

BANKRUPTCY PROCESSES IN UZBEKISTAN

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INTRODUCTION

During Soviet times, the Central Asian countries, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, had many similar features in terms of culture, structure, and institutional organization. They were governed from Moscow and shared Russian as a common language of communication. While being referred to as “countries in transi-

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tion” for the 14 years since the break up of the Soviet Union, these countries are actually at very different levels of economic development.

After declaring the country’s independence in 1991, the Uzbek government with the President, Mr. Islam Karimov, set a new course for the country’s development. The Uzbek government is often criticized for having tight control of all aspect of business, economic, and financial relationships in the country. It issues laws, decrees, and regulations governing each and every situation, and each and every aspect of life. Not surprisingly, the country’s bankruptcy processes are tightly controlled by the Uzbek Government as well.

Since the bankruptcy concept was introduced in the post-Soviet legislation in 1996, the Uzbek government has closely monitored the development of the bankruptcy process. This is primarily due to the fact that most of the companies in the country have been state owned. The government continues to be the major player in deciding which companies are to be declared bankrupt and how the processes and proceedings to be carried out. The bankruptcy law has been revised a number of times with the latest version enacted in 2003. Along the way, the Uzbek government has issued a number of additional decrees, resolutions, and orders pertaining to bankruptcy matters.

While the basis for the bankruptcy proceeding has been put in place for almost 10 years, enforcement of the law and establishment of independence of the institutions involved in the bankruptcy process still have a long way to go. As the President of the European Bank for Reconstruction and Development (EBRD), Jean Lemierre, said in one of his interviews, “I think that generally, over the past decade, the countries of Central Asia have managed to develop basic legal rules to support private investment, however, it is still a big challenge to make legislation work in practice. These countries need to develop better enforcement mechanisms, strengthen institutions and raise awareness of the new legal regimes.”

The objective of this paper is to provide an overview of the legal definitions related to bankruptcy and the measures the Uzbek government has attempted to implement in the course of the country’s economic development in the post-Soviet time.

ABOUT UZBEKISTAN

Country Overview

Uzbekistan has a fairly closed economy with a totalitarian leader. It is mainly agricultural, with rather limited natural resources. There is no open access to water. Its people are primarily Muslim.

Uzbekistan's leading industrial products are: textiles, agricultural and textile machinery, aircraft, natural gas, and gold. The country is the second largest producer of cotton in the world, and one of the largest producers of gold. The agricultural production in Uzbekistan accounts for over 40% of all employed and over 30% of the country's GDP.¹ The country's textile, food, chemical, and other branches of light industries depend heavily on its agricultural production. In addition, vendors serving agriculture depend on its productivity. Among the Central Asian republics, Uzbekistan is the largest electricity producer and a net exporter of electricity.²

Like many of the former Soviet republics, Uzbekistan's economy has suffered as a result of the dissolution of the USSR and the disruption of trade ties with other former Soviet republics. Net material production declined by more than 14% in 1992. In the post-Soviet period, machinery parts, fuel, and other imports have been in short supply. In 1993, Uzbekistan introduced its own currency, the Soum³ coupon, to replace the Russian ruble.⁴

Table 1. Principal indicators of economic development of the Republic of Uzbekistan, 1996-2003 (in percentage to the previous year).⁵

Indicators/Years	1999	2000	2001	2002	2003
GDP (\$ billion)	17.1	13.5	11.6	8.2	9.9
GDP Growth Rate	4.30%	3.80%	4.20%	4.20%	4.40%
GDP Per Capita (\$)	684	541	451	382	394
Inflation	26%	28.20%	26.60%	21.60%	10%
Unemployment (official)	0.40%	0.60%	0.40%	0.40%	0.20%
International Reserves (\$ billion)	1.242	1.273	1.212	1.215	n/a
Average Exchange Rate (sums per U.S. dollar)	124.72	237	423	771	971.3
Gross External Debt (\$ billion)	4.31	4.23	4.28	4.36	3.8

The Uzbek government has delayed market reforms. As a result, the economy remains largely state-controlled. Price controls have been imposed on many consumer goods, and subsidies continue to be allocated to inefficient businesses. While formally declared and publicized

by the government, progress toward privatization of the economy has been severely limited. Private land ownership has not yet been legalized.

