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REFORM OF THE MANAGEMENT SYSTEM IN THE FIELD OF UZBEKISTAN RAILWAYS

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Annotation

This article covers the changes in the management system of the railway sector of the Republic of Uzbekistan and the reforms implemented in this regard, as well as the complex processes in the railway sector in the early years of independence.

Keywords. Industrial, construction, trade and supply enterprises, public education and healthcare institutions, transportation of goods, passengers, mail and baggage, Andijan station, denationalization.

Introduction

After the dissolution of the Central Asian railways, establishing an independent railway system became one of the key priorities on the agenda. Therefore, a special decree was adopted to organize the system. In accordance with this decree, on November 7, 1994, the First President of the Republic of Uzbekistan, Islom Karimov, signed the decree “*On the Establishment of the State Joint-Stock Railway Company ‘Uzbekistan Railways’.*” This decree envisaged ensuring the stable and safe operation of railways in order to meet transport needs in a timely manner and fully satisfy the requirements of the national economy and the population. Accordingly, it was stipulated that railway, industrial, construction, trade, and supply enterprises, as well as public education and healthcare institutions, would be established on the basis of existing enterprises and administrations.



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The company was defined as the authorized body responsible for state management of railway transport in the Republic of Uzbekistan, as well as for operational management and economic regulation of transportation processes in the railway sector. The main tasks and areas of activity of the company were determined, including: studying the market conditions of freight and passenger transportation by rail; forecasting the development and placement of railway transport services with consideration of structural transformations in the national economy; developing and implementing comprehensive measures to enhance competitiveness and increase carrying capacity through the creation of a diversified service sector in railway transport.

In addition, the decree provided for scientific and technical development, investment activities, and the development and comprehensive introduction of new equipment and technologies. It also stipulated the implementation of tariff policies, in accordance with established procedures, in the transportation of goods, passengers, mail, and baggage, taking into account cost reduction and improvement of customer service quality. Furthermore, decisions adopted by the company within its authority were declared mandatory for execution by ministries, agencies, associations, institutions, organizations, local state authorities, and corporations.

Material and Methods

Within the company, measures were taken to organize tourist services and generate economic benefits. In particular, by the order of the State Joint-Stock Railway Company O‘zbekiston temir yo‘llari dated June 15, 1995, “*On the Establishment of the Transport Directorate and the Provision of Tourist Services,*” a Self-Financing Directorate for the transportation and servicing of



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tourists was established within the company structure starting from June 1, 1995, with the aim of ensuring tourist transportation and high-quality services.

Efforts to streamline and reorganize the management system at the local level were also carried out, largely due to financial constraints during periods of economic difficulty. By the order of “Uzbekistan Railways” dated March 7, 1996, aimed at reducing the volume of work and operating costs, restoring the company’s Fergana branch, and improving oversight, it was decided that from May 1996 the restoration train at Andijan station would be abolished and, on its basis, a филиал of the Kokand restoration train would be established. All existing equipment, tools, inventories, and personnel of the Andijan station restoration train were transferred, in accordance with established procedures, to the balance of the Kokand station restoration train. From May 1, 1996, the position of head of the Andijan station restoration train was eliminated, and instead, the position of deputy head of the Kokand restoration train – based in Andijan city – was introduced to manage the branch. In connection with the reorganization, and in order to maintain order and ensure constant readiness, an order was issued to urgently renew employment contracts with the employees of the Andijan rescue train, especially conductors, crane operators, and tractor drivers, for a period not exceeding one year. Issues related to the supply of fuel and lubricants, spare parts, equipment, and protective clothing were resolved in accordance with the 1992 Regulations and standards.

Financial accounting played an important role in the development of the sector and was specially organized to increase revenues. In particular, on June 1, 1996, “Uzbekistan Railways” issued an order aimed at increasing income generated from the sector. According to this order, starting from June 1, 1996, the staff structure of the DRS included an International Settlements Department consisting of seven positions, an International Contracts Department consisting of five



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positions, as well as deputy head positions of the International Settlements and Agreements Center.

Discussion and results

Within the company's branches, the following DRTs were established under the center: 51 employees in the Tashkent division, 22 in Bukhara, 11 in the Aral Sea region, 10 in Fergana, and 10 in Karshi.

In February 1997, proposals on reforming the management system and structure of railway transport in line with market economy requirements were submitted to the First President of the Republic of Uzbekistan, Islom Karimov, by specialists from the Cabinet of Ministers' communications, transport and communications complex, the State Property Committee, the Ministry of Finance, and the State Joint-Stock Railway Company O'zbekiston temir yo'llari. These proposals also included recommendations on modernizing the sector in accordance with contemporary demands.

At that time, the company comprised 207 enterprises, of which 194 were state-owned. These included 245 railway stations, 19 passenger terminals, and 27 freight yards; 22 locomotive and wagon depots; 29 track maintenance enterprises; and 182 social and cultural facilities (including 35 schools, 29 hospitals and polyclinics, 94 kindergartens, and others), as well as the Tashkent Institute of Railway Transport Engineers and five secondary specialized educational institutions. Altogether, these entities employed 72,100 workers. According to the information provided, most enterprises lacked full production and financial autonomy; the management system was overly complex; free economic relations were underdeveloped; labor collectives had limited interest and responsibility for final performance results; and incentive mechanisms were weak. To improve the efficiency of railway transport management, it was



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proposed to gradually consolidate enterprises, eliminate inefficient units, remove certain enterprises from state ownership (including construction, installation, industrial, supply, and transport entities), reorganize the company's central administration, transfer core enterprises to self-financing, divest infrastructure assets, and expand the volume and quality of railway services.

