



THE PLACE AND SIGNIFICANCE OF GOVERNMENT PROGRAMS IN FINANCING INVESTMENTS IN FIXED CAPITAL

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Abstract

The article attempts to reveal the economic essence of the concept of investment in fixed capital on the basis of theoretical views and approaches of various economic scientists. In addition, the importance of government programs in financing investments in fixed capital in the national economy, the experience of developed and developing countries in this regard were studied. It was found that in developed countries, large infrastructure and innovative investment projects are supported within the framework of public investment programs, while in developing countries, public investment programs are more seen as a locomotive that stimulates economic growth. Also, at the end of the study, relevant conclusions and recommendations are given.

Keywords: Investment, fixed capital, physical assets, government program, gross demand, infrastructure, modernization, marginal efficiency, investment policy.

Introduction

In the context of the current global economic competition, investments in fixed capital play a crucial role for sustainable growth of the national economy, increase of production potential and modernization of industries. Especially for developing countries, fixed capital-oriented investments are an important source of financing for structural renewal of the economy, infrastructure development and formation of high value-added industries.

Financing investments in fixed capital on the basis of state programs has been identified as a priority in the process of deepening economic reforms and



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ensuring long-term sustainable development in the Republic of Uzbekistan. State programs of industry and regional development, programs of investment projects and national strategies serve to increase the volume of investments in fixed capital, ensure their effectiveness and stimulate the activity of the private sector. In this context, government programs play an important role not only in providing support for investment through direct budget funds, but also in creating a favorable institutional environment, developing mechanisms for public-private partnership and attracting foreign investment. In particular, the financial and organizational importance of government programs in the development of large infrastructure projects, industrial zones, social facilities and strategic networks is growing.

Reforms in the sphere of investment in the country and their results were reflected in the address of the President Sh. Mirziyoyev. "For example, due to the development of high-tech and low-energy industries in industry, we have managed to reduce the amount of fuel and energy consumed for \$1 product this year by 13%. That alone allowed for another \$1 billion in added value. We will attract \$50 billion in foreign investment next year. From now on, every dollar is an investment, first of all, advanced technologies and their transfer; to produce products with a clear foreign market and high added value; increase efficiency in the use of energy, water, land and other natural resources; should serve to train local workers to work with new technologies and increase productivity. That is, the investor who brings high technology and new competencies and works for export will be our most reliable partner" [1].

However, in the process of financing investments in fixed capital through state programs, the issues of efficient use of resources, improvement of criteria for selecting investment projects and evaluation of effectiveness require in-depth analysis from a scientific point of view. In this regard, one of the urgent tasks of this article is the study of the influence of government programs on the volume and efficiency of investments in fixed capital, their scientific substantiation of their economic significance.



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Review of literature on the topic

In the world economic literature, investments in fixed capital are considered as the main driver of economic growth, expansion of production capacities, and technological renewal. Representatives of the neoclassical economic school, in particular R. Solou and E. Denison [2], interpret investments in fixed capital as an important component of models of economic growth. According to the R.Solou model, investments in fixed capital are the main condition for increasing labor productivity and achieving sustainable economic growth. In the Keynesian approach, J. M. Keynes [3] argues that investments in fixed capital are interpreted as a stimulus of gross demand, and that public investment plays a decisive role in restoring economic activity. J.M. Keynes stated that decisions to invest in fixed capital depend on the ratio between the amount of expected future returns from the object of capital and the value of creating or purchasing this capital at the present time. Calling this ratio the marginal return of capital, the author emphasizes that investment activity is formed in comparison with this indicator with the interest rate. If the marginal efficiency of capital is higher than the market interest rate, it is economically feasible to invest.

Representatives of the School of Institutional Economics D. North, O. Williamson [4] argue that the effectiveness of investments in fixed capital is closely related to the institutional environment, the protection of property rights and contractual relations. Studies by the World Bank and the International Monetary Fund assess fixed capital investments as a factor ensuring the country's long-term competitiveness by increasing infrastructure, industry, and innovation capacity.

In the economic literature, there is also a concept of "cost character of investments" in fixed capital. "This approach focuses on physical assets and their acquisition"[5]. T. V. Shapalova believes: "physical capital is characterized as reserves of production resources, for example, equipment, buildings and other objects used for the production of goods and the provision of services" [6]. A.A. Khalyapin and Yu.V. Maslova noted: "investments in fixed capital form the basis for the stable functioning of an enterprise in any sphere of economic activity" [7].



