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LEGAL REFORMS IN THE FIELD OF ENTREPRENEURSHIP IN THE REPUBLIC OF UZBEKISTAN

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Abstract: This article examines the principal legal reforms shaping entrepreneurship in the Republic of Uzbekistan and evaluates their role in the transition toward a more predictable, competitive, and digitally administered business environment. The study applies a doctrinal legal method and document analysis to constitutional provisions, framework statutes, presidential acts, and selected analytical literature adopted or published mainly between 2012 and 2025. The results show five interconnected reform directions: constitutional strengthening of economic freedom and private property; simplification and digitalization of licensing and administrative procedures; institutional protection of entrepreneurs against unlawful state interference; modernization of competition, investment, and insolvency rules; and the formalization of individual entrepreneurship through integrated digital platforms and simplified taxation. The reforms demonstrate a clear movement from discretionary administrative control toward risk-based supervision and service-oriented regulation. At the same time, the effectiveness of the legal framework depends on consistent enforcement, regulatory stability, equal competitive conditions between private and state-linked firms, and accessible judicial protection. The article concludes that Uzbekistan has built a substantially more market-oriented legal architecture for entrepreneurship, while implementation quality remains the decisive factor for the next stage of reform.

Keywords: entrepreneurship, legal reform, business law, private property, licensing, competition, Business Ombudsman, Uzbekistan

1. Introduction

Entrepreneurship has become one of the central components of Uzbekistan's economic transformation. The legal framework governing business activity is no longer limited to rules on registration and commercial transactions; it increasingly includes constitutional guarantees, investment protection, licensing reform, competition policy, insolvency mechanisms, digital public services, and safeguards against excessive state control. This broadening of the legal architecture reflects the changing role of the state from a direct economic administrator toward a regulator expected to create predictable conditions for private initiative.

The constitutional dimension of this transformation was strengthened in the 2023 Constitution. Articles 65 and 67 establish principles directly relevant to business activity: the development of market relations and fair competition, freedom of economic activity and enterprise, equality and legal protection of different forms of property, inviolability of private property, a favorable investment and business climate, the right of entrepreneurs to choose lawful activities independently, and limits on monopolistic activity (Republic of Uzbekistan, 2023a). These provisions elevate entrepreneurial freedom from a sectoral policy objective to a constitutional value and provide a normative benchmark against which ordinary legislation and administrative practice can be evaluated.

The statutory foundation is also significant. The Law on Guarantees of Freedom of Entrepreneurial Activity, in its 2012 revised form, defines entrepreneurship as initiative-based activity undertaken at the entrepreneur's own risk and property responsibility and establishes basic rights and guarantees for business entities (Republic of Uzbekistan, 2012). Subsequent reforms created

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specialized mechanisms for the protection of entrepreneurs, modernized licensing and investment rules, introduced a new insolvency regime, and renewed competition legislation. The cumulative effect is a gradual replacement of fragmented administrative permissions with more transparent procedures and legally defined state obligations.

The relevance of the topic is reinforced by the remaining structural challenges. The World Bank's recent Country Economic Memorandum notes that private-sector growth in Uzbekistan still depends on reducing regulatory barriers, strengthening competition, improving access to finance, and creating a more level playing field in markets where state-owned enterprises remain influential (World Bank, 2025). Therefore, the central research question is not only whether legal reforms have been adopted, but whether they form a coherent system capable of supporting sustainable entrepreneurial activity. The purpose of this article is to identify the main directions of reform, assess their legal significance, and determine the implementation issues that remain important for the future development of business law in Uzbekistan.

2. Materials and Methods

The research uses a doctrinal legal method combined with qualitative document analysis. The primary materials include the Constitution of the Republic of Uzbekistan and key normative legal acts regulating entrepreneurial freedom, the Business Ombudsman, investment activity, licensing and notification procedures, insolvency, competition, strategic economic reform, the protection of entrepreneurs during inspections, and the special legal regime for individual entrepreneurs and self-employed persons. The analysis focuses mainly on legal developments from 2012 through 2025, while the 2012 framework law is used as a baseline for evaluating later reforms.

