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State Owned Enterprises in Uzbekistan: Issues and Reform Options

Alejandro Simone, Sarvar Ahmedov, Shuyi Wang, and Amel Ould-Brahim

SIP/2026/058

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on May 28, 2026. This paper is also published separately as IMF Country Report No 26/153.

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State Owned Enterprises in Uzbekistan: Issues and Reform Options, Republic of Uzbekistan
Prepared by Alejandro Simone, Sarvar Ahmedov, Shuyi Wang, and Amel Ould-Brahim*

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ABSTRACT: This paper provides an overview of the role of state-owned enterprises (SOEs) in Uzbekistan, examining their economic footprint, financial performance, and reform trajectory. It describes how SOEs play a prominent role in the economy while interacting closely with public finances through various forms of support and the creation of fiscal risks. The paper reviews recent reforms to SOE governance, transparency, and privatization frameworks, and discusses areas of progress and challenge. Drawing on international experience, it concludes that advancing SOE reforms will require clarifying the state's ownership role, reducing SOE presence in non-strategic and competitive sectors, and strengthening governance, transparency, and incentives in enterprises remaining under state ownership to support private sector-led growth.

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SELECTED ISSUES PAPERS

State Owned Enterprises in Uzbekistan: Issues and Reform Options

Republic of Uzbekistan

Prepared by Alejandro Simone, Sarvar Ahmedov, Shuyi Wang, and Amel Ould-Brahim[1]

[1]The authors would like to thank IMF colleagues and Uzbekistan's authorities for helpful discussions and comments.

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REPUBLIC OF UZBEKISTAN

SELECTED ISSUES

May 28, 2026

Approved By
Middle East and Central Asia Department

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STATE OWNED ENTERPRISES IN UZBEKISTAN: ISSUES AND REFORM OPTIONS

A. Introduction

1. **State-owned enterprises (SOEs) play a prominent role in Uzbekistan's economy.** They operate across a wide range of sectors—including key network industries such as utilities, transportation—and the financial system. SOEs provide critical inputs to businesses and play a central role in implementing public investment projects. As a result, their performance has an important bearing on economy-wide productivity and competitiveness. Moreover, as recipients of substantial government support in the form of subsidies, favorable loan conditions, and guarantees, SOEs give rise to significant direct fiscal costs and expose the budget to sizable fiscal risks through contingent liabilities.

2. **Deepening SOE reforms is essential to reduce the current large state footprint in the economy and to complete a successful transition to a market economy.** Following international best practices in accelerating privatization—particularly of large non-financial and financial SOEs—and in restructuring those SOEs that the government plans to retain, would improve the efficiency of resource allocation and SOE financial performance. In turn, this would reduce reliance on government support and help mitigate fiscal risks arising from SOEs. Moreover, when combined with reforms to market regulation and institutions, deeper SOE reforms would foster private sector development by facilitating firm entry and exit and leveling the playing field with private firms, thereby promoting a more competitive business environment.

3. **This paper aims to characterize Uzbekistan's SOE landscape, assess progress and remaining challenges in SOE reform, and discuss policy options to deepen reforms[1].** Section B provides an overview of the SOE sector, including its main characteristics, the legal and institutional framework, SOEs' financial performance, and places Uzbekistan's SOE landscape in an international context. Section C reviews progress to date and key challenges in SOE reform. Section D draws on the international experience with SOE reform to inform the policy options for deepening reforms discussed in Section E.

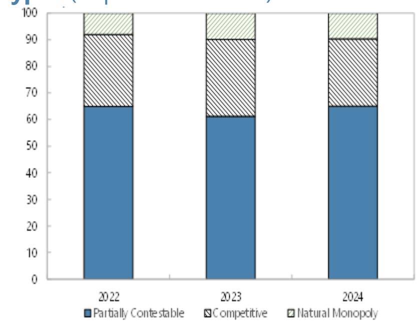
[1] The discussion in this paper will be primarily focused on non-financial SOEs as the financial section of the staff report and related annexes discuss staff's advice for financial SOEs including state banks.

B. The Uzbek SOE Landscape in International Context

General Characteristics[2]

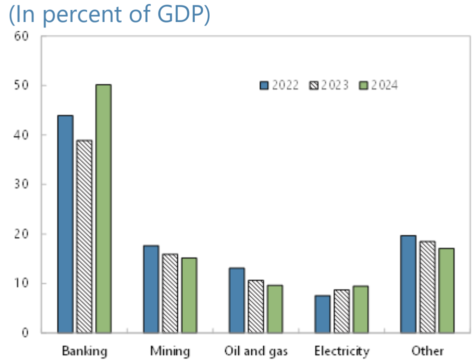
4. SOEs' assets amounted to 101 percent of GDP and were concentrated in a few partially competitive sectors at end 2024[3]. Financial SOE (FSOE) assets accounted for 52 percent of GDP while those of non-financial SOEs (NFSOEs) accounted for 49 percent. Of total NFSOE assets, mining sector SOEs comprised the largest portion (31 percent), followed by the oil and gas and electricity sector SOEs (19 percent each). NFSOEs operating in a variety of other sectors represented the remaining 31 percent with some large companies operating in the road and transport infrastructure and chemical sectors. Mining SOEs also accounted for the largest share of NFSOE revenue (29 percent), profits (69 percent), and dividends (87 percent). The majority of financial SOE assets are those of the 9 state-owned commercial banks (SOCBs) (96 percent of total FSOE assets)[4]. When looking at the distribution of assets by degree of competition (i.e., competitive, partially competitive/contestable, natural monopoly) in the markets they operate, as defined in Dall'Ollio and others (2022), SOE assets are mostly in partially competitive markets, reflecting the concentration in network sectors (i.e. utilities, energy, financial) for the most part with the notable exception of the mining sector.