Current concerns include terrorism by Islamic militants, economic stagnation, the curtailment of human rights, and slow progress toward democratization.

Government

According to the constitution adopted in 1992, the head of the state is the president. The president is also the head of the executive body, the Cabinet of Ministers. The high legislative body of the country is the one-chamber Oliy Majlis (the parliament) comprised of 250 deputies. The court system consists of the Constitutional Court, the Supreme Court, and the Higher Economic Court of Uzbekistan. The members of the Supreme Court and the High Economic Court of Uzbekistan as well as those from regional, municipal, and district courts are elected for the period of five years. A number of state ministries are responsible for different spheres of activity in the country as well as a number of funds and committees subordinated to ministries.

Privatization Process

Privatization in Uzbekistan has involved two major periods. After the declaration of the country's independence, the government issued two programs outlining tasks and timeline for each of the stages. The first privatization program was initiated in 1992 and included three stages:⁶

The first stage (1992-1993) was aimed at privatization of the state housing fund, small and medium-size businesses engaged in trade, service, local, light, and food industries; automobile transport; and construction.

The second stage (1994-1996) was aimed at wide-scale privatization of all branches of industry (except the basic ones), including agricultural complexes.

The third stage (1998-2003) included the privatization of industrial giants, subsidiary enterprises of fuel and energy complex, and chemical, metallurgical, and machine-building industries. In 1999, the government publicly declared its goal to be to attract foreign capital in the economy.

The second period began in April 2003 when the Government issued a new resolution "On the Program of denationalization and privatization of enterprises in 2003-2004."⁷ Three types of companies were approved to be privatized:

- (1) state companies where the state's share will be sold completely through the stock exchange over-the counter market;

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- (2) state companies and assets that will partially be sold and the state will retain 25-50% of the stock; and
- (3) state-owned companies of strategic significance where the state will retain over 51% of the stock.

As a part of this program, the government established methods and basic criteria for the sale of state-owned unprofitable, economically insolvent, and illiquid state companies at zero redemption value on a tender basis with certain obligations taken by the investors buying such property. Investors receive benefits from the state, such as writing off the bad debts on payments to the state budget including: fees and penalties, no taxation, and custom duties. While this has helped attract some foreign investments, the actual mechanism of how investors are allowed to acquire these companies is still not transparent.

BANKRUPTCY LAW

Development of Laws and Regulations Governing Bankruptcy

Uzbek bankruptcy proceedings are governed primarily by the Law of the Republic of Uzbekistan on Bankruptcy (the Bankruptcy Law). The civil code also contains a section on bankruptcy. Special law governs sanitation (rehabilitation) of agricultural companies⁸. Additionally a number of government resolutions are issued regularly to clarify procedural issues of rehabilitation and bankruptcy procedures.⁹ Existing procedures in Uzbekistan are designed to favor the rescue of companies over the recovery of value for the creditors.

Since the introduction of the bankruptcy concept in 1996 in the Decree of the President of the Republic of Uzbekistan on “Measures to facilitate the enforcement of the law on bankruptcy of enterprises,”¹⁰ the definitions of bankruptcy and bankruptcy proceedings have been through many changes and amendments.

The first bankruptcy law in Uzbekistan was issued in 1998. Since then, three major revised versions were enacted in 2000, 2002, and 2003. As of this writing (2005), the most recent version of the Bankruptcy Law was issued and enacted on in 2003.¹¹ There is no official translation of this law in English.

