



CIVIL-LAW REGULATION OF THE LEASE (USE) OF STATE PROPERTY IN UZBEKISTAN

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Abstract

The article examines the lease (ijara) of state property as a civil-law mechanism for the use of state property, that is, for putting it to productive use without transferring ownership. On the basis of the Civil Code, the Law “On Lease” (No. 756-I) and the Regulation approved by Resolution of the Cabinet of Ministers No. 660 of 14 December 2023, it analyses the legal nature of the lease, the special regime for state property — in which the State Assets Management Agency acts as lessor and contracts are concluded electronically through the “E-auksion” online auction and recorded in the “online-ijara.uz” system — and the principal civil-law elements of the lease, including form and registration, rent, repairs, the pre-emptive right of renewal and termination. The study identifies problems concerning idle property, the determination of rent, the security of the lessee, registration and the relationship between lease and privatization, and proposes directions for their resolution.

Keywords: state property, lease, ijara, right of use, State Assets Management Agency, rent, online auction, registration, Civil Code.

Annotatsiya

Maqolada davlat mulkini ijaraga berish (ijara) davlat mulkidan foydalanishning fuqarolik-huquqiy mexanizmi, ya’ni mulk huquqini o’tkazmasdan undan unumli foydalanish vositasi sifatida tahlil qilinadi. Fuqarolik kodeksi, “Ijara to’g’risida”gi qonun (756-I) va Vazirlar Mahkamasining 2023-yil 14-dekabrda 660-son qarori bilan tasdiqlangan Nizom asosida ijaraning huquqiy tabiati, davlat mulki uchun maxsus tartib (Davlat aktivlarini boshqarish agentligi ijaraga beruvchi sifatida, “E-auksion” onlayn auksioni orqali elektron shartnoma va



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“online-ijara.uz” tizimida hisobga olish) hamda ijaraning asosiy fuqarolik-huquqiy unsurlari ko’rib chiqiladi. Tadqiqotda foydalanilmayotgan mulk, ijara haqi, ijarachi himoyasi, ro’yxatga olish va ijara hamda xususiylashtirish o’rtasidagi bog’liqlik muammolari aniqlanadi.

Kalit so’zlar: davlat mulki, ijara, foydalanish huquqi, Davlat aktivlarini boshqarish agentligi, ijara haqi, onlayn auksion, ro’yxatga olish, Fuqarolik kodeksi.

Аннотация

В статье рассматривается аренда (ижара) государственного имущества как гражданско-правовой механизм пользования госимуществом без передачи права собственности. На основе Гражданского кодекса, Закона “Об аренде” и постановления Кабинета Министров № 660 от 14 декабря 2023 года анализируются правовая природа аренды, особый режим для госимущества и основные элементы аренды.

Ключевые слова: государственное имущество, аренда, право пользования, арендная плата, онлайн-аукцион, регистрация.

1. Introduction

Among the forms of managing state property, the lease (ijara) occupies a special place. It allows the state to put its property to productive use by transferring possession and use to a private party in return for rent, while retaining ownership. Lease is therefore the principal civil-law form of the right to use state property by persons outside the state apparatus, and it is the everyday instrument through which a large stock of non-strategic state assets — premises, buildings, equipment and land — is brought into economic circulation.

Lease must be distinguished from the other instruments of state property management. Unlike the limited rights in rem (the right of economic management and the right of operative management), which are granted to state enterprises and institutions, the lease is concluded with outside parties; unlike trust management, it is not aimed at managing the property in the owner’s



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interest but at the lessee's own use; unlike the public-private partnership, it does not create new infrastructure; and unlike privatization, it does not transfer ownership. Its defining feature is precisely the temporary, paid use of the property by another person.

In recent years the lease of state property in Uzbekistan has been substantially reformed and digitalised. The Regulation approved by Resolution of the Cabinet of Ministers No. 660 of 14 December 2023 introduced the leasing of state property through the "E-auksion" online auction, the recording of leased property in the "online-ijara.uz" system, the conclusion of lease agreements between the State Assets Management Agency and the lessee in electronic form, and the collection of rent through the "E-ijara" programme [5]. These measures are intended to make the use of state property more transparent, competitive and efficient.

