



## **EVOLUTION OF PRIVATIZATION AND DEPUTY OF STATE IN THE INDUSTRIAL SECTOR OF UZBEKISTAN**

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<b>Received:</b> 6 <sup>th</sup> February 2023 <b>Accepted:</b> 6 <sup>th</sup> March 2023 <b>Published:</b> 10 <sup>th</sup> April 2023	In the article, the author pays special attention to the features of privatization, denationalization and, on the basis of this, to create multi-structural ownership, privatization models, and the formation of a market economy.
<b>Keywords:</b> privatization, denationalization, market conditions, economic policy, state policy, investment climate, experience of privatization in foreign countries, industry	

Under the conditions of a transitional economy, privatization acts as a multivariate process, which is characterized by an alternative character in terms of possible socio-economic consequences. The inconsistency of its goals and objectives, underestimation of the mechanism of influence on the national economy of specific methods and instruments of redistribution of property in the process of privatization led to an aggravation of crisis phenomena: a decline in production, an increase in the differentiation of incomes of the population, a decrease in investment activity, an increase in the export of capital abroad, etc.

At the same time, privatization is not only the main system-forming factor in the formation of a market type of management, but also an important driving force behind its development. A competent state policy in the field of privatization, based on scientifically developed and substantiated models and methods, leads to positive structural shifts in social reproduction, forms and stimulates competitive relations, acts as a factor in ensuring sustainable economic growth, as well as the irreversibility of market transformations[ 1 ].

Privatization as an instrument of the state's economic policy is associated with overcoming monopoly, structural imbalances in the economy, increasing the efficiency of enterprises, and revitalizing the investment climate. Some experience has been accumulated in the practice of privatization, however, due to the shortcomings of the Uzbek privatization model, it is essential to develop methodological foundations to avoid future repetition of mistakes made, improve the privatization mechanism, determine the priorities and economic role of the state in managing this process in order to more fully realize the potential of privatization in improving the efficiency of enterprises and the economy as a whole, optimizing structural changes, revitalizing the investment climate, and forming a social basis for reforms.

The ambiguity of existing approaches to the consideration of the problems of transformation of

property relations (more narrowly privatization) in a transitional economy also emphasizes the relevance of the chosen research topic. In this regard, a multidimensional socio-economic analysis and generalization of accumulated experience necessitates rethinking a number of theoretical provisions of domestic and foreign concepts from the standpoint of creating and improving an effective privatization mechanism, solving problems of its interaction with the reproduction process, developing and using new approaches to their implementation.

Thus, the relevance and need for an economic study of the theory and practice of privatization in Uzbekistan are due, on the one hand, to the incompleteness of the processes of redistribution of property during privatization, and on the other hand, to the unresolved many of its goals and objectives. At the same time, the scientific analysis of economic patterns associated with privatization in a transitional economy acquires new aspects within the framework of the problems of systemic transformation, structural adjustment and stabilization of reproduction processes.

**The relevance of these problems**, their scientific and practical significance, as well as insufficient development determined the choice of the topic of the article, its object and subject, determined the goal, objectives and structure of the study.

**PURPOSE AND OBJECTIVES OF THE STUDY.** The purpose of this study is to develop methodological approaches and conceptual provisions for assessing privatization as a mechanism for the redistribution of property in a transitional economy.

To achieve the goals of scientific research, the following tasks are supposed to be solved:

- identification of the main directions and goals of the privatization policy in the leading countries of the world;
- study of the main directions of the privatization policy in relation to foreign capital, creation



of a favorable investment climate in developing countries;

- study of economic restructuring policy, development of the private and foreign sectors of the economy;
- study of the prospects for participation of Uzbekistan in the international division of labor and increasing the competitiveness of its economy in the world market.
- summarizing the experience of state regulation of the economy in developed countries and determining its role in the internationalization of the world economy as the basis for the privatization of state property;
- development of proposals and recommendations for the further implementation of the processes of privatization of state property.

The current stage of scientific and technological progress, the globalization of the economy and the modern features of the development of the world economy have come into conflict with such a structure of the economy. States oriented towards the decisive role of the public sector, as a rule, had low growth rates and an underdeveloped sector of social services.

Of undoubted interest is the experience of privatization in foreign countries and the possibility of its application in the transitional economy of Uzbekistan. In market economy countries, privatization develops as a permanent process and has its own well-established mechanism. The generalization of the Uzbek experience in reforming property and foreign practice in the development of applied aspects makes a significant contribution to improving the elements of the economic mechanism of privatization.

