

**O. Tursunov, G. Ibragimov**  
**Mendel University in Brno**

## **ROLES OF INVESTMENT AND SERVICE SYSTEM SECTOR IN AGRICULTURE**

**Introduction.** The agriculture is the key industry in Uzbekistan. 64 % of Uzbekistan population lives in countryside. More than 30 % of GDP of Uzbekistan, 35 % of human resources and the main capital investments are in agricultural sector. Uzbekistan is the world's sixth-largest cotton producer and second exporter of cotton. Also the Republic is among the world's leaders in producing of fruits and vegetable products, cocoons, karakul. Uzbekistan reached the grain independence and started export of grain in 2003. The stable growth rates were ensured in agricultural sector – 4,1 %. Gross production in agriculture amounted 5723 million for the 9 months of 2012. The total share of investment capital is 73,3 %. Fish farming, beekeeping, cattle breeding represent a very promising direction for the development of agribusiness.

Increasing number of world population and accordingly increasing necessities to food and agricultural products had to create effective system of arrangements to ensure food and social safety of population and increasing agrarian reforms in agriculture.

In this case, increasing production volume, improving quality, increasing land usage efficiency in farms, and rising quantity of investment to agriculture, perfection arising system of agricultural sown area and improving activity of service system entities in agriculture are significant tasks in rural area of Uzbekistan.

To organization investment activity, attraction and use regulation of foreign investment, juridical guarantee of foreign investors and ensure with suitable condition, creation and expertise investment project acts, and realization other organizational-juridical activities, accepted several laws and decrees in our country [1, 2, 3, 4].

In last year's, researches worked and analyzed on mobilization of investment and increasing its appeal (Gubanova E. R., 2009), improvement investment activity (Shaxriyarov B. Z., 2006), perfection of management investment activity of agricultural farms (Yuldashev R. Z., 2010), increasing investment use efficiency (Makhmudova G. N., 2010) and improvement ways of investment projects expertise.

On significance of foreign investment, suitable conditions, organization and regulations joint enterprises by foreign investment, and increasing use efficiency of foreign investment in agriculture worked Kuziyeva R. N. (2008),

and Bekmurodov A. Sh., Karrieva Ya. K., Nematov I. U., Nabiyev D. H., Kattayev N. T(2010).

Moreover, some researchers worked on increasing production efficiency of agricultural products, improving quality of services and usage water resources and introduced their propositions and opinions<sup>1</sup>.

By the up written, in our research we will appraise reforms in agriculture, current condition of investment climate, using ratio of investment, and role of service agencies in development of agriculture.

**Results and analysis.** Today, there are effective mechanisms of preferential farm crediting, farmers have greater opportunities to purchase agricultural equipment on lease and on favorable terms in agriculture. All this helped to modernize the farms, acquire new technology, reduce costs and improve productivity.

In organization activity of agricultural enterprises, ensuring with fixed and capital assets, mechanization of production processes, and provision their stability, importance of investment are significant.

Generally, investments are main tool to improving technique and technologies, scientific-technical, production and intellectual possibilities. Last years, under investment policy of government, providing progressive reforms in agriculture.

Under Investment Program of the Republic in 2011, in the agricultural sector are implemented 11 long-term projects involving foreign loans guaranteed by the government (Table 1). Most of them are aimed at improving the water supply system. Over 1.4 trillion UZS will be allocated to ensure water supply to agriculture producers.

The largest is the project "Management of water resources in the Fergana valley and Zarafshan" with total cost of \$ 144 million, to the realization of which, the government has attracted the Asian Development Bank (ADB). ADB loans are also involved in the rehabilitation of the machine canal Amu Zang with the cost of \$ 112.6 million. With the ADB funds, the Government is improving the land reclamation conditions in Bukhara, Navoi and Kashkadarya (\$ 76.18 million).