The practical importance of the lease is considerable. A large part of the state's non-strategic assets — commercial premises, offices, workshops and plots of land — generates value not through sale but through lease, which provides a steady source of budget revenue while keeping the assets in public ownership. The digitalisation of the lease is also a tool against corruption: by moving the selection of lessees onto a transparent online platform and channelling rent through a single electronic system, it narrows the scope for discretion and informal arrangements that previously affected the use of state property.

The legal framework of the lease is layered. The general rules are contained in the Civil Code's chapter on lease and in the Law "On Lease" (No. 756-I of 14 April 1999); the special rules for state property are set out in the Regulation of 2023 and in the legislation on the management of state property; and the lease of land is additionally governed by the Land Code [2; 3; 4; 5; 6]. Together these acts determine how the right to use state property is exercised.

The aim of the article is to analyse the civil-law regulation of the lease of state property, the special regime introduced by the 2023 reform, and the principal civil-law problems, and to propose directions for their resolution. The study corresponds to the part of the dissertation devoted to the civil-law regulation of



the right to use state property, and it complements the analysis of the other instruments of state property management.

2. Methodology

The study employs the formal-legal (doctrinal) method to analyse the Civil Code, the Law “On Lease”, the Land Code and the Regulation of 2023, and the systemic method to situate the lease within the system of state property management instruments. The comparative method is used selectively to interpret particular institutions, such as the pre-emptive right of renewal and the registration of long-term leases, against the background of the continental civil-law tradition.

The source base comprises the Constitution and the Civil Code of Uzbekistan [1; 2], the Law “On Lease”, the Law on the Management of State Property, the Regulation of 2023 and the Land Code [3; 4; 5; 6], and Uzbek and Russian legal scholarship [7; 8; 9; 10].

3. Results

3.1. The legal nature of the lease of state property

In civil law, the lease is a contract under which the lessor undertakes to give the lessee property for temporary possession and use, or for use, in return for a fee, while the ownership of the property remains with the lessor. Applied to state property, this means that the state — through its authorised body — grants a private party the possession and use of an asset for rent, but retains ownership throughout and recovers the asset at the end of the term. The lessee acquires a right of use, not a right of ownership. The structure of this relationship is shown in Fig. 1.