Together with the most recent version of the Bankruptcy Law, the Uzbek government issued a number of additional regulations aimed at improving bankruptcy procedures. They include:

- (1) Decree of the Cabinet of the Republic of Uzbekistan (RUz) No. 138, 03/23/2004 “On measures for the organization of activity of judicial managers of insolvent companies”;

- (2) Decree “On judicial managers” (Appendix 1 to the Decree of the Cabinet of RUz No. 138, 03/23/2004);
- (3) Decree “On certification of judicial managers” (Appendix 1 to the Decree of the Cabinet of RUz No. 138, 03/23/2004); and
- (4) Decree of Oliy Majlis of the Republic of Uzbekistan No 475-II, 04/24/2003 “On the order of enacting the Law of Ruz—‘On Bankruptcy’” (new edition).

CONTRIBUTION FROM FOREIGN ORGANIZATIONS

The development of Uzbekistan’s Bankruptcy Law has benefited from the participation of various foreign government and academic organizations.

TACIS (Technical Assistance for Commonwealth of Independent States) Insolvency Programme in Uzbekistan in 1999-2002 contributed to the procedural development and education of bankruptcy managers.¹²

The gtz project office “Law Reform in Transition States” at the University of Bremen used to offer a free legal database “LexInfoSys”¹³ where most of the regulations were tracked and often translated into English. This database consisted of more than 7,500 legal acts (July 2004) enacted in Uzbekistan, as well as Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, and Turkmenistan. Since August 2004, this database has not being renewed as the project capacities have become insufficient for a regular update of the data base (“LexInfoSys,” 2004).

EBRD legal reform projects in Central Asia have included work on bankruptcy in Uzbekistan. The laws in Uzbekistan were viewed as “barely adequate” with regard to commercial legislation.¹⁴ “There have been few success stories in this country over the past decade, and overall investors are less likely to be attracted by the legal systems.”¹⁵

Other international organizations, such as the World Bank, USAID, and the Asian Development Bank (ADB), have contributed to various spheres of economic and legislative development providing technical assistance and often financial resources.

DEFINITIONS PROVIDED IN THE BANKRUPTCY LAW

The Bankruptcy Law governs bankruptcies of commercial enterprises and individual entrepreneurs. It also differentiates specific procedures for banks, insurance companies, town-forming companies, and agricultural companies. This law is not applicable for state budget-funded organizations.

In accordance with the Bankruptcy Law, bankruptcy (economic insolvency)¹⁶ is defined as the inability of the debtor to satisfy the creditors’ claims under pecuniary obligations, or statutory payments within three months after the due date. The bankruptcy application can be filed if

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aggregate claims to an indebted legal entity total at least 500 minimum wages¹⁷ (approximately 2,940 USD) and those to an indebted individual total at least 30 minimum wages (approximately 175 USD).

To be established, a bankruptcy filing must be recognized by the Economic Court or declared by the debtor under the voluntary liquidation provisions. The debtor, creditor, and public prosecutor each have the right to apply to the Economic Court to declare the debtor bankrupt due to the debtor's failure to fulfill pecuniary obligations. When statutory payments to the state are overdue, the debtor, the prosecutor, the tax authorities, and other authorized state agencies each have the right to file a petition for the debtor's bankruptcy with the court.

Bankruptcy filings initiated in another jurisdiction against a company established in Uzbekistan are not recognized in the country. In order to be recognized, the bankruptcy application must be filed with the Economic Court of Uzbekistan. Specifically, chapter 11 proceedings initiated in the U.S. regarding a company established in Uzbekistan will not be recognized in Uzbekistan.

The Bankruptcy Law defines the debtor¹⁸ as a legal entity or an individual entrepreneur that is unable to satisfy creditors' claims or pecuniary obligations, and to make statutory payments within the terms explained above. Pecuniary obligation is the debtor's duty to pay a definite amount of money stipulated by a contract regulated under the civil law, or stipulated by any other basis regulated by the legislation of the Republic of Uzbekistan. Statutory payments include taxes, charges and other required payments to the state budget and nonbudgetary funds.

