

# **Denationalization and privatization of property in Uzbekistan, transformation processes**

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## **Abstract**

The article analyzes the results of the stages of denationalization and privatization policy. Suggestions and recommendations are made to reduce the state's participation in the economy and support the private sector.

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In an economic system based on market relations, property relations play an extremely important role. In the Republic of Uzbekistan, these relations are also regulated by law. According to the national model of market reforms, a program for the formation and privatization of a diversified economy, taking into account the economic, social, spiritual and cultural characteristics of the country and the people, has been developed and is being implemented.

Denationalization is the transformation of state-owned enterprises and organizations into business companies and societies, other non-public enterprises and organizations, while privatization is the purchase from the state of public property or shares of state-owned companies by individuals and non-state legal entities.<sup>1</sup> Accordingly, in Uzbekistan, first of all, state property can be transferred to a new owner only through sale.

This ensures the proper distribution of property and their efficient use. Second, a special program of privatization of state property has been developed and is being implemented gradually. All privatization work is carried out in a coherent system.

The process of changes in property relations is carried out on the basis of the state privatization program and sectoral, regional programs approved annually by the Cabinet of Ministers of the Republic of Uzbekistan. Third, the problems of privatization will be solved by de-monopolizing large management and production structures, separating trade and service sectors from them, as well as creating alternative competing manufacturing enterprises.

The privatization process in Uzbekistan is being carried out in several stages. In the first stage (1992-1993) "small privatization" was carried out. In 1994-1995, the second phase of privatization took place. During this period, enterprises in all sectors of the national economy were privatized without legal restrictions - the basic industries - machinery, fuel and energy, industry, construction, transport, utilities, agro-industrial complex.

In 1996, a new third phase of state property privatization began. This phase involved the privatization of the largest enterprises, institutional changes in the sectors, the creation of new management structures, etc. The European Commission, TESIS, the World Bank, the German Technical Center, the US Agency for International Development and the consulting services of others were used. It is well known that property relations form the basis of production relations.

The structure of property relations is related to the institution of property. The institution of property consists of property rights, the knowledge of which allows people to calculate the behavior of other people with whom they will interact in the future, as well as the benefits and costs. With this in mind, Uzbekistan has adopted a number of laws regulating the exercise of property rights.

They include subjects of property law (citizens, legal entities and the state), objects of property law (land, subsoil, water, air, flora and fauna, other natural resources, enterprises, objects, including buildings, apartments, structures, equipment - equipment, raw materials and products, money, securities and other property, as well as intellectual property) types of

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<sup>1</sup>Law of the Republic of Uzbekistan "On denationalization and privatization". Tashkent, November 19, 1991

property rights (possession, use and disposal) and a set of rules and guarantees of its implementation.<sup>2</sup>

Effective regulation of the economy creates a favorable economic, legal, organizational situation for its formation. All developed countries in the world have their own management models of the national economy. In creating them, each country took into account all its features. Of course, they take into account the geographical location, economic and natural resources, climate and demographic structure of each country.

The study of the evolution of economic activity has made it possible to shed light on the key factors and conditions necessary for economic development. It highlights the achievements of current developed countries and helps to understand the reasons for the backwardness of less developed countries. Among the factors such as the geographical location of the country, the availability of natural resources, historical experience, the following can be distinguished:

- demographic potential;
- innovation news;
- change of dominance (dynamics);
- changes in social groups.

Thus, there is a general theory of economics. It is impossible to develop an economy without knowing it deeply. Therefore, new market economy institutions will be created in the national economy in line with the process of infrastructure improvement in accordance with market conditions, the formation of an effective market structure.

The privatization process in the Republic of Uzbekistan is continuing. According to the State Property Management Agency, in January-December 2020, 837 enterprises and facilities were privatized (including program and non-program facilities) table 1.