Composition of SOE Assets Across Market Types (In percent of total)



Source: State Asset Management Agency of the Republic of Uzbekistan.

SOE Assets by Economic Sector
(In percent of GDP)



Source: State Asset Management Agency of the Republic of Uzbekistan.

5. Despite the concentration of assets in network sectors, the distribution of the number of SOEs suggests that they are spread throughout the economy and mostly in competitive sectors. A simplified mapping of the SAMA database classification to the specification of competitive, partially competitive/contestable, and natural monopoly markets in Dall'Ollio and others (2022) suggests that about 84 percent of SOEs are operating in competitive markets. In

[2] Data in this section is from the State Asset Management Agency (SAMA) database. The database covers all SOEs in Uzbekistan. The definition of SOEs used in the database is not clearly specified and uniform and the financial data in it follows national accounting practices instead of International Financial Reporting Practices (IFRS). Despite these drawbacks, the SAMA database is the most comprehensive and up to date SOE database available still allowing it to provide a good characterization of the overall SOE portfolio.

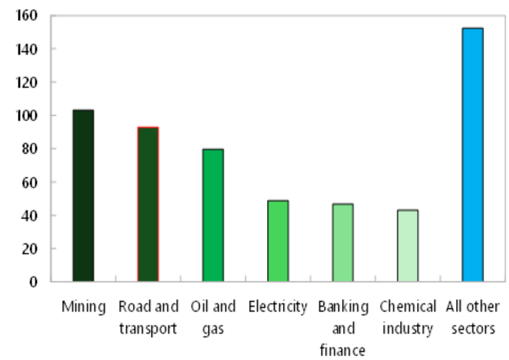
[3] SOE assets are sourced from SAMA's 2024 consolidated report on the performance of state-owned enterprises with state participation and the condition of state property usage. Link

[4] See Annex I for a list of the largest NFSOEs and FSOEs

particular, many SOEs operate in market and shopping complexes (31 percent), agriculture and agriculture product processing (10 percent), sales and services (10 percent), and social sector, tourism, and pharmaceuticals (10 percent) for which it seems difficult to point out market failures that would justify government intervention in such sectors. This result is similar to the one reported in World Bank (2025) using the World Bank Global Business of the State database.

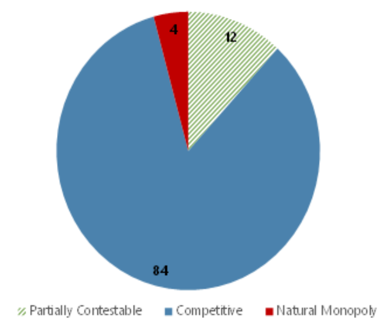
6. The SOEs sector is a significant employer in the economy. SOE employment represented 4 percent of total employment, 8 percent of formal employment and about 19 percent of central government employment in 2024. Out of total of 566351 employees working in SOEs, the mining sector was the largest individual SOE employer (18 percent of total), followed by the road and transport sector (16 percent), and the oil and gas sector (14 percent). Electricity, banking and finance, and the chemical industry were also significant individual sector employers (about 8 percent each). All other sectors account for 27 percent of total SOE employment.

SOE Employment by Sector, 2024
(Thousands, employees)



Source: State Asset Management Agency of the Republic of Uzbekistan.

Number of SOE Distribution by Type of Markets, 2024 (In percent of total)



Source: State Asset Management Agency of the Republic of Uzbekistan.

Legal and Institutional Framework for SOE management and privatization

7. Several pieces of legislation, decrees, and resolutions establish SOE governance and privatization frameworks. The corporate governance of SOEs is laid out in the founding act or government decision for each SOE, which lays out its governance structure and reporting obligations. The Laws on Joint Stock Companies and Limited Liability Companies[5], which define the corporate governance of companies, also apply to the SOEs. SOEs are subject to principles of legality, transparency, accountability, and separation of ownership and regulatory functions. Supervisory boards (SBs) must include independent members. SOEs must submit annual reports on financial and operational performance to the State Asset Management Company (SAMA) and relevant line ministries. The Law on Management of State Property[6] (LMSP) together with Presidential and Cabinet of Ministers decrees and resolutions govern the management of SOEs.

