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ADVANCED INTERNATIONAL PRACTICES IN FINANCING FIXED CAPITAL INVESTMENT

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ABSTRACT

This article examines advanced international practices in financing fixed capital investment, sources of financial resources, and mechanisms for their efficient use. It explores the role of bank lending, capital market instruments, public-private partnerships, leasing, and institutional investor funds in investment processes in developed countries. The significance of government guarantees, tax incentives, and risk-sharing instruments in investment financing is analysed. The article substantiates the need to diversify financing sources, expand the long-term funding base, and improve the quality of investment project appraisal when adapting international practices to Uzbekistan's conditions. Research-based proposals are formulated to support fixed capital renewal, the modernisation of production capacity, and the promotion of private investment. Priority areas for aligning financial mechanisms with the institutional characteristics of the national economy are also identified.

KEYWORDS

Fixed capital, investment, financing, international practices, bank lending, capital market, public-private partnership, leasing, institutional investors, investment risks.

Introduction

Fixed capital investments serve as a vital driver for expanding the productive capacity of the economy, accelerating technological modernization, and ensuring sustainable economic growth. Funds allocated to industrial facilities, machinery, transport equipment, and infrastructure assets generate long-term economic returns. Therefore, when financing these investments, the sufficiency, cost, maturity, and utilization efficiency of financial resources must be examined in an interrelated manner. The sound organization of financing mechanisms ensures the continuity of the capital renewal process.

The long service life of fixed capital assets and their high initial capital expenditures necessitate a specialized approach to financing. The time lag between investment outlays and revenue generation requires enterprises to secure stable sources of funding. In this context, matching the maturity of financing with the useful life of the assets, maintaining an optimal debt burden, and ensuring the adequacy of projected cash flows are of critical importance. These factors underscore the necessity of systematically examining international financing practices.

Investigating advanced international practices facilitates a comparative assessment of bank loans, internal corporate funds, corporate bonds, equity capital, and leasing mechanisms. Furthermore, it enables the identification of the roles played by development institutions, institutional investors, and

public-private partnership (PPP) mechanisms in supporting long-term investments. When analyzing these instruments, particular attention must be paid to their terms of application, financing costs, and risk-allocation characteristics.

Utilizing international experience is not limited to the direct replication of financial instruments within the domestic economy. The efficacy of each mechanism depends on the level of capital market development, the protection of investor rights, information transparency, and the stability of contractual relations. Consequently, adapting international practices to the conditions of Uzbekistan requires accounting for institutional capacities, the financial standing of enterprises, and sectoral investment needs. In particular, the diversification of financing sources and the targeted utilization of resources are crucial.

Analysis and Results

In foreign countries, systems for financing fixed capital investments are rapidly evolving, offering a wide array of advanced practices. For instance, solutions such as investment banks established through public-private sector cooperation and the issuance of diaspora bonds aimed at attracting emigrant investors are actively utilized. Additionally, innovative financing methods (such as tokenization and blockchain-based platforms) are expanding opportunities to attract private capital into fixed capital projects. Such approaches serve to mitigate investment risks, diversify capital flows, and ensure the efficient allocation of resources.

Under market economy conditions, fixed capital investments represent one of the primary drivers of sustainable national economic growth. Fixed capital constitutes the totality of tangible assets forming the material base of production (buildings, structures, machinery, and equipment), and investments directed toward it determine a country's industrial capacity, innovative development, and competitiveness.

The issue of financing fixed capital investments occupies a central position in the economic policy of every nation. Investments play a vital role not only in expanding production capacity, but also in introducing new technologies, creating employment opportunities, and enhancing export potential. Therefore, both developed and developing countries have established distinct financing mechanisms, institutional frameworks, and state policies to effectively organize this process.

Globally, intense competition exists among nations to attract foreign capital. Regarding the volume, quality, and favorable terms of foreign investments, developed countries continuously introduce various innovative financial instruments designed to enhance the attractiveness of their investment climate. Recent financial crises have not only weakened economies but also accelerated the socioeconomic stratification of the population. This has led to rising unemployment, declining incomes for broad segments of the population, and reduced demand for various goods and services, ultimately exerting a profound impact on the cross-border flows of volatile foreign investments.