#### Key indicators of privatization (as of 2020)<sup>3</sup>

**Table 1**

	number of privatized enterprises and facilities		government assets taken from the sale receipts	
	unity	in % to total	mln. sum	in % to total
<b>Republic of Uzbekistan</b>	837	100,0	456 373,4	100,0
<b>The Republic of Karakalpakstan</b>	38	4,5	12141,9	2,7
<b>regions</b>				
<b>Andijon</b>	66	7,9	4 604,7	1,0
<b>Buxoro</b>	63	7,5	25 875,5	5,7

<sup>2</sup> Berkinov B.B. Institutional Economics: Textbook T.: ECONOMY, 2018.-256 p.

<sup>3</sup> Socio-economic situation in the Republic of Uzbekistan. January-December 2020. Data of the State Statistics Committee of the Republic of Uzbekistan. T .: 494 p.

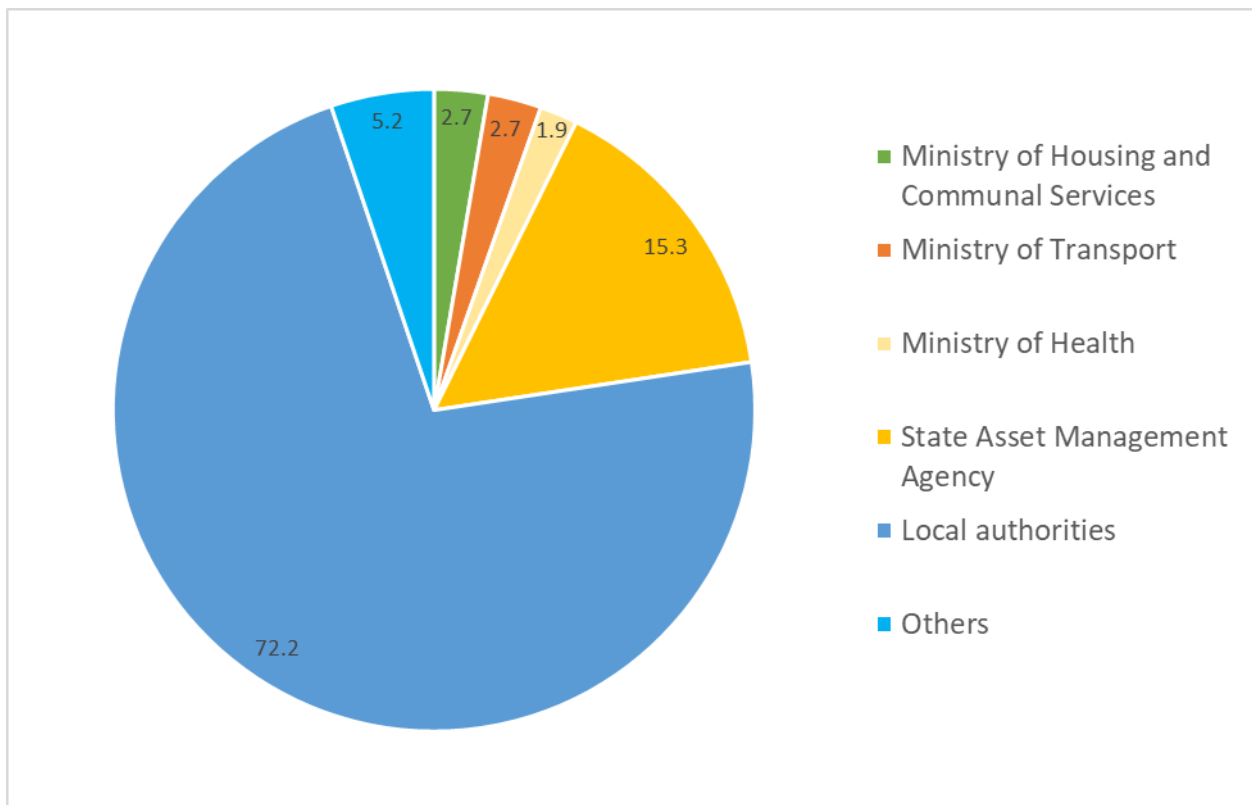
<b>Jizzax</b>	90	10,8	6 668,1	1,5
<b>Kashkadaryo</b>	83	9,9	14 375,0	3,2
<b>Navoi</b>	22	2,6	7 050,1	1,5
<b>Namangan</b>	24	2,9	21 079,9	4,6
<b>Samarkand</b>	52	6,2	7 804,2	1,7
<b>Surkhandaryo</b>	32	3,8	5 487,2	1,2
<b>Sirdaryo</b>	28	3,4	4 644,5	1,0
<b>Tashkent</b>	114	13,6	37 584,50	8,2
<b>Fergana</b>	150	17,9	24 326,5	5,3
<b>Khorezm</b>	30	3,6	15 259,0	3,3
<b>Tashkent city.</b>	45	5,4	108 156,0	23,7
<b>State Asset Management Agency</b>	-	-	161 316,4	35,4

