

Some Issues of Privatization Processes Implemented in Uzbekistan During the Independence Period

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Abstract: This article describes some aspects of the privatization processes implemented in the Republic of Uzbekistan. Furthermore, the article highlights that the privatization process in Uzbekistan during the independence years was carried out taking into account the socio-economic characteristics of the regions and the level of readiness for privatization. In addition, it is mentioned that the state created the legal basis for privatization during economic reforms and took additional measures for gradual privatization and development of the economic potential of the regions.

Keywords: Uzbekistan, reform, small business and entrepreneurship, privatization, gross domestic product, free economic zone, Khorezm region.



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INTRODUCTION

In Uzbekistan, transformation of state enterprises serve to develop the market economy and improve the competitive environment. After all, if measures to transform state enterprises are not implemented, their attractiveness do not increase. At the inauguration ceremony of the President of the Republic of Uzbekistan, Shavkat Mirziyoyev said that “accelerating the processes of transformation and privatization of state-owned enterprises will be one of the priority tasks of economic reform”¹.

In fact, since the first days of the independence of the Republic of Uzbekistan, large-scale economic reforms aimed at transitioning to a socially oriented market economy have been implemented. The economic reforms, which made ensuring the freedom of entrepreneurship one of the strategic goals, were directed to the creation of social and economic conditions for market relations and entrepreneurship. Market economy was chosen to get out of economic, political and spiritual crisis. The reason for this was the bitter experience in 1974. The experience of the developed countries of the world has proven that it is impossible to develop the economy through the commandment². This opinion is confirmed by the fact that the participants of the 10th World Congress of the International Economic Association held in Moscow with the participation of 1500 representatives of major scientists and businessmen from 70 countries of the world

¹Хусусийлаштириш жараёнлари бўйича вазифалар белгиланди. 8.11.2021. <https://president.uz/uz/lists/view/4746>

²Каримов И.А. Иқтисодий ислохот: масъулиятли босқич. Т., 1994. – Б. 5.

recognized that Uzbekistan's market transition program is the most effective among the republics of the former union³.

METHODOLOGY OF THE RESEARCH

In the research the methods of historical-comparison, systematization and statistical research were used.

ANALYSIS AND RESULTS

In Uzbekistan, the privatization process was carried out in its own way. It took into account the socio-economic characteristics of the regions, the level of preparation for privatization and the interests of various parties. The state has developed the main principles of economic reforms. It was based on the principles of creating a legal basis for privatization, step-by-step privatization and social justice. Before the start of the privatization process, a lot of preparation was done. One of the most powerful decisions made in the 1990s was the decision on the establishment of district-city industrial enterprises, which were given the status of state cooperatives. About 200 district industrial combines were established on the basis of private and state property in all regions of Uzbekistan⁴. Buildings and structures were provided for free and tax benefits were created for such enterprises. As a result of expropriation and privatization of property, in 1992-1993, more than 54,000 trade, public catering, household service facilities, local industry and manufacturing enterprises, more than 20,000 enterprises in various branches of industry and construction were converted into other forms of ownership⁵. The gross domestic product of Uzbekistan in 1994 compared to 1991 was 83 percent. The gross domestic product has decreased by only 17 percent compared to 1991. However, this figure was 43 percent in Kazakhstan, 39 percent in Russia, 40 percent in Ukraine, and 35 percent in Belarus. The deficit of the collective budget of the republic was 3.5% of the gross domestic product. Inflation did not bypass any of the CIS countries, but despite this, price jumps were somewhat controlled in Uzbekistan during this period. In October 1994, consumer prices increased by 24%, and by December it was 1%⁶.

After the end of the small privatization stage in Uzbekistan, the next stage, i.e., the period of transition to a new form of ownership based on the stockization of medium and large production enterprises, began. In the republic, the process of privatization and creation of a joint-stock company was carried out very intensively. By the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 221 of June 15, 1995⁷, a new procedure for establishing a joint-stock company was established and problems and bureaucratic obstacles were removed. As a result, the privatization process was successfully completed. The joint-stock company gradually began to include not only industrial and other medium-sized enterprises, but also large enterprises. In 1992-1995, the number of small and medium enterprises increased by 2.7 times⁸.