Fig. 1. The lease (ijara) of state property as a civil-law mechanism of use

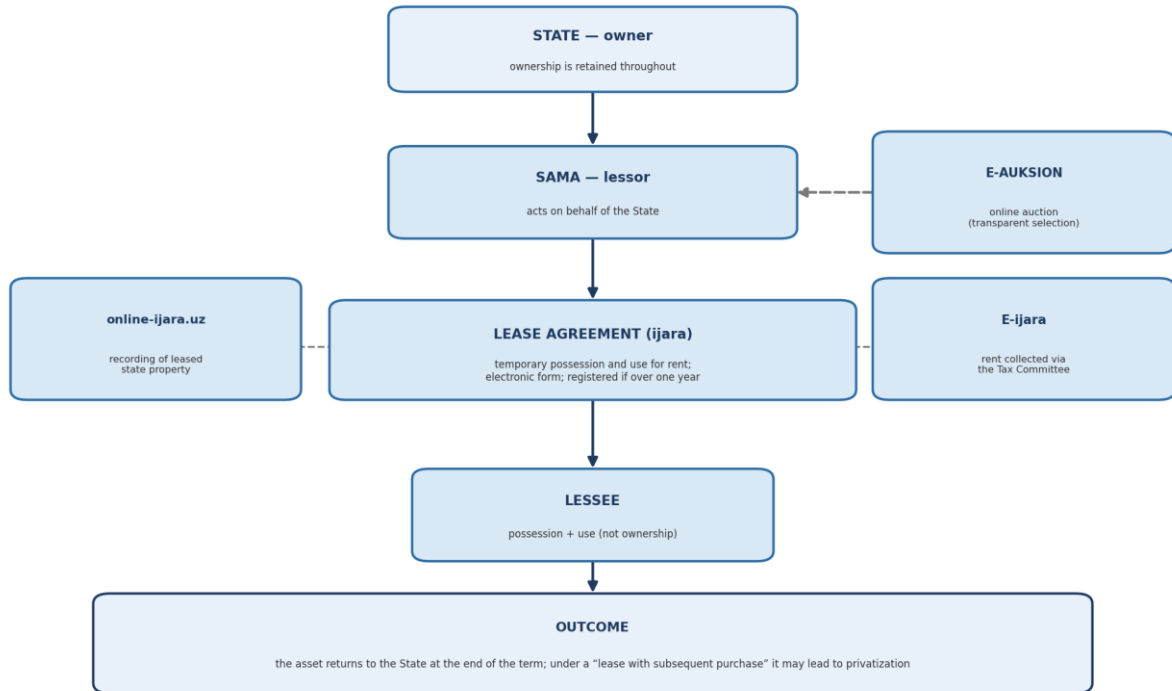


Fig. 1. The lease (ijara) of state property as a civil-law mechanism of use
(Resolution No. 660 of 14 December 2023).

3.2. The special regime for state property

As a civil-law contract, the lease of state property is consensual and bilateral: it gives rise to mutual obligations — the lessor to provide the property and ensure its use, the lessee to pay rent and use the property properly. Its object may be only non-consumable things that do not lose their natural properties in the course of use — buildings, premises, structures, equipment and land — which can be returned to the owner at the end of the term. This distinguishes the lease from mechanisms that consume or alienate the asset and explains why it is well suited to property that the state wishes to retain.

The Regulation of 2023 establishes a distinctive, digitalised regime for the lease of state property. The State Assets Management Agency acts as lessor on behalf of the state; the lessee is selected through the “E-auksion” online auction; the lease agreement is concluded in electronic form; the leased property is recorded in the “online-ijara.uz” system; and the rent is determined by a statutory formula



and collected through the “E-ijara” programme administered by the Tax Committee [5]. The Regulation also allows property that has not been used for more than three months to be leased out without the consent of the balance holder, and permits small premises to be leased through direct online auctions. The principal features are summarised in Table 1.

Table 1. Key features of the state-property lease regime (Resolution No. 660 of 2023)

Feature	Description
Lessor	The State Assets Management Agency (SAMA), acting on behalf of the State
Selection of the lessee	Through the “E-auksion” online auction, ensuring transparent and competitive selection
Form of the contract	Concluded in electronic form; leases over one year are subject to state registration
Recording	Leased state property is recorded in the “online-ijara.uz” information system
Rent	Determined by a statutory formula; collected and distributed via the “E-ijara” programme (Tax Committee)
Idle property	Property not used for more than three months may be leased out without the consent of the balance holder
Small premises	Premises up to 2,000 m ² may be leased through direct online auctions on the orders of individuals

Two features of this regime deserve emphasis. First, the use of a single online auction and a uniform rent formula is intended to ensure equal access and to remove the discretion that previously allowed state property to be leased on opaque terms. Second, the integration of the recording system with the tax administration links the conclusion of the lease to the collection of rent, so that the use of state property is monitored from the formation of the contract to the receipt of payment. Together these features turn the lease into a controlled, transparent process rather than an isolated bilateral transaction.



3.3. The principal civil-law elements of the lease

Several civil-law elements shape the lease relationship. The lease must be concluded in writing, and a lease of immovable property for more than one year is subject to state registration and takes effect from the moment of registration. The lessor is, as a rule, obliged to carry out the major repairs of the leased property at its own expense (Art. 547 of the Civil Code), while the lessee who has duly performed its obligations enjoys, on equal terms, a pre-emptive right to conclude the lease for a new term (Art. 553) [2, Art. 547; 2, Art. 553]. Breach of the contract may give rise to a penalty (Art. 263), and the lease may be terminated by agreement of the parties, by a court at the request of one party, or by unilateral refusal in the cases provided by law.

The lease of land has its own features. Under the Land Code, land is the property of the state and, as a rule, may not be sold, exchanged, gifted or mortgaged except in the cases established by law; however, it may be granted for use through long-term leases [6, Art. 16]. Lease has thus become the principal means by which both domestic and foreign investors obtain rights to land for construction and business, since ownership of land is restricted, especially for foreign persons.

The lessee's position is also defined by a set of obligations. The lessee must use the property in accordance with the terms of the contract and the purpose of the property, maintain it in proper condition, pay the rent on time, and return the property at the end of the term in the condition in which it was received, subject to normal wear. Sub-leasing and other transfers of the lessee's rights are generally permitted only with the lessor's consent, which, in the case of state property, protects the state's interest in controlling who actually uses its assets.