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The essence of investment is also studied in scientific research by Uzbek scientists. For example, D.G. Gozibekov describes that "the essence of investments is to receive funds from clear and reliable sources, mobilize them justifiably, preserve the cost of capital, taking into account the level of risks, and obtain the desired result" [8]. In addition, B. Tokhliyev studied the theory of investment, scientific and methodological foundations of organization and development of investment activity. It is noted that scientists still do not come to a single stop or definition of the essence of investments" [9]. With an emphasis on investment financing mechanisms, the theoretical foundations of investments in fixed capital have not been studied. Karimov's scientific works "improve the mechanism for financing investment activities through capital market instruments and credit instruments, as well as the attractiveness of securities to investors"[11][11]. At the same time, the specifics of investments directed in fixed capital, their differences from capital investments and real investments, have not been sufficiently covered until now.

Research Methodology

In the process of conducting the research work, the methods of logical reasoning, forecasting, synthesis, systematic approach, structural and comparative analysis, economic comparison, scientific generalization, statistical calculation are used.

Analysis and discussion of results

Investments in fixed capital are of decisive importance in the creation of new production capacities, infrastructure development, and raising the standard of living of the population. In this context, state investment programs of Uzbekistan are the most important means of ensuring sustainable economic growth. "State Investment Program" is adopted annually in Uzbekistan. On this basis, the main projects of strategic importance for the country and the sources of their financing are identified and presented in an ordered form (Table 1).



Table 1 Industries through public investment [11]

Financing through the budget	Loans based on government guarantees	Investments in strategic networks	Regional Development Programs
Large social infrastructure facilities (schools, hospitals, roads, water supply).	Funds attracted from international financial institutions and foreign banks.	major reforms in the energy, transport, industry and agrarian sectors.	To direct additional capital to economically backward areas.

Local and state programs are critical to economic and social development, through which strategic goals such as efficient resource allocation, infrastructure development, job creation and livelihood improvement of the population are realized. In this regard, these programs are considered as the main means of economic policy and their implementation will increase the effectiveness of the investment policy of the state and the rate of development of national capital.

Analyzing the process of development and implementation of state programs in the 34-year history of the Republic of Uzbekistan, it is clear that in the first period of 1991-2000 years as a result of radical changes of the economic system of the country, the state became the main investor in the economy. Investments in fixed capital were made mainly from state budget funds and credit funds of international financial institutions. Construction of power (Navoi, Talimajon Hydroelectric Power Plant and IES), transport (railways and roads) and social sphere of economy are among them. The latter period spanned the years 2000-2010, with market reforms and foreign investment attraction revived somewhat. During these periods, the share of the private sector increased, while the leading role of the state in major strategic projects was maintained. The third period, called the period of modernization and industrial development, was 2010-2016 years, during which an effort was made to update the infrastructure, on the basis of programs the free economic zones Navoi and Angren were created, new energy facilities and economically important transport projects were implemented. It is worth noting that government programs were aimed at developing the country's exports. It would not be an exaggeration to say that the fourth period was formed as a period of reform and the politics of transcendence.



During this period, under the leadership of the head of the country, a new state investment policy was implemented, programs are discussed in the parliament and public opinion, and transparency is ensured. The main thing is the directions of modern economic interpretation: PPP principles coordinating the activities of public and private sectors, the allocation of foreign direct investment in regions and industries, construction of renewable energy sources in the energy system (wind and solar plants), transport (new metro lines and roads), in the social sphere (schools and hospitals).

Government programs define strategic directions in financing capital investments, regulate investment sources and identify priority sectors of economic development. The experience of developed countries provides valuable information on the effective formulation of these programmes and the mechanisms for their implementation, while the study of the experience of developing countries can assist in the development of policies and mechanisms adapted to local conditions.