The mutual cooperation of the Central Asian countries has reduced the import of foreign products to the region, the production of raw materials, and expanded the opportunities for the production of finished products and their export. It accelerated the process of achieving the main goal of economic independence. The indicators of 1995 compared to 1990 in comparison with the countries of the Commonwealth of Nations, including all industries and sectors, are as follows: Uzbekistan-81.1%, Russia-62.2%, Belarus-60.5%, Kyrgyzstan-50.3%, Kazakhstan-45.4%, Ukraine-44.4%. In 1995, compared to the results of 1990, the volume of industrial production was

³Хоразм ҳақиқати газетаси, 1993 йил 10 сентябрь.

⁴ Чжен В.А. Развитие малого и частного бизнеса в Узбекистане. – 1995. – С. 9.

⁵ Qulmatov A.A. O'zbekistonda kichik biznes va xususiy tadbirkorlikning rivojlanishi. Monografiya. – Toshkent. 2004. – B. 37.

⁶ Хоразм ҳақиқати газетаси, 1995 йил 1 март.

⁷ O'zbekiston Respublikasi Vazirlar Mahkamasining qarori. 1995-yil 15 iyun, 221-son. //www.lex.uz/docs/-429320

⁸ Eshov M.P. O'zbekistonda kichik biznes va xususiy tadbirkorlikning rivojlanishi: omillar, natijalar, istiqbollar. Monografiya. – Toshkent, 2017. – B. 54.

35% in Kyrgyzstan, 48% in Kazakhstan, 50% in Russia, 53% in Ukraine, and 61% in Belarus, however it was equal to 99.9 percent in Uzbekistan. Inflation rate decreased by 3.7 times compared to 1995⁹. Legal foundations of private business and entrepreneurship and privatization of state property, ownership in small business were formed. Presidential decree and programs on state support for the development of small business entities were adopted. On August 28, 1995, the state program¹⁰ for encouraging the development of small business and private entrepreneurship was adopted, which reduced income tax payments for those engaged in small business. The goal of the state in the development of small business and entrepreneurship is primarily aimed at increasing and providing employment, and in 1995, 441,000 unemployed people were employed, which is the highest rate among the Commonwealth countries. By the end of 1995, the number of small enterprises and micro-firms increased by 42.4 thousand units or 4.1 times compared to 1991. The growth of the share of the gross domestic product from 1.5% to 16.9% in 1991-1995 was one of the main achievements of the republic¹¹.

On February 7, 1997, the decision of the Cabinet of Ministers “On the organization of foreign loans for the development of small business and entrepreneurship” was adopted¹². Significant results have been achieved in stabilizing the economy and finances. The most important task is that the decline in production has been stopped, and economic growth has become visible. In the country, the gross domestic product volume increased by 1.6 percent, consumer goods by 8.1 percent, and foreign trade turnover by 1.4 times. The state government also took additional measures to develop and master the economic potential of the regions.

The period of stable development of the multi-system economy in the republic is the Law “On Guarantees of Freedom of Entrepreneurial Activity”¹³ adopted in May 2000 as a legal document with the tasks of liberating the economy, increasing the freedom of entrepreneurs, and limiting the inappropriate interference of state and control bodies in their activities, illegal interference in business activities. After the adoption of the law, there have been positive changes in the development of small and medium business activities. In 2000-2003, the process of privatization accelerated somewhat and began to cover more and more large state-owned enterprises. As a result of the implementation of measures to promote small business and entrepreneurship in Uzbekistan in the context of further liberalization of the economy, the number of state-registered business entities increased by 1.5 times in the republic, and those which are operating increased by 1.7 times¹⁴. First, since 2003, the medium business category has been abolished. As a result of further measures implemented, the share of small business entities in the gross domestic product reached 56.9% in 2016. However, in 2003, this figure was 35 percent. Such a result is, first of all, the result of the constant support of the state for small business and private entrepreneurship¹⁵.

