

Uzbekistan Opening New Doors for Private Sector

By Moazzam Mekan, IFC Regional Manager for Central Asia

Uzbekistan is one of the fastest-growing economies in the world, and aspires to become an upper middle-income country by 2020. With the largest population in Central Asia, abundant natural resources, and a strategic location, Uzbekistan has significant potential to grow. To take advantage of this potential and foster sustained economic growth, the country should continue to promote a vibrant private sector, supported and enabled by efficient public services and investment and a renewed focus on market-relevant skills in the labor force.



The Government of Uzbekistan is adopting a number of reforms to enable private sector growth. But further development of the private sector will require broader improvements to the business and investments climates, including deepening the financial sector, streamlining the tax system, liberalizing regulations, and providing sufficient access to finance.

The Uzbek government is keen on expanding the role of the private sector in the economy. It recognizes

the need to develop the private sector by protecting private property, reducing government controls, and minimizing the cost of doing business. In this context, the government has embarked on a privatization program that includes chemical plants and several banks and shows a strong commitment to increased private sector participation in the economy. The program aims to help Uzbekistan's SOEs form stronger links with the private sector to attract investment, access new technologies, and strengthen management capacity.

In sectors where the state will reduce its role, secure new investment into infrastructure, or bring in best management practices from a strategic investor, the private sector can participate through a public private partnership or through the privatization of an existing business. This is best achieved by allowing majority private ownership to ensure sustainable and responsible investment. International investors also want to ensure that companies have sufficient freedom to run effectively and the flexibility to introduce any changes necessary to help them thrive.

Even in strategic sectors where the state will always have a leading role, there are opportunities to benefit from private sector investment and expertise. Uzbekistan has a good opportunity to develop long-term agreements between the state and private investors for delivering public services or managing public assets, where the private partner brings investments and technology, bears management responsibility, and is paid according to performance.

This is what we refer to as a private-public partnership, or PPP. In addition to securing capital contribution for much needed infrastructure investment and risk sharing, PPPs can also foster innovation and boost job creation and economic growth. For these reasons, many governments have placed PPPs at the heart of their development strategies.

Beyond PPPs, there is tremendous opportunity to improve performance through partnerships with the private sector to upgrade technologies and strengthen management capacity, as well as through implementing professional standards for corporate governance and financial reporting.

