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**SECTION 31. Economic research, finance,
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CREATION AND DEVELOPMENT OF SMALL INDUSTRIAL ZONES IN UZBEKISTAN

Abstract: The article emphasizes the importance of using the features of free economic zones in the economic reforms carried out in the country. In addition, based on the analysis of definitions of the "free economic zone", the author's formulation of the concept is proposed. The principles of organizing free economic zones have also been studied.

Key words: free economic zone, small business, credit, production, services.

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Introduction

A small industrial zone (SIZ) is a territory that includes unused land and idle production areas of state property objects that are transferred by the state authority on the ground in accordance with the decisions of the President of the Republic of Uzbekistan or the Government of the Republic of Uzbekistan and which is the basis for the creation and development of small business and private enterprise [1]. Further, in the same place it is noted that the territory of the SIZ is unused territories and excessive production areas of unprofitable, economically insolvent and low-profit organizations, provided with engineering, technical and transport communications. This definition does not reflect the competitive selection of participants and government benefits, which are the basic characteristics of the SIZ.

Analysis and results

The term "Small industrial zone" as a new economic category, appeared recently in Uzbekistan. All publications on the SIZ in the rig are of a scientific and popular nature, which are reflected in the Internet sites [11,12]. For example, in one of them [11], SIZ is defined as drivers of economic and industrial development that contribute to increasing the competitiveness of enterprises in the domestic and international markets, increasing employment of the population, providing it with quality goods and services. At present, there is no clear common

understanding in the definition of SIZ, taking into account its basic characteristics. In this connection, it would be useful to study the works of foreign authors devoted to the problems of regional territorial industrial entities such as industrial park, industrial zone, industrial complex.

In the Russian Federation, industrial zones, industrial parks, etc. are the progressive forms of territorial organization and development of industrial production.

The industrial park is understood as an element of the territorial structure of the regional economy in the form of a territorial separate production complex, united by a single concept of development, an infrastructure that ensures efficient development of production, a managing company providing related services, in whose territory there are opportunities to receive state benefits and guarantees (tax exemptions, availability infrastructure, support of the authorities of the region) [2], [6]. The basic characteristics of an industrial park are: availability of a land plot for industrial purposes, a management company and infrastructure (engineering, transport, financial, social), special economic conditions; a unified concept of development; access to potential markets and resources. The role of industrial parks in the Russian economy is to attract direct, including foreign investment, to develop small and medium-sized businesses, to create efficient technological chains. The land plots of many industrial parks make up an average of 100 hectares.



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In Western European countries, industrial parks are the center of high technology. In Germany, there are more than 200, in the USA - 400, China - 400, Turkey - more than 260. For example, in the industrial park Frankfurt-Höchst are provided more than 90 research and production companies working in the field of biotechnology, chemical and pharmaceutical industries [7].

Industrial zones are created on land plots and production buildings where industrial enterprises and other related industries previously operated, which either partially or completely ceased to function, or lost their initial industrial importance. In these industrial zones, a survey is conducted, then proceeding from the strategies of the region's economic development, a decision is made about its integrated development. The concept of integrated development of the industrial zone and the program for its implementation, as well as the design of the territory of the industrial zone, are being developed and approved. The unified concept of territory development includes the definition of the specialization of the industrial zone. The person who provides development of the territory in accordance with the contract for the development of the territory is the main developer. The main developer is determined by holding an auction for the right to conclude a contract for the development of the territory. Then, owners and tenants of real estate objects located within the boundaries of the zone are determined and an agreement on joint development of the territory is concluded with them [5].

Of particular interest are the industrial zones of China [9]. The successful development of these industrial zones is due to two factors. The first of these is the comprehensive use of private energy; the second is the effect caused by the functioning of industrial zones based on a private economy. Industrial zones play an important role in ensuring the economic development of the respective territories of the party.

In industrial zones are located, mainly, not large firms, they can be considered as shops. These shops are engaged in various types of production activities. Some shops produce some intermediate products, others produce final products. A lot of small shops concentrated in a place in one territory form a single production complex that is able to produce a large range of goods for the national and world market.

