

American Journal of Economics and Business Management

Vol. 9 Issue 11 | **pp.** 30-35 | **ISSN:** 2576-5973
Available online @ https://www.globalresearchnetwork.us/index.php/ajebm

Article

Reducing State Participation in the Economy in Uzbekistan: New Reforms and Prospects for Economic Development

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Annotation: This article examines the institutional foundations of reforms aimed at reducing state participation in the economy of Uzbekistan, as well as the prospects for the further development of privatization processes. The primary objective of the study is to systematically analyze the measures stipulated in Presidential Decree No. PF-177 of the Republic of Uzbekistan dated August 28, 2026, and to assess their potential impact on accelerating privatization, expanding private sector activity, and creating opportunities for attracting investment. The article envisages the use of regulatory and legal document analysis, comparative analysis, and a systems approach. Particular attention is paid to new approaches aimed at improving privatization procedures, enhancing the flexibility of state asset sale mecha. nisms, and encouraging private investor participation.The scientific and practical significance of the study lies in identifying the opportunities and implementation conditions for reforms aimed at reducing state participation in the economy, as well as formulating evidence-based conclusions and recommendations for improving privatization policy.

Keywords: state property, privatization, economic efficiency,privatization effectiveness.

Citation: Sanjarov Z. D. Reducing State Participation in the Economy in Uzbekistan: New Reforms and Prospects for Economic DevelopmentAmerican Journal of Economics and Business Management 2026, 9(11), 30-35.

Received: 10th Aug 2026
Revised: 11th Sep 2026
Accepted: 11th Oct 2026
Published: 04th Nov 2026

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1. Introduction

In a market economy, reducing the state's participation in economic activity, strengthening the role of the private sector, and fostering a competitive environment are important economic priorities. Effective implementation of privatization processes creates favorable conditions for attracting investment, allocating economic resources efficiently, and advancing market-oriented economic relations [1].

Uzbekistan continues to pursue reforms aimed at reducing state participation in the economy and accelerating privatization. In particular, Presidential Decree No. PF-177 of August 28, 2026, establishes a set of important measures in this area [2].

The significance of these reforms lies not only in accelerating privatization but also in their potential to broaden private investor participation and stimulate investment activity. At the same time, the economic implications of the newly introduced mechanisms and the practical conditions required for their implementation warrant systematic academic investigation [3].

Against this background, the objective of this study is to analyze the measures stipulated in the Decree, assess their significance in accelerating privatization, and examine the prospects for reducing state participation in the economy and promoting private sector development in Uzbekistan [4].

Y. Yusupov, Scientific Director of the Center for Economic Development Assistance, analyzes the economic significance of privatization, focusing on reducing state

participation in the economy, fostering competition, and expanding private ownership. The author also emphasizes the importance of ensuring transparency in privatization processes, establishing auction rules in advance, and providing equal opportunities for all potential buyers [5].

H. Ibragimov, a senior researcher at the Center for Energy Geopolitics and Diplomacy, examines the measures stipulated in the Presidential Decree, highlighting the importance of easing asset acquisition conditions, reintroducing unsold assets to the market, and selling land plots together with prepared infrastructure and the necessary permits. The author links these measures to attracting private investment, reducing assets unrelated to the core activities of enterprises, and promoting competition [6].

W. L. Megginson and J. M. Netter examine the effects of privatization on the efficiency of state-owned enterprises, corporate governance, and competition. Their research provides evidence that privatization can serve as an important instrument for improving economic efficiency.

E. Shadmanov and A. Turkmanov investigate the impact of privatization in Uzbekistan on economic development, emphasizing its role in reducing state participation, developing the private sector, and improving the investment climate. They also highlight the need to adapt international experience to national economic and institutional conditions.

T. Qodirov explores the institutional significance of privatization within the state asset management system. The author argues that balancing economic interests and strengthening the principles of openness and transparency are essential conditions for improving the efficiency of state asset management [7].