In Uzbekistan, the privatization of state property has always been considered as the main direction of economic reforms. However, from the position of ensuring the progressive development of the state economy, this process was contradictory. At different stages of its implementation, both in the environment of theorists and practitioners of privatization, mutually exclusive points of view on its goals and objectives dominated. multidirectional trends in the implementation of privatization programs. Although the overall goal of denationalization of the economy has been practically achieved, one cannot fail to note the serious difficulties that accompanied its implementation. The real roots of many contradictions go beyond the economic policy of Uzbekistan. Most of them should be attributed to external factors that determined the nature of the development of many processes of reforming the economy.

On August 31, 1991, the state independence of the Republic of Uzbekistan was proclaimed, which created a legal basis for conducting economic reforms in the country independently, based on the model proposed by the government of Uzbekistan. It became possible to implement a truly national, locally specific model of privatization. It has already been justified by practice and can be safely called the "Uzbek model".

The state is the main reformer, so the privatization process is regulated.

From the very beginning of the privatization process in the republic, objects of the oil and gas industry of Uzbekistan began to be actively involved in privatization.

The history of the gas industry dates back to 1953, when the first gas field Setalan-tepe was discovered in the Kyzylkum desert.

After the independence of Uzbekistan, the oil and gas industry of the republic began to develop systematically and dynamically.

During this period, in order to coordinate the activities of the former disparate oil, gas, oil refining and other industries, they were merged into a single production complex, linking each area of activity into a continuous chain from downhole wells to the sale of finished products.

As a result of this radical reorganization, the Uzbekneftegaz Concern was created by the relevant Decrees of the President of the Republic of Uzbekistan, which was transformed in December 1992 into the National Corporation Uzbekneftegaz, which, in turn, in December 1998 was transformed into the National Holding Company Uzbekneftegaz. The main goal of these transformations is to deepen market relations in the oil and gas industry of the republic, which opens up wide opportunities for intensifying work to attract foreign investment[ 3 ].

These stages of structural transformation, providing an evolutionary transition from command-and-control methods to a market mechanism of functioning, were accompanied by the solution of the following three strategic tasks, which were identified in 1992 by the government of the Republic of Uzbekistan:

1. A sharp increase in oil and gas condensate production in order to achieve oil independence of the republic.

2. Deepening technological processes for oil and gas processing in order to bring the quality of manufactured products to the level of world standards.

3. Expansion of hydrocarbon reserves, primarily liquid ones, by discovering new fields to provide a reliable raw material base for the oil and gas industry of Uzbekistan.



The implementation of the first task was facilitated by the accelerated development and commissioning of a number of fields, as well as the introduction of the "cycling process" at the Kokdumalak field. This ensured the achievement of the oil independence of Uzbekistan since 1995.

To solve the second problem, in 1997 a new modern Bukhara oil refinery was put into operation. The reconstruction of the functioning Ferghana oil refinery was completed with the construction of a new complex of hydrodesulfurization units.

This made it possible in 2000, by reducing oil withdrawals, i.e. while maintaining its reserves in the bowels, to increase the production of petroleum products. For example, gasoline by 5.4% and kerosene by 14.3% compared to previous periods. This means that the Republic of Uzbekistan, following the results of a 10-year period of independence, entered the 21st century with the introduction of high technology in oil refining and moved from an extensive to an intensive path of development.

The same positive picture can be traced in the field of gas processing, the production of liquefied gas in existing capacities is increasing, in the coming months of this year, the first gas-chemical complex for the production of polyethylene will be put into operation not only in Uzbekistan, but also in Central Asia.

In modern conditions of oil and gas production, Uzbekistan has become the first state in the CIS to pay focused attention to the problems of replenishing explored hydrocarbon reserves.

That is why, back in 1998, the government defined a strategy to strengthen exploration for oil and gas in the oil and gas regions of Uzbekistan, paying special attention to the highly promising territory of Ustyurt.

Over the past period, Uzbekneftegaz has ensured an increase in the volume of exploration work (for example, the volume of deep drilling was: in 1999 - 62.7 thousand m, in 2000 - 72.5 thousand m, in 2001 - 150 thousand m ) and discovered a number of new hydrocarbon deposits.

Work is underway to enhance the exploration of reserves of already discovered fields in order to reduce the time for putting them into development.

In order to attract foreign direct investment for exploration, in 1998, on behalf of the President of the country, packages of geological and geophysical materials were developed in accordance with international conditions for the six most promising blocks of the Ustyurt region, together with the British company Jebco Seismic Limited. These packages of geological and geophysical materials have been widely

demonstrated among oil companies in the UK, USA, Japan, Canada, Germany, Italy, Belgium and the Netherlands.

As a result, work on pre-project studies, feasibility studies on the part of potential investors from the UK, the USA, Canada, Italy, Japan, Russia and Ukraine and on examination, analysis, and finalization of the current regulatory framework on the part of ministries and departments of the Republic of Uzbekistan has sharply intensified .