The Bankruptcy Law defines the creditors as legal entities or individual entrepreneurs who have claims against the debtor. This definition does not include individuals to whom the debtor is responsible for causing harm to life or health. Nor does it include founders (participants) of the debtor's legal entity.

Procedures applied in the case of insolvency are differentiated between pre-trial and trial. The debtor, creditors, and third parties (on the basis of agreement with the debtor) can each initiate the pre-trial sanation (rehabilitation) before the initiation of bankruptcy proceedings in the Economic Court.

Pretrial sanation (rehabilitation) is understood as measures implemented by founders or the owners of the debtor's property, debtor's creditors and others with the objective of recovering the debtor's ability to pay its financial obligations and thereby prevent its bankruptcy. An application to the court is required for the court to initiate a formal pre-trial sanation (rehabilitation) procedure. However, the law does not specify how the court can define the debtor's insolvency, whether using either a cash flow or a balance sheet test.

The pretrial rehabilitation measures¹⁹ include, but are not limited to:

- full or partial factoring of the past due debts
- changing the major line of business with the objective of starting to produce competitive goods and services
- use of highly qualified specialists
- personnel training
- attraction of additional financing from legal entities and individuals

The debtor can also apply to the State Committee on Affairs of Economic Insolvency of Enterprises for technical and financial assistance.

The pretrial sanation measures may last up to two years, and may be ended by the court if the measures are deemed to be ineffective.

The bankruptcy proceedings²⁰ ruled in the court for the indebted legal entity include the following:

- supervision or monitoring
- trial sanation
- amicable agreement
- external management
- liquidation

The bankruptcy proceedings for the individual debtor are limited to amicable agreement and liquidation.

To carry out the trial procedures, the Economic Court approves a trial manager. Correspondingly with the bankruptcy procedures, the trial manager can act as a sanation manager, external manager, and liquidation manager. To be appointed as a trial manager, one must have a high level of education, two years of work experience, and be certified by the State Committee on Affairs of Economic Insolvency of Enterprises. The trial manager must insure his activity within 10 days after the appointment for a case.

Monitoring is a bankruptcy procedure applied by the court to the indebted legal entity once the debtor is recognized as bankrupt until the beginning of the next bankruptcy procedure. Monitoring is aimed at protecting the debtor's property and conducting analysis of its financial position.

Trial sanation is a bankruptcy procedure applied by the court to the indebted legal entity in order to restore its ability to pay debts without transferring management powers to the sanation manager.

External management is a bankruptcy procedure applied to the debtor for the purpose of restoring its ability to pay. With external management, the power over the debtor's property is transferred from the debtor's management to the external manager. The external manager is a person

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appointed by the Economic Court to carry out external management and execute other powers established by the Bankruptcy Law.

The Bankruptcy Law does not have a clear definition of a discharge. In practice, an equivalent to a discharge occurs either during rehabilitation or external management. In such cases, the debtor receives beneficial terms on paying the debt out. Beneficial terms may include a relief of interest and penalties on payments to the state budget, and in rare cases a discharge of the debt principal too. The creditors need to authorize the debt discharge. Usually, payments get postponed, but not discharged.

A liquidation procedure is a bankruptcy process applied to the debtor for the purposes of proportional satisfaction of the creditors' demands, freeing the debtor from the remaining unpaid debts, and for the protection of the various parties against unlawful actions with respect to each other. The liquidation manager is a person approved by the Economic Court to carry out the liquidation procedure and exercise other powers established by the present Bankruptcy Law.

Amicable agreement is an agreement between parties for the termination of the judicial dispute on the grounds of reciprocal concessions.

Once the bankruptcy petition has been filed, the court has five days to decide whether or not to accept it. Within 10 days after the application has been accepted, the court has to issue an order for the monitoring of the debtor's activity. Under the Bankruptcy Law, the court must consider the case within one month after the petition's filing. In rare cases, the hearing can be extended for up to two more months.

