006	63 462
Great Britain	13 133	19 186	18 521	18 139	86 985	62 673	22 972	7 364
Other countries	57 843	49 483	65 127	63 312	165 94	131 47	63 297	67 130
Direct investments	155 27	209 19	254 79	214 64	431 71	558 62	425 34	226 71

State Committee on Investments and State Property Management of the Republic of Tajikistan www.gki.tj

Analyzing the infusion of foreign investment in the national economy of the country, it must be mentioned their extremely unevenly entering to the regions of the country. In the period 2008-2017 the inflow of foreign investments in Dushanbe amounted to 69,7% (5400,6 million US dollars), to Sogd Oblast – 18,31% (1418,5 million US dollars), Khatlon Oblast – 9,2% 717, 7 million US dollars), GBAO – 0,8% (67,5 million US dollars) and to the regions of republican subordination (RRS) – 1,8% (139,5 million US dollars) [7. p1].

The flow of foreign investment by region in 2008-2017
(million US dollars)



With the creation of the free economic zones in Sogd, Danghara, Panj, Ishkoshim and Kulob, positive shifts should occur in the future in the regional structure of foreign investment inflows.

Attracted foreign investment has not yet formed a powerful investment industry in our country. Achieving such an indicator in the Republic of Tajikistan is possible only after some of the characteristic features of the sector are eliminated, such as low volumes of direct and portfolio investments, low level of technological equipment, non-competitiveness of domestic production compared to foreign manufacturers, etc. [4, p31].

In our opinion, among other factors preventing the attraction of foreign investment in the country's economy, the dominant factor is the underdevelopment of the securities market in the country. Domestic securities markets and the stock market in this regard must still work and work. The country's stock market exists on paper; the global stock market has not yet recognized the existence of such a segment. This sector is not sufficiently developed even at the legislative level, the process of its formation is ongoing, and it is too early to speak about development.

This dominant barrier factor will lead to concepts such as the opacity and uncertainty of these markets in the country. Therefore, foreign investors so far basically take a waiting position in relation to the securities of our country.

In general, to create a more favorable investment climate, it is necessary to implement a number of different measures such as:

- ✓ improve the legislative framework;
- ✓ liberalize foreign and domestic trade;
- ✓ continue the formation of the private sector;
- ✓ develop market infrastructure;
- ✓ increase the stability of the banking system;
- ✓ develop the foreign exchange market;
- ✓ develop the securities market;
- ✓ develop the stock market;
- ✓ streamline management decision-making in government bodies and many other factors.
- ✓ develop a competitive environment.

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