The World Bank has been involved in lending to Uzbekistan government implemented three major projects. One of them is the "drainage project" in southern Karakalpakstan worth \$ 74.55 million. Funds of this international

---

<sup>1</sup> Mamatov B.S. The practice of microfinance of subjects of small business and privately owned enterprise and its enhancement. Thesis of the doctor of philosophy in economics. Tashkent, 2010. Saidjanov S.J. The Potatoes production development and economics effected. Thesis of the doctor of philosophy in economics. Tashkent, 2009. Shokhujayeva Z. S. Ways of increasing the economic efficiency of using the water resources in agriculture. Thesis of the doctor of philosophy in economics. Tashkent, 2010.

financial institutions also involved in improvement of water management in the Fergana Valley (Phase 1) with a total cost of \$ 81.8 million and to support agricultural enterprises (phase 2) - \$ 76.9 million. Restoration of irrigation network and drainage system in Jizzakh and Syrdarya regions worth \$ 94.3 million is conducted with the involvement of the Kuwait Fund for Arab Economic Development, the Islamic Development Bank and the OPEC Fund for International Development. To rehabilitate the pump station "Alat" in the Bukhara region (\$ 17 million) attracted funds of the Saudi Fund for Development.

### 1. Guaranteed investment projects by the government (*mln. \$*)

№	Name of project	Foreign partner	Total value of investment	Adoption in 2011		
				Plan	Fact	%
	Ministry of Agriculture and water resources, Total		561,0	105,2	112,9	107
1	Uzbekistan Drainage Project. Drainage building project from Southern Karakalpakstan.	IBRD, IDA	74,55	5,36	5,36	100
2	The project "Reconstruction of Kuyi Mozor pumping station" in Bukhara.	OPEC	12,0	3,81	11,37	298
3	The project "Rehabilitate the pump station "Alat" in the Bukhara region"	SFD	17,0	4,0	4,064	100
4	The project "Reconstruction of machine canal Amu Zang "	ADB	112,6	5,45	5,45	100
5	The project "Management of water resources in the Fergana valley and Zarafshan"	ADB	144	16,98	17,0	100
6	The project "Water resources management in the Fergana Valley" (Phase 1)	IDA	81,8	14,974	14,974	100
7	The project "Restoration of irrigation network and drainage system in Jizzakh and Syrdarya regions"	IsDB, KFAE D, OPEC	94,3	17,635	17,67	100
8	The project "Acquisition of pumping equipment for reconstruction of the pumping station" Karakul "in Bukhara	China	13,9	7,3	7,3238	100

	region”					
9	The project "Reconstruction of pumping stations" Navoi "and" Uchkara "in Navoi region"	China	25,1	0,089	0,089	100
10	The project “Support agricultural enterprises”. Phase-2.	IDA	76,9	16,927	16,95	100
11	The project “Improving the land reclamation conditions in Bukhara, Navoi and Kashkadarya”	ADB	76,18	12,66	12,663	100

Table developed with information's of [www.agro.uz](http://www.agro.uz) by authors.

Two projects on "Acquisition of pumping equipment for reconstruction of the pumping station" Karakul "in Bukhara region" (\$ 13.9 million) and "Reconstruction of pumping stations" Navoi "and" Uchkara "in Navoi region" (\$ 25.1 million) are carried out with the involvement of loans from China. Previously was reported that foreign companies are dynamically attracted at the implementation of investment projects in the water supply facilities.

World Bank Board approved the allocation to Uzbekistan of a loan of \$ 40 million as additional financing for the second project to support agricultural enterprises. The project will help farmers increase productivity; improve their financial and environmental sustainability, and profitability of agricultural businesses.

Expenses to program on reconstruction, repair and cleaning of land-reclamation networks through Fund of land-reclamation of irrigated lands will make up 227.5 billion UZS, which will improve conditions of 300 hectares of irrigated lands.

Each year demands 55-60 billion m<sup>3</sup> water in agriculture. This is the half part of water in republics of Central Asia. In agriculture of the republic, 80 % of water, inflow from neighbor countries. That's way, for the use problems of water resources in the Amu-Darya and Sir-Darya transboundary areas, perfection organizational-economic mechanisms of division of limited water resources, improving use efficiency are very important<sup>2</sup>.

