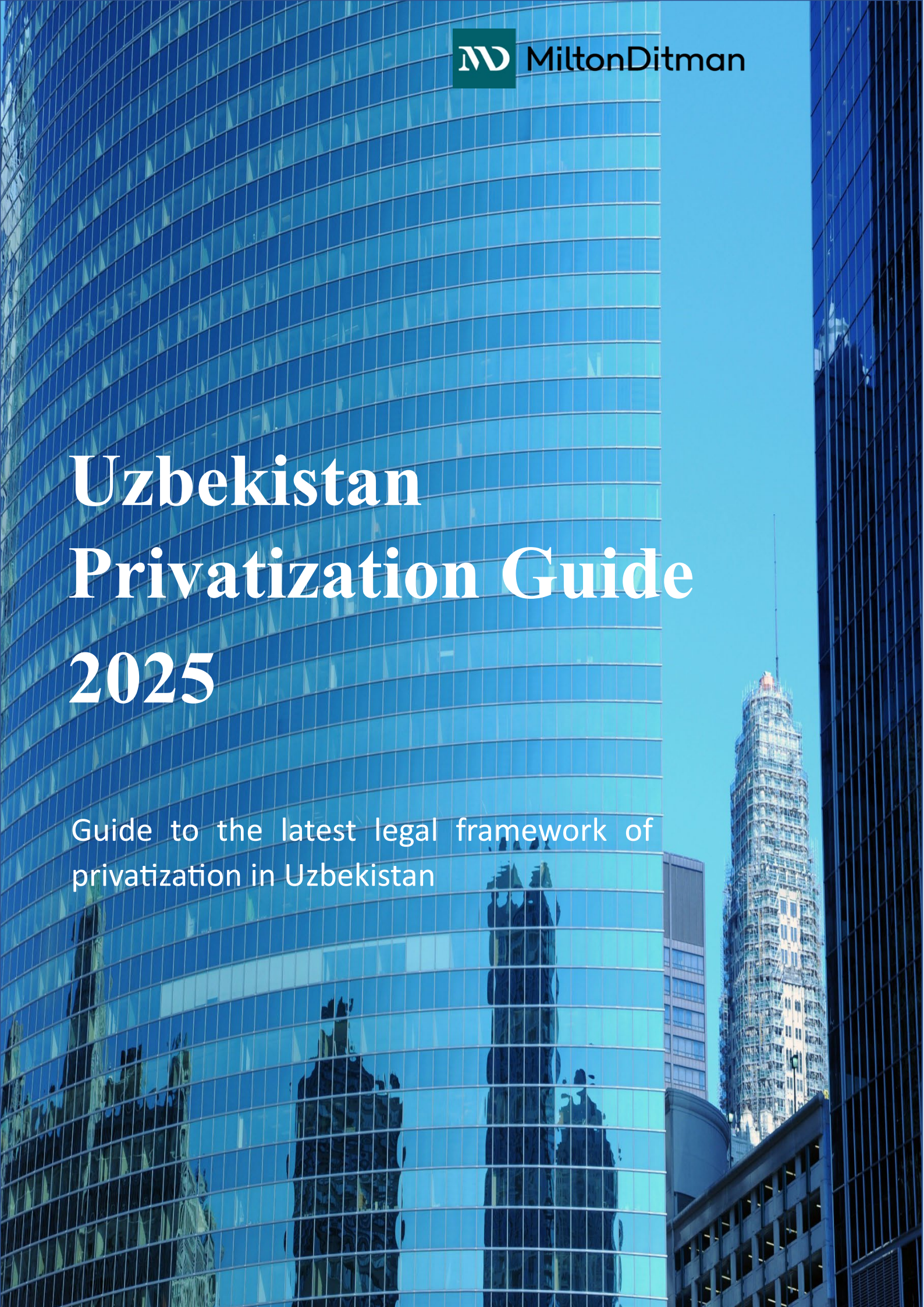


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Uzbekistan Privatization Guide 2025

Guide to the latest legal framework of privatization in Uzbekistan

Uzbekistan Privatization Guide

1. Introduction

The privatization of state property is regulated by the Law of the Republic of Uzbekistan "On the Privatization of State Property"[1] ('Law'), which replaced the previously effective law "On Denationalization and Privatization" of November 19, 1991.

The previous law on privatization did not provide for the privatization methods widely used abroad (*in practice, there were 2 methods: auction, competitive bidding*), requirements for openness and transparency, as well as clear powers of state bodies in the sphere of privatization. [2]

When developing the Law, international experience in this area was taken into account, in particular, proposals from the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, and a number of other qualified consultants were taken into account.

The Law is a normative act of direct effect and regulates all stages of privatization, including the processes of making decisions on privatization, conducting an assessment, determining the starting price, engaging consultants and conducting tenders.

2. Objects of privatization

The objects of privatization of state property are:

• state real estate;

• state shares (stocks, shares);

• state unitary enterprises and state institutions.

3. Authorized state body in the field of privatization

The State Assets Management Agency of the Republic of Uzbekistan ('Agency') is the authorized state body in the field of privatization of state property.