Table 2 Experience of developed countries in financing investments in fixed capital [12]

Germany	The government will primarily invest in energy efficiency, the green economy, and digital infrastructure. Private investors are offered tax incentives, grants and subsidies through investment programs. The main task of the government is to create legal frameworks, guarantees and rules. Funding is typically through public-private partnerships (PPPs).
United States	Infrastructure programs make up a large portion of major investments: roads, bridges, and power grids. In addition to federal and state budgets, private investment and pension funds also contribute. For example, more than one trillion USD has been allocated through the Infrastructure Investment and Jobs Act (2021). The government's task is to provide substantial financial assistance and legal guarantees.
Japan	Investments in fixed capital are primarily focused on infrastructure, transport and innovation under government programmes. During the economic crisis, the government supports economic growth through budget investments. The Bank of Japan's government programs provide low-interest loans and financial assistance. The private sector is actively involved, but it is the government that sets the direction of innovation.
United Kingdom	Government investment programs are primarily focused on transportation, health infrastructure, and green energy. The bulk of investments in fixed capital are made on a PPP and concession basis. The role of the government is to guarantee projects, provide political stability and a legal framework.
Canada	Government programs redirect capital investments into infrastructure and social sectors. The Invest in Canada program provides such benefits to foreign investors. Government support comes through tax incentives, subsidies and project guarantees.



The analysis of the data in Table 2 above shows that large infrastructure and innovative investment projects in developed countries were supported by state investment programs. The main task of the state was to create good conditions, provide financial guarantees and ensure the rule of law. Public-private partnerships and tax exemption system can be highlighted as financial mechanisms. An important conclusion is that the state acted not as an investor in this direction, but as a catalyst for the stimulation of investment activity.

At the same time, looking at the experience of developing countries, government programs occupied a leading place in financing investments directed to fixed capital (Table 3).

Table 3 Experience of developing countries in financing investments in fixed capital [13]

India	Investments in fixed capital are made primarily through government programs in highways, railways, airports and energy networks. The plans call for trillions of dollars to be invested through the National Infrastructure Pipeline (NIP) program. The Government's mission is to provide legal guarantees and initial investment while actively attracting private and foreign investment. Public-Private Partnerships (PPP) are successfully operating in the road and airport sectors.
Brazil	Government investment programs are primarily focused on energy, oil and gas, transport and construction. Public-private partnerships were strengthened within the framework of the "Programa de Parcerias de Investimentos (PPI)". State-owned banks play an important role in financing fixed capital investments (for example, BNDES).
Turkey	Investment programs are aimed at building main highways, subways and airports. The government undertakes major infrastructure projects and provides guarantees to the private sector. Many large projects are being implemented through public-private partnerships (e.g., the new Istanbul airport).
Mexico	Investments in fixed capital will be directed primarily to energy, oil and gas, and transportation infrastructure. Foreign investors are getting tax and legal benefits through government programs. In subsequent years, transport and energy sectors have been modernized on the basis of public-private partnerships.
Kazakhstan	Capital investments in energy, transport, industry and infrastructure are made through government programs. Major investments are being made through the Nurli Jol and Kazakhstan 2050 programs. The state acts as a strategic investor and guarantor, and free trade zones attract both private and foreign investment.



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In general, government programs in developing countries are seen as the locomotive that will provide growth in the country's economic development. The value of public investment in the implementation of government programs in developing countries ranges from an average of 5% to 7% of GDP, and in developed countries it varies from 2% to 3% of GDP. From 1970 to 2019, China experienced high rates of public investment's share in gross domestic product, which amounted to about 10% in the early 1970s, more than 20% in the late 1990s and early 2000s, and then 15-18%. At the same time, in countries such as the USA, Germany, France and Russia, the value of this indicator for the entire period did not exceed 5-6% of GDP. Increased centralized investment by the government at the expense of the state budget and extra-budgetary funds will serve to increase output volumes and accelerate the rate of economic growth, ultimately ensuring the well-being of the population.

Public investment is important in the formation and modernization of long-term assets. They ensure economic stability, increase competitiveness, stimulate social development, and allow for the attraction and efficient distribution of capital resources. In this way, public investment, as a strategic mechanism for financing fixed capital investments, plays a crucial role in the economic and social development of the country. In the regulation and stimulation of investment activities, the implementation of investment projects may widely use financial and fiscal mechanisms depending on the nature: the direction of the industry, the amount of required capital and other factors.