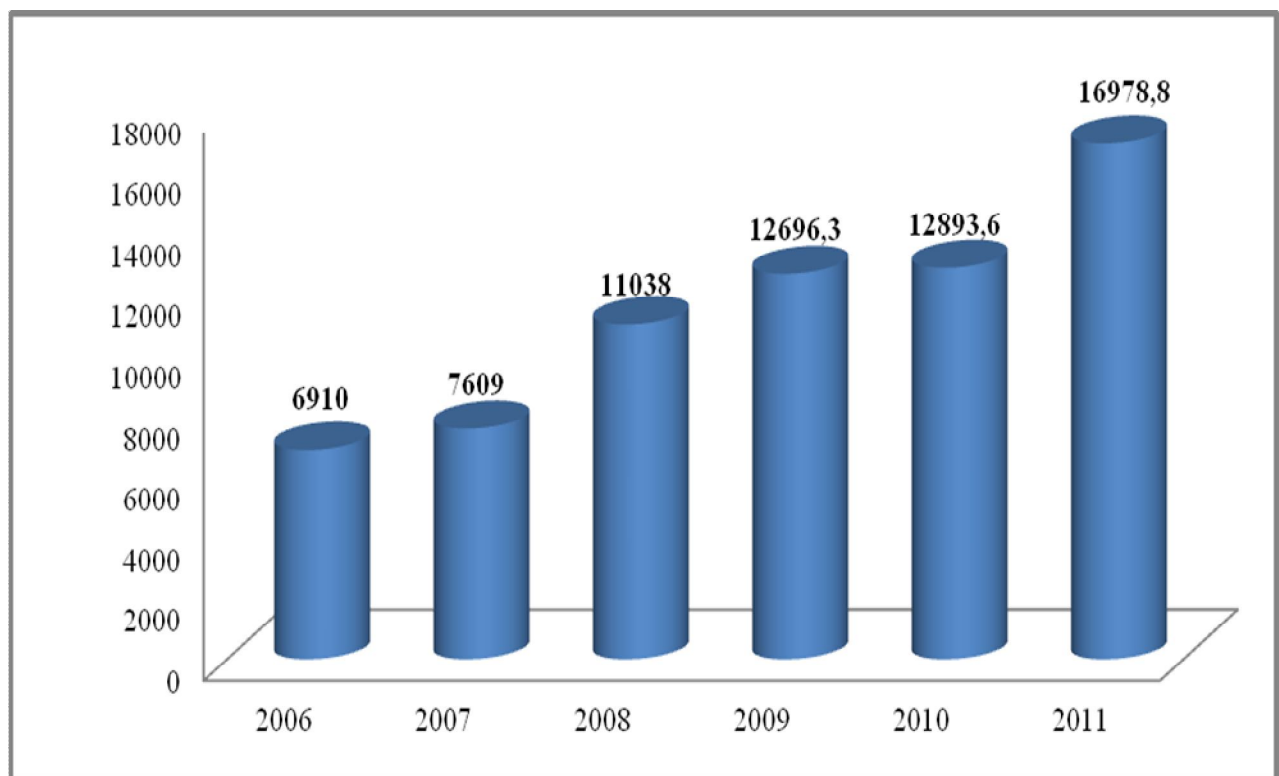
Moreover, on basis of these investments maintenance of agricultural farms, reconstruction pumping stations and buying technique-technologies are improved, also increased construction and restoration rate of collector-drainage system (Figure I). In 2006, construction and restoration collector-drainage

<sup>2</sup> Shokhujayeva Z. S. Ways of increasing the economic efficiency of using the water resources in agriculture. Thesis of the doctor of philosophy in economics. Tashkent, 2010

system contained 6910 km, and this parameter increased till 16978,8 km in 2011.

In according improving reforms investment environment of the country, help to develop agriculture and increase production efficiency. Economic study of improving ways of investment environment and allocation to economy is influence to increasing efficiency of investment activity and volume of investment. And these, increased responsibility to improve financing sources of investment activity and investment environment appeal [6].

In according results of reforms increased allocation foreign investments to branches of economics including agriculture. Foreign investment is important to creating joint companies, attending on privatization processes, acquisition capital assets, gaining right of use land and other natural resources, and activity in free economic zone.