The materials were analyzed in three stages. First, the study identified the legal principles that define the status and rights of entrepreneurs. Second, it compared regulatory mechanisms before and after major reforms, especially the shift toward electronic procedures, notification models, risk-based control, and simplified formalization. Third, it evaluated the interaction between different branches of regulation, including administrative, investment, competition, and insolvency law. Secondary literature was used to connect the doctrinal findings with the broader business environment. In particular, Umarova and Zhadigerov (2023) provide a legal overview of entrepreneurial forms and sources of business law in Uzbekistan, while the World Bank (2025) offers an external assessment of remaining market and regulatory constraints.

The method is primarily normative rather than econometric. Accordingly, the article does not attempt to measure the direct causal effect of individual laws on firm creation, investment, or employment. Instead, it evaluates whether the legal framework reduces administrative discretion, expands procedural guarantees, improves predictability, and supports the institutional conditions associated with a market economy. This limitation is important because the existence of a formal rule does not by itself prove effective implementation.

3. Results

3.1. Constitutionalization of entrepreneurial freedom and property protection

The first major result is the strengthening of entrepreneurship at the constitutional level. The 2023 Constitution states that the state shall create conditions for market relations and fair competition and shall guarantee freedom of economic activity and enterprise. It also provides that private property is inviolable and that deprivation of property must be based on law and a court decision. Article 67 further requires the state to ensure a favorable investment and business climate and recognizes the right of entrepreneurs to conduct lawful activities and independently choose their direction (Republic

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of Uzbekistan, 2023a). These rules are important because they connect business freedom with property rights, competition, and judicial protection rather than treating entrepreneurship as a privilege dependent on administrative permission.

The Law on Guarantees of Freedom of Entrepreneurial Activity gives these principles sectoral content. It protects the ability of entrepreneurs to engage in activities not prohibited by law, determine business directions, select suppliers and customers, dispose of property, and receive income subject to lawful limitations (Republic of Uzbekistan, 2012). The legal importance of this framework lies in the presumption of freedom: the entrepreneur should not need a special justification to participate in ordinary market activity unless legislation establishes a specific regulatory requirement. This approach is consistent with the broader evolution of Uzbek business law described in the academic literature (Umarova & Zhadigerov, 2023).

3.2. Administrative simplification, licensing, and digital regulation

A second reform direction concerns the reduction of administrative barriers. The Law on Licensing, Permitting and Notification Procedures adopted in 2021 unified previously dispersed rules and established a special electronic system for licenses, permits, and notifications. The law provides for electronic applications, electronic payment, digital registers, QR-coded documents, interagency information exchange, and a single-window logic under which state bodies obtain necessary information from one another rather than repeatedly demanding it from the applicant (Republic of Uzbekistan, 2021). This is more than a technical modernization. By standardizing procedures and recording decisions electronically, the law can reduce informal discretion and make regulatory actions more traceable.

The reform also reflects a broader shift from permission to notification where the risk profile of an activity allows it. A notification model changes the legal relationship between business and administration: instead of waiting for discretionary approval, an entrepreneur may begin an activity after satisfying defined information requirements, unless a license or permit is specifically required. Such differentiation makes regulation more proportionate because high-risk activities can remain subject to stronger ex ante control while ordinary commercial activities face lighter entry barriers.

The most recent digitalization measures extend this logic to individual entrepreneurs and self-employed persons. Presidential Resolution No. RP-247 of August 12, 2025 introduced a special legal regime through 2030 based on integrated digital platforms that combine registration, tax calculation and payment, reporting, fiscalization, banking functions, and settlements (Republic of Uzbekistan, 2025). From November 2025, the regime envisages remote biometric identification and SMS-based confirmation for registration and document-related procedures. The legal significance of this model is that formalization becomes a continuous digital service rather than a sequence of separate contacts with multiple agencies.