The government of the republic has created conditions for the activities of foreign investors, as close as possible to international standards. Thanks to this, it became possible to implement a number of investment projects that help accelerate and improve the process of economic reforms, adapt to the new conditions of activity of privatization enterprises, and strengthen the private sector of the economy.

The process of privatization of objects in the sectors of natural monopolies has also intensified: the oil and gas complex, the electric power industry, water supply, transport, and communications. The policy of privatization of enterprises in these sectors provides for the interconnection between the objects of the sector on the basis of market methods and the division of the central monopoly into regional monopolies.

In the field of the oil and gas complex, shares of eight joint-stock companies and the National Holding Company are offered for sale, covering the entire range of works from oil and gas production to their processing and transportation.

In 2000, together with international donor organizations, the following projects were implemented:

As part of a loan from the World Bank for Reconstruction and Development (IBRD) for institutional development.

Individual privatization of enterprises - 10 million dollars. USA. BNP Paribas is the financial advisor for the individual privatization selected by the state.

The result of this hard work is the signing on April 27, 2001 of the first production sharing agreement in the history of Uzbekistan between the British oil company Trinity Energy represented by its specially created branch, also registered in the UK, UzPEC Ltd. and the National Holding Company "Uzbekneftegaz" on behalf of the Government of the Republic.

An agreement was reached with the well-known Canadian company "Phoenix Geophysics Limited" to conduct electrical surveys in the Bukhara-Khiva region using 3D electromagnetic recording system technology with satellite synchronization, having



mobilized appropriate equipment from Canada for this purpose.

Currently, the oil and gas industry of the Republic of Uzbekistan has more than 170 enterprises located in all regions of the republic and operating both in the field of exploration, production, transportation and processing of liquid hydrocarbons, and in the field of infrastructure services for the main production, in particular, construction and overhaul of oil and gas facilities, production of machine-building products for the industry, servicing employees of the main enterprises and supplying them with essential goods, as well as selling finished oil and gas products to consumers.

Oil and gas enterprises, although they are characterized by investment-friendly, long-term financial parameters, are currently experiencing certain financial and economic difficulties. This is due to the fact that enterprises have problems associated with timely receipt of funds for shipped products and timely payment for purchased inventory items. Thus, as of January 1, 2001, the accounts receivable of the industry's enterprises amounted to 309.2 billion soums, with accounts payable in the amount of 283.7 billion soums, including wage arrears of 13.1 billion soums.

At the same time, the mining enterprises that are part of the joint-stock company "Uzgeoneftegazdobycha", carrying out activities for exploration, field development, production of hydrocarbon raw materials and its transportation to processing enterprises, as well as processing natural gas, are actually contractors supplying their products (goods, works and services) within the industry. Thus, non-payments between enterprises of the industry are intradepartmental and are not reflected in the consolidated financial statements.

However, the receivables of JSC "Uzgeoneftegazdobycha" enterprises as of January 1, 2001 amounted to 56.9 billion soums, including 50.9 billion soums within the industry, with accounts payable in the amount of 53.1 billion soums, including within the system 27.5 billion soums. The wage arrears of the enterprises of this joint-stock company amounted to 3.2 billion soums.

The reason for this situation in JSC "Uzgeoneftegazdobycha" is, first of all, the supply of produced oil and gas raw materials to enterprises of other joint-stock companies within the same industry without appropriate financial guarantees, the closed system of circulation of raw materials and the need for large investments in the exploration and development of new oil and gas fields.

At fixed prices for crude oil and natural gas, the enterprises of JSC "Uzgeoneftegazdobycha". Acting as customers for the construction of oil and gas facilities in front of the enterprises of JSC "Uzneftegazstroy" and drilling of wells in front of the enterprises of JSC "Uzburneftegaz", they are not able to timely make mutual settlements with these enterprises due to the untimely receipt of funds from consumers of their products - enterprises of JSC "Uztransgaz" and "Uzneftepererabotka".

The end products of the oil and gas industry are sold by JSC "Uznefteprodukt" (for finished petroleum products), JSC "Uztransgaz" (for natural gas), as well as OJSC "O'ztashqineftgaz" (for the export of various types of products).

However, often, due to various objective and subjective reasons, the receipt of funds from the sale of products does not cover the needs of enterprises in the industry even to pay off wage arrears.

Thus, in accordance with the current legislation of the Republic of Uzbekistan, enterprises of the agricultural sector of Uzbekistan purchase oil products, while making only a 15% prepayment of the cost. However, in connection with sowing, harvesting, cotton, grain and other campaigns, in the absence of funds from the sale of products, the remaining 85% of the cost of fuels and lubricants received are paid late and not in full.