[5] Law On Joint Stock Companies and Protection of Shareholders Rights and Law On Limited Liability Companies

[6] Law On the Management of State Property

Something similar applies to the privatization process, which is governed by the Law on Privatization of State property (LPSP)[7,8].

8. **State ownership policy is concentrated at the presidential and cabinet levels.** The President is the highest policy authority in state property management and privatization, with the Cabinet of Ministers (COM) acting as the top executive body under his direction. COM formulates development and privatization programs, coordinates government bodies, and makes key decisions on the establishment, reorganization, and liquidation of SOEs. SAMA was established as the single state agency responsible for implementing SOE policy, administering state assets, and is in charge of carrying out privatizations. SAMA also maintains the state property register covering all SOEs and publishes aggregate reports on SOE performance on its official website. The Competition Promotion and Consumer Protection Committee reviews and approves the establishment, restructuring, or privatization of SOEs to prevent market distortions and ensure a level playing field.

9. **The ownership function is exercised by several different institutions within the executive with some overlaps.** The Ministry of Economy and Finance (MOEF) is the shareholder for the largest 31 SOEs, covering 22 non-financial SOEs and 9 financial SOEs, which are going through restructuring and transformation. UzAssets Investment Company (UzAssets), an agency overseen by the MOEF, is in charge of managing the shares of these companies to improve their operational efficiency, ensure their transparency, and strengthen their corporate governance practices. SAMA is the shareholder for the remaining medium and small size SOEs and is accountable to the President and the Prime Minister. Line ministries and local authorities act as the shareholders for all SOEs within their portfolios and local SOEs, respectively, creating some areas of overlap with SAMA. They appoint SBs and management and ensure effective management and reporting of SOEs under their purview, subject to Presidential and Cabinet decisions.

10. **SOE objectives are established in the act or government decision creating them and by the relevant shareholder.** The shareholder is responsible for developing key performance indicators (KPIs) for the SOEs and SAMA is responsible for monitoring them. SAMA monitors performance of SOEs and regularly publishes KPIs and associated targets for each SOE on its website.

11. **SOE oversight is carried out by SBs, the executive, and parliament.** The SOE SBs, which are appointed by the relevant shareholders, are responsible for strategic direction, operational and financial oversight, and reporting. SBs must include independent members and adhere to principles of corporate governance, including ensuring transparency and separation of ownership and regulatory functions. The MOEF, line ministries, and local governments are in charge of operational and financial oversight of central and local government SOEs respectively under their purview. The parliament exercises oversight by reviewing reports, requesting information, and influencing policy through legislative action and recommendations, but does not directly manage or appoint SOE SBs.

[7] Law On the Privatization of State Property
[8] See the full list of decrees and resolutions that govern the management and privatization of SOEs in SAMA's website at The State Assets Management Agency of the republic of Uzbekistan

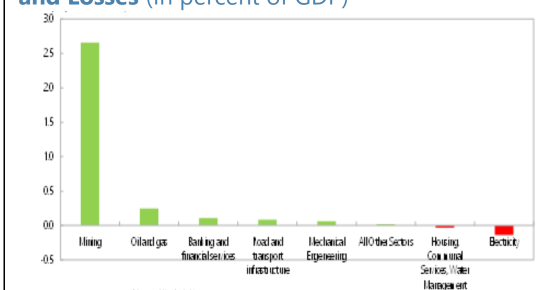
12. SOEs also interact with regulators independently when applicable. Sectoral regulators oversee SOEs in regulated industries (e.g., energy, transport, banking, capital markets) with respect to pricing, service quality, and consumer protection.

13. Privatization programs are approved through Presidential decrees. Privatization programs are developed by SAMA with input from ministries and local authorities, approved by the Cabinet, and then by the President. Privatization may occur via auction, competitive bidding, public invitation to negotiations, sale of shares in the stock exchange, or contribution of assets to company capital as established in the LPSP. According to the current legislation, all privatization processes and results should be published on official websites and in the media. Buyers may be subject to obligations regarding environmental protection, continued operation, or investment commitments.

SOE Financial Performance[9]

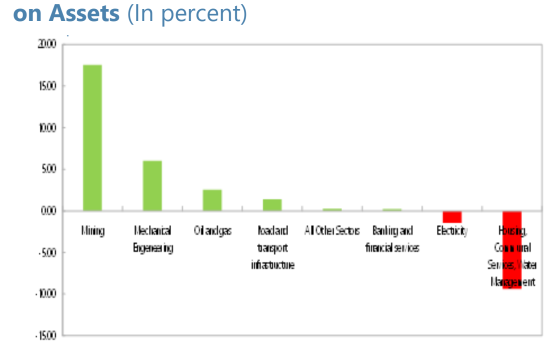
14. Less than half of the SOEs in SAMA's database are reported as profitable in 2024. Out of the 2148 SOEs covered, only 982 (46 percent) are reported as profitable while the remainder are either unprofitable, inactive, in process liquidation, or not reporting profitability. Mining is overwhelmingly the one with the largest profits as a share of GDP followed far behind by the oil and gas sector and banking and finance. On the losses side, the electricity and housing, communal services, and water management are the largest loss makers. This is in part because these SOEs provide services for the population for which they are only partially or not compensated. This information is consistent with 2024 dividend payment information to the budget where about 80 percent came from the mining sector, 9.5 percent from the oil and gas sector, and the remaining 10.5 percent from all other profitable sectors. Return on Asset calculations suggest a similar picture in terms of profitability and that, overall, the government as a shareholder is getting a low return on its assets in a large share of its portfolio.