The largest number of privatized facilities in the reporting period was in Fergana region - 150 (17,9%), in Tashkent region - 114 (13,6%), in Jizzakh region - 90 (10,8%), in Kashkadarya region - 83 (9,9%), in Andijan region - 66 (7,9%), in Bukhara region - 63 (7,5%), in the city of Tashkent - 45 (5,4%). If we pay attention to the composition of state-owned facilities privatized last year, we can see that in terms of ministries and departments, it looks like this (diagram 1).

**Composition of privatized state facilities by ministries and departments in january-december 2020<sup>4</sup> (in % to total)**

**Diagram 1**

<sup>4</sup> Socio-economic situation in the Republic of Uzbekistan. January-December 2020. Data of the State Statistics Committee of the Republic of Uzbekistan. T .: 494 p.



The largest share in the structure of privatized state property belongs to local governments - 604 objects (72,2% of the total number of privatized objects in the country), management of state assets to the Agency - 128 objects (15,3%), the Ministry of Housing and Communal Services - 23 (2,7%), the Ministry of Transport - 23 (2,7%), the Ministry of Health - 16 objects (1,9%).

Accelerated development of the national economy and ensuring macroeconomic stability, accelerating the transformation of state-owned companies in the implementation of structural changes in the economy. This year, the program of reforming all state-owned enterprises is being implemented. In particular, next year Navoi Mining and Metallurgical Combine, Uzbekneftegaz, Uzbekhydroenergo, Uzavtosanoat will be able to enter the international financial market and attract funds without state guarantees. Admittedly, the knowledge and skills of specialists, the technical capabilities of large enterprises are not enough to transform them independently. Therefore, the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, and McKinsey, Boston Consulting Group, internationally recognized companies such as Rothschild were involved. In 2021, it is planned to sell the state share in 32 large enterprises of strategic importance, 83 large enterprises in the alcohol and oil and gas sectors and to transform the network, the widespread introduction of digital technologies in the banking system.

The country's banking system is also being privatized, including Sanoatqurilishbank, Asaka Bank, Ipoteka Bank, Aloka Bank, Turon Bank and Qishloqqurilish Bank. Another direction of structural reforms in our national economy is to reduce the state's participation in the economy. Extensive work has begun on the privatization of a number of enterprises,

with the involvement of international financial and legal advisers, for the transparent and efficient sale of state assets.<sup>5</sup>

The denationalization of the economy and its transition to a market economy is an important reform for the development of the country and the well-being of the population. We believe that the following aspects should be taken into account in the implementation of these reforms:

- introduction of new rules in the management of companies;
- introduction of corporate governance principles;
- procurement of new modern technologies;
- involvement of foreign experts;
- encouraging the attraction of foreign investors, etc.

In short, summarizing the results of the study of the theoretical foundations and practical aspects of the public sector in the national economy, based on the current state and main problems of its transformation in the economy, consistent work should be done to denationalize the economy. Based on the above, modern economic conditions make it necessary to increase the efficiency of any enterprise, including the private sector, as we can emphasize that their activities are of great importance for the development of the national economy.

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