

## I. INTRODUCTION

1. The Asian Development Bank (ADB) undertook this study with the expectation the results would be incorporated into the country strategy and program (CSP) for Uzbekistan. Similar studies have been and will be conducted as part of CSP preparation for other developing member countries. This study aims to provide an assessment of the status of private sector development (PSD) in Uzbekistan, and identify the main constraints and priority areas for reforms. The study also suggests areas and actions for further development cooperation.

2. The private sector is widely recognized to be critical to Uzbekistan's economic development. However, little detailed and reliable information on the country's private sector is available. As a result, reconciling the often-divergent private sector assessments and recommendations of various stakeholders is difficult. This private sector assessment study attempts to start filling in the knowledge gaps about Uzbekistan's private sector by gathering and compiling as much relevant information as possible in Part II.

3. However, the main thrust of this study is the analysis and evaluation of the most important PSD trends and issues in Uzbekistan. PSD issues and options must be evaluated in the context of a country's overall policy and institutional environment. Since gaining independence from the former Soviet Union (FSU) in 1991, Uzbekistan has pursued a gradual approach to economic reforms. This has produced an economic system that differs in a multitude of policies and institutional arrangements from those established in most of its neighboring countries since the transition began. The Uzbek economic system is a regulated market economy that combines features of a centrally planned economy with elements of a market economy. This study acknowledges these systemic differences. Part III outlines the systemic framework for the private sector in Uzbekistan, while Part IV presents the specific PSD constraints within an economic system that is still largely state-controlled. A brief description of ADB's previous PSD interventions in Uzbekistan is in Part V. Part VI proposes approaches to PSD that are tailored to the peculiarities of the Uzbek economic system.

4. Given the peculiarities of the Uzbek economic system, a private sector assessment for Uzbekistan must differ substantially—in its analytical approach, presentation of factual evidence, and conclusions—from similar studies on other transition economies in which the dominance of the market already has been firmly established.

5. Work on this study began in 2004. In early 2005, a draft assessment was provided to the Government and other stakeholders to solicit comments. Subsequently, the assessment was revised to take into account written comments and additional data provided by stakeholders, including Government and private sector organizations. The study also incorporated oral comments by participants at two workshop presentations of the assessment, which were held in Tashkent in March and April 2005.

6. Discussions with numerous Government officials, representatives of domestic and foreign enterprises and businesses, and representatives of other development partners of Uzbekistan benefited this report greatly. ADB's Uzbekistan Resident Mission also provided valuable assistance. However, the views expressed in this report, as well as any errors, are the authors' and do not necessarily reflect those of the people or organizations that met and discussed with the authors.