Most and Least Profitable SOE Sectors Profits and Losses (In percent of GDP)



Source: State Asset Management Agency of the Republic of Uzbekistan.

Most and Least Profitable SOE Sectors Return on Assets (In percent)



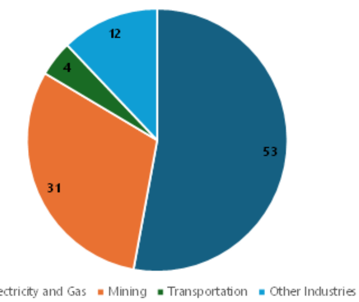
Source: State Asset Management Agency of the Republic of Uzbekistan.

15. A health check analysis of the largest NFSOEs suggests that as a group they pose moderate fiscal risks, but this result masks important sectoral differences within the portfolio. The health

[9] This section uses more detailed IFRS financial statement information available only for 21 out of the 22 largest NFSOEs in Uzbekistan managed by UZAssets to assess fiscal risks arising from them and complement SAMA database information. No IFRS data is available for Uzbekistan Railways.

check methodology consists of computing profitability, liquidity, and solvency indicators from audited IFRS financial statements and comparing their values to benchmarks generally considered by lenders and credit rating agencies to group entities across five categories of risk ranging from low to high. Each indicator is then assigned a score ranging from 1 to 5 with a score of 3 indicating moderate risk. A composite indicator is then derived from the individual indicator ratings to estimate the overall risk for each enterprise. Below-moderate risk scores are interpreted as financial performance being on track, moderate risk scores as a gray zone, and above-moderate risk scores as high risk, pointing to the need to rectify financial performance. The methodology was applied to 21 nonfinancial SOEs with combined assets of about 48 percent of GDP, using annual financial statements from 2021 through 2024[10]. The main results are:

Largest Non-Financial SOEs Portfolio Composition, 2023 (In present of total)



Source: UZAssets.

- 4 out of the 21 companies had a composite score consistently in the below moderate risk range between 2021 and 2023. These were mostly mining sector companies, and their scores were driven by their profitability and solvency scores.

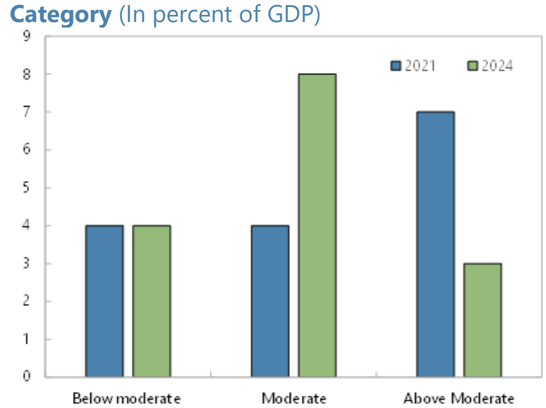
- 7 out of the 21 SOEs had a composite score consistently above moderate between 2021 and 2023. These were companies in the electricity and gas and chemicals sectors. Despite weakness in the three categories, the above moderate scores were driven by weaknesses in liquidity and solvency indicators

- The remaining 10 had scores consistently in the moderate risk range for the period 2021-2023 showing weaknesses in liquidity and indebtedness ratios.

- Data available for 2024 for 16 of the 21 companies show an improvement in the risk scores compared to 2023, primarily because the large May 2024 electricity and gas administered tariffs increases led to an improvement in the risk scores of 3 electricity and gas companies.

- Overall, a modest improvement in the risks scores is observed when comparing the data for 2021 and 2024 for 15 companies for which data were available for all the years with more companies improving their risk scores (6)

The Distribution of Companies Per Risk Category (In percent of GDP)



Source: Fund Staff Estimates.

[10] See this SOE Health Check Methodology link for a more detailed discussion of the IMF's Fiscal Affairs Department State Owned Enterprises Health Tool.

compared to those with deteriorating scores (3). Out of the 6 companies that improved their scores, 5 were in the electricity and gas sector.