Following the bankruptcy hearing, the court renders one of the following decisions:²¹

- declare the debtor bankrupt and start the liquidation proceedings (a creditors' committee will be formed at this stage to oversee the bankruptcy)
- start rehabilitation procedures (trial sanitation)
- start external management and extend its duration
- refuse to declare the debtor bankrupt and dismiss the petition
- leave the debtor's petition without consideration; it is unclear from the law what would be the next steps in this case
- approve amicable agreement

ORDER OF PRIORITY IN SATISFYING CREDITORS' CLAIMS²²

Prior to paying any creditors' claims, the following expenses must be paid: court costs, expenses associated with remuneration to the external manager and authorized agent, current public and operating payment obligations arising in the process of external management and opening of liquidation procedure.

Creditors' claims are satisfied in the following order of priority:

- (1) claims for payments to the state budget, off-budgetary state funds, wages, and claims of individuals to whom the debtor caused damages with regard to their property;
- (2) payments of statutory insurance, bank loans, and insurance on bank loans;
- (3) creditors' claims secured by the debtor's collateral;
- (4) claims of unsecured creditors;
- (5) shareholders' claims; and
- (6) all other claims.

Claims of each succeeding priority are satisfied only after all claims of the prior priority have been paid (absolute priority of claims principle). If not enough money is available to pay to all creditors of a certain priority, their claims are satisfied proportionally to their share. An announcement in an official newspaper must be issued after the final payment has been made. The remaining property (if any) after all claims have been satisfied goes to the debtor's founders or owners. Claims that remain unsatisfied due to lack of funds are considered resolved.

GOVERNMENT INSTITUTIONS RESPONSIBLE FOR OVERSEEING THE BANKRUPTCY PROCESSES

The State Committee on Bankruptcy and Sanation of Companies (Bankruptcy Committee) under the Ministry of Macroeconomics and Statistics is the government body responsible for overseeing the bankruptcies of state and private companies. Decisions made by the Committee within the scope of its responsibilities are mandatory for all ministries, state committees, and other government bodies as well as for all legal entities and individuals.

According to Government Decree No. 294 issued in 2003, the primary goals and directions of activity of the Bankruptcy Committee include:

- (1) to carry out state policy on bankruptcy;
- (2) through monitoring, to identify factors resulting in financial instability and bankruptcy of large companies and those with state ownership;
- (3) to develop suggestions for the Cabinet of Ministers on improving the bankruptcy legislation and forming a favorable legislative, macroeconomic and investment environment for the financial economic activity of companies;
- (4) to undertake measures on bankruptcy prevention in companies;
- (5) to take coordination measures on companies' restructurings and improvement of their financial positions; and

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- (6) to take steps designed to prevent the bankruptcy of agricultural companies and farms that have positive prospects for development by providing them with state support during pre-judicial sanitation.

APPLICATION OF BANKRUPTCY LAW

In countries with well-developed bankruptcy infrastructure (appropriate regulations, well defined players, institutions), bankruptcy plays a positive role in financial stability as it encourages business people to conduct business with a thorough evaluation of possible business risks.

Being a very current topic in Uzbekistan, bankruptcy so far has been used mainly to privatize insolvent state-owned companies. Many Uzbek companies, primarily the large ones, are in a quite difficult financial situation. They have exhausted their working capital, lost much of their market share, and have only slowly adapted to the new conditions thereby inhibiting the economy's transition to an open market. Even onetime cash infusions (provided either by the government or by investors) do not help the situation very much. The new funds are generally applied to fulfill current needs (pay off past due debts) and thus provide little for the companies' development. At the same time, continuing losses lead to the accumulation of debt, penalties, and fines, and gradually lead to financial insolvency and bankruptcy.

Many companies with state control (up to 8% of all state-controlled companies in 2002) faced insolvency. They play major roles in such industries as power generation, chemical production, cotton production, and other industrial sectors of the economy. Overdue payables by insolvent companies to their vendors remain one of the major obstacles in the country's economic development and, as such, tend to lead to a domino effect of additional insolvencies.