Improving sector-specific legislation and aligning it with contemporary and market-economy requirements was identified as a key task. In a letter dated April 8, 1998, the Ministry of Labor of the Republic of Uzbekistan reviewed the draft Law *"On State Railway Transport"* and submitted comments and objections. These included replacing all instances of "Uzbek Railways" with "Uzbekistan Railways" in the text and proposing the removal of certain articles. Consequently, совершенствование railway legislation became a priority. On April 22, 1998, the Ministry of Justice of the Republic of Uzbekistan reviewed the draft Law *"On State Railway Transport"* and noted that the ministry's comments of June 5, 1997, had not been taken into account. Much of the draft was declarative in nature, with many provisions already regulated by existing legislation, while some clauses contradicted current laws. The draft was also deemed inconsistent with market-economy requirements. Furthermore, it was emphasized that the feasibility of drafting and adopting such a law should have been coordinated in advance with relevant authorized bodies (including the Ministry of Macroeconomic Statistics, the State Property Committee, the Ministry of Internal Affairs, the Prosecutor's Office, the Ministry of Finance, and others). For these reasons, the adoption of the draft law was considered inappropriate.

According to a letter dated May 11, 1998, from the Prosecutor's Office of the Republic of Uzbekistan and the Transport Prosecutor K. Qirg'izaliyev to Uzbekistan Railways, the draft Law *"On State Railway Transport"* was



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examined by transport prosecutor authorities. Taking into account prosecutorial oversight practice in railway transport, they submitted comments and proposals. In particular, they recommended introducing amendments and additions related to privileges, delivery deadlines, cargo safety, and passenger services, requesting that each article be carefully reviewed with consideration of issues likely to arise in practice.

By 2001, sector-specific laws and regulations were further improved. The Presidential Decree “*On Measures for Demonopolization and Corporatization of Railway Transport*” aimed to enhance the management system, demonopolize the sector, corporatize enterprises, and improve the quality of railway services for the population and the economy. The decree emphasized fostering competition, corporatizing passenger transport and rolling-stock repair enterprises, privatizing service facilities, repair-construction, trade, and supply organizations, establishing private enterprises, introducing market principles into economic relations among management and transport process participants, attracting foreign investment, and accelerating the development of transport communications.

By a resolution of the Cabinet of Ministers dated October 17, 2000, it was decided to transform Uzbekistan Railways into an open joint-stock company; establish structural divisions and enterprises based on regional freight and passenger directorates and the Aral Sea division; gradually corporatize freight and passenger transport and wagon repair enterprises; and divest social facilities and auxiliary service enterprises from state ownership and the company system. Freight and passenger transport, consumer-goods production, shipping, and passenger service enterprises were to be privatized and sold as private property. Uzbekistan Railways was assigned key responsibilities, including ensuring stable and efficient railway operations, guaranteeing freight and passenger safety,



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improving service quality, encouraging private non-state enterprises to provide passenger services at stations and on trains, strengthening the material and technical base, introducing advanced technologies, attracting investment, and deepening international cooperation in freight and passenger transport.

The Chief Inspectorate for Train Traffic Safety was separated from the company and reorganized into the independent State Inspectorate for Safety of Freight and Passenger Transportation on Railways of the Republic of Uzbekistan, reporting directly to the Cabinet of Ministers. Its main tasks included regulating technical operation, ensuring safety, developing and enforcing standards, conducting preventive measures, organizing certification, standardization, and licensing, reviewing projects, commissioning new or reconstructed railway facilities, and representing Uzbekistan's interests in international organizations. Overall, these developments demonstrate the critical importance of effective oversight and regulation in the railway sector.

Furthermore, as a continuation of these efforts, on March 3, 2001, the Cabinet of Ministers of the Republic of Uzbekistan adopted a resolution "*On Organizing the Activities of the State Inspectorate for Railway Traffic Safety of the Republic of Uzbekistan.*" In accordance with this resolution, the structure of the State Inspectorate for Railway Traffic Safety of the Republic of Uzbekistan (Uzgoszheldornadzor) and its central apparatus were established. The total staffing of the inspectorate was set at 79 positions, including 42 positions for the central office. The Head and First Deputy Head of Uzgoszheldornadzor were to be appointed by the Cabinet of Ministers of the Republic of Uzbekistan. Uzgoszheldornadzor was granted the authority to issue licenses—regardless of ownership form—to business entities for activities stipulated by railway transport legislation.



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Conclusion

In brief, pursuant to the order of the State Committee of the Republic of Uzbekistan for State Property Management and Support of Entrepreneurship dated August 20, 2001, the charter capital of the State Joint-Stock Railway Company O‘zbekiston temir yo‘llari was determined using the discounted cash flow method. The charter capital amounted to 169,853,053.0 thousand soums (one hundred sixty-nine billion eight hundred fifty-three million fifty-three thousand soums) or USD 522,624,780 (five hundred twenty-two million six hundred twenty-four thousand seven hundred eighty US dollars).

It was approved to issue 100 state-owned shares with a nominal value of 1,698,530,530 soums each. These shares constituted state property and were not subject to sale, transfer, pledge, or use as collateral, nor could they serve as a basis for issuing secondary securities. During the process of transforming “Uzbekistan Railways” into an open joint-stock company, it was stipulated that—should a decision be adopted by the Cabinet of Ministers to sell shares for the purpose of attracting foreign investors and establishing joint ventures—the company’s charter capital would be reassessed using the cost method and could exceed USD 1.05 billion at market value.

Subsequently, sector-specific legislation continued to be refined. In particular, amendments and additions aimed at ensuring railway transport safety were introduced to the Law of the Republic of Uzbekistan “*On Railway Transport.*” These amendments were adopted by the Legislative Chamber on July 27, 2011, approved by the Senate on August 25, 2011, and incorporated into the Law originally adopted on April 15, 1999.



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