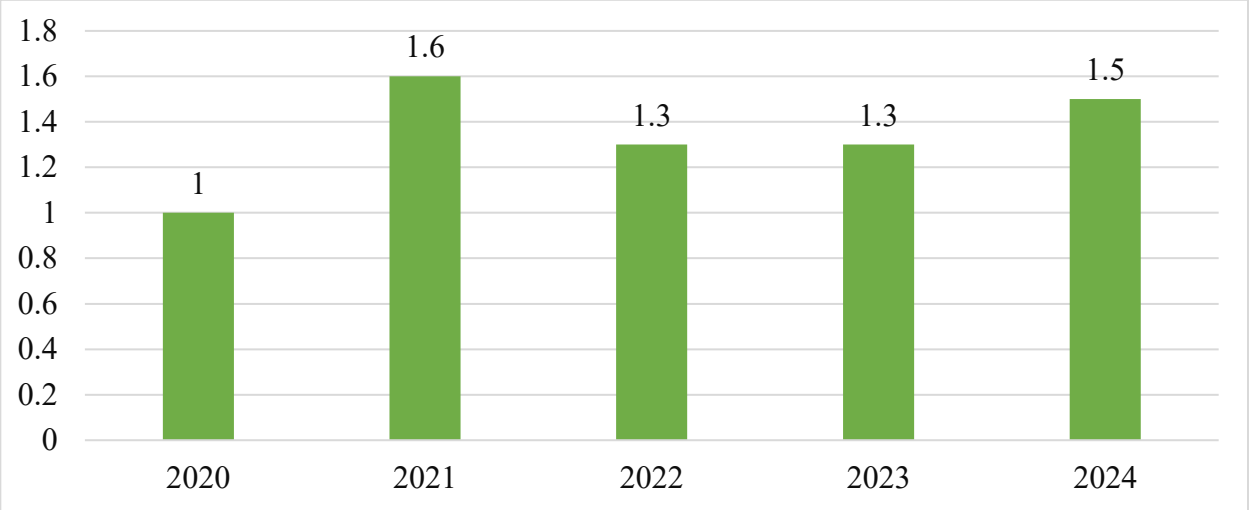


Figure 1. Global foreign direct investment (FDI) inflows across countries, 2020–2024 (in trillion USD)[1]

The volume of global foreign direct investment (FDI) inflows between 2020 and 2024 clearly reflected shifts in global economic dynamics. In 2020, investment inflows contracted significantly due to the impact of the pandemic; however, in 2021, investment volumes rebounded substantially, accelerating the global economy's recovery from the crisis. Over the subsequent two years, 2022–2023, investment volumes remained stable, albeit with decelerated growth rates. In 2024, improved macroeconomic conditions spurred an upward trajectory in investment inflows. Overall, this period illustrates the global economy's recovery from crisis and its pursuit of new opportunities, though political and economic uncertainties continue to weigh on the pace of investment growth.

In international practice, the United States, China, and Singapore stand at the forefront of this domain. In the United States, fixed capital investments are predominantly financed through the private sector, capital markets, and pension funds, with state participation restricted primarily to infrastructure or socially significant projects.

In China, to accelerate economic growth, the state-led banking system and sovereign investment funds channel substantial capital into fixed assets, although the share of the private sector has also been expanding in recent years.

The Singaporean model is grounded in a hybrid approach wherein the state actively participates in strategic sectors, while the bulk of financing is executed through efficiently managed sovereign wealth funds and private investment firms.

Examining the experiences of these countries holds pressing relevance for Uzbekistan, as the modernization of the national economy, the renewal of production infrastructure, and the innovative development of industrial sectors depend largely on the effective financing of fixed capital investments. The US experience and system for financing investment projects are widely adopted globally due to the effective synergy among private capital, state support, and financial institutions. The key aspects are outlined below: Venture capital: Intended for technological startups, innovative ventures, and high-growth businesses, where investors assume a high degree of risk tied to project success. Private equity: Utilized for the acquisition or restructuring of large enterprises. These investments are long-term, with

[1] Compiled by the author. https://unctad.org/

returns typically realized through business scaling and subsequent sale. Angel investors: Provided by individual investors to small startups and emerging ventures. Commercial banks: Finance projects through loans, often requiring collateral and liquid assets. Development banks / government-backed loans: In the US, for example, the Small Business Administration (SBA) provides credit guarantees for small and medium-sized enterprises, thereby reducing risk for private banks. Grants and subsidies: Directed toward supporting innovative technologies, energy efficiency, and research and development (R&D) projects. Tax incentives: Granted to investing companies to reduce tax burdens and facilitate the attraction of investments.