Table 2. Statistics of companies declared bankrupt²³

Year	1998	1999	2002	2004
Number of companies declared bankrupt	436	722	1,032	1,742

As pointed out in the ICG Central Asia 2004 Report, "While Russia, Kazakhstan and other CIS states embarked on painful but necessary reforms in the early 1990s, Uzbekistan moved slowly, retaining much of the old Soviet system behind a facade of modernization and democratization. President Karimov developed his own economic philosophy that stressed social stability over market reforms and retained many elements of central planning and the state's key role. The government has often

imposed conditions on privatizations that make foreign investment unattractive. Typical sale conditions include maintaining the profile of the factory, effectively condemning the buyer to continue the same unprofitable lines that bankrupted the company in the first place. Interest in these properties is likely to remain minimal as long as the privatization process and the rest of the economy remain in their present state.”²⁴

During its eight years of formal existence, the Bankruptcy Law in Uzbekistan has been officially updated and reissued at least five times. In addition, numerous government decrees and enactments are being issued supposedly to address problems.

In many cases, newly issued decrees and regulations either cancel or amend previously issued ones and those involved in the process need to constantly track newly upcoming resolutions. Examples of such amendments would be: “Point 2 is to be considered null and void in accordance with Point 3 of the Decree by the President of RUz No. UP-2841 dated May 14, 2001 enclosure (as amended by the Decree of the President of the Republic of Uzbekistan No. UP-1870 of October 10, 1997);²⁵ “Consider disabled, lost its force,” the Decree of the President of the Republic of Uzbekistan No. UP-1740 dated March 31, 1997; “About supplementary measures of development of securities market and extension of involvement of foreign investors on stock market of the republic.”²⁶ Also, many decrees and laws are inter-referenced, rather than self-standing.

The inadequate educational level of judges and bankruptcy managers is another problem for Uzbekistan’s bankruptcy system. Many, if not most of them received their education during Soviet times and have not adapted very well to the new conditions. Understanding of market economy principles—such as private property relationships, interdependency of supply and demand, risk, and return—is practically nonexistent. In addition, these professionals have to keep track of newly enacted legislative acts, many of which do not address the matter anyway. There is still no adequate regulation on how companies are being evaluated and what criteria is a reliable indicator of insolvency, whether it is based on the cash flow or on the balance sheet.

The Bankruptcy Law is always one of the major matters discussed at sessions of Oliy Majlis (the Parliament) with one of the officials always reporting what new decrees have been enacted, how many companies have been declared bankrupt, closed, or paid off their debts.

The Bankruptcy Committee meets at least once a quarter. After each meeting a report on actions taken is produced and an abstract is published in the media. Examples of such reports are included in the Appendix. However, there is very little independence of the committees created by the government to monitor the financial position of state-owned com-

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panies and to oversee bankruptcy cases. It appears the government keeps issuing orders and decrees, and the Bankruptcy Committee keeps meetings regularly and issues reports on the execution of the government's orders.

In reality, once a company is recognized as insolvent, all of the effective procedures for resolving its problems are ruled out by the government as most of the large companies in the country are still state-owned. The government continues to keep state-owned companies afloat and does not allow private capital to help the situation.

The Uzbek government continues to issue glowing statements and declarations about what has been achieved in the last quarter, or in the last year, while in reality the economic situation is not improving. Reliable statistical information is not available.

