



IMPLEMENTATION OF INDICATORS FOR ASSESSING AND MONITORING THE EFFECTIVENESS OF MANAGEMENT IN FREE ECONOMIC ZONES IN UZBEKISTAN

Nurmuhammadov Hamid Husniddin ugli
Tashkent State University of Economics, Independent Researcher

ABSTRACT

This article considers the directions of evaluation and monitoring of the activities of free economic zones (FEZ) in Uzbekistan and the introduction of performance indicators. Having studied the factors reflecting the impact of FEZ on the socio-economic development of the region, proposals and recommendations for the introduction of performance indicators of FEZ were developed.

KEYWORDS: *free economic zones, management, investors, foreign investment, socio-economic development, performance indicators.*

INTRODUCTION

Increasing competition between countries in the world economy requires many countries to use various economic tools to bring their economies to a higher level of development. One of these tools is the establishment and effective management of "free economic zones". Today in our economy, free economic zones (FEZ) are one of the most important aspects of modern economic policy, as in developed and developing countries.

In the framework of the Action Strategy of the Republic of Uzbekistan for 2017-2021, deep reforms aimed at further liberalization of the economy, modernization and diversification of production, attracting investment and job creation are being carried out in our country. In particular, paragraph 3.2 of the Action Strategy identifies issues such as "increasing the efficiency of existing free economic zones, technology parks and small industrial zones, the creation of new ones"¹ as one of the priorities.

¹ Decree of the President of the Republic of Uzbekistan No. PF-4947 dated 07.02.2017 "On the strategy of further development of the Republic of Uzbekistan."

LITERATURE REVIEW

Many scientists and researchers have conducted their own research on the evaluation of the effectiveness of FEZ. Let us review the research of some of them.

In the scientific work carried out by P.V.Pavlov [2], it is proposed to understand the efficiency of FEZ as a complex feature, covering various aspects of FEZs and its residents, taking into account the ratio of revenues from FEZ activities to costs. In his view, it is possible to distinguish different components of efficiency, each of which has its own indicators, but not all of them are quantified:

- молиявий (тижорат) самарадорлик - лойиҳанинг бевосита иштирокчилари резидентлари учун амалга оширилишини ҳисобга оладиган самарадорлик;

- economic efficiency - is associated with the implementation of the project, goes beyond the direct financial interests of its participants, reflects the costs and benefits;

- budget efficiency - is assessed by comparing the total amount of state budget funds and budget revenues, as well as budget savings resulting from the implementation of the FEZ project;

- tax efficiency - is assessed taking into account the ratio of budget effect to the amount of benefits received by residents of FEZ on customs duties and other taxes;

- social efficiency - describes the public side of the project and its importance for the people of the region and the state as a whole.

In the scientific work of E.S. Kapustina [3] it is shown that the effectiveness of FEZ is determined by calculating the following indicators: the number of registered FEZ residents; number of jobs created; volume of private investment; production capacity in the FEZ; number of constructed and commissioned facilities; the number of facilities built and commissioned at the expense of residents; the amount of costs incurred to create the infrastructure and the use of other indicators are proposed.