Overall, the reviewed sources place particular emphasis on accelerating privatization in Uzbekistan, creating favorable conditions for private investors, and ensuring transparency in transactions. However, further analysis is needed to assess the economic outcomes of the latest reforms and determine their impact on private sector development. This research therefore focuses on examining the potential effects of the newly introduced measures and identifying the conditions necessary for their effective implementation [8].

2. Methodology

This study examines reforms aimed at reducing state participation in the economy and accelerating privatization in Uzbekistan. The research draws on Presidential Decree No. PF-177, relevant regulatory and legal documents, official data from the Agency for State Asset Management, and expert commentary on the subject.

The study employs regulatory and legal analysis, comparative analysis, statistical analysis, a systems approach, and logical generalization. These methods are used to examine changes in privatization procedures, the terms and conditions for the sale of state assets, and mechanisms designed to expand private investor participation.

Particular attention is given to the economic rationale and practical implications of the newly introduced measures, including the gradual reduction of initial prices for unsold assets, direct sales to tenants, competitive tenders involving specific obligations, and installment payment arrangements.

Based on this analysis, the study evaluates the potential of these reforms to accelerate privatization, promote private sector development, and attract investment. The findings provide a basis for developing conclusions and recommendations aimed

at improving the implementation and effectiveness of privatization policy in Uzbekistan.

3. Results

In accordance with the Presidential Decree, new mechanisms for the sale of state assets are being introduced in Uzbekistan to create more favorable conditions for investors and expand opportunities for private sector participation.

Under the approved privatization program, state-owned shares in 84 business entities, 1,242 real estate properties, and approximately 8,000 hectares of land designated for business and urban development purposes are scheduled to be offered for sale. In addition, 85 enterprises with state participation are designated for liquidation or reorganization [9].

Furthermore, 84 previously unsold assets are scheduled to be re-auctioned with their initial prices set at UZS 1 million. The total estimated value of the assets scheduled for sale is UZS 100 trillion, while the target is to generate at least UZS 14 trillion in proceeds from their sale by the end of the year.

The Decree also introduces new asset sale mechanisms developed in response to entrepreneurs' proposals, making asset acquisition more accessible. In particular, the required initial payment has been reduced from 35% to 15%, while the remaining balance may be paid in installments without interest, replacing the previously applied surcharge averaging approximately 14% [10].

For state assets with a purchase price exceeding 23,000 times the base calculation amount, the Decree provides for additional payment arrangements:

- A 25% discount on the total purchase price is available to buyers who pay 100% of the purchase price within six months.
- Buyers who pay 50% of the purchase price within six months may pay the remaining balance in interest-free installments over seven years.
- Buyers who pay 35% of the purchase price within three months may pay the remaining balance in interest-free installments over five years.

To improve the efficiency of asset sales, the Decree provides for the introduction of new sales mechanisms. If an asset remains unsold for three months, its price may be reduced gradually to facilitate its sale [11].

In certain cases, a hybrid auction mechanism may also be applied, combining price-reduction and subsequent price-increase procedures within the same auction process. Importantly, these new mechanisms and incentives may also be used in the sale of assets held on the balance sheets of commercial banks with state participation.

The Decree also places particular emphasis on enhancing the investment attractiveness of land plots. A "ready-to-use package" approach is introduced, whereby the technical conditions for connection to engineering and utility infrastructure networks, together with the necessary permits, are prepared in advance of the sale [12].

It should be noted that, in accordance with the Decree, the state assets designated for privatization shall be privatized using the methods предусмотрed by the Law of the Republic of Uzbekistan "On Privatization of State Property."