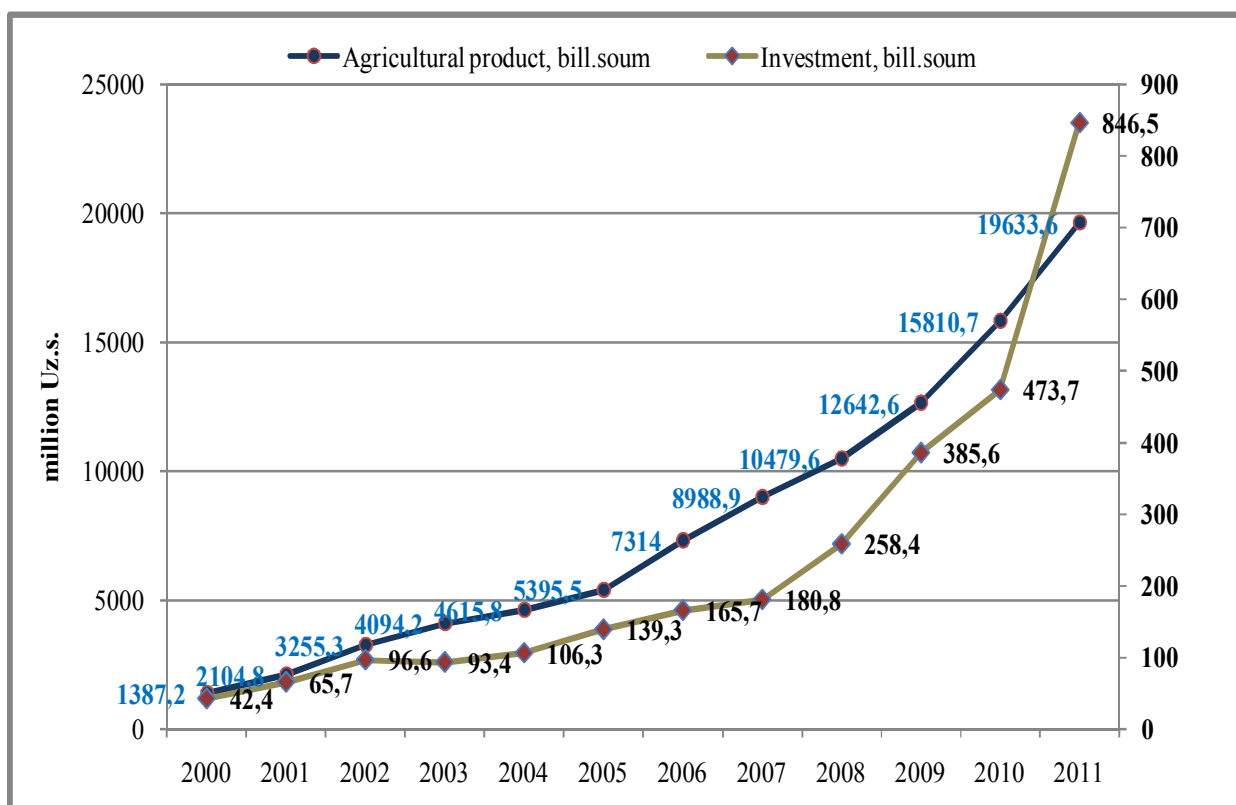
**Figure I. Construction and restoration parameters of collector-drainage system in 2006-2011**

Reforms in agriculture of country not limelight only to improving investment conditions, also contained organization structural changes of production in the sector, by privatization of government property, creating an economic and juridical basis for different property and business entities in the activities of the same condition, ensure economic independence and free business activities, formation by developing activity of infrastructure service

agents of service system sector ensuring a variety of business activities and environment of competition and perfection economic relationship between enterprises<sup>3</sup>.

Changing a form ownership and economic activity in agriculture, in the process from production to realization i.e., on the preparation, processing, service, sale, finance and trade, development a new system of infrastructure based on the principles of a market, one of the directions of economic reforms in the agricultural sector [5].

On the basis of government and President of the Republic decrees, by relevant ministries, companies, commercial banks and local government authorities, to develop natural-economic conditions of rural area, specialization and placement of rural culture, growth trends and employment of population, organized various infrastructural agencies in rural areas.



**Figure II. Growth of Investment and Agricultural products. mln.Uz.s**

Specified ensuring with machinery and equipment, as well as, specialized personnel, and to these enterprises given to different (preferential taxes and tax

<sup>3</sup> Toshmatov Q. F. Development of production agricultural products by means of improving mechanisms of crediting of farms. Avtoreferat of the doctor of philosophy in economics. Tashkent, 2010

credits, etc.) benefits. As a results of these benefits, rendering of service to effective operation of primary activities of agricultural entities.