The EBRD's yearly survey of legal perceptions has confirmed the existence of a systemic gap in Central Asia between the law as it stands on the books and as it is applied in practice pointing out that "the weakness of the region's legal systems is emerging as one of the most important constraints on the business climate."²⁷

"Vested interests at all levels of government resist implementing reforms that would reduce their political influence and economic gains and continue to exploit their positions to engage in rent-seeking activities. Local officials and their business partners who enjoy monopoly rights in the cotton sector, for example, are unwilling to forfeit rents by supporting competition. They are also prone to harass local businesses with frequent inspections to extract fines and bribes. Despite its recent commitment to reducing subsidies, the central government continues to distort market reforms, such as privatization and price liberalization, by often subsidizing failing industries through directed credits and arrears and not enforcing bankruptcy laws. Moreover, official corruption is rampant at all levels due to weak enforcement mechanisms, the prevalence of patronage and payments in hiring civil servants, low wages, and the lack of civil service reform" (Jones, 2003).²⁸

The bankruptcy institution can work effectively only in a society where laws are enforced. When, however, the courts are not independent, and the judges' remuneration is hardly sufficient to provide a decent living, the temptation to rule the outcome of a case to favor a paying (bribing) party is overwhelming.

CONCLUSION

As of 2005, Uzbekistan has developed a legal basis for carrying out bankruptcy proceedings. The Bankruptcy Law and supplementary regulations have gone through several revisions and been enacted to guide bankruptcy processes in the country. The Uzbek government through its minis-

tries and committees plays an active part in bankruptcy cases and often issues decisions as to which companies will be bankrupted and sold through auctions, and which companies will continue to be subsidized.

The world discussion about how much power government should have and should exercise has been going on for some time. In many cases, practice has proved that economies where the government regulates business relationships have a better quality of life than in those where the government directly drives and controls businesses.

In Uzbekistan, the government continues to rule the economy in general, and the bankruptcy processes in particular. As such, the institutions and individuals participating in bankruptcy cases (the Economic Court, various committees, and bankruptcy managers) are not independent.

The country needs many more educated and empowered judges, bankruptcy managers, and business managers. These properly trained professionals need to understand the forces of the market economy, private ownership, and value-adding business activities. It may take generations to instill an understanding of how market mechanisms work. The country needs to be moving in that direction and away from a focus on how to secure state subsidies for companies and to negotiate preferable terms with the government.

APPENDIX

Examples of Reports Issued by State Organizations about Results Achieved as Related to Bankruptcy

(1 Q 2001²⁹) At this session the Bankruptcy Committee made a decision to carry out regular monthly monitoring of the financial condition of 832 largest town-forming companies in 24 branches of economy. The analysis of these companies indicated that 31 of these companies are not financially stable, and 16 companies are under financial restructuring. The Committee assigned business associations under the Ministry of Rural Territories and Water Management to develop measures for financial improvement and restoration of solvency of the 15 remaining companies.

(1Q 2002³⁰) This year so far, 553 insolvent enterprises have been declared bankrupt by the Economic Court and 438 enterprises have been liquidated. The Committee discussed the inadequate speed of the liquidation of bankrupt companies in Bukhara, Navoi, Samarkand, and Tashkent. The Committee noted that government support to rescue companies, to stabilize their financial position, is being used effectively by companies.

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(3Q 2002) The Committee has ratified a complex of measures to execute the government decision on improving the situation with insolvent companies:

- (1) to initiate the bankruptcy proceedings in all 125 economically insolvent large-town companies, the filing of bankruptcy petitions with the Economic Court with further liquidation, and the sale of these companies to foreign and local private, individual investors;
- (2) to privatize 49 unprofitable companies during 2003;
- (3) to sell via an open action 95 unprofitable and economically insolvent companies; and
- (4) to carry out measures on restructuring and strengthening of the financial position of 47 unprofitable and economically insolvent large-industrial companies.

(1Q of 2004³¹) The number of companies with state shares of over 25% will be reduced to 600 by the end of 2004. State assets in about 1,400 companies are planned to be turned into private property. Over 1,000 state-owned companies will be privatized. Among them, there are State Stock Company "TAPOiCH," Almalik Metallurgy Enterprise, and other chemical ventures. The state will maintain its assets in strategically important companies that deal with cotton manufacture and other basic branches of the country's economy.

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