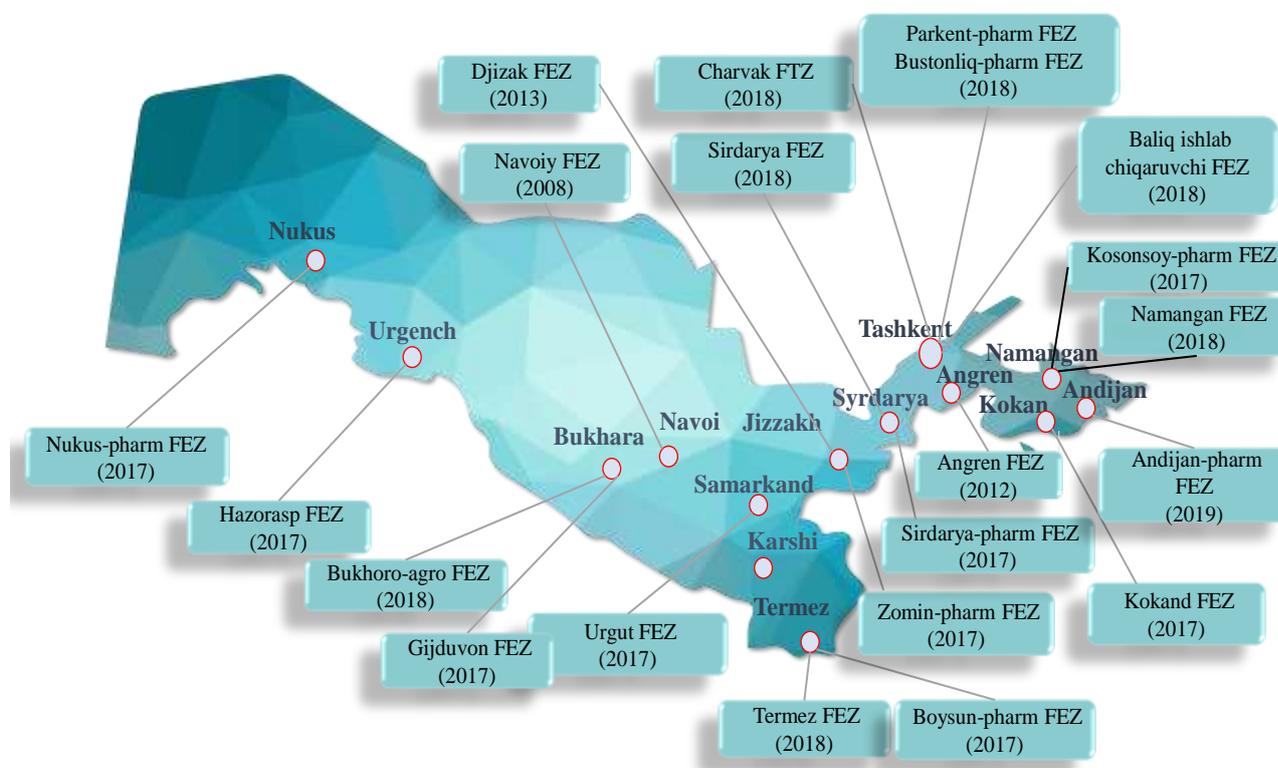
Samsonova's [4] research focuses on the evaluation of the effectiveness of FEZ in the practice of the Russian Federation, and analyzes the following indicators: the number of residents registered in the FEZ; number of jobs created by FEZ residents; volume of investments made by FEZ residents; income from the sale of goods, products, works and services; the amount of state and local budget funds and other indicators aimed at financing the creation of FEZ infrastructure (innovation, engineering, social, transport, etc.).

ANALYSIS AND DISCUSSION OF RESULTS

We consider it important to pay special attention to the conditions that play an important role in the organization and management of FEZ. These conditions may include:

- Favorable transport and geographical location of the region;
- availability of developed production and social infrastructure;
- Strong legal framework for the organization of FEZ;
- creation of a favorable investment climate for local and foreign investors by the state to ensure the security of their investments and their use;
- Provision of tax, customs and other benefits guaranteed by law in order to create a favorable investment climate in FEZ;
- Extensive coverage of the favorable conditions created for doing business in FEZ and active advocacy work, etc. [5].

At present, Uzbekistan has 21 free economic zones aimed at developing various sectors of the economy.



Of these FEZ, 12 are in industry, 7 in pharmaceuticals, 1 in agriculture and 1 in tourism [6].



At the same time, it is clear that we face questions about what should be the main criteria of performance indicators in the management of FEZ. In this case, we believe that first of all it is necessary to review the purpose of the establishment of FEZ.

The goals of creating a FEZ depend on the level of socio-economic development of the participating countries, strategic economic plans, etc. Therefore, the goals of establishing FEZs may differ from each other. For example, in industrialized countries such as the United States, the United Kingdom and France, FEZs have been established to intensify foreign economic relations and implement regional policies aimed at developing small and medium-sized businesses. In this case, entrepreneurs will be given more freedom in their activities and privileges than in other regions of the country.

In a number of developing countries, FEZs have been established for similar purposes. However, unlike industrialized countries, these countries focus on modernizing industry, attracting foreign capital and technology, and improving the skills of the workforce.

However, regardless of the level of socio-economic development of countries and strategic economic plans, the main goals of the organization of FEZ can be divided into 3 groups (Table 1).