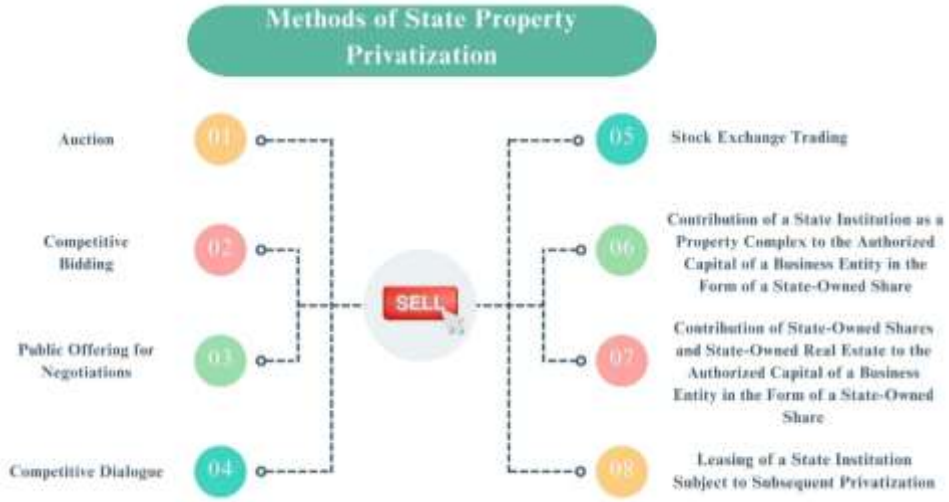

Figure 1. Methods of State Property Privatization

Figure 1 presents the methods of state property privatization. The selection of an appropriate privatization method is determined by the specific characteristics (individual, sectoral, regional, and other), financial and economic indicators, and objectives of the state-owned real estate asset, state institution, or business entity with state participation. The selection is carried out based on the recommendations of the Agency for State Asset Management or its regional departments, as well as the professional consultant engaged in the process [13].

In recent years, state assets have primarily been sold through auction-based transactions. Therefore, examining the mechanism of privatization through auctions is considered appropriate.

4. Discussion

Privatization of state property through auctions involves offering state-owned assets, excluding state-owned shares, for sale without imposing specific obligations on the purchaser. An exception is made for state-owned real estate assets sold subject to the requirement to construct buildings in accordance with an approved project and urban planning regulations [14].



Figure 2. Mechanism for Privatizing State Property through Auctions

With regard to the privatization of large state assets, these are primarily sold through the method of public offering for negotiations.

This method involves several stages and is implemented by the Agency for State Asset Management or with the involvement of a professional adviser (consultant) authorized by the Agency. Under this method, a public announcement is issued inviting potential investors to submit offers for the state asset without disclosing its sale price. The announcement specifies the deadlines for submitting price offers, as well as the procedures and terms of purchase. Based on the offers received, potential buyers are shortlisted by the competent authority, namely the Agency for State Asset Management, or the professional adviser (consultant) [15].

Overall, these reforms are intended to strengthen market principles, expand the role of the private sector in economic activity, and mobilize investment resources, thereby creating conditions for sustainable economic growth.

5. Conclusion

The reforms aimed at accelerating the privatization of state property in Uzbekistan contribute to the diversification of state asset disposal mechanisms, the creation of favorable conditions for investors, and the expansion of private sector participation in the economy. In particular, the reduction of advance payment requirements, the introduction of interest-free installment payment options, the gradual reduction of prices for unsold assets, and the implementation of the "ready-to-invest package" principle for the sale of land plots are of significant importance in enhancing the investment attractiveness of state assets.

At the same time, the effectiveness of privatization should be assessed not only in terms of the volume of proceeds received by the state budget, but also based on such indicators as the time required to sell assets, the amount of investment attracted, the creation of new jobs, and the fulfillment of investment commitments by buyers. In this regard, selecting the most appropriate privatization method based on the specific characteristics and financial and economic conditions of assets, making effective use of professional consultants' expertise, and ensuring transparency in the sales process are of particular importance.

Overall, improving state property privatization mechanisms is a key factor in increasing the efficiency of state asset utilization, encouraging private investment, and fostering a competitive economic environment. The effective implementation of these mechanisms will contribute to strengthening economic relations between the public and private sectors and establishing a solid foundation for sustainable economic growth.

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