The development of these industrial zones is based on private firms, which include the private sector, equity enterprises, firms engaged in foreign trade activities, joint ventures. The industrial zone also includes suppliers of primary products, components and parts, equipment, enterprises engaged in wholesale and retail trade; intermediary firms, in the sphere of export and import; companies engaged in the field of professional services, including financial services; enterprises that produce

intermediate products, as well as other organizations that provide professional training, training, information, research, technological support, in particular universities, training agencies, standards development organizations, research and development bureaus, communication facilities, trade unions, etc. Advantages of such zones are:

- the flexibility of small enterprises, the ability to quickly adapt to external conditions;
- Reduction of infrastructure costs, training of specialists, purchase of raw materials, specialized parts, equipment and services in the business sector;
- possibility to use objects of social infrastructure, social services;
- economies of scale in production through increased specialization and cooperation, and other sources of synergies.

The negative point of such industrial zones is that these firms can not compete with large enterprises in the field of R & D and financially, and especially in terms of brand building.

The main investor in the development of industrial zones in China is Hong Kong, in some areas its share reaches 80%.

The creation and development of small industrial zones in Uzbekistan has its own characteristics. First, the area of these zones is not large, they are the property of the state. Secondly, they are created on unused territories and free production areas of unprofitable, economically insolvent and low-profit organizations. Thirdly, the creation of engineering and technical, transport communications and infrastructure elements is carried out at the expense of public funds. Fourthly, it does not provide for the development of a concept for the development of an SIZ. Fifth, the management is carried out by the directorate of the SIZ. In the sixth, each small business entity independently develops its own project and provides it in the selection competition. And the last, the participants of the zone receive state support in the form of tax, credit and other benefits.

Thus, the study of the specifics of the creation of territorial industrial formations and the features of the creation of SIZ in Uzbekistan allow us to formulate the author's definition of SIZ.

SIZ - this territory is state owned, including unused territories and surplus production areas of unprofitable, economically insolvent and low-profit organizations, provided with engineering and technical, transport communications and necessary infrastructure elements, which is the basis for deployment and effective development of small business and private entrepreneurship, where selection residents on a competitive basis, and on which there is an opportunity to obtain state benefits and guarantees. This definition reflects all the basic



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characteristics of the plant. In the SIZ there is no single concept of integrated development, there are placed a conglomerate of industries in industrial sectors. In the SIZ are not developed operational ties, links with scientific institutions and universities.

Many factors influence the creation and development of the plant. The creation of an SIZ as an object of research presupposes the need for a comprehensive account of all the factors that influence its development. These factors are divided into external and internal. Various approaches to the classification of the development factors of territorial industrial entities are examined in detail in the works. [4], [7]. Based on the study of these works, we determined the main factors for the creation and development of SIZ. External factors: natural, ecological, resource, financial, marketing, technological, production and industrial potential of the region, availability of qualified personnel, factors of state regulation, external competition and external cooperation. Internal factors are: internal cooperation ties, internal competition, and the most basic factor is the innovation factor, [5, 11]. System-forming factors are determined by the nature and degree of interaction between enterprises, and the service organizations of the plant. The system-forming factors of the plant are internal factors such as competitive links, cooperative links, links between enterprises and service organizations, and links to elements of production and social infrastructure. In our opinion, the territory of the plant is also the main system-forming factor. If we classify the factors by their importance, then they eat, which are of critical importance for the development of the plant, then they are, in our opinion, financial, innovative, technological and marketing factors. SIZs created in a major city as a city of Tashkent can be considered as special zones, as the city has a high production potential, its share in the total GDP of the Republic is the highest among regions, in 2017 it was 15.5 percent, the industrial potential of the city, is also the highest, the city's contribution to the total industrial output of the Republic is 19.6 percent. On staffing, these zones are in preferential terms, since there are 39 universities in 72 cities of the Republic. Research institutions, mainly, are also located in Tashkent. There are all conditions for the creation and development of highly technological and innovative special SIZs in the city of Tashkent.