In 2024, Uzbekistan's trade turnover with the United States reached approximately $881.7 million, while FDI inflows from the US amounted to $612.6 million. Currently, there are 314 enterprises operating in Uzbekistan with US capital participation, including 167 wholly American-owned companies. Negotiations are underway to attract US investments into the transport, infrastructure, and digitalization sectors. Furthermore, avenues for cooperation with US financial institutions are expanding; for instance, discussions are being held with the Export-Import Bank of the United States (US EXIM) regarding support for infrastructure projects.

Between 2020 and 2024, FDI inflows into the United States underwent significant fluctuations. Standing at $93.3 billion in 2020, FDI increased to $389.4 billion in 2021, before declining to $332.4 billion and $310.9 billion in 2022 and 2023, respectively. This decline is explained by the global economic slowdown, pandemic repercussions, geopolitical tensions, and financial market volatility. In 2024, FDI inflows rebounded to $332.1 billion, indicating economic stability and the launch of new projects. Thus, foreign investment in the United States remains significantly influenced by global conditions and the political environment.

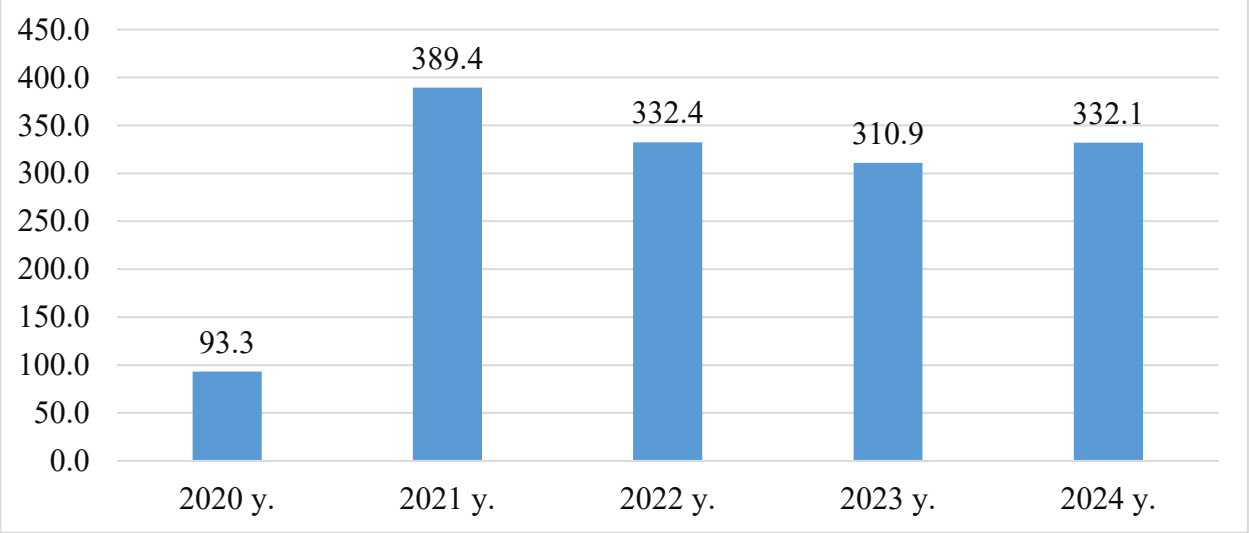


Figure 2. Global foreign direct investment (FDI) inflows into the United States (in billion USD)[2]

In the United States, fixed capital investments hold vital importance for economic growth and industrial development. Such investments are directed toward enterprise facilities, production equipment, transport vehicles, and other long-term assets. Financing sources vary, allowing enterprises to mobilize

[2] Compiled by the author. https://unctad.org/

funds through internal resources, bank loans, and the issuance of bonds and equities. At the same time, government grants and subsidy programs also play a significant role in financing capital projects. Selecting the appropriate funding sources determines the efficiency and financial stability of the project.