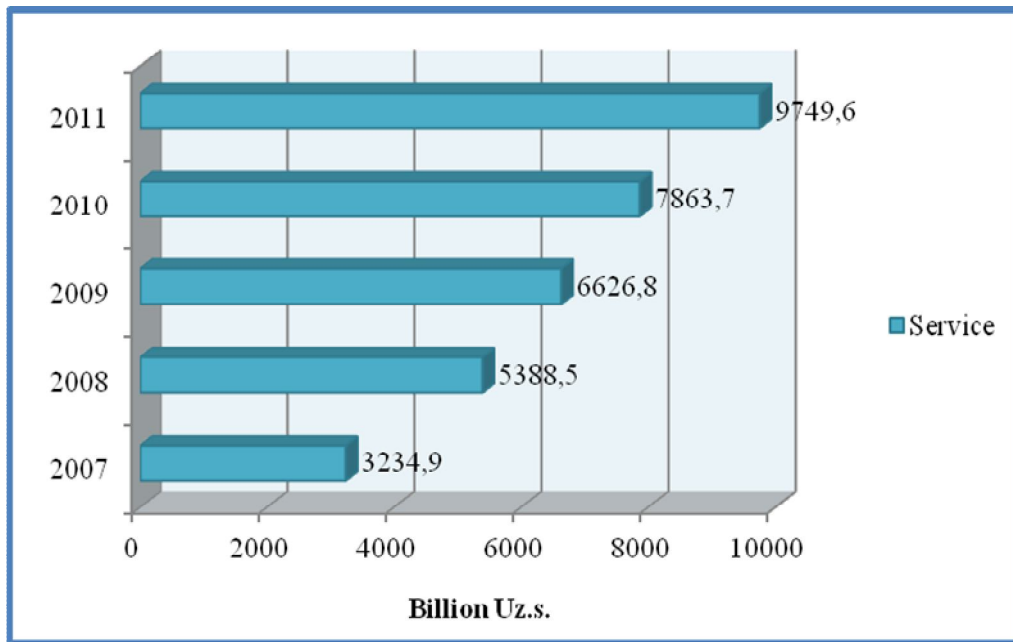
As a result, according implementation effectively service system sector on farms, currently operating 1681-alternative machine and tractors park, 1487 community of water users, 1366 oil sale stock agencies, 917-sale stocks of mineral fertilizers, 1462-mini-banks, 420-sale stock of agricultural products, 2596 zoo-veterinary service agencies, 318-information and consulting service agencies, 85-transport service agencies and 78-tare and packing material maintenance agencies.

## 2. Service system agencies

#	Agencies	2007	2008	2009	2010	2011
1.	Mini bank	1207	1094	1478	1179	1462
2.	Alternative MTP	1779	1777	1757	1720	1681
3.	Sale stocks of mineral fertilizers	891	928	935	917	917
4.	Community of water users	1676	1676	1712	1711	1487
5.	Oil sale stock agencies	1340	1373	1389	1377	1366
6.	Sale stock of agricultural products	443	424	424	424	420
7.	Zoo-veterinary service agencies	2180	2278	2411	2540	2596
8.	Information and consulting service agencies	295	300	300	301	318
9.	Transport service agency	82	82	82	82	85
10.	Tare and packing material maintenance agencies	78	78	78	78	78