Depending on the specific internal and external conditions for the creation of SIZ, certain factors become key factors in determining the profile and location of SIZ. For example, if an SIZ creates an inner part of a large city as a city in Tashkent, then the environmental factor becomes the main factor in creating such zones. If they are created on the outskirts of the city, then environmental requirements can be somewhat reduced, if they are created in the territories of administrative areas, then they can

accommodate almost all types of production, except harmful (petrochemical and gas chemical industries) and dirty industries, which, usually, are created in remote areas from populated areas. There are also problems associated with the location of production within the SIZ. For example, placing near one site of enterprises producing pharmaceutical products and enterprises producing food products, for example, a dairy production enterprise that contradicts sanitary norms. In this regard, it would be advisable to break down the SIZ into production clusters in the directions of production. The creation of clusters and the development of cooperation in the SIZ is a source of increasing synergies. Another important advantage of cooperation is the implementation of expensive projects, which each of the entrepreneurs independently implement this project is difficult. For example, buy expensive, modern, high-performance equipment or technology that allows you to significantly reduce production costs, increase the competitiveness of products.

The activity of the plant is regulated by the regulations on the procedure for creating and organizing the activities of small industrial zones, approved by a resolution of the Cabinet of Ministers of the Republic of Uzbekistan. (December 31, 2014 No. 378).

The decision to create an industrial zone is made by local authorities on the ground with the definition of the profile of the industrial zone, the total area and the border approved by the design and planning documents, indicating the size of the land plots and production areas transferred to the participants of the industrial zone on a competitive basis.

To manage and coordinate the activities of the industrial zone, with an indivisible territory of 10 hectares, more directorates are created under the local authorities (the Republic of Karakalpakstan, the regional khokimiyats and Tashkent), with a territory of less than 10 hectares located within the same district (city), a single directorate. Directions and uniform directorates are created in the form of state unitary enterprises.

The main objectives of the directorates and a single directorate are: to conclude an agreement with the participants of the industrial zone on the implementation of the project and long-term lease agreements for production facilities in accordance with the decision of the competitive commission, service agreements; monitor the implementation of the participants of the industrial zone of the undertaken commitments in accordance with the agreement on the implementation of the project and the lease agreement; provides protection of the territory of industrial zone, gardening, cleaning of the territory and other types of services.

Financing of the activities of the directorates is carried out at the expense of the budget of the

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Republic of Karakalpakstan, khokimiyats and the city of Tashkent, at the expense of revenues from the provision of services to the participants of the industrial zone, including income from maintenance and protection of the territory.

The content of the directorate at the expense of the budget of local authorities is carried out within 3 years from the moment of their creation, the next years they pass to self-financing.

Construction of the necessary engineering and technical communications is carried out at the expense of Uzbekenergo's own funds, Uztransgaz, as well as budgetary funds of local authorities.

The selection of the participants of the industrial zone is carried out on a competitive basis. The main criteria of the competition are: the number of new jobs created; competitiveness and demand for products (works, services); the timing of the implementation of projects, the start of production activities and the amount of investment; financing the project at its own expense.

Benefits for participants of small industrial zones:

-production areas and land plots located on the territory of the industrial zone are provided to business entities for long-term lease for a period of 10 years, with a further extension of another 10 years (with the fulfillment of contractual terms and commitments) at the following preferential rates of rent: for production premises- in the amount of the minimum rental rate for the use of immovable state property, based on the type of activity carried out on the leased area, without the use of raising coefficients; for land plots - in the amount of the minimum land tax rate for the use of the land plot.

- tax privileges: members of the SIZ for a period of two years are exempt from paying: property tax; corporate income tax; single tax payment.

Privileges are granted provided that the participants of the industrial zone make investments in the amount of at least 3000 times the SIZ. Preferential loans: long-term soft loans; provision for loans of commercial banks in the part not covered by collateral.

The creation and development of the IPM gives a new impulse to the development of industrial production, entrepreneurship, ensures the effective use of natural, raw, labor and financial resources of the territory, helps to increase the output of competitive, export-oriented products, create new jobs, and increase the incomes of the local population. The construction of infrastructure elements of electricity, water, gas and access roads at the expense of public funds leads to a reduction in the costs of entrepreneurs to implement their project. Granting tax, credit, customs and other benefits to the MPP increases the investment attractiveness of the industrial zone, encourages entrepreneurs to actively participate in qualifying competitions for placing their project in industrial zones.

At 1.06. 2018 den the number of created SIZ in the republic is 87 units, 30 of them are located on the territories of cities and the remaining 57 in the areas of the districts. They host more than 1,144 units of the project worth more than 2.56 trillion soums in national currency and 84.15 million dollars in US dollars. More than 31.6 thousand new jobs were created, (see table - 1).

