



Article

Specific Characteristics of Privatization Process in New Uzbekistan

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Abstract: In the article, the changes that have taken place in the process of privatization of state property in the Republic of Uzbekistan in recent years, the ongoing reforms, and the implemented measures have been highlighted. Also, conclusions were formed on the results of privatization reforms in the country.

Key words: Privatization, transformation, modernization, strategic investor, IPO, corporate governance, privatization methods, problem assets, subordinated bonds.

Introduction

In the new era of Uzbekistan's development, a new stage of economic reforms has begun in Uzbekistan. Reducing state participation in the economic sector by reducing the state's share in large companies has been identified as one of the important directions of the country's economic policy. In the "Strategy of Actions" and "Strategy of Development of New Uzbekistan", reduction of state participation in the economy, further improvement of privatization of state property, and active attraction of foreign direct investments were emphasized as strategic tasks. A new stage of economic transformations in our country can be called a new stage of the privatization process. The Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" was adopted, this decree allowed a new look at improving the privatization process and a sharp reduction in the state's share in the economy.

The main part. The government was given the task of reducing state participation in the economy, further improving the process of privatization of state property, creating favorable conditions for reducing state participation in the authorized capital of joint-stock companies, actively attracting foreign direct investment, and increasing the investment attractiveness of organizations through the introduction of modern standards and methods of corporate governance. In order to consistently implement the priorities set out in the Strategy of Actions for the Development of our country, in accordance with the Decree of the President of the Republic of Uzbekistan dated January 14, 2019 "On measures to radically improve the system of state asset management, antimonopoly regulation and the capital market" No. PF-5630 of the State Agency for Asset Management of the Republic of Uzbekistan. According to the decree, the main directions of state policy to reduce the state's share in the authorized capital of organizations with state participation were defined as follows:

implementation of modern mechanisms for managing the state share in the authorized capital of organizations with a state share;

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increasing the responsibility of management bodies by introducing modern corporate management methods in organizations with a state share;
 attracting foreign and international institutes and companies in order to improve the efficiency of preparation for privatization of organizations with a state share;
 gradual reduction of state shares in the charter capital of state-owned enterprises, ensuring effective and transparent privatization.

The main and most important tasks of the State Asset Management Agency are to develop investment activities by placing state-owned stock packages into trust management, issuing bonds and shares of state-owned organizations, and placing foreign direct IPO/SPO issues on local and foreign stock exchanges, attracting investments, providing a transparent mechanism for the privatization of organizations with a state share, monitoring the implementation of investment and social obligations accepted by investors, as well as participating in the preparation of public-private partnership proposals.

A fund for management, transformation and privatization of state assets was established under the State Asset Management Agency, and the State share was distributed in proportion to the proceeds from the privatization of existing organizations:

- 92 percent to the republican budget of the Republic of Uzbekistan;
- 5 percent to the State Assets Management, transformation and privatization fund;
- 3 percent to the sports support fund under the Ministry of Youth Policy and Sports.

In order to ensure the investment attractiveness of organizations with a state share, carefully organize pre-sale preparation and ensure the success of the privatization process with the attraction of potential investors, by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated June 15, 2020 No. 381 "On additional measures to improve privatization processes", mainly under the Agency for State Assets Management, an investment company "UzAssets" was established in the form of a joint-stock company. The following were identified as priority tasks of the investment company "UzAssets":

- implementation of pre-sale preparations for the package of state shares in banks with a state share in the authorized capital, organization of foreign cooperation on the introduction of modern mechanisms to increase their investment attractiveness;
- due diligence (complex analysis) of organizations' activities, investment analysis, development forecasting by comparison;
- analysis of profitability indicators of organizations based on criteria in international practice;
- formation of a list (short-list) of potential investors;
- development of "Road Show" programs and presentations involving international organizations;
- ensuring sustainable and successful privatization by selling the assets of organizations with a state share to potential investors.