Table 1
The main goals of the organization of FEZ ²

| № | Groups of goals | Description |
|-----|---------------------------------|---|
| I | Economic goals: | <ul style="list-style-type: none"> ▪ Attracting foreign and domestic investment and capital by providing special benefits and preferences in FEZ; ▪ development and expansion of exports of finished products by accelerating production; ▪ rational use of the import process and organization of import-substituting production; ▪ development and expansion of localized production; ▪ Increasing foreign exchange earnings to the budgets of the regions and the country as a whole. |
| II | Social goals: | <ul style="list-style-type: none"> ▪ Accelerate the development of socio-economic sectors of other regions of the country; ▪ fight unemployment and increase employment by creating new jobs; ▪ organization of training of highly qualified specialists who meet all the requirements through the study, analysis and application of world experience in the organizational, managerial, financial and economic spheres; ▪ providing the domestic market with high-quality, import-substituting consumer goods that meet quality requirements, as well as ensuring that the needs of the population in consumer goods are met; |
| III | Scientific and technical goals: | <ul style="list-style-type: none"> ▪ development of "new economy", ie production of high-tech products and provision of high-tech services; ▪ effective use of the latest foreign, modern and domestic technologies in production; ▪ Exchange of experience through the involvement of foreign scientists and experts in modern and high technologies; ▪ Improving the efficiency and productivity of the existing production facilities and infrastructure. |

² Developed by the author..

As an example, let's analyze the Navoi Free Economic Zone, which was first established in Uzbekistan in 2008:

To achieve economic goals:

- creation of favorable conditions for attracting foreign investment, first of all direct investments [7];

- more active involvement in the development of competitive and export-oriented modern industrial products [8];

- exemption from land tax, income tax, property tax for legal entities, single tax for micro and small enterprises [9];

To achieve social goals:

- Development of industrial potential, production, transport-transit and social infrastructure of Navoi region [7];

- training of highly qualified specialists based on the current and future needs of the regional economy in specialized personnel [9];

- timely commissioning of production facilities by participants of free economic zones, export of products, creation of new jobs [10];

- creation of new jobs in the manufacturing sector and increase of employment and welfare of the population [11];

- establishment of a branch of a foreign university specializing in the training of highly qualified personnel in priority areas [9];

- organization of export-oriented and import-substituting industries [9];

To achieve scientific and technical goals:

- development of innovative activities, as well as the introduction of best practices and the organization of high-tech industries [9];

- creation of new high-tech production facilities, more active involvement of the regions in the development of competitive and export-oriented modern industrial products and other priorities. [8]

CONCLUSIONS AND SUGGESTIONS

In conclusion, based on the analysis and discussion of the results, the above-mentioned goals and priorities should be taken into account in the introduction of indicators for assessing and monitoring the effectiveness of the effective management of FEZ in Uzbekistan.

Therefore, in our opinion, we propose to evaluate and monitor the effectiveness of FEZs through the structure "Indicators of evaluation and monitoring of the effectiveness of FEZ on the level of implementation of the Plan" (Figure 1).