Agency:

• organizes privatization work in accordance with privatization programs;

• carries out work as a seller of state property, and also signs sales and purchase agreements accordingly;

• determines the terms and methods of privatization, and, if necessary, makes changes to them by publishing relevant information;

• determines the starting price of state property put up for auction;

[1] https://lex.uz/ru/docs/6800650

[2] https://davaktiv.uz/ru/news/the-law-of-the-republic-of-uzbekistan-on-privatization-of-state-property-was-adopted

• defines the requirements and criteria for participants based on the method of privatization of state property;

• also has other powers.

4. The privatisation process

At the first stage, privatization programs are being developed

Programs for the privatization of state property are developed by the Agency based on proposals from government agencies, as well as individuals and legal entities.

State property, including state property sold under projects in accordance with international agreements, may be privatized directly at market value on the basis of acts of the President of the Republic of Uzbekistan adopted at the proposal of the Agency.

With regard to municipal property, the Agency's territorial departments develop privatization programs in agreement with municipal authorities.

The sale of state shares in the authorized capital of commercial banks is carried out taking into account the requirements of the legislation on banks and banking activities.

Resolution of the President of the Republic of Uzbekistan dated April 19, 2024 No. PP-162 "On additional measures to reduce state participation in the economy"[3] approved the privatization program for the coming years

The resolution provides that:

1. State-owned shares in 247 enterprises will be put up for public auction;
2. 1028 properties will be put up for public auction;
3. Initial public offering (IPO) and/or secondary public offering (SPO) of state shares of 12 large enterprises will be carried out on the local stock market.

At the second stage, preparation of state property for privatization is carried out

Based on the state property privatization program, the Agency develops a "road map" that includes the conditions, stages of privatization of state property, processes for assessing privatized state property, timeframes for privatization of state property, information provided about state real estate, and other information.

The preparation of state property for privatization is organized by the Agency or its territorial offices.

The Agency may create a group of experts on the privatization of state property, as well as engage professional consultants on a contractual basis.

[3] https://lex.uz/ru/docs/6898708

The third stage, conducting an assessment and determining the starting price of the privatized state property

The starting price of privatized state property is determined by the Agency or its territorial offices. Privatization of state property is carried out on the basis of an appraisal report of an independent appraisal organization, including appraisal organizations with an international reputation.

The valuation report is used as a guideline in the framework of the methods of privatization of state property defined by the Law.

In cases stipulated by legislation, the Agency or its territorial offices conduct an examination of the reliability of the appraisal report. At the same time, when conducting an appraisal of state property by subsidiaries of internationally recognized audit companies operating in the Republic of Uzbekistan, as well as when putting state property up for auction and exchange trading, the reliability of the appraisal report is not subject to examination.

5. Methods of privatization

Privatization of state property is carried out using the following methods:

• auction;

• competitive bidding;

• public invitation to negotiate;

• competitive dialogue;

• stock exchange trading;

• contribution as a state share to the authorized capital of a business entity, state unitary enterprise or state institution in the form of a property complex;

• contribution of state shares and state real estate objects as a state share to the authorized capital (authorized fund) of a business entity;

• leasing of a state unitary enterprise or state institution with the condition of subsequent privatization.

The choice of the method of privatization of state property is carried out by the Agency or its territorial offices, including on the basis of the recommendation of an engaged professional consultant.

The choice of the method of privatization of state property is made taking into account the characteristics (individual, sectoral, regional and others), financial and economic indicators and the objectives of the privatization of a state real estate object, a state unitary enterprise, a state institution or a business entity with a state share.

When privatizing state property, one or more methods of privatizing state property may be used.

Auction

State property (except for state shares) that does not require the fulfillment of certain conditions in relation to state property is put up for auction, with the exception of state real estate objects sold at auction with construction conditions according to a project based on urban planning regulations.

The winner is the bidder who offers the highest redemption price for the state property put up for auction. The reserve winner is the bidder who offers a price one step lower than the price offered by the winner for the state property.

Competitive bidding

If certain conditions are imposed on the buyer, this state property is privatized at a competitive bidding.

The criteria for determining the winner may be financial and non-financial. The evaluation is carried out on a 100-point evaluation system.

Evaluation of competitive proposals and determination of the winner of the competition Up to 80 points are assigned to the price proposal for the acquisition of state property and up to 20 points to the proposal on the amount of financial and non-financial conditions.

The winner of the competitive bidding is the participant whose competitive proposal scores the highest number of points.

Public invitation to negotiate

Privatization of state property by means of a public invitation to negotiations is carried out by an Agency or a professional consultant on the basis of permission from an authorized state body in several stages based on its nature:

• publication of an announcement of the acceptance of applications from applicants. At the same time, the starting price of state property is not disclosed;

• providing information about the privatization process to applicants;

• signing non-disclosure agreements with applicants;

• submission by the applicant of a proposal for an optional price for the acquisition of state property;

• making a decision on whether applicants will move on to the next stage;

• familiarization of applicants who have passed the second stage with the tax, financial, legal and environmental analysis of the state property being privatized;

• participants submit binding price proposals for the acquisition of state property;

• based on the results of reviewing the submitted binding price proposals, the Agency approves the list of participants invited to the next negotiations;

• following the negotiations, the winner of the auction is determined on the basis of the most acceptable terms of the purchase and sale agreement at the proposed purchase price of state property.