In recent years, systematic reforms have been carried out in our country to create a positive investment environment and protect the rights and interests of private owners. As another major step in this field, we can cite Decree No. PF-6096 of the President of the Republic of Uzbekistan dated October 27, 2020 "On measures to accelerate the reform of state-owned enterprises and privatization of state assets". Pursuant to the decree, in order to introduce effective corporate management methods, openness, transparency, reduce state participation in the economy and further improve the competitive environment, as well as the transformation of large state organizations, preparation of state-owned organizations before privatization and Working groups headed by the Prime Minister of the Republic of Uzbekistan were formed to control the public auction by increasing the investment attractiveness. The Cabinet of Ministers was assigned the task of approving the management and reform strategy of state-owned enterprises in 2020-2025.

In order to ensure the implementation of the above Decree, a strategy was developed by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated March 29, 2021 No. 166 "On approval of the Strategy for the management and reform of state enterprises in 2021-2025".

Reducing the number of state-owned enterprises by 75%, primary and secondary public offering of shares of 20 state-owned enterprises, and increasing the number of independent members of supervisory boards of state-owned enterprises to 30% by 2025 were set as the main goals of the Strategy. In the strategy, from January 1, 2022, the special right of state participation in the management of joint-stock companies, which is of priority for the country's economy (golden share), was canceled. The powers of the members of the executive body and the supervisory board have been extended from one to three years. The practice of determining candidates for the membership of the supervisory board of organizations with state participation on the basis of the state share has been introduced step by step.

The decree of the President of the Republic of Uzbekistan dated January 28, 2022 "On the development strategy of New Uzbekistan for 2022-2026" No. PF-60 was adopted, and the next five-year program of our country's development was developed. It was decided to gradually liberalize the movement of capital in our country, to privatize the state share through the stock exchange, to complete the transformation processes in commercial banks with a state share, and to bring the share of the private sector in bank assets up to 60 percent by the end of 2026.

The process of transforming state-owned banks has begun in order to ensure the fulfillment of the tasks defined in the strategy for the management and reform of state-owned enterprises in 2020-2025. On March 18, 2022, the decree of the President of the Republic of Uzbekistan PP-168 "On additional measures to further reduce state participation in the economy and accelerate privatization" was adopted.

In the decree, the state's share was determined in the banking system reform strategy for 2020-2025 to reduce the state's share in the banking sector by implementing the process of transformation and privatization of existing commercial banks. In order to ensure the performance of tasks, the public placement (IPO) of the shares of such large banks as Qishloq Kurilish Bank, Xalq Bank, Mikrokreditbank, Aloqabank, Agro Bank, and Uzmilliybank was established. It was decided to privatize the state shares of Uzsanoatkurilishbank, Asakabank, involving large international organizations such as the International Finance Corporation, the European Bank for Reconstruction and Development, and the Asian Development Bank.

On March 9, 2023, the Law of the Republic of Uzbekistan "On State Property Management" No. ORQ-821 was adopted in order to ensure the implementation of the tasks defined in the strategy of management and reform of state-owned enterprises. The law explained the concept of an organization with state participation, that is, an organization with a state share in the charter capital of more than fifty percent or a state share in the charter capital is greater than the share of every other shareholder of the joint-stock company was defined as an organization with a state share.

The following priority tasks were defined as the main directions of state policy in the sphere of state property management: the introduction of modern principles of corporate management in organizations with a state share, simplification of the privatization process by creating an open and transparent reporting system, and reduction of state participation in the economy. The process of effective organization of state property management and the privatization process began to improve.

Resolution No. 23 of the Cabinet of Ministers of the Republic of Uzbekistan dated January 11, 2024 "On measures to organize the activities of the State Assets Management Agency of the Republic of Uzbekistan" was adopted in order to ensure the implementation of the tasks defined in the strategy of management and reform of state-owned enterprises. The directions for radical improvement of the activity of the State Asset Management Agency were determined. A new charter of the State Assets Management Agency of the Republic of Uzbekistan was adopted. In the statute, the Agency was defined as the body conducting the state policy on privatization of state assets in the country. It was decided to develop drafts of state programs on privatization approved by the decisions of the President of the Republic of Uzbekistan and the Government of the Republic of Uzbekistan and submit them to the Cabinet of Ministers and ensure their implementation.