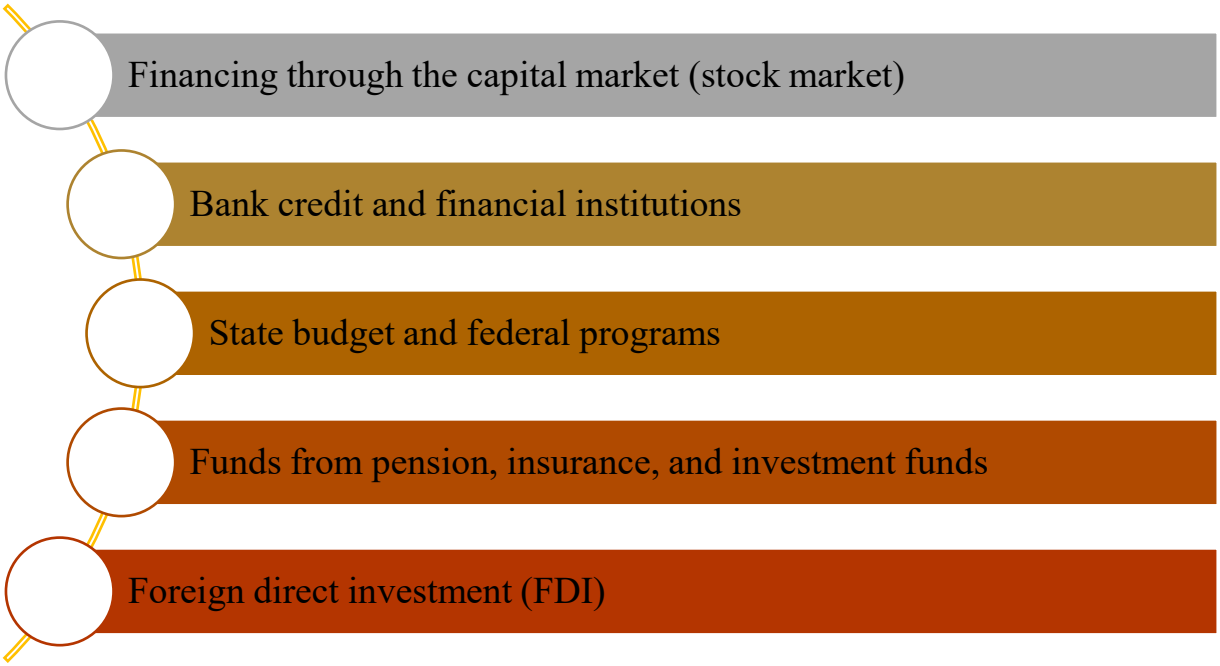


Figure 3. Sources of financing fixed capital investments in the United States[3]

In the United States, fixed capital investments are executed through both internal and external financing sources. Bank loans, bonds, equities, and government grants play a pivotal role in financing projects. Selecting the appropriate funding sources ensures economic efficiency and sustainable development.
Uzbekistan is expanding cooperation with the United States in the field of critical minerals (such as ores and elements essential for modern technologies). Projects in this sector encompass the entire value chain, ranging from extraction to processing and the manufacturing of high-value-added products. Uzbekistan aims to attract US investments into projects focused on developing transport infrastructure and digitalization. Within this framework, plans are in place to collaborate with international partners, the private sector, and global financial institutions.
Today, the key factors underpinning China’s standing in the global economy and its rapid economic growth are its openness, positive image, and investment attractiveness. However, according to contemporary experts, China's openness and rapid integration into the global community are viewed negatively and interpreted differently by both domestic citizens and the international public. It is accurate to state that such conclusions stem from a lack of understanding of modern China and the ongoing processes within the country. Indeed, the Chinese leadership deliberately prioritizes the following dimensions: establishing robust ties between China and the external world; ensuring solidarity and a reliable partnership between entrepreneurs and the state; cultivating China's image as a dependable partner in the perception of the global community; and shifting the paradigm of development from high-volume production output toward an innovation-driven model, among others.

[3] Compiled by the author.