"According to experts' estimates, the demand for global investment in mitigating the effects of climate change alone will reach USD 140-300 billion annually by 2030, and USD 280-500 billion by 2050. In addition, the need for public investment in education, health, energy, and transport infrastructure remains high"[14]. An increase in public investment in the shortest periods serves to raise overall demand and thereby increase the fiscal multiplier effect. For example, in the United States, annual infrastructure investment projects ranged from \$ 18 billion to \$ 250 billion, while it was observed that from 216 thousand to 3 million new jobs were created. This situation shows the strategic importance of public investment in supporting economic activity and employment of the social population. "However, according to the results of a study by IMF experts, the



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effects of increased public investment on economic growth differ in groups of countries with different levels of development"[15]. "An increase in the volume of public investment in developed economies will contribute to the acceleration of economic growth. Thus, an increase in the share of public investment in gross domestic product by 1% would result in an increase in output of about 0.2% in the same year and of 1.2% four years later, which is confirmed by other estimates of the public investment multiplier"[16]. The amount of investments made by the state should not be at the expense of increasing external debt. Rather, the proceeds from the sale of national assets should be increased at the expense of the profit from depositing in the world's largest reputable commercial banks or directing them to bonds with high efficiency in the American capital market. Editor's Choice All An increase in public investment in turn also encourages private investment. "Increased public investment in developing countries with market economies will contribute to an increase in output in the short and medium term. A 1 percentage point increase in the share of public investment in gross domestic product would result in an increase in output by about 0.2% in the same year and by 0.5% four years later. This finding is consistent with the results of other studies" [17].

"World Bank analysts considered the most effective public investment management systems to be in Chile, Ireland, the Republic of Korea, Germany, Austria, and the United Kingdom, while the least effective ones were found in Bulgaria, Slovenia, and Hungary"[18]. Investment strategies developed in developed economies will have a consistent and systematic character. In such countries, projects that attract public investment are evaluated according to a rigorous methodology and the process is fairly regulated within the framework of relevant legislation. Also, in practice, the mechanisms of investment support, the procedures for preliminary development and selection of projects, and the procedures for their formal evaluation are clearly defined. In Chile, for example, 5-8 percent of project proposals are rejected in the initial review press. On the other hand, in countries where public investment management is weak, the squeeze of private investment, with an increase in the amount of public investment in fixed capital against domestic resources, and an excess of public external debt as a percentage of gross domestic product, will adversely affect the



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efficiency of these investments. That is, part of the profits received will be used to service the government's external debt. Research shows that it is more effective to increase public investment from a variety of funding sources than to cut government spending. Efficiently directed investments create new value chains. At the same time, financing of investment activities from funds received through an increase in the type of taxes or an increase in the rate may be temporarily ineffective. The main thing is to increase the number of taxpayers. In the world's experience, there are practices of applying additional tax benefits to foreign investors, such as refunding part of previously paid taxes by an investor when reinvesting profit derived from primary investment activities.

Conclusion and Suggestions

In the research of world scholars on the economic essence of the concept of investment in fixed capital: inextricably linked to economic growth, orientation towards financing technological progress and innovation, and the view of it as a strategic investment that affects macroeconomic stability. The peculiarities of the approaches of the CIS scientists were aimed at eliminating the physical and moral obsolescence of fixed assets, great attention was paid to the regulatory role of the state, and the issues of harmonizing investments with industrial policy. The research of scientists from Uzbekistan focuses on the existence of investment as a means of structural reform of the economy, compatibility with national development strategies and the priority of state investment policy. Within the framework of the study, the role and importance of public programs in financing investments in fixed capital was analyzed on the example of developed and developing countries, and the importance of public investment programs in the development of the national economy was studied. The main conclusions in this matter are: in developed countries, large infrastructure and innovation investment projects are usually planned and supported within the framework of public investment programs. In these countries, due to high sovereign financial resources and institutional potential, investment projects are effectively managed, as well as aimed at ensuring economic stability and stimulating technological renewal. On the other hand, in developing countries, public investment programs are more seen as a locomotive that stimulates



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economic growth. In these states, government programs serve as a key tool for increasing investment activity, creating jobs, and accelerating economic development. In this way, investment policies in developed and developing countries are defined by different contexts and strategic goals, which require coherence and flexibility in public investment management methodologies. It can also lead to a decline in the efficiency of public investment if corruption and other financial looting in the country are not addressed. The solution to this is the development of a systematic and qualitative governance mechanism that ensures a level of focus from centralized investments, ensuring accountability, efficiency and high efficiency.

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