16. NFSOEs receive support from the government in a variety of ways to aid their financial performance and support ill-defined public service obligations (PSOs). The budget provides energy and transportation subsidies. Subsidies were increasing until 2023 as a share of GDP primarily because electricity and gas tariffs had gotten increasingly out of line with cost recovery. Subsidies started to be reduced in 2024 after tariff increases, which started in 2023 for firms, and were followed up with large tariff adjustments in May 2024 for both firms and households, improving the finances of the SOEs in the electricity and gas sector. The government also facilitates the provision of loans to NFSOEs for investment at better than market conditions through on-lending of external loans from official sources, outright lending from the Fund of Reconstruction and Development (FRD) and the domestic banking system, and the provision of lending guarantees. The stock of such support as a share of GDP has been declining as the authorities have gradually tightened conditions for its provision, contributing to new borrowing and guarantees growing slower than GDP. SOEs are also supported in non-financial ways as suggested in World Bank (2023b), such as with exemptions from laws that encourage market discipline (e.g. insolvency law) or licensing requirements based on their legal status, and de-facto or de-jure preferential access to land and procurement.

Text Table 1. Financial Support to NFSOEs

	2021	2022	2023	2024
Budget Subsidies to NFSOEs	0.1	0.8	1.6	1.0
Stock of Loans to NFSOEs				
Stock of On-lending of External Borrowing to NFSOEs	20.6	17.5	16.4	14.8
Stock of Fund of Reconstruction and Development Loans to NFSOEs	N/A	2.6	2.2	2.1
Stock of Domestic Banking System Loans to NFSOEs	N/A	11.1	8.7	7.3
Stock of Explicit Guarantees on Loans provided to SOEs	5.4	4.2	3.2	2.4

Source: MOEF, CBU, FRD Financial Statements.

Uzbekistan's SOEs in International Perspective

17. Large NFSOEs in Uzbekistan go beyond the network industries and the extent of state ownership that is observed internationally. Globally, SOEs tend to be especially prevalent in network industries such as utilities, transportation, and banking (IMF (2020). However, it is less common to find large SOEs in competitive sectors such as in the mining, automobile, and chemical sectors as they tend to be managed by private participants given higher productivity. Also, most major SOEs are 100 percent government-owned when internationally they often have a mix of public and private sector owners. For example, 60 percent of utility companies in emerging markets (e.g. Brazil and China) have a mix of public and private-sector owners to improve incentives for efficiency.

18. More generally, NFSOEs seem more prevalent in competitive sectors in Uzbekistan than elsewhere. Using the World Bank's business of the state definition, which broadens the definition of an SOE to include companies with at least 10 percent ownership by a public sector entity, more than 80 percent of SOEs operate in competitive commercial sectors as compared to 70 percent in the World Bank Global Business of the State database. Greater state presence in commercial activities tends to be associated with lower aggregate productivity given reduced firm entry[11], higher market concentration, and less labor reallocation (World Bank (2023a)).

19. State ownership of banks assets is significantly larger than internationally. While state ownership of commercial banks is not uncommon, government ownership of banks assets for middle income economies averaged about 23 percent in Panizza (2024) as compared to the current 63 percent for Uzbekistan. Cross country evidence (e.g., Beck, Kunt, Levine (2003)) and bank level evidence (e.g., Millon Cornet and others (2010) suggest that elevated government ownership of commercial banks can be a source of financial sector fragility which can in turn create contingent liabilities for the government.

C. SOE Reforms: Progress and Challenges

SOE Reform Progress

20. The SOE ownership model has been appropriately transitioning from a decentralized model to a more centralized one. In 2019, SAMA was established as the single state agency responsible for policy issuance and administration in the areas of state assets management, SOEs privatization and transformation, corporate governance implementation, and in financial and economic performance monitoring. In October 2020, the MOEF was given the functions of shareholder for large and strategic SOEs which the MOEF maintains today.

21. A framework to improve the governance and reporting for large SOEs and the management of the broader SOE portfolio were put in place. In 2020 SOEs were required to adopt IFRS and elaborate Key Performance Indicators (KPIs). UzAssets, a state-owned asset management company, was created and entrusted with managing the shares of the largest SOEs with the MOEF as shareholder to improve their operational efficiency, ensure their transparency, and strengthen their corporate governance practices. Also, further limits were placed on the creation of new SOEs. In 2021, an SOE Reform Strategy (SRS) was introduced for 2021-2025 seeking a significant reduction in state presence and offering a detailed roadmap for implementing sound principles of SOE corporate governance[12].

22. The SRS targeted an ambitious reduction of state presence in competitive sectors (75 percent). Main elements of the strategy included the adoption of a "sell or explain" principle, the establishment of SBs with independent members, competitive selection of management, and audit committees for financial oversight and risk management by 2025. The strategy also set out to

[11] Evidence of reduced entry for Uzbekistan is discussed in World Bank (2021).

[12] Decree 166 from 29.03.2021. On the approval of the Strategy for the Management and Reform of State-Participating Enterprises for 2021-2025

improve the regulatory framework through new laws on state property management and privatization.

23. **The SOE legal framework was strengthened in line with SRS.** In March 2023 the LMSP was promulgated. The law sought to address Uzbek legislation fragmentation related to SOEs which had numerous legal instruments, sometimes conflicting with each other, on subjects such as the responsibilities of the SOE ownership agencies and their ability to appoint SB members. In addition, the law also establishes strict criteria to justify state ownership or state participation in the economy (i.e., Article 10). In February 2024, the LPSP was adopted. It establishes the principles of legality, transparency, accountability, competitive equality, and anti-corruption in all privatization activities. It defines the scope of privatization and sets out the procedures for sale, valuation, ownership registration, and privatization methods.