Table - 1

Information on the created SIZ in the republic for the period 2017 - 2018

(state on 1.06., 2018).

Regions	Number of SIZ	Of these located in the district territories	Land area Ha	Number of selected projects	Attracted investments	
					In the nat. currency, million UZS	In US dollars
Republic of Karakalpakstan	7	7	200	97	265,83	-
<i>areas</i>						
Andijan	3	1	21,5	38	83,38	3,19
Jizzakh	5	5	33,6	43	473,54	16,9
Kashkadarya	7	6	29,8	-	-	-
Navai	4	2	38,2	-	-	-
Samarkand	14	13	53,1	38	-	22,78
Sirdarya	2	1	9,2	2	-	6,75
Surkhandarya	9	8	55,1	65	-	20,08
Tashkent	17	13	104,87	104	726,4	-
Fergana	4	2	5,05	49	114,87	-
Khorezm	7	-	22,5	53	62,08	-
Tashkent city	8	-	163,9	655	868,75	14,45

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Total for the Republic	87	57	736,82	1144	2594,9	84,15
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Source: Data of the State Committee of the Republic of Uzbekistan. On the promotion of privatized enterprises and the development of competition.

They allocated only 736.82 hectares of land. 1144 projects were selected and placed in the IPM on a competitive basis. On the basis of these projects, the production of textile, chemical industry, food products, electrical goods, modern building materials, furniture and other finished products that enjoy high market demand are produced. Currently there are 7 SIZs in the Republic of Karakalpakstan, 7 in Khorezm, 17 in the Tashkent region, 5 in the Jizzakh region, 3 in Andijan, 4 in the Fergana region and 8 in the city of Tashkent, 4 in Novaiyskaya areas, 7 in Kashkadarya, 2 in Syrdarya and 9 in Surkhandarya regions.

One of the first established SIZ in Uzbekistan is the Yakkasaray SIZ. It was created in 2013 in the form of an industrial park. Then, in 2015, it was renamed to the SIZ. The total area of the plant is 338024.0 square meters. Of these, the usable area is 325,000 square meters. SIZ fenced, has six entrance gates. In the territory of the zone there is a bank, a notary, a medical center, a canteen and a fire department. Altogether 49 people work in the Directorate, 10 of them are employees of the administration, the rest are security guards and technical workers.

In the zone there are 284 enterprises of 9 branches of the national economy. Most enterprises account for light industry -79 and chemical-66. The share of these industries in the total output of the zone is also high and amounts to 63.13 percent. One of the priority branches, which is considered to be machine building, accounts for only 3 enterprises and its share in the total output of the zone is only 0.9 percent. 6,789 jobs were created in the SIZ. The annual income of the industrial zone is 678 billion soums, and exports 42 million dollars. On average, the annual income from each square meter of the useful area of the zone is 3100615.34 UZS. In dollar terms, this is equal to 394.98 dollars. The rent is set

at the minimum level without using additional coefficients, the cost per square meter is in the range of 3.7-4.6 thousand soums per year. Of the total amount of rent, 40% is returned to the industrial zone and this amount is used to pay the salaries of administration staff.

In addition, each participant of the industrial zone pays an additional per square meter of the used production area of 1640 soums per year to pay for the work of security guards and technical workers. An analysis of the Yakkasaray SIZ shows that small private companies are located in it. In most of these firms employ up to 10 employees. Basically, they use low-performance machinery and equipment. In the zone there is low cooperation, R & D is absent. Low accumulation and high interest of banks do not allow them to expand, and update technology. It should be noted that during the period of operation of the plant, all the initial participants in the zone are functioning and none of them has become bankrupt.

Since the industrial zone is located on a large city as the city of Tashkent, it is necessary to improve the criteria of the qualifying competition. In our opinion, it is necessary to introduce a lower limit on the income per square meter of occupied area of the zone, at least to \$ 400 per year. In this case, the annual income of the zone, in comparison with the previous income, will increase by 40.1 times. It is necessary to strengthen the demand for the technologies used and the export of products, introduce a restriction on the environment, pay attention to the payback period and the effectiveness of projects. Important principles for the creation of IPMs are: the need for active state participation in this process, the need to take into account regional features, influencing factors, industrial policy priorities and measures to stimulate high-tech and innovative industries.

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