Another problem is the presence of an imbalance in accounting for the natural gas supplied to the population of the republic. In today's conditions, the supply of natural gas to wholesale consumers is carried out by JSC "Uztransgaz" through its subsidiary "Uzgazsbyt", while the supply of natural gas to the population is carried out by KSU "Boshkommungaz", which is a division of the Agency "Uzkommunkhizmat". Accounting for natural gas on the gas pipelines of the KSU "Boshkommungaz" is carried out on the basis of meter readings at gas distribution points. The lack of gas meters for gas consumers - the population does not allow to establish a clear amount of natural gas used by the population and, accordingly, collection of funds from the population is not ensured. As a result, due to the presence of technological losses in gas pipelines, an imbalance is created between the readings of the Uztransgaz JSC and the calculations of the Boshkommungaz KhsU.

Another reason for the presence of high receivables and payables of oil and gas enterprises is their implementation of intergovernmental agreements in various areas of the national economy.

Thus, in the conditions of limited convertibility of the national currency of the Republic of Uzbekistan,



enterprises of a number of sectors of the republic (electric power, chemical, agricultural), receiving certain resources abroad, are not able to pay for the cost of these resources in a freely convertible currency. According to the decisions of the Government of the Republic of Uzbekistan, payment for these resources is made by supplying oil products and natural gas to consumers of these countries, followed by reimbursement of the cost of the supplied products from consumers of resources received from abroad.

However, due to a number of objective and subjective reasons, these enterprises do not make timely payments for the delivered oil products and natural gas, as a result of which the corresponding debts of oil and gas industry enterprises are formed.

In order to repay these debts, industry enterprises are forced to resort to the services of commercial banks for lending to their activities, the payment of interest on which also negatively affects their financial results.

In addition, in order to ensure the fuel independence of the Republic of Uzbekistan, to maximize the needs of the national economy and the population of the republic in oil products and natural gas, to produce new types of oil and gas processing products on the territory of the republic, over the past 10 years of independence of the Republic of Uzbekistan, the Bukhara oil refinery, Khodjaabad underground gas storage, the Shurtan gas chemical complex, the reconstruction of the Ferghana oil refinery was carried out, oil depots were built in the cities.

Pap and Angren, the construction of a booster compressor station (BCS) at the Shurtan field has begun, a number of new fields are being developed, and various social facilities are being built for industry workers. All these investment projects required the attraction of significant funds to the industry, most of which was raised through foreign loans provided under the guarantee of the Government of the Republic of Uzbekistan.

At present, the debt of the industry's enterprises on foreign loans is more than 1.5 billion US dollars.

In addition, in today's conditions of falling production of liquid hydrocarbons from developed fields, the issue of exploration of new oil and gas fields, especially in the promising Ustyurt region, their development, commissioning, as well as increasing production from developed fields through the introduction of new types of equipment is of particular relevance. and technology in these processes.

In the context of globalization observed in world oil and gas companies, in order to stabilize the

economic condition of enterprises, ensure their consistent development, liberalize the processes of formation of their financial results and their integration into the system of transcontinental oil and gas companies, a number of measures have been and are currently being implemented aimed at further developing the oil and gas industry Uzbekistan.

Privatization is carried out thoughtfully, taking into account world experience, without revolutionary leaps, that is, in an evolutionary way.

A distinctive feature of the ongoing reforms in Uzbekistan is the provision of a programmatic approach and a phased implementation of privatization. All this work has been given a consistent, systematic character. State privatization programs have been adopted and are being implemented.

Social protection of the population is provided - by strong guarantees to each citizen of the system of benefits with a clear targeted orientation.

Given the real circumstances, the solution to the problem of privatization is combined with the demonopolization of large production and management structures.

For the legal support of privatization, a package of laws and documents was developed defining the forms of ownership, the procedure for denationalization and privatization, their basic principles, objects, forms, conditions and methods of implementation, the procedure for redemption, etc.

According to the principle "from simple to complex", the government determined the stages of privatization in the Republic.

The first (1992-1993) was small-scale privatization, which included trade, consumer services and small industry.

The second stage (1994-1995) - mass privatization, which covered enterprises of the light, food, pharmaceutical industries, procurement network, construction, transport, communications, as well as objects of basic industries.

Small-scale privatization was launched in Uzbekistan with the release of a resolution of the Cabinet of Ministers dated September 23, 1992.

As a result, 53,902 objects of the national economy were transformed into new forms of ownership, of which:

10 638 - in trade,

12 561 - in consumer services for the

population,

24 316 - in consumer cooperation,

4753 - in the field of blanks..

The World Bank provided great assistance in developing a mechanism for mass privatization. So, on



the recommendation of his specialists, when corporatizing enterprises, the elimination of the state monopoly on property was envisaged by forming 4 blocks of shares:

- labor collective (up to 25%);
- the state (up to 25%), and the total share of the state and the collective should not exceed 49%;
- for free sale (not less than 50%), including 25% or more to a foreign investor.