24. **A National Investment Fund (UzNIF) was established in 2024 seeking to further support the privatization process.** UzNIF is managed by the international asset manager Franklin Templeton and was allocated 25-40 percent shares from 12 large NFSOEs and 1 large FSOE. The fund aims to strengthen corporate governance, improve operational efficiency, enhance transparency, establish market-based valuations, and attract institutional investors for the companies under management.

25. **The management of SOEs and the disclosure of information about them has improved.** Reform plans have been put in place for the largest 31 SOEs in UZAssets' portfolio and relatively recent IFRS financial statements have become available for most of these entities. The number of independent board members in SBs of large SOEs has been increasing, with independent board members becoming a majority in the SBs of 3 financial institutions. The "sell or explain" principle has been implemented, with annual reviews and asset lists published to justify retention or sale. SAMA has been regularly preparing reports since 2023, increasing transparency on SOE financial performance and privatization activity.

26. **Seven privatization programmes have been launched since 2020 achieving modest privatization success.** The number of SOEs declined from nearly 3000 at the adoption of the SOE reform strategy in 2020 to around 2,000 by late 2025[13]. While the privatized SOEs include some larger SOEs (i.e., Coca-Cola Bottlers Uzbekistan, Ferghana Oil Refinery, and Ipoteka Bank) which attracted foreign investors, the 2021-2024 cumulative privatization proceeds collected (about $2.5 billion dollars) were driven mainly by the sale of state shares in smaller SOEs, non-agricultural land,

[13] Based on SAMA's database, from the initial 2020 portfolio of 2965 SOEs, 2845 SOEs were removed and 1797 were added through February 2026 leaving the number of SOEs at end February 2026 at 1917. The reasons from removing SOEs were privatization (515), liquidation (1313), reorganization (757), and transfer to charter funds or private-public partnerships (260). The additions were SOEs that were within large SOE groups (e.g. UzAvtosanoat, Uzbekneftegaz, wheat holding company, cotton processing holding company, energy, and railways) that were not counted as such previously because they were not directly owned by the government. They were added only when they were transferred to the government ahead of restructuring, privatization, or liquidation. Due to SAMA's definition of SOE, entities are only included in its database if they are directly owned by the government. SOEs owned by large SOE groups are not included.

and real estate sold mostly to domestic buyers. Privatization activity has been most active in the energy, banking, chemicals, construction materials, and hospitality sectors.

SOE Reform Challenges

27. The implementation of the SRS has fallen short of the original target failing to significantly reduce the large state footprint. Moreover, the number of large privatized SOEs remains limited weighing on overall progress and economic efficiency. Many enterprises remain under state control, with 100 percent ownership for the largest SOEs, often because of ongoing transformation issues (e.g., the unbundling of and restructuring efforts of UZ Railways, UZ Airways and UZ Airports), unresolved legacy challenges (e.g., delays in price liberalization in the electricity and gas sectors), their strategic importance (i.e., leading to challenging implementation), and external environment (i.e., geopolitical and trade fragmentation issues). The diversity of the investor base, especially foreign participation to bring in new skills and technology, remains an area for further development.

28. Incentives have been insufficient to encourage more rapid SOE reform due to:

- **Soft budget constraints.** SOEs enjoy preferential access to finance through a combination of subsidies, concessional and semi-concessional on-lending, non-market (e.g., preferential) loans from state owned banks and the FRD, government guarantees, and other forms of non-financial support with financial implications which undermine the incentives of SOE SBs and managers to restructure and improve efficiency.

- **Remaining gaps in regulatory framework, corporate governance, and disclosure and transparency.** With respect to the regulatory framework, there is a lack of separation between commercial activities and PSOs, blurring accountability for performance, no requirement for SOE to earn market-consistent rates of return supporting inefficiency, and exemptions from laws that confer unwarranted advantages to SOEs (Par. 16). Overlaps in the ownership function between SAMA, line ministries, and local authorities blur responsibilities and the corresponding accountability. The strict criteria to justify state ownership or state participation in the economy in the LMSP have not been implemented. With respect to corporate governance, SBs lack autonomy as they do not have sufficient qualified independent members and their powers are usually constrained while corporate governance principles are unevenly applied across SOEs. With respect to transparency and disclosure, the SAMA SOE registry is inconsistently structured and does not have a clear SOE definition while there is no centralized monitoring of privatization programs. These two factors undermine proper monitoring and assessment of privatization progress. Audited financial statements meeting IFRS standards for all SOEs is a goal that remains to be achieved.

- **Unlevel playing field with the private sector.** The combination of soft budget constraints with de-jure or de-facto preferential treatment for SOEs creates a negative feedback loop for reducing the state footprint in the economy by both discouraging entry by private firms or interest by investors in privatizations who may feel they will not be able to compete with SOEs on a level playing field.