3.3. Protection against excessive inspections and institutional safeguards

A third result is the development of special institutions and procedures to protect entrepreneurs from unlawful state interference. The 2017 Law on the Authorized Person under the President for the Protection of the Rights and Legitimate Interests of Business Entities established the Business Ombudsman as an official mechanism for ensuring observance of entrepreneurs' rights by state, law-enforcement, and controlling bodies (Republic of Uzbekistan, 2017). Institutionally, this creates an additional channel between entrepreneurs and the executive system and supports supervision over the legality of inspections and administrative actions.

Presidential Decree No. DP-184 of November 14, 2024 deepened this reform by changing the logic of business inspections. From January 1, 2025, an electronic risk-analysis system classifies

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entrepreneurial activity by risk level; low-risk businesses are not subject to ordinary inspections by controlling bodies. The Decree also requires registration of inspections in the Unified State Control information system and notification of the Business Ombudsman, while abolishing several financial or administrative sanctions, including sanctions connected with unregistered individual entrepreneurship and specified fiscal or digital-marking violations (Republic of Uzbekistan, 2024). From March 1, 2025, the Decree also created incentives for settlement of disputes through partial return of state duties when court proceedings end by agreement of the parties.

These rules represent a movement from blanket control toward differentiated, risk-based supervision. Legally, such a system is preferable when risk criteria are transparent, reviewable, and consistently applied. It can lower compliance costs for law-abiding firms while allowing regulators to concentrate resources on activities presenting higher risks to public health, safety, the environment, consumers, or the state. At the same time, risk-based systems require strong data governance and effective appeal mechanisms because an incorrect risk classification may itself produce unequal regulatory burdens.

3.4. Investment, competition, and insolvency as parts of the entrepreneurial ecosystem

Entrepreneurial freedom cannot function effectively without rules governing investment, market rivalry, and business exit. The 2019 Law on Investments and Investment Activity consolidated the legal framework for domestic and foreign investment and defines investor rights, investment forms, state regulation, and guarantees relevant to the stability of investment activity (Republic of Uzbekistan, 2019). For entrepreneurs, the importance of this law is not limited to foreign direct investment. It also contributes to legal certainty regarding property, participation in enterprises, contractual investment arrangements, and the state's obligations toward investors.

The 2023 Law on Competition provides the contemporary statutory basis for limiting anti-competitive conduct and monopolistic practices (Republic of Uzbekistan, 2023b). Its relevance is reinforced by the Constitution, which expressly requires fair competition and legal limitation of monopolistic activity. Competition law is therefore a central component of entrepreneurial reform because reducing entry barriers has limited value if new firms must operate in markets distorted by dominant positions, regulatory preferences, or unequal access to infrastructure and finance. The World Bank (2025) similarly identifies a level playing field and stronger competition as priorities for private-sector-led growth.

The 2022 Law on Insolvency adds another essential element by regulating insolvency of legal entities, natural persons, and individual entrepreneurs and by providing procedures that may either restore solvency or organize liquidation (Republic of Uzbekistan, 2022). A modern entrepreneurial system requires both entry and exit mechanisms. Efficient insolvency law reallocates assets, disciplines credit relationships, and can preserve viable businesses through rehabilitation rather than treating every financial failure as a basis for immediate liquidation. In this sense, insolvency reform supports responsible risk-taking, which is inherent in the legal concept of entrepreneurship itself.

3.5. Strategic coherence and formalization of small-scale entrepreneurship

The reform measures are also connected to longer-term policy planning. The Uzbekistan 2030 Strategy, approved by Presidential Decree No. DP-158 in 2023, provides the general framework for continued institutional and economic modernization (Republic of Uzbekistan, 2023c). Although strategic documents are not substitutes for enforceable statutory rights, they coordinate reform priorities and can guide the adoption of sector-specific legal acts. The subsequent 2024 and 2025 measures on inspections, digital platforms, and simplified regimes illustrate how strategic objectives can be translated into concrete administrative rules.

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The special regime for individual entrepreneurs and self-employed persons is particularly important for reducing informality. From January 1, 2026, Presidential Resolution No. RP-247 establishes a 1 percent turnover tax rate for individual entrepreneurs and self-employed persons with annual turnover up to UZS 1 billion, while redesigning reporting and payment through digital platforms (Republic of Uzbekistan, 2025). By combining taxation, registration, payments, and reporting in a single system, the reform seeks to make lawful economic activity easier than informal operation. The effectiveness of this approach will depend on user-friendly implementation, data protection, payment infrastructure, and the ability of small entrepreneurs to understand their legal obligations.