The mass privatization program allowed the acquisition of controlling stakes by foreign firms. Thus, the entire tobacco industry of the republic came under the control of the international company BAT Industries, and an Italian company has a controlling stake in the largest enterprise for the manufacture of motors, etc.

Foreign investors were given the opportunity to buy out enterprises in full ownership.

The effectiveness of the functioning of the market system is determined by the degree and nature of the development of the market infrastructure, which ensures the interaction of the main subjects of the market - producers, consumers, and gives the market system integrity and completeness. The main elements of this infrastructure - trade enterprises, stock exchanges, banks, financial and tax systems, audit and insurance mechanism - have already been created in Uzbekistan, including:

- Republican Currency Exchange;
- Republican stock exchange with broker offices in the regions Republican commodity exchange and fair with branches in the regions;
- Republican Real Estate Exchange;
- Insurance companies based on private capital;
- Uzbek International Bank for Privatization and Investments - "Uzprivatbank";
- Commercial banks;
- Investment funds and investment shops in regional centers;

One of the distinguishing features of the economic policy pursued in Uzbekistan is the openness of reforms in relation to the outside world, the target orientation of the republic's involvement in the system of world economic relations. Therefore, it is especially important to create a favorable investment climate that can ensure the attraction of foreign capital, modern technologies and managerial experience to the economy of Uzbekistan.

The republic has a system of benefits and incentives for foreign investors. In accordance with the Law on Foreign Investments, foreign partners are guaranteed against nationalization and requisition. They are also guaranteed the transfer abroad of profits and

other amounts received as a result of their legal activities, the opportunity to reinvest profits in the territory of Uzbekistan, to have accounts in its banks in any currency without restriction [ 2 ].

Thus, favorable conditions have been created for foreign partners for cooperation with Uzbekistan, protection of their interests and capital.

The measures taken by the leadership of our republic have a fruitful effect on the expansion of foreign economic relations, the increase in foreign investment. Currently, more than 1,350 joint ventures are registered in Uzbekistan, including those with such world-famous companies as Daewoo Corporation (Republic of Korea), RANK XEROX (Great Britain), Bursel (Turkey), Buller (Switzerland), Newmont, Coca-Cola and Pepsi-Cola (USA), Mercedes-Benz (Germany) and a number of others.

Privatization is an economic category that refers to the transfer of property rights from the state to firms and individuals, the restriction of public services to the private sector, or the narrowing of the scope of the state in order to provide more opportunities for private initiative. It is the core of the formation of market relations, the real basis for the formation of private property and entrepreneurship.

The privatization process is primarily driven by political and economic imperatives, which are driven by the country's financial and social conditions.

The state, embarking on the path of market reforms, inevitably faces the problem of how to carry out privatization, how to evaluate, divide the property of an enterprise and how to choose its buyer. In a broad sense, the outlined strategy will reflect the goals of the national privatization program, which is different for each country, depending on the political and economic situation in it.

When embarking on a privatization program, any government pursues at least two goals: reducing the budget deficit by cutting subsidies to enterprises, and replenishing the budget through proceeds from the sale of state assets. The weakening of the administrative and financial control by the government over the economic activities of enterprises makes it possible to concentrate efforts and funds on solving the priority tasks of socio-economic development.

An analysis of privatization in various countries of the world allows us to identify seven of its main methods.

1. Conducting open sales of shares of state enterprises.

Selling shares publicly can be difficult and expensive in countries with underdeveloped stock markets due to the need for a massive publicity



campaign, but these difficulties can pay off. In Jamaica, for example, such a campaign led to a successful auction for the sale of a state-owned bank.

2. Sale of shares through auctions.

This type of privatization, which has become widespread, should be carried out through auctions in order to avoid corruption and the granting of privileges to individual citizens. For example, in Mexico, the initial stage of privatization has caused much controversy due to accusations of the sale of enterprises to persons close to the ruling party at significantly lower prices.

3. Private investment of state enterprises.

It is carried out either by direct purchase of an object, or by the acquisition of a block of shares.

Private investment is not considered effective for large enterprises, since in most cases the state retains a controlling stake in the enterprise, which may affect investment decisions at a crucial moment for future success. New investment can be raised either through a public sale of shares or through private contributions.

4. Liquidation of a state enterprise with the sale of its property and subsequent payment of existing debts.

This method is used only when all hopes of saving the enterprise through internal restructuring have been exhausted. It was widely used in the privatization of industrial enterprises in Poland.

5. Separation or breakdown and restructuring of the state enterprise into separate subdivisions with their subsequent sale in parts.

In many centralized economies, large enterprises include many different types of enterprises that should be separated and unbundled before any type of privatization can begin.

At the same time, profitable divisions of the enterprise are sold as separate enterprises.

6. Purchase of the enterprise by managers and members of the labor collective.

The most significant way in this case is the Workforce Shareholder Program (ESOP). ESOP is such a mechanism that allows the team of the enterprise to take loans, returning them from future income. When loans are reimbursed, the shares become the individual property of each employee participating in their redemption.