29. Fiscal risks from SOEs remain sizable. Despite a modest improvement between 2021 and 2024, the SOE Health Check analysis still shows that there are above moderate fiscal risks from several large SOEs in certain sectors due to liquidity and solvency concerns and that still too many large SOEs remain in a gray zone linked to the insufficient incentives for more rapid SOE reforms that would enable an improvement in their financial situation. More generally, and despite the data quality issues, the fact that less than 50 percent of SOEs covered in the SAMA database are profitable and that many of those that are profitable have a low return on assets is suggesting a similar conclusion.

D. International Experience with SOE Reforms

30. International experience can help provide options to address SOE reform challenges. Given that many countries have faced difficulties with SOEs, a variety of approaches have been used. A survey of SOE reform experiences indicates that reform success has critically depended on the ability to change the incentives to address the principal-agent problems underlying the weak SOE performance. The discussion of international experience and country cases in World Bank (1995), OECD (2015), World Bank (2020) and more recent updates, like World Bank (2023a) and ADB (2025), suggest that a combination of reforms in the following areas have contributed to successful experiences:

31. A supportive political economy context. Three attributes seem to be needed: (1) reform must be politically desirable to the leadership and its constituencies, which coincided in many cases when an economic crisis made the budgetary burden unaffordable; (2) political leaders act in coordination (legislatures, executive, state or provincial governments) and have the means to implement change, withstand opposition, and compensate losers; and (3) reform announcements are credible to investors and all stakeholders.

32. A market environment that encourages competition and competitive neutrality. Markets where SOEs operate need to be sufficiently competitive to encourage company managers to be efficient and ensure SOEs do not have any advantage with respect to private firms to encourage them to enter economic sectors either directly or through privatizations. To this end, some countries liberalized trade (e.g., by reducing tariffs and non-tariff barriers), removed barriers to entry and leveled the playing field with private firms (e.g., by removing specific SOE advantages, such as special tax treatments, superior regulatory treatment, and preferential procurement arrangements), and unbundled large SOEs to separate the parts of the business that could operate in a competitive market from those that could not.

33. Increased private-sector participation. Countries did this by promoting the entry of private capital either by privatizing or by using management contracts to hire private-sector managerial expertise in open and transparent competitive processes. Privatizations occurred to different degrees either by retaining majority shareholding and combining that with corporate governance reforms, maintaining minority shareholding after a sale of the majority to the private sector, or selling all the shares to the private sector adapting the approach to the SOEs involved. Also, the more competitive or potentially competitive the market, the more countries resorted to privatization to benefit from the efficiency advantages of private firms in such markets if the SOEs had the potential to be profitable.

34. Hardened budget constraints. The use of explicit or implicit subsidies/transfers/bailouts was significantly reduced or eliminated; SOE borrowing was increasingly made on commercial terms; guarantee frameworks were tightened to reduce SOE reliance on them to borrow; and "soft loans" from the domestic financial sector were no longer available[14]. PSOs were also clearly defined, quantified, and compensated from the countries' budgets and separated from commercial activities.

35. Strengthened market regulation. Appropriate regulation needs to provide incentives for companies to invest, expand services, and operate efficiently while protecting consumers from market power. This has been achieved in some countries by: (1) auctioning off the right to be a monopoly in a competitive process or increasing competition by splitting companies into regional monopolies; and (2) setting rewards and penalties through the regulatory framework to induce the companies to operate efficiently and pass on gains to consumers through lower prices[15]. Safeguards to protect private producers from government opportunistic behavior were also introduced.

36. Well defined SOE ownership rationale and stronger ownership entities. Clear SOE ownership policies are an effective mechanism for governments to assess their SOE portfolio, articulate the rationale for continued ownership in strategic entities or sectors, define the state's objectives as an owner, establish clear division of responsibilities among ministries and oversight bodies, and ensure the separation of ownership from regulatory and policy functions. In addition to clear ownership policies, strengthening ownership entities typically involves centralizing their operations.

37. Strengthened corporate governance. This implies making SOEs comparable to leading private sector companies. This requires upgrades in the operation and composition of SOE SBs to make them more professional, independent, and protected from political interference. This also contributes to increased managerial autonomy with expanded powers for SOE managers on pricing, procurement, production, and personnel decisions and performance agreements. At the same time, SOE managers need to have the freedom, means, and accountability to improve performance and respond to incentives. That includes the ability to adjust staff levels, seek cheaper suppliers, discontinue loss-making activities, and look for new markets. Their performance must be evaluated through a system of rewards (and penalties) directly linked to their success (or failure) in meeting well-defined objectives. These reforms can also be accompanied by market listing of SOE shares to

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[14]This was achieved through financial sector reforms that strengthened supervision and regulation, relaxed controls over interest rates, and reduced directed and preferential lending.

[15] For example, in the context of splitting national monopolies into regional monopolies, allowing several companies to bid to be a regional monopolist allowed to assess the performance of firms in the different regions and not renew the right of the ones who did not perform or were less efficient.

facilitate transparency and accountability improvements. Financial controls on borrowing and guarantee approvals should be retained to limit fiscal risks.