4. Discussion

The first problem concerns the rule allowing idle property to be leased without the balance holder's consent. While it is designed to prevent state assets from lying unused, it may conflict with the rights of the enterprise or institution that holds the property under the right of economic or operative management. A clear set of criteria — what counts as “unused”, and what procedural safeguards



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protect the balance holder — is needed to reconcile the goal of efficient use with the holder’s legitimate interests.

The second problem is the determination of rent. Calculating rent by a statutory formula promotes predictability and limits discretion, but a formula may diverge from the market value of the asset, leading either to the under-use of valuable property or to rents that deter potential lessees. A periodic, market-based review of the formula would help keep the rent both fair to the state and attractive to lessees.

The third problem is the security of the lessee. A lessee who invests in the leased property — for example, by carrying out improvements — needs assurance that its pre-emptive right to renew will be respected and that it will be compensated for inseparable improvements made with the lessor’s consent. Clear rules on renewal and on compensation for improvements protect the lessee’s investment and, in turn, encourage the productive use of state property.

The fourth problem concerns registration and enforcement. The registration of long-term leases provides certainty and protects third parties, but it must be efficient; and the collection of rent, now channelled through the “E-ijara” programme, must be effectively enforced. Streamlined electronic registration and reliable enforcement mechanisms are therefore important conditions for a well-functioning lease system.

The digitalisation of the lease brings clear benefits but also raises new questions. Conducting auctions and concluding contracts electronically increases transparency and speed, yet it presupposes access to the necessary digital infrastructure and to an electronic signature, which may disadvantage some potential lessees. Ensuring broad and equal access to the electronic systems, and safeguarding the reliability and security of the data they contain, is therefore an integral part of the task of regulating the lease of state property.

Finally, the lease is closely connected to privatization. For assets that the state does not wish to sell — in particular strategic or socially important assets — the lease offers a softer alternative: it allows private use while keeping ownership in state hands. At the same time, the “lease with subsequent purchase” provides a gradual path from use to ownership, linking the lease to the privatization regime.



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Coordinating the two regimes — so that the transition from lease to ownership is clear and predictable — is an important task for the legislator.

It is also useful to distinguish the lessee’s position from that of a holder of a limited right in rem. The lessee’s right of use is contractual and binds, in principle, only the lessor, whereas the right of economic or operative management is a right in rem that runs with the property. Yet a registered lease acquires a degree of stability close to that of a real right, since it continues to bind a new owner of the leased property. Clarifying the nature and the third-party effect of the lessee’s right strengthens the security of those who use state property.

The principal problems and recommendations are summarised in Table 2.

Table 2. Civil-law problems of the lease of state property and recommendations

Problem	Essence	Recommendation
Idle-property rule	Leasing without the balance holder’s consent may conflict with the holder’s rights of management	Clear criteria and procedural safeguards for the balance holder
Determination of rent	Formula-based rent may diverge from market value, leading to under- or over-pricing	Periodic, market-based review of the rent formula
Security of the lessee	Protection of the lessee’s pre-emptive right and of investment in improvements	Clear rules on renewal and on compensation for improvements
Registration and enforcement	Registration of long-term leases and enforcement of rent collection	Streamlined electronic registration and effective enforcement mechanisms
Lease vs privatization	Coordinating the lease with the “lease with subsequent purchase” and privatization	A clear interface between the lease and privatization regimes



5. Conclusion

The lease (ijara) of state property is the principal civil-law mechanism for the use of state property: it allows the state to put its assets to productive use by granting their temporary, paid possession and use to private parties, while retaining ownership. The 2023 reform has modernised and digitalised this mechanism by introducing online auctions, electronic contracts, a transparent recording system and formula-based rent collected through the State Assets Management Agency and the Tax Committee.

At the same time, the lease raises civil-law problems — the leasing of idle property without the balance holder’s consent, the determination of rent, the security of the lessee, registration and enforcement, and the relationship between lease and privatization. Their resolution calls for clear criteria and safeguards for the balance holder, a market-based review of rent, robust protection of the lessee’s pre-emptive right and improvements, streamlined registration and enforcement, and a clear interface between the lease and privatization regimes. Such measures would make the lease a reliable and efficient instrument for the use of state property within the wider system of its management.

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