The very mechanism for the formation of such property is based, on the one hand, on the orientation towards the market and profit, on the other hand, on the social security of the worker, which is closely related to his own ownership of the property of his own enterprise.

to the new owner not free of charge, but by buying it out. This is due to the psychological factor that they truly cherish and appreciate only what has a real value.

Therefore, the basis of privatization in Uzbekistan is the principle of payment. In this regard, its methods such as corporatization, the sale of objects by tender and auctions have become widespread.

Second, privatization leads to the creation of a diversified economy and an enabling competitive environment. The formation of the latter consists mainly in the elimination of the monopolism of individual industries and entire areas of activity through the formation of many enterprises that produce homogeneous products or provide the same services, but based on different forms of ownership - state, collective, private and others. There is an economic interest in the final result of production, the struggle for the markets of raw materials and materials, capital, sales of products.

A holding company (holding) is an organization created on a joint-stock (share) basis by enterprises that are part of a corporation, association, concern or are under the jurisdiction of state and local administration bodies, other legal entities and individuals, including foreign ones, who have voluntarily pooled their funds to carry out activities to increase the level of cooperation of allied enterprises.

The holding company ensures the fulfillment of their contractual obligations, an increase in the volume of production and sales of products (works, services), consumer goods, the efficient use of material, financial, labor and other types of resources, the disclosure of available opportunities for their technical, technological and social development.

The activities of the holding company are carried out on a commercial commission and contractual basis with enterprises in order to obtain profit (income) and achieve a positive social effect.

Holdings are legal entities and operate on the basis of the Laws "On Enterprises in the Republic of Uzbekistan", "On Business Companies and Partnerships", "On Securities and Stock Exchange", "On Restriction of Monopoly Activities".

Holdings, or parent companies, are a kind of institutions that create other joint-stock companies or have a block of shares in other joint-stock companies.

The Holding has the right, in accordance with applicable laws, to carry out investment activities, including buying and selling any securities.

In countries with a developed market system, holding companies represent an important link in the so-called participation system, with the help of which



financiers subjugate formally independent companies with capital many times greater than their own. Externally, the activity of holdings consists only in managing a block of shares and collecting dividends and income from exchange operations. In reality, holdings, by capturing a controlling stake in a company, get the opportunity to appoint their people to the board, board of directors and other bodies of the controlled company.

To establish control over other companies, holdings use the division of shares into ordinary shares with the right to vote and preferred ones, but without the right to vote. With the help of share differentiation, holdings with small funds get the opportunity to control, as noted above, capital that is dozens of times greater than their own. The mechanism is as follows: on the stock exchange, the holding company sells mostly non-voting shares, and shares with voting rights, the share of which is small, are sold to persons interested in this company, and are also partially reserved in case additional company votes are needed. The capital mobilized by selling preferred shares, the holding company invests in the shares of those companies over which it intends to gain control, and it naturally buys shares that give voting rights, which allows the holding company to control much more with the help of a relatively small equity capital. large capitals of dependent firms.

Currently, the holding company in the Western economy is the financial center and the brain of any large corporation. All strategic decisions on the development of the company, both in the domestic and foreign markets, are made by those persons who are part of the holding company of this company, that is, they are its main shareholders.

Holdings can be created:

during the transformation and denationalization of large enterprises with the separation from their composition of subdivisions as legally independent (subsidiary) enterprises;

when combining blocks of shares of legally independent enterprises;

when establishing new joint-stock companies.

The main strategic goal of the Republic of Uzbekistan is the construction of an open democratic state with a market economy, the formation of the foundations of a diversified economy and a class of real owners.

Over the years of independence, more than 40 laws have been adopted that regulate the processes of denationalization, privatization, support for entrepreneurship and attraction of investments, the main of which are: "On property in the Republic of Uzbekistan", "On denationalization and privatization",

"On securities and the stock exchange", "On mechanism of functioning of the securities market", "On Joint Stock Companies and Protection of Shareholders' Rights", "On Guarantees of Freedom of Entrepreneurial Activity", etc.

The process of privatization of the largest enterprises, including enterprises that are part of the Uzbekneftegaz National Holding Company, is carried out through the Bureau for Individual Privatization of Enterprises and consists of three phases: enterprise assessment, preparation of a privatization plan, conclusion of a sale and purchase transaction. All three phases are carried out by the same investment bank, which receives most of the remuneration in the form of commissions from the sale. Investment banks are selected through an open tender in accordance with the recommendations of the World Bank.

In order to comprehensively and effectively develop the oil and gas fields of Uzbekistan, to provide the national economy and the population of the republic with gas, gas condensate, oil and their products, to further improve the management structure of the oil and gas industry, Decree of the President of the Republic of Uzbekistan dated May 3, 1993 No. UP-393 "On the formation of the Uzbek state concern of the oil and gas industry "Uzbekneftegaz".