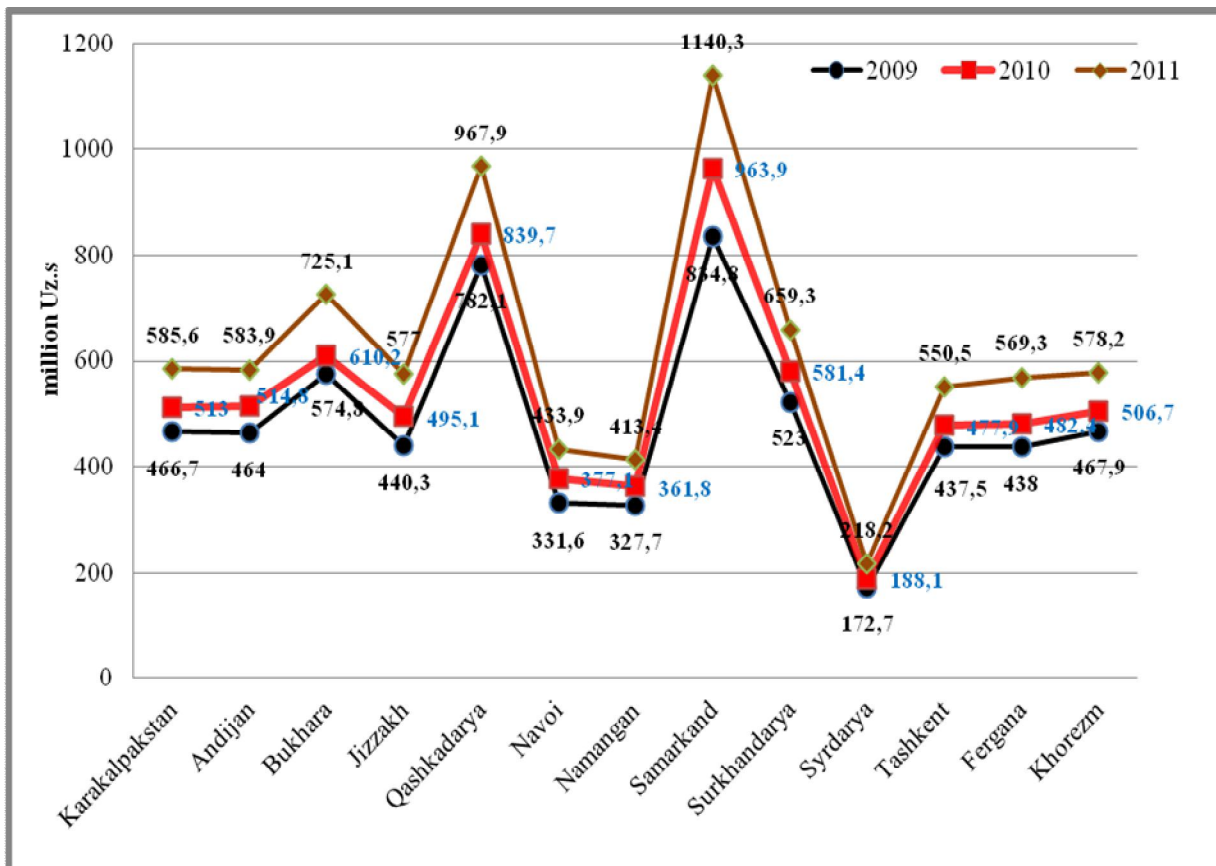
Table developed with information's of [www.stat.uz](http://www.stat.uz) by authors.

Last 5 years, volumes of services of service system agencies are increasing. In 2007, volume of services was 3232.9 billion UZS, and this parameter is increased till 9749,6 billion UZS, in 2009. Increasing of all service by years is shown in the Figure III.



**Figure III. Total volume of services of the Service System sector.  
Billion UZS**

In 2009, in the Republic rendered services only by veterinary service was 6261.1 million UZS. In 2011, it had increased to 8,002.6 million UZS, or 27.8 %. If we consider at region, the highest growth belongs to Samarkand and Jizzakh, Navoi and Fergana regions.





#### **Figure IV. Rendered veterinary services to livestock in 2009-2011, mln.Uz.s**

In consequence, implementation these reforms, fertility of soil increases, as a result, productivity of cotton, corn and other crops is exceeded.

**Conclusion.** The goal of this paper was study consequence of reforms in perfection investment environment and activity of service system sector in Uzbekistan agriculture. Cause of implementing decrees, last year's imposing of local and foreign investments are increased. These investments divided to government investments and investments of international finance institutions: World Bank, Asia Development Bank, Kuwait Fund for Arab Economic Development, Islamic Development Bank, OPEC Fund for International Development, Saudi Fund for Development, China and others. Imposed investments by all sources was, 846.5 billion UZS, in 2011. By these investments, development agricultural enterprises, management water resources, restoration of pumping stations, reconstruction of irrigation system and construction and restoration drainage-collector system are operated in the regions of Uzbekistan.