At the new stage of the country’s development, large-scale renovations are being carried out in all areas. As a result of successive reforms, in order to fundamentally improve the procedure for state registration and registration of business entities in New Uzbekistan, and to rapidly encourage the use of forms that do not directly communicate with state bodies through the widespread introduction of modern information and communication technologies, resolution No. RP-2646 “On improving the system of state registration and accounting of business entities” were declared

⁹ Хоразм ҳақиқати газетаси, 1996 йил 2 март.

¹⁰ O‘zbekiston Respublikasi Vazirlar Mahkamasining qarori. 28.08.1995-y., 344-son. //https://lex.uz/ru/docs/-470217

¹¹ Umurzakov U.P, Toshboyev A.J. Kichik biznes va tadbirkorlik. – T., 2014. – B. 26.

¹² O‘zbekiston Respublikasi Vazirlar Mahkamasining qarori. 07.02.1997-y., 67-son. //https://lex.uz/docs/-433943

¹³ O‘zbekiston Respublikasining Qonuni. 02.05.2012-yil, O‘RQ-328-son. //https://lex.uz/docs/-2006789

¹⁴ Qulmatov A.A. O‘zbekistonda kichik biznes va xususiy tadbirkorlikning rivojlanishi. Monografiya. – Toshkent. 2004. – B. 42.

¹⁵ Eshov M.P. O‘zbekistonda kichik biznes va xususiy tadbirkorlikning rivojlanishi: omillar, natijalar, istiqbollar”. Monografiya. – Toshkent, 2017. – B. 57.

on October 28, 2016¹⁶, and Government Decision No. 66 dated February 9, 2017 “On measures to implement the decision of the President of the Republic of Uzbekistan No. PQ-2486 of October 28, 2016”¹⁷ aimed at improving the system of state registration and accounting of business entities was adopted. The ranking of the country in terms of property registration improved to 75th place due to the establishment of single centers for the provision of state services to business entities on the principle of a single window and further improvement of the system of mutual electronic information exchange.

According to the report “Doing Business-2017: Evaluation of Management Quality and Efficiency” published by the World Bank, Uzbekistan took the 87th place among 190 countries of the world and maintained its position in 2016. The experts of the World Bank improved the position of Uzbekistan in five of the 10 indicators of the report¹⁸.

In the socio-economic reforms implemented in Uzbekistan in recent years, special attention is paid to the further development of small business and private entrepreneurship. By 2017, 420 enterprises were restored. The decree “On the establishment of the State Committee for Assistance to Privatized Enterprises and Development of Competition of the Republic of Uzbekistan”¹⁹ dated April 18, 2017 was an important factor in this regard. According to the established procedures, in 2017, 408 state objects were sold to private owners, 278 of them were given at zero cost with the condition of investing 1.6 trillion soums and creating more than 10,000 jobs²⁰. A number of government decisions and decrees were adopted on the development of small business and its state support in all areas of the republic’s economy. Free economic zones are important for finding and strengthening their place in the international market, developing economic cooperation between countries, and accelerating the country’s economic development. For example, a number of works were carried out in Khorezm region as a result of the Decree “On the establishment of Urgut, Gijduvan, Kokand and Hazorasp free economic zones”²¹ adopted on January 12, 2017 and the Resolution “On measures to strengthen the coordination of ministries, agencies and local government bodies and increase their responsibility for the effective functioning of free economic zones”²² dated August 7, 2014. An area equal to 414 hectares has been allocated for the Hazorasp free economic zone.