The Decree of the President defined the following main tasks and activities of the state concern "Uzbekneftegaz":

coordination of activities of associations, enterprises and organizations engaged in exploration, production, processing and transportation of oil, gas and gas condensate, construction of gas, oil and oil and gas processing industry facilities on the territory of the republic;

ensuring efficient operation of oil and gas fields, further development of the oil, gas and oil and gas processing industry in the republic, growth of oil and gas reserves;

pursuing a unified technical policy in the concern system, assisting in the expansion, reconstruction and technical re-equipment of enterprises, in the development and mastering of modern technologies;

organization of research, survey and design work in the field of exploration, production, processing and transportation of oil, gas and gas condensate;

compliance with the requirements for the protection of subsoil and other natural resources during the exploration and exploitation of oil and gas fields, etc.

In accordance with the above Decree of the President of the Republic of Uzbekistan and in order to coordinate the activities of associations, enterprises and





organizations of the oil and gas industry for the integrated development of oil and gas fields, providing the national economy of the republic with oil, gas and gas condensate, as well as products of their processing, the Cabinet of Ministers of the Republic Uzbekistan adopted a resolution dated May 13, 1992 No. 233 "On the activities of the Uzbek State Concern of the Oil and Gas Industry ("Uzbekneftegaz")".

In this regard, the production association "Sredazgazprom" was transformed into the production association "Uzbekgazprom", and the production construction and installation association "Sredazneftegazstroy" - into "Uzbekneftegazstroy". The composition of the production association "Uzbekneft" included: Andijan Experimental Plant NPO "Burenie", Andijan Specialized Design Bureau NPO "Burenie", Leninsky oil pipeline department of the Department of main oil pipelines of Kazakhstan and Central Asia of Glavtransneft, installation and commissioning department of Soyuzneftenergomontazhavtomatika, and Neftemashremont office of Soyuznefteburmashremont. Enterprises, organizations and institutions were also included in the composition of the PA "Uzbekgazprom" and the PSMO "Uzbekneftegazstroy".

The Uzbek State Concern "Uzbekneftegaz" was recommended to create in its composition:

- a paramilitary unit to prevent the occurrence and liquidation of open gas and oil gushers on the basis of active units;

- trade and production association on the basis of existing departments of working supply and trade and production enterprises of the gas, oil industry and oil and gas construction;

- center for training and advanced training of personnel;

- production and research and production associations with a complete production cycle.

The supreme governing body of the state concern "Uzbekneftegaz" was the Council, which elected the board, determined the structure and size of the apparatus, the payroll fund, the system and conditions for material incentives for employees. The Concern was granted the right to give business entities, regardless of their departmental subordination, binding conclusions on the volume of gas consumption, construction and operation of oil, gas, oil and gas processing industry facilities, and work in the protected zones of gas pipelines.

In order to ensure the effective functioning and further development of the oil, gas and oil refining industries of the republic, in the context of the transition to market relations, the expansion of the initiative and

independence of structural units and the reliable supply of consumers with oil, oil products and gas, the President of the Republic of Uzbekistan adopted a Decree dated December 23, 1992 No. UP-518 "On the transformation of the Uzbek State Concern of the Oil and Gas Industry into the National Corporation of the Oil and Gas Industry "Uzbekneftegaz".

Based on this Decree, the Uzbek State Oil and Gas Industry Concern was transformed into the National Oil and Gas Industry Corporation Uzbekneftegaz. It was also established that the National Corporation "Uzbekneftegaz" is an economic association that unites on a voluntary basis state, state-joint stock, rental, collective, joint associations, enterprises and organizations engaged in search, exploration, extraction, processing, transportation and sale of oil, gas and oil products, construction of oil and gas industry facilities, as well as enterprises and organizations of other industries and foreign legal entities interested in the development of the industry.

The supreme body of the National Corporation "Uzbekneftegaz" was the constituent assembly of the corporation. The corporation carried out its activities on the basis of legislation and its Charter, which was approved at the constituent assembly of the corporation.

In pursuance of this Decree of the President of the Republic of Uzbekistan, a resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 14, 1993 No. 31 "On issues of organizing the activities of the National Oil and Gas Industry Corporation Uzbekneftegaz" was issued.

Organizations, enterprises and associations of the oil and gas industry came up with a proposal to abolish the production associations "Uzbekgazprom" and "Uzbekneft" and create on their basis: the state-owned joint-stock association "Uzbekneftegazdobycha" and other divisions. That is, there was a reorganization in the structure of the former concern. The National Corporation "Uzbekneftegaz" was the legal successor of all contracts and obligations concluded by the Uzbek State Oil and Gas Concern.