Moreover, in developing of agriculture, contribution of service system sector is extended. In 2011, volume of services of service sector was 9749.6 billion UZS. Share in of zoo-veterinary services was 8002.2 billion UZS, in this volume. In the result, last year's productions of agricultural products are increased in Uzbekistan.

In spite of by these reforms in agriculture, development level of processing and export of agricultural products were low. As a results, share of processing finished products were low in the export of agricultural products. In the future, increasing rising quantity of investment and creating new processing enterprises to processing system will help further improvement of agriculture.

**References:** 1. Law of Republic of Uzbekistan. About investment activity. Tashkent. 24.12.1998. 2. Law of Republic of Uzbekistan. About guarantees and measures of protection rights of foreign investors. Tashkent. 30.04.1998. 3. Law of Republic of Uzbekistan. About the foreign investments. Tashkent. 30.04.1998. 4. Decision of Cabinet Ministers of Republic of Uzbekistan. On Approval of development order, the expertise and approval of documentation of investment projects. June 7, 2007, #110. 5. Ahrorov F., Tursunov O (2010) Problems of production resources security in agriculture. Materials of scientific conference: Successes and problems, in stable development of agriculture. May 6<sup>th</sup> -7<sup>th</sup>. Samarkand. pp. 113-115. 6. Ahrorov F., Tursunov O (2011) Theoretical basics of investment efficiency. Materials of scientific conference: Development

Agriculture: Stable tendencies and solutions. Part II. April 26<sup>th</sup> -27<sup>th</sup>. Samarkand. pp. 34-36. 7. Bekmuradov A. Sh., Karrieva Ya. K., Nematov I.U., Nabiyeu D. H., Kattayev N. T(2010) Foreign Investments. Tutorial. Tashkent. 166 pages. 8. Gubanova E. V (2009) Formation and development ways of investment appeal of branches agriculture of the Kaluga. Dissertation of the doctor of economic sciences. Moscow. p. 171. 9. Ibragimov G., Tursunov O., Khurramov O (2012) Agrarian reforms in Uzbekistan: Resources and results. Trends in economics and management for the 21<sup>st</sup> century. International conference. September 20<sup>th</sup> -22<sup>nd</sup> 2012. Brno. Czech Republic. 10. Kuziyeva R.N (2008) Perfection was of finance credit mechanism of stimulation activity of the enterprises with participation the foreign investments. Thesis of the doctor of philosophy in economics. Tashkent. 11. Mamatov B.S (2010) The practice of microfinance of subjects of small business and privately owned enterprise and its enhancement. Thesis of the doctor of philosophy in economics. Tashkent. 12. Mahmudova G.N (2010) The directions of efficiency increase of investments in agrarian sector. Thesis of the doctor of philosophy in economics. Tashkent. 13. Saidjanov S.J (2009) The Potatoes production development and economics effected. Thesis of the doctor of philosophy in economics. Tashkent. 14. Toshmatov Q.F (2010) Development of production agricultural products by means of improving mechanisms of crediting of farms. Avtoreferat of the doctor of philosophy in economics. Tashkent. 15. Shokhujayeva Z.S (2010) Ways of increasing the economic efficiency of using the water resources in agriculture. Thesis of the doctor of philosophy in economics. Tashkent. 16. Shaxriyarov B.Z (2006) Basic direction of increasing the investment activity in agriculture. Avtoreferat of the doctor of philosophy in economics. Tashkent. 17. Yuldashev R.Z (2010) Perfection of management of investment maintenance in privatized enterprises of Uzbekistan. Thesis of the doctor of philosophy in economics. Tashkent. 18. [www.gov.uz](http://www.gov.uz). 19. [www.stat.uz](http://www.stat.uz). 20. [www.agro.uz](http://www.agro.uz). 21. [www.awex.be](http://www.awex.be).

**Tursunov O., Ibragimov G. Roles of investment and service system sector in Agriculture.** The main goal of the paper, to discuss current condition and significance of agricultural production, role of agriculture satisfy to food demand of population and role of investment and service system sector on development of Uzbekistan agriculture. Here, will analyze impact of imposing local and foreign investment to agricultural production activity, government subsidies and preferential credits of other finance organizations, and services of service agencies.