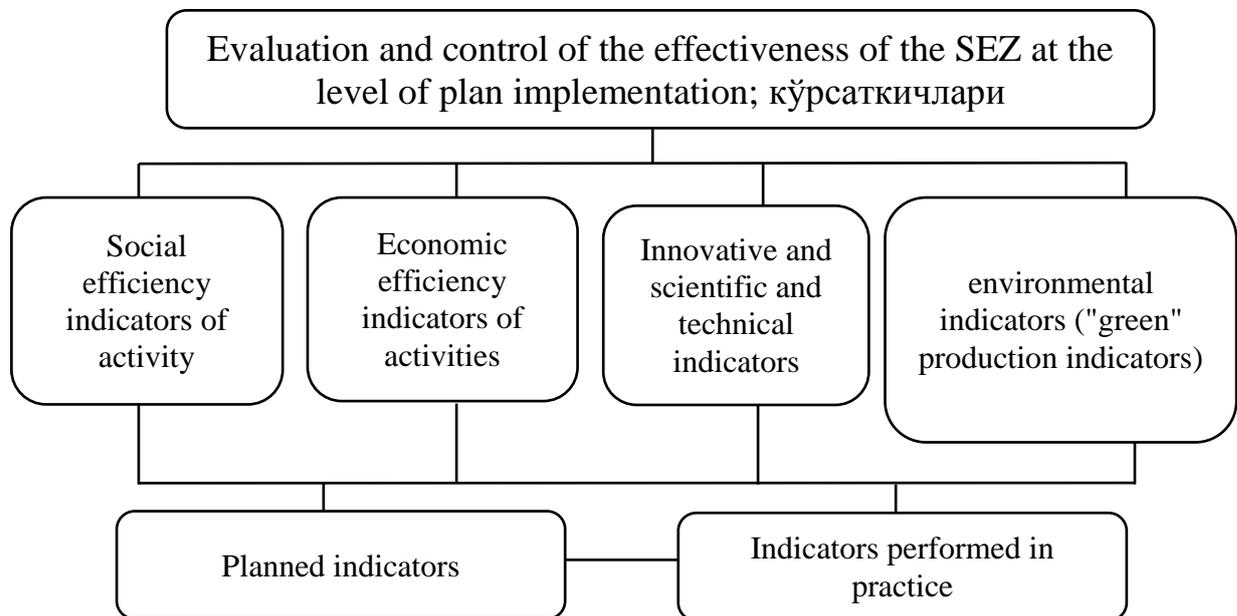


Figure 1. The structure of indicators for evaluating and monitoring the effectiveness of FEZ on the level of implementation of the plan³.

According to Figure 1, we propose to classify the indicators for evaluating and monitoring the effectiveness of FEZs into 4 groups of indicators:

First group – indicators of social efficiency of activity;

³ Developed by the author.



Second group – cost-effectiveness indicators of activities;

Third group – innovative and scientific and technical indicators;

Fourth group – environmental indicators ("green" production indicators).

Table 2
Indicators for assessing and monitoring the effectiveness of FEZ on the level of implementation of the plan⁴

| № | Name of indicators | Unit of measurement | Identification of indicators |
|---|--|----------------------------|--|
| 1 | 2 | 3 | 4 |
| First group. Indicators of social efficiency of activity | | | |
| 1 | Number of jobs created by FEZ enterprises | unit | It is determined by summing the number of permanent jobs created by FEZ enterprises in the FEZ during the reporting period. It is calculated in units. |
| 2 | Average monthly salary of employees of FEZ enterprises. | mln.soums | The average monthly salary of FEZ employees is determined by summing the salaries and total income paid to FEZ employees during the reporting period and dividing by the average number of FEZ employees during the reporting period. It is calculated in million soums. |
| 3 | Number of employees who have undergone professional retraining or advanced training. | unit | Professionally trained employees are determined by summing the number of employees of FEZ enterprises that underwent training during the reporting period. It is calculated in units. |
| 4 | The number of employees who have undergone retraining or advanced training to work with innovative, scientific and technical equipment and facilities. | unit | It is determined by summing the number of employees of FEZ enterprises who have undergone retraining or advanced training in working with innovative, scientific and technical equipment during the reporting period. It is calculated in units. |
| Second group. Cost-effectiveness indicators. | | | |
| 5 | Number of enterprises registered in the FEZ. | unit | The number of enterprises registered in the FEZ is determined by summing the total number of enterprises registered in the register of FEZ during the reporting period and received the status of FEZ resident. It is calculated in units. |
| 6 | The volume of foreign investment in FEZ. | mln dollars | It is determined by the sum of foreign investments made by FEZ enterprises in the FEZ territory during the reporting period. It is calculated in mln dollars. |
| 7 | The share of foreign investment in FEZ in total foreign investment in the country. | % | The total volume of foreign investment in the FEZ during the reporting period is determined by the ratio of total foreign investment in the country. Calculated as a percentage (%) |
| 8 | Volume of goods and products produced by FEZ enterprises. | Billion soums | It is determined by summing the volume of goods produced by FEZ enterprises during the reporting period. It is calculated in billion soums. |
| 9 | The share of goods and products produced in the FEZ in the total GDP of the country. | | It is determined by the ratio of the volume of goods and products produced by FEZ enterprises in the reporting period to the country's GDP. |

⁴ Developed by the author.