E. Reform Options

38. There is significant scope to further reform the SOE sector in Uzbekistan to enhance economic efficiency and support private sector development drawing on international SOE reform experience. A clear and transparent ownership policy subject to periodic review that defines which entities will remain in state ownership should be adopted to inform the decision of which entities to privatize or liquidate[16]. In particular:

- ***The role of SOEs in the economy should be substantially reduced.*** More than 80 percent operate in competitive sectors. SOEs should be privatized, if profitable, following best practices, or liquidated otherwise, with the process supported by targeted social protection measures and appropriate compensation provided to retrenched workers as needed. This would reduce the burden of SOEs on the budget, facilitate a more efficient reallocation of resources toward productive private firms, and help remove barriers to market entry, thereby supporting new investment.

- ***For SOEs in strategic or non-competitive sectors remaining under state ownership, corporate governance weaknesses and soft budget constraints should be addressed.*** Government influence on SBs and multiple forms of SOE support weaken reform incentives. Priority reforms should include establishing well-defined commercial objectives requiring market rates of return supplemented as needed by non-financial KPIs; clearly defined and quantified public service obligations with full budget compensation; eliminating ownership function responsibility overlaps between SAMA, line ministries, and local governments favoring further ownership function centralization; ensuring merit-based and transparent SB appointments; conducting regular SB performance evaluations against a robust performance framework; safeguarding for SB autonomy; prohibition of non-commercial activities without full budget compensation; and increased private sector participation to increase efficiency. Government support to SOEs to facilitate the implementation of reforms should be based on a credible restructuring plans, conditioned on reform progress, and phased out gradually to ensure competitive neutrality.

- ***All SOEs should comply with international standards on auditing, financial reporting, and disclosure.*** This includes the timely publication of IFRS financial statements audited following international standards.

39. The creation of UzNIF is not a substitute for the above reforms. While UzNIF aims to improve corporate governance, enhance operational efficiency and transparency, establish market-

[16] The strict criteria to justify state ownership or state participation in the economy in the LMSP should be used to limit the creation of new SOEs and guide which SOEs to keep in state ownership, privatize, or liquidate in the ownership policy.

based valuations, and attract institutional investors to accelerate large SOE privatization, its success depends on a clear mandate, managerial autonomy, and sufficient capacity to effectively restructure SOEs, consistent with good practices applied to other strategic SOEs.

40. The SAMA SOE registry should be strengthened and monitoring of privatization centralized to increase transparency and disclosure. The registry should use the IMF Government Finance Statistics public corporation definition as its definition of SOE and draw on the sectorization work recently completed by the MOEF supported with IMF capacity development to determine the institutions that should be in its registry. International standardized classifications of industries and sectors should be used to classify SOEs. SAMA should facilitate compliance and strictly enforce governance, disclosure, and transparency requirements, including timely reporting of audited IFRS financial statements for all SOEs in its registry. This would allow to improve SAMA's monitoring of SOE operational and financial performance. Monitoring of privatization should be centralized to improve monitoring of outcomes and better identify and address any challenges.

Annex I. Largest State-Owned Enterprises of Uzbekistan

	Entity	Sector
1	JSC NMMC	Mining and metals
2	Navoiyuran State Enterprise	Mining and metals
3	Almalyk KMK JSC	Mining and metals
4	JSC Uzmetkombinat	Mining and metals
5	JSC Uzbekkomir	Mining and metals
6	JSC Uzbekneftegaz	Electricity and Gas
7	JSC Uztransgaz	Electricity and Gas
8	JSC Hududgaztaminot	Electricity and Gas
9	"UzGasTrade" JSC	Electricity and Gas
10	National Electric Grids of Uzbekistan JSC	Electricity and Gas
11	JSC Thermal Power Plants	Electricity and Gas
12	JSC Regional Electric Networks	Electricity and Gas
13	JSC Uzbekhydroenergo	Electricity and Gas
14	JSC Uzkimyosanoat	Chemicals
15	JSC Navoiyazot	Chemicals
16	JSC Uzbekistan Railways	Transportation
17	Uzbekistan Airways JSC	Transportation
18	Uzbekistan Airports JSC	Transportation
19	JSC Tashshahartranskhizmat	Transportation
20	JSC Uzavtosanoat	Automotive
21	JSC Uzbekistan Post	Transportation
22	Uzbektelecom JSC	Communication
23	Agrobank JSCB	Commercial bank
24	JSCB Asakabank	Commercial bank
25	Uzsanoatkurilishbank JSC	Commercial bank
26	JSC Xalq Bank	Commercial bank
27	JSCB Turonbank	Commercial bank
28	"Qishloqqurilishbank" JSCB	Commercial bank
29	Aloqabank JSCB	Commercial bank
30	Uzmilliy Bank JSCB	Commercial bank
31	JSCB Microcreditbank	Commercial bank

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