One of the main tasks of the agency was the constant reduction of the state's share in the economy through open and transparent privatization of state assets, control over the fulfillment by investors of accepted investment and social obligations. Public placement (IPO/SPO) of shares of economic entities in which there is a state share on local and foreign stock exchanges was determined.

Table 1

Indicators of privatization of organizations with state participation in the Republic of Uzbekistan in 2016-2023¹.

Years	Number of all privatized organizations	Proceeds from privatization, billion soums.
2016	609	164,8
2017	542	228.3
2018	835	223,1
2019	859	480,1
2020	773	456.3
2021	750	3 684,3
2022	514	6 631,8
2023	123	6 200,0

The Law of the Republic of Uzbekistan "On Privatization of State Property" of February 14, 2024 was adopted in order to ensure the implementation of the tasks defined in the strategy of management and reform of state-owned enterprises. According to the law, the main principles of the privatization process are legality, openness and transparency, accountability, ensuring an equal competitive environment and preventing corruption.

In order to coordinate the process of privatization of state property, to approve the privatization program, to coordinate the process of privatization of state property and to increase their efficiency, it was given to the Cabinet of Ministers to create a commission, a working group, and to submit to the Cabinet of Ministers for approval the program of privatization of large state-owned enterprises whose list is approved by the President of the Republic of Uzbekistan.

The State Assets Management Agency was designated as the competent state body in the field of privatization of state property. The agency develops privatization programs and a "road map" for implementation. Also, preparation for privatization of state property is organized by the authorized state body. In order to prepare organizations with a state share in the charter fund for privatization, to increase their attractiveness and eliminate problematic situations, the funds of the non-budgetary state trust fund can be directed.

In the law there were changes compared to the law adopted in 1991 on the methods of privatization of state property. As customization methods:

privatization at an auction without requiring the investor to fulfill certain conditions. The auction for the privatization of state property is held in the form of an electronic online auction in the form of increasing the initial price. Deposit money to ensure fulfillment of each obligation;

privatization in competitive bidding by imposing certain conditions on the buyer;

privatization through public bidding for negotiations. Privatization of state property is carried out in several stages by an authorized state body based on its characteristics or by a professional consultant based on the authorization of an authorized state body;

competitive communication. In order to determine the most optimal way of selling this property during the privatization of state property, in cases where the conditions of

¹ Prepared by the researcher based on information from the State Asset Management Agency.

sale, the requirements of the commodity and financial markets, and the target indicators of investment projects are not clear, the sale of state property is carried out through competitive dialogue;

stock trading;

by entering into the authorized fund (authorized capital) of the state economic company as a state share;

leasing state organizations with the condition of their subsequent privatization.

The choice of the method of privatization of state property is made based on the recommendation of the authorized state body, including the professional consultant involved.

It was determined that the inviolability of private property occurred in the process of privatization, as well as that the owner cannot be deprived of his property except in the cases and procedure provided for by the law and not based on the court's decision.

Conclusion.

In conclusion, we can cite the following:

In the process of privatization of state property, measures are being taken to protect the interests of state organizations and investors, as well as to preserve national identity;

As a result of the ongoing reforms, 5,005 organizations were privatized in recent years, and 18,068.7 billion soums were drawn into the state budget (see Table 1);

Positive results were achieved in reducing the state's share in the banking system, which is an important sector of the economy. In particular, the state share in 3 large banks was sold, and 251 mln. attracted direct investment of more than US dollars;

The legal framework for the protection of investors' rights is being improved, in particular, positive results are being achieved regarding the protection of private property. It was established that the acquisition of private property by the state for the purpose of the state will be taken after the court decision and compensation payments have been made in full.

In conclusion, it can be noted that the concept of new Uzbekistan is based on the economic policy aimed at liberalizing the economy, minimizing state intervention in the economy, and ensuring the transfer of state shares in large banks to the private sector.

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