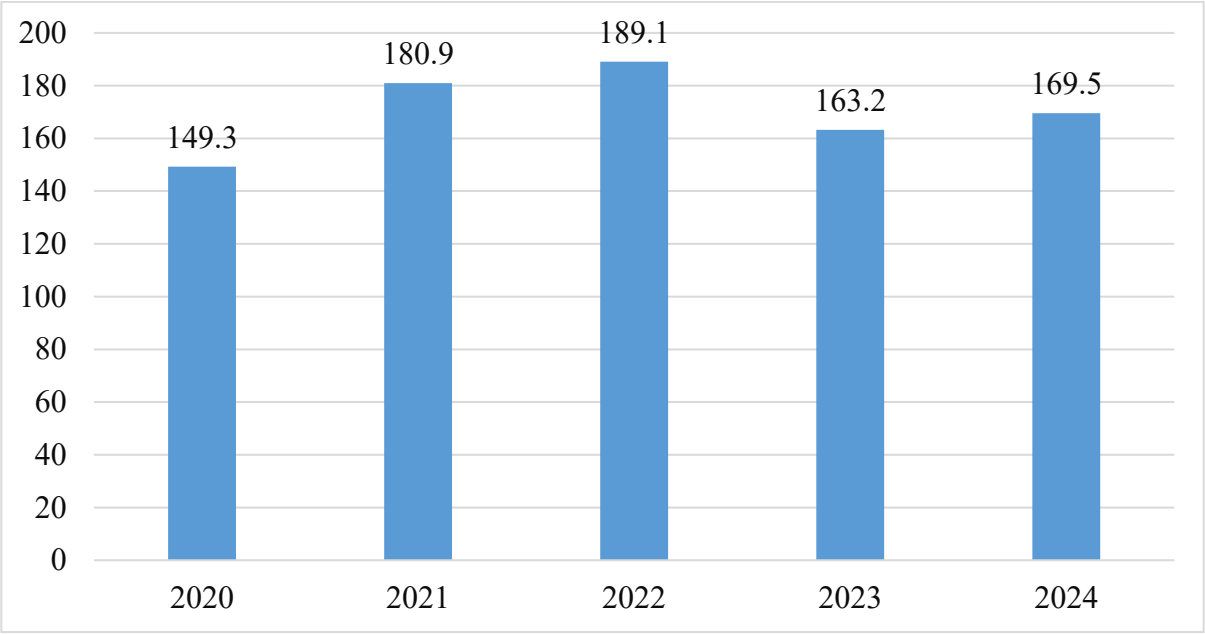


Figure 4. Volume of foreign direct investment (FDI) inflows into China's economy, 2020–2024 (in billion USD)[4]

Analyzing the data in Figure 1.8, it can be observed that annual foreign direct investment (FDI) inflows into China exhibited an upward trajectory over the 2020–2024 period. This achievement attests to the favorable conditions established for investors in the People's Republic of China, as well as its well-developed investment climate and high attractiveness. These outcomes stem from China's active standing across all major global investment attractiveness rankings, notably the Global Competitiveness Index, the Global Innovation Index, and the Business Environment Risk Index. In 2024, the volume of FDI inflows into China reached approximately $169.5 billion, representing an increase of roughly 5 percent compared to the previous year.

Conclusion

Leveraging advanced international practices in financing fixed capital investments can serve to mobilize long-term financial resources and expand opportunities for capital renewal. In this regard, the selection of financing instruments must be predicated on project duration, the useful life of assets, projected returns, and the associated risk profile. Harmonizing financing sources is essential for ensuring the stability of the investment process.

First, it is advisable to coordinate the utilization of bank loans, internal corporate funds, corporate bonds, and equity capital. Expanding leasing mechanisms, in turn, enables the distribution of equipment renewal costs over time. The cost and obligations associated with each instrument must be benchmarked against the enterprise's financial capacity.

Second, public-private partnership (PPP) and project finance mechanisms should be further developed for infrastructure and large-scale industrial projects. Within these frameworks, the responsibilities of participants, revenue streams, and risk-allocation terms must be clearly defined in advance. State

[4] Compiled by the author. https://unctad.org/

guarantees and other support instruments should be applied based on a rigorous assessment of corresponding obligations and expected outcomes.

Third, the adaptation of international experience must be aligned with the protection of investor rights, enhanced reliability of financial disclosures, and the advancement of an independent project appraisal system. The disbursement of funds, commissioning of facilities, and attainment of planned targets must be subject to continuous monitoring.

Thus, adapting international financing practices to domestic institutional conditions expands the financial capacity required for fixed capital modernization. To achieve this, developing a diversified set of financing instruments, economically sound project selection, and transparent monitoring as a unified system should constitute a key priority. This approach will serve to enhance the overall efficiency of investment utilization.

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