Competitive dialogue

In cases where, during the privatization of state property, the terms of sale, the requirements of the commodity and financial markets, and the target indicators of investment projects for determining the most optimal method of selling this property are unclear, the sale of state property is carried out through a competitive dialogue:

• a notice of invitation to a competitive dialogue is published;

• separate negotiations will be conducted with each of the participants in the competitive dialogue who submitted their proposals;

• participants provide binding price proposals for the privatization of state property;

• the Agency and/or professional consultant selects the participant who submitted the best offer;

• the winner is the participant whose offer, including the purchase price, is recognized as the best, and a contract for the sale and purchase of the privatized state property is concluded with him.

Stock exchange trading

Privatization of state shares through exchange trading is carried out in accordance with the laws of the Republic of Uzbekistan "On the securities market" and "On exchanges and exchange activities".

Contribution of state shares and state real estate objects to the charter capital

Privatization by means of contributing state shares and state real estate objects to the authorized funds (authorized capital) of business entities is carried out when:

establishment of business entities created with state participation;

increasing the authorized capital (authorized funds) of business entities at the expense of the state share.

6. Registration of the purchase and sale agreement

On privatized state property:

• the contract for the sale and purchase of state real estate is concluded with the participation of the Agency or its territorial offices, the buyer and the asset holder, including in electronic form;

• the contract of sale and purchase of state institutions, state unitary enterprises, state share in the charter capital of a business entity is concluded between the Agency or its territorial offices and the buyer, including in electronic form.

Registration of contracts for the purchase and sale of privatized state property is carried out by the Agency or its territorial offices.

The contracts for the sale and purchase of privatized state property must contain the following information and conditions:

• name and address of the parties;

• reason for concluding the agreement;

• amount, procedure and terms of the redemption payment;

• obligations of the parties, including the terms, procedure and sequence of transfer of ownership of the state property being sold from the seller to the buyer, including the issuance of a document confirming the right of ownership;

• liability of the parties for failure to perform and untimely performance of the obligations specified in the contract, the amount of the penalty and the terms of payment to them;

• the amount of the penalty payable by the buyer in the event of failure to fulfill or untimely fulfillment of the conditions of privatization of state property;

• dispute resolution procedure, conditions for termination of the contract, applicable law, procedure for determining and performing actions in case of force majeure, language of the contract, number of copies, conditions for making additions and changes to the contract, date of entry into force of the contract;

• guarantees of the parties in the form of appendices.

7. Terms of payment

Payment for state property acquired by the buyer is made within one month, except in cases provided for by the Law.

Legislation may provide for a longer payment period for state property acquired by the buyer, which, as a rule, should not exceed **three years** from the date of conclusion of the contract of sale of the privatized state property.

Depending on the amount of redemption payments based on the size of the basic calculation value (BCV) [4] established on the date of sale, the payment terms are set as follows, unless otherwise provided by law:

up to 3,000 BCV	no more than 3 months from the date of conclusion of the contract
over 3,000 BCV, but not more than 6,000 BCV	no more than 6 months from the date of conclusion of the contract
over 6,000 BCV, but not more than 12,000 BCV	no more than 12 months from the date of conclusion of the contract
over 12,000 BCV, but not more than 15,000 BCV	no more than 18 months from the date of conclusion of the contract
over 15,000 BCV, but not more than 18,000 BCV	no more than 24 months from the date of conclusion of the contract
over 18,000 BCV, but not more than 20,000 BCV	no more than 30 months from the date of conclusion of the contract
over 20,000 BCV	no more than 36 months from the date of conclusion of the contract

8. Consequences of the buyer's failure to comply with the terms of the contract

In the event of failure to fulfill or improper fulfillment by the buyer of obligations under the contract for the sale and purchase of privatized state property, the Agency or its territorial administrations are obliged to send a written demand (notice) to the buyer about the failure to comply with the deadlines for the

[4] From October 1, 2024, in Uzbekistan 1 BCV equals 375,000 soums

payment of redemption payments and (or) the fulfillment of the conditions for the privatization of state property within the established deadlines and the provision of information in accordance with the contract for the sale and purchase of privatized state property.

In the event of non-fulfillment or improper fulfillment of obligations under the contract for the sale and purchase of privatized state property, the parties have the right to take measures to conduct mediation procedures.

The limitation period for disputes related to the fulfillment by the buyer of the terms of the contract for the sale and purchase of privatized state property is three years.

In the event of non-fulfillment or improper fulfillment of the terms of the contract for the sale and purchase of privatized state property, the buyer is obliged to pay the Agency a penalty in the amount specified in the contract for the sale and purchase of privatized state property.

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April 9, 2025

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