The government determined that the state's share in the shares of denationalized and privatized enterprises and organizations, namely in the state joint-stock associations "Uzneftegazdobycha" and "Uzneftegazstroy" is not less than 51%; trade and production joint-stock association "Neftegazsnabzhenie" - not less than 30%. It was also established that 100% of the capital of the enterprises specified in Appendix 2 of the Cabinet of Ministers resolution are republican property.



Decree of the Oliy Majlis of the Republic of Uzbekistan dated August 31, 1995 No. 119-1 "On some issues of denationalization and privatization of individual enterprises and property", as well as resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 4, 1995 No. 448 "On some issues of denationalization and privatization of individual enterprises and property" approved the main directions for deepening the processes of denationalization, privatization and support for entrepreneurship in the Republic of Uzbekistan.

The Republic of Uzbekistan achieved fuel independence in a very short time and turned from an oil importer into an exporter of oil products. The leadership of the Republic and the Government are taking all measures to develop market conditions in the country and further liberalize the economy.

It is precisely for the liberalization of the fuel and energy complex of the republic, attracting strategic foreign investors to this complex, improving the management system in the oil and gas industry by Decree of the President of the Republic of Uzbekistan dated December 15, 1998 No. UP-2154 and Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 15, 1998 No. 523 The Uzbekneftegaz National Oil and Gas Industry Corporation was transformed into the Uzbekneftegaz National Holding Company. By this resolution, the Cabinet of Ministers established that:

Joint-stock	companies
"Uzgeoneftegazdobycha",	"Uzneftegazstroy",
"Uznefteprodukt",	"Uzneftepererabotka",
"Uzneftgazishchitaminot",	"Uzburneftegaz",
"Uztransgaz", "Uzneftegazmash" are created in the form of an open joint-stock company with the rights of a legal entity;	

The established joint-stock companies are legal successors under the contracts and obligations concluded by the relevant business associations, on the basis of which joint-stock companies are created.

It was also determined that the initial authorized capital of the holding's joint-stock companies is formed by transferring to them:

property of state enterprises that are part of joint-stock companies;

controlling stakes in subsidiaries of the company, owned by the state, as well as intended for free sale, including to foreign investors;

blocks of shares owned by the state in - joint-stock companies - associated participants of companies. The government established that the initial authorized capital of the National Holding Company Uzbekneftegaz is formed by transferring to it:

-51 percent of the block of shares of the holding's joint-stock companies;

- property of state enterprises directly accountable to the holding company;

- blocks of shares owned by the state in joint-stock companies - associated members of the holding company.

State-owned enterprises and organizations, as well as subsidiaries of joint-stock companies, which are part of the Uzbekneftegaz holding company and joint-stock companies, are legal entities.

The following procedure for the distribution of blocks of shares of joint-stock companies of the holding has been established:

- 51 percent of the company's shares are fixed in state ownership and contributed to the statutory fund of the holding company;

- no more than 10 percent of the shares of the companies are placed among the members of the labor collectives of the companies;

The structure of Uzbekneftegaz was created in the form of a vertically integrated three-level holding company, whose enterprises carry out all types of activities related to the oil and gas industry, from exploration and production of raw materials to the sale of finished products to consumers.

The company includes 8 joint-stock companies, each of which operates as a sub-holding and controls the property and blocks of shares of enterprises directly involved in production activities.

According to the Decree of the President dated June 30, 2017 No. PP-3107 "On measures to improve the management system of the oil and gas industry". The following structural changes were made in the system of organizations in the oil and gas industry.

A number of industry organizations have been renamed. NHC "Uzbekneftegaz", JSC "Uzneftegazdobycha", JSC "Uztransgaz", JSC "Uznefteprodukt", JSC "Uzneftegazmash" - into joint-stock companies, JSC "Uzgeoburneftegaz" - into JSC "Uzburneftegaz", LLC "Uzgasengineering" - into LLC "Neftegazstroy" [ 6 ].

Some organizations are being reorganized. UE "Avtogaztaminot" has been transformed into a limited liability company, certain organizations according to the list will be attached, and others (also according to the list) will be withdrawn from JSC "Uzbekneftegaz" and its joint-stock companies (with bidding).

On the basis of 6 interregional unitary enterprises of JSC "Uztransgaz", 14 territorial branches of gas supply are being created. In the future, their



number will be optimized with the transformation into inter-district gas supply sections [ 7 ].

On the basis of 23 unitary enterprises of JSC "Uznefteprodukt" 15 regional organizations have been created in the form of limited liability companies for the sale of petroleum products. It is necessary to optimize the number of low-margin facilities for the storage and sale of petroleum products[ 7 ].

As part of Uzbekneftegaz JSC, Neftgazexport LLC was created, and Uzneftegazstroyinvest JSC is being liquidated.

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