| No | Name of indicators | Unit of measurement | Identification of indicators |
|---|--|---------------------|--|
| 1 | 2 | 3 | 4 |
| | | % | Calculated as a percentage (%). |
| 10 | Volume of import-substituting goods and products produced by FEZ enterprises. | Billion soums | It is determined by summing the volume of import-substituting goods and products produced by FEZ enterprises. It is calculated billions soums. |
| 11 | The share of import-substituting goods and products produced by FEZ enterprises in import-substituting goods and products produced in the country. | % | It is determined by the ratio of the volume of import-substituting goods and products produced by FEZ enterprises in the reporting period to the import-substituting goods and products produced in the country. Calculated as a percentage (%). |
| 12 | Volume of goods and products exported by FEZ enterprises. | Mln USD | It is determined by the sum of the volume of goods and products exported by FEZ enterprises during the reporting period. It is calculated in million USD. |
| 13 | The share of FEZ exports in the country's total exports.. | % | It is determined by the ratio of the volume of goods and products exported by FEZ enterprises in the reporting period to the total exports of the country. Calculated as a percentage (%). |
| 14 | The amount of tax payments made by FEZ enterprises to the state and local budgets | Million soums | It is determined by the sum of tax payments made by FEZ enterprises to the state and local budgets during the reporting period. It is calculated in millions of soums. |
| 15 | The amount of customs duties paid by FEZ enterprises to the state and local budgets. | Million soums | It is determined by the sum of customs duties paid by FEZ enterprises to the state and local budgets during the reporting period. It is calculated in million soums. |
| 16 | The amount of tax benefits received by FEZ enterprises in the FEZ. | Million soums | It is determined by summing the amount of tax benefits received by FEZ enterprises in the FEZ territory during the reporting period. It is calculated in million soums. |
| 17 | The amount of customs benefits received by FEZ enterprises in the FEZ. | Million soums | It is determined by summing the amount of customs benefits received by FEZ enterprises in the FEZ territory during the reporting period. It is calculated in million soums. |
| 18 | The amount of funds reinvested in tax and customs benefits received by FEZ enterprises for the development of FEZ. | Million soums | The development of FEZs is determined by the sum of funds reinvested in tax and customs benefits received by enterprises of FEZs. It is calculated in million soums. |
| Third group. Innovative and scientific-technical indicators of activity. | | | |
| 19 | Number of innovative and scientific-technical equipment commissioned in FEZ. | unit | It is determined by the sum of the number of innovative and scientific and technical equipment commissioned in the FEZ during the reporting period. It is calculated in units. |
| 20 | The volume of investments in innovative and scientific and technical activities by enterprises in the FEZ. | Million USD | FEZ is determined by the sum of investments in innovative and scientific and technical activities by enterprises during the reporting period. It is calculated in million USD. |
| 21 | The volume of products and goods produced by enterprises in the FEZ | | FEZs are determined by the sum of the volume of products and goods produced by enterprises on |



| No | Name of indicators | Unit of measurement | Identification of indicators |
|---|---|---------------------|---|
| 1 | 2 | 3 | 4 |
| | on the basis of innovative and scientific and technical equipment. | Billion soums | the basis of innovative and scientific-technical equipment during the reporting period. It is calculated in billions of soums. |
| 22 | The volume of exports of products and goods produced by enterprises in the FEZ on the basis of innovative and scientific and technical equipment. | Million USD | It is determined by the sum of exports of products and goods produced by enterprises in the FEZ on the basis of innovative and scientific and technical equipment during the reporting period. It is calculated in million USD. |
| Fourth group. Environmental performance indicators ("green" production). | | | |
| 23 | Number of innovative technologies commissioned in FEZ that meet international environmental standards. | Unit | It is determined by the sum of the number of innovative equipment commissioned in FEZ that meet international environmental standards. It is calculated in units. |
| 24 | The amount of funds allocated by the FEZ enterprises for environmental activities and environmental protection. | Million soums | It is determined by the sum of funds allocated by the FEZ enterprises for environmental activities and environmental protection. It is calculated in million soums. |
| 25 | The volume of ecological products and goods produced in the FEZ in innovative technologies that meet international environmental standards. | Billion soums | It is determined by the sum of the volume of ecological products and goods produced in the FEZ on innovative equipment that meets international environmental standards. It is calculated in billions soums. |
| 26 | Emissions of air pollutants (SO ₂ , CO and dust) by FEZ enterprises. | t | This is determined by the sum of the volume of air pollutants emitted into the atmosphere by FEZ enterprises during the reporting period. Calculated in tons. |
| 27 | Volume of pollutants emitted by FEZ enterprises into water and land objects. | t | This is determined by the sum of the volume of pollutants emitted by FEZ enterprises into water and land facilities during the reporting period. Calculated in tons. |

In this case, the evaluation of the effectiveness of the FEZ is carried out taking into account the implementation of the planned indicators for each group.

Based on the production characteristics of FEZs, performance evaluation and monitoring indicators may include social, economic, innovative, environmental and other performance indicators, as well as additions and changes to the indicators based on production characteristics and other identified priorities.

Evaluation and monitoring of the effectiveness of FEZ activities is carried out for the specified reporting period (monthly, quarterly, semi-annually, 9-month and annually).

Positive results can be achieved through the evaluation and monitoring of the efficiency of FEZs, monitoring the effectiveness of the goals and priorities, identifying areas of backwardness of FEZs and making management decisions.

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