In 2017-2019, 35 projects in the Hazorasp free economic zone at the cost of 87.5 million dollars were implemented in food, textile, leather footwear, mechanical engineering and electrical engineering, chemical industry, processing of forest wood materials and paper pulp and it was planned to attract 6.2 million dollars of foreign investments for the implementation of several projects in the fields of industry and medical industry²³. As a result, 11,650 new jobs were created due to the launch of 1,238 projects with a total cost of 4.4 trillion soums within the regional program in 2021. As a result of launching a total of 15 projects in the territory of Hazorasp free economic zone alone, 1 thousand 78 new jobs were created. Also, 19 small industrial zones were established in the cities and districts of the region on the basis of 19 objects on the land area of 79.9 hectares. In 2021 alone, more than 4,000 small business entities were newly established. As a result, the share of small business in the gross regional product in the region increased even

¹⁶ O‘zbekiston Respublikasi Prezidentining qarori. 28.10.2016-yil, PQ-2646-son. // <https://lex.uz/docs/-3063485>

¹⁷ O‘zbekiston Respublikasi Prezidentining qarori. 08.02.2016-yil, PQ-2486-son. // <https://lex.uz/ru/docs/-2897541>

¹⁸ Eshov M.P. O‘zbekistonda kichik biznes va xususiy tadbirkorlikning rivojlanishi: omillar, natijalar, istiqbollar. Monografiya. – Toshkent. 2017. – B. 80.

¹⁹ O‘zbekiston Respublikasi Prezidentining Farmoni, 18.04.2017 yildagi PF-5016-son/<https://lex.uz/docs/-3167621>

²⁰ Xususiylashtirilgan korxonalarni qo‘llab-quvvatlash iqtisodiy taraqqiyotimizning muhim omilidir. // Xorazm Haqiqati. – № 87. 2017 yil 30 oktyabr. – B. 1-2.

²¹ O‘zbekiston Respublikasi Prezidentining Farmoni. 12.01.2017-yil, PF-4931-son. // <https://lex.uz/docs/-3096605>

²² O‘zbekiston Respublikasi Prezidentining Qarori. 07.08.2017-yil, PQ-3175-son. // <https://lex.uz/docs/-3300290>

²³ Hazorasp" erkin iqtisodiy zonasi: istiqbolli loyihalar-hayotga // Xorazm Haqiqati, 2017-yil 28-oktyabr. – B.2.

more²⁴. A comprehensive system of entrepreneurship support has been formed in the country and it has been making a significant contribution to the development of entrepreneurship.

The current stage of market reforms in Uzbekistan is the process of economic liberalization, in which the development of entrepreneurship is one of the priority tasks. In particular, as the President of the Republic of Uzbekistan Sh.M. Mirziyoyev stated in his address to the Oliy Majlis and the people of Uzbekistan on December 20, 2022, “Districts and cities will be divided into 5 categories based on their existing conditions, potential and opportunities. Now, depending on the category, the economic development of districts is determined. Subsidies, loans and compensations for entrepreneurs are allocated based on categories, for which tax rates are different”²⁵. First of all, new approaches were introduced to reduce economic inequality between regions and to develop all districts and cities at the same time.

CONCLUSION

In conclusion, it can be said that with the growth of small business and private entrepreneurship, the task of forming the middle class of owners in the country has been solved. Small business and private entrepreneurship have become an important link that provides employment for the population and is its main source of income. Fundamental changes in the structure of the economy and the establishment of new enterprises gave fruitful results in the field of industrial production. Macroeconomic stability has been achieved. The legal basis of private ownership has been created and it is acting as a factor of consistent development of the economy, a guarantee of social and political stability of the society, and an active driving force that leads the country forward on the path of development.

The deepening of economic reforms in the country, the development of small and private entrepreneurship, the increase in the efficiency of enterprises, the development of production and export, the production of high-quality and cheap consumer goods based on the economical use of existing reserves serve to increase the well-being of the people.

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²⁴ Istiqbolli loyihalar: ko'lamdor va samarali. // Xorazm Haqiqati, 2022-yil 11-fevral. – B. 1.

²⁵ O'zbekiston Respublikasi Prezidenti Shavkat Mirziyoyevning Oliy Majlis va O'zbekiston xalqiga Murojaatnomasi 2022 yil-20-dekabr. // <https://president.uz/oz/lists/view/5774>

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