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EFFECTIVE UTILIZATION OF FOREIGN COUNTRIES' EXPERIENCES IN DEVELOPING INVESTMENT FUNDS IN THE REPUBLIC OF UZBEKISTAN

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Abstract

As of today, it is important not only to increase the volume of investments across all sectors but also to effectively utilize them. Properly investing or managing investments is a challenging task, and investment funds play a crucial role in this regard. We cannot say that the activities of investment funds in our country are adequately established. There are several problems in this area that require solutions. One of the main tasks of effectively organizing the activities of investment funds is to study the strategies of developed countries in this field and draw appropriate conclusions. Implementing the acquired information into practice is vital for the development of this sector.

The third principle of the Decree No. PF-60 of the President of the Republic of Uzbekistan, dated January 28, 2022, titled "Development Strategy of New Uzbekistan for 2022-2026," is "Rapid Development of the National Economy and Ensuring High Growth Rates." Its 26th goal aims to further improve the investment climate in the country and enhance its attractiveness, with measures to attract 120 billion USD in investments over the next five years, including 70 billion USD in foreign investments. Additionally, it emphasizes establishing a new system for effective use of investments and increasing export volumes based on the "bottom-up" principle. Furthermore, there is a firm plan to implement a strategy for attracting foreign and domestic investments by 2026, with an aim to attract 14 billion USD in investments in sectors such as energy, transportation, healthcare, education, ecology, utility services, water management, and others based on public-private partnerships.¹

¹ Decree No. PF-60 of the President of the Republic of Uzbekistan, dated January 28, 2022, on the "Development Strategy of New Uzbekistan for 2022-2026."

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In ensuring the implementation of the aforementioned tasks, the role of investment funds is invaluable. For example, we can observe that the Philippine economy is growing, supported by the effective organization of investment fund activities. There are growth opportunities in the Philippine investment fund market, which supports the country's economic development and provides investment opportunities in various sectors.

In 1995, a regional seminar held in the Philippines aimed to raise awareness about mutual funds. In the same year, the Philippine Investment Companies Association (ICAP) was established by five member funds. ICAP began to set ambitious goals, positioning itself at the core of the Philippine investment company industry, with the primary objective of ensuring its success. Behind this initiative were experienced and notable figures such as Arthur Sokolov, recognized as a participant in perpetual investment funds, and Roberto Lorayes, the former chairman of the Philippine Stock Exchange. Government regulators and the private sector quickly recognized ICAP as the association for investment companies in the Philippines.

In 1998, ICAP implemented a double taxation relief measure, making it more beneficial for shareholders of investment funds. This also provided a competitive advantage over banks' general trust funds and strengthened market acceptance.

In the Philippines, two types of funds are currently developing:

- Mutual Fund
- Unit Investment Trust Fund (UITF)

Mutual Fund is a type of investment where a large fund is established together with other investors and corporations, managed by a specialist or professional, known as a fund manager. This fund invests in diversified portfolios, including stocks, bonds, securities, money markets, and other mutual funds. In a mutual fund, investors buy shares of the investment company, thus becoming shareholders with rights, including voting rights and the opportunity to receive dividends.

Unit Investment Trust Funds (UITFs) consist of investments collected from various funds, companies, and corporations, which are diversified into other investments, stocks, bonds, securities, money markets, and other funds. These are managed by fund specialists and investment firms.

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The benefits of investing in a Unit Investment Trust Fund in the Philippines include:

- ❖ Diversification
- ❖ Affordability
- ❖ Management by specialists
- ❖ Liquidity
- ❖ Transparency

In the Philippines, Unit Investment Trust Funds (UITFs) are regulated by the BSP (Central Bank of the Philippines). This means that investors can start or open their investments in local banks throughout the country. These funds are managed by trust specialists with diversified portfolios that include stocks, bonds, securities, money markets, and other funds. In a UITF, investors purchase units of the fund, allowing them to earn income from the profits or losses generated by the fund's operations. Unlike mutual funds, this does not make the investor a shareholder in the company.

Similarities Between Mutual Funds and Unit Investment Trust Funds:

- Both funds consist of pooled and open-ended investments collected and diversified from various sources, including individuals and companies, and invest in a range of assets such as stocks, bonds, securities, money markets, and other mutual and trust funds. They are open-ended investments, meaning investors can buy or redeem shares whenever they wish.
- Both funds are managed by fund managers who are specialists in achieving the growth, strategies, and target performance of the investment funds.
- The investments in both types of funds are inherently risky, but they can offer investors high returns and significant capital appreciation.

Mutual funds and Unit Investment Trust Funds typically offer the following types of funds and investments:

- Money Market Funds – moderate risk; short-term
- Bond Funds – moderate risk; long-term
- Equity Funds – aggressive; long-term
- Balanced Funds – aggressive; long-term

The Philippine Investment Alliance for Infrastructure (PINAI) is a collaborative investment fund involving both the Philippine government and the private sector. This fund was established to support investments in

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infrastructure and other strategic sectors in the Philippines. PINAI was founded in 2012 with an initial investment amount of \$625 million.

Table 1² Main Objectives of the Philippine Investment Alliance for Infrastructure Fund and Targeted Development Sectors

Main Objectives:	Targeted Sectors:
Attracting international partners to the Philippine economy	Transport: Roads, bridges, and airports
Enhancing competition in the domestic infrastructure finance market	Energy: Power generation and distribution systems
Creating a secondary market for well-performing infrastructure assets	Water Supply: Water collection and distribution systems
Increasing the volume of investments attracted to the economy by the government	Communication: Communication and internet infrastructure

The total assets of the Philippine Investment Alliance and their analysis are detailed in official reports and in the reports from the fund manager, Macquarie Infrastructure and Real Assets (MIRA). The Philippine economy continues to grow, supporting the development of investment funds. The expanding economy and new infrastructure projects create significant opportunities for these funds. Philippine investment funds often invest in infrastructure projects, which include airports, roads, bridges, and energy infrastructure. The Philippines aims to enhance collaboration with international investors, facilitating the operations of funds in global markets. Political and economic stability affects the success of these funds, and the Philippine government is implementing reforms to improve the investment environment.

In conclusion, it is worth noting that in the new millennium, investment funds are expected to grow rapidly and maintain serious connections with the industry in the future. Despite the prolonged Asian crisis, the industry has helped preserve investor confidence, minimizing capital outflows and bringing new perspectives to investment and savings in the country. Given the necessity for the country to compete in global markets, investment funds

² Prepared by the author based on website information
<https://www.adb.org/news/infographics/philippines-pinai-fund>

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will serve as a crucial component for current and future national development.

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