4. Discussion

The results show that Uzbekistan's entrepreneurship reforms are not isolated amendments but parts of a broader transformation in the legal philosophy of economic regulation. The earlier model relied more heavily on administrative authorization and direct control. The newer model increasingly emphasizes constitutional guarantees, standardized procedures, digital interaction, risk-based inspections, and specialized remedies. This shift can be described as a transition from a permission-centered state to a rules-and-services model of regulation.

Three aspects are especially positive. First, the constitutionalization of economic freedom strengthens the hierarchy of entrepreneurial rights. Ordinary legislation and administrative decisions should be interpreted in a manner compatible with property protection, fair competition, and freedom of enterprise. Second, digital licensing and integrated platforms can improve predictability by reducing repeated document submission and recording official decisions. Third, the combination of the Business Ombudsman and risk-based inspection rules creates a more specific institutional framework for preventing unlawful interference before it develops into a costly dispute.

However, formal legal modernization does not automatically guarantee an equally competitive market. The World Bank (2025) points to continuing challenges related to regulatory barriers, access to finance, and the economic role of state-owned enterprises. This suggests that the next stage of legal reform should focus less on the number of newly adopted acts and more on enforcement quality. Competition rules must apply consistently to private and state-linked market participants. Licensing bodies should not recreate abolished barriers through informal requirements. Risk-analysis systems should use published criteria and provide meaningful avenues for correction and appeal. Courts should remain practically accessible for property, tax, licensing, and administrative disputes.

Another issue is regulatory coherence. Entrepreneurs operate under civil, tax, administrative, labor, competition, investment, and sector-specific rules simultaneously. Even where each individual law is reasonable, frequent amendments or inconsistent terminology can raise compliance costs. A systematic review of overlapping requirements, accompanied by stable transition periods and clear official explanations, would improve legal certainty. The notification principle should be expanded where public risks are low, while genuinely high-risk activities should remain subject to proportionate licensing and professional supervision.

Digitalization also creates new legal responsibilities. Integrated platforms can reduce bureaucracy, but they concentrate personal, financial, and commercial data. Therefore, the expansion of digital entrepreneurship regulation should be accompanied by clear standards for cybersecurity, personal-data processing, automated decision-making, and correction of technical errors. An entrepreneur should not lose a right or face a sanction solely because different state databases failed to exchange information correctly. Human review and effective remedies remain necessary even in highly automated regulatory systems.

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Finally, legal awareness is a practical condition for implementation. Small businesses and self-employed persons may not have permanent legal advisers. Regulatory simplification should therefore include plain-language guidance, unified electronic checklists, model documents, and accessible pre-dispute consultation. These measures would reinforce the preventive purpose of the recent inspection reforms and help transform legal compliance from a sanction-driven process into a predictable element of normal business management.

5. Conclusion

The legal regulation of entrepreneurship in Uzbekistan has undergone substantial modernization. The 2023 Constitution strengthened the legal status of entrepreneurial freedom, private property, fair competition, and the business climate. Framework legislation has been supplemented by specialized rules on investment, licensing, insolvency, and competition, while the Business Ombudsman provides an institutional mechanism for protecting business rights. The 2024 reform of inspections introduced risk-based supervision and stronger registration of control activities, and the 2025 special regime for individual entrepreneurs and self-employed persons moved registration, taxation, payments, and reporting toward an integrated digital model.

Taken together, these reforms create a more coherent market-oriented legal architecture and reduce several traditional sources of administrative burden. The principal challenge now is implementation. Future reforms should prioritize stable and consistent enforcement, transparent risk criteria, judicial and administrative remedies, competitive neutrality, protection of digital data, and practical legal guidance for small businesses. If these conditions are maintained, the legal reforms can contribute not only to easier business entry but also to long-term investment, responsible risk-taking, formal employment, and sustainable private-sector development in the Republic of Uzbekistan.

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