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PROSPECTS FOR IMPROVING STATE PROPERTY MANAGEMENT IN UZBEKISTAN

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Abstract

Background: For decades, state-owned enterprises dominated Uzbekistan's economy and were managed by dozens of ministries combining ownership, regulatory and policy functions. Since 2020 the country has undertaken a large-scale reform of state property management aimed at reducing the state's presence in the economy, separating ownership from regulation and introducing market-based governance.

Aim: The article analyses the legal framework and results of the reform of state property management in Uzbekistan and identifies the main prospects for its further improvement.

Methods: The study combines doctrinal analysis of the Law "On State Property Management" (2023), the Law "On Privatization of State Property" (2024) and related acts; comparative analysis against the OECD Guidelines on Corporate Governance of State-Owned Enterprises; and descriptive analysis of official data of the State Assets Management Agency.

Results: The reform created a unified legal basis for state property management, designated the State Assets Management Agency as the body responsible for single state policy, introduced the separation of ownership and regulatory functions and public reporting, and abolished the sale of state assets at a "zero" price. Privatization proceeds increased from UZS 1.1 trillion over the ten years preceding 2020 to UZS 77.6 trillion in 2020–2025, and the number of enterprises with state participation was reduced by 61 per cent. In 2026 the National Investment Fund completed the country's first international IPO. Remaining

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challenges include fragmented ownership, limited independence of boards, soft budget constraints and the protection of public interests in privatization.
Conclusion: The article proposes a centralised ownership model, professional and independent boards, a dividend and performance framework, full digitalisation of the state property register and stronger civil-law guarantees of transparency and accountability.

Keywords: state property; state-owned enterprises; state assets management; privatization; corporate governance; OECD Guidelines; ownership function; Uzbekistan.

Introduction

State property occupies a special place in civil law. Under the Civil Code of the Republic of Uzbekistan, it comprises republican and municipal property, and the property of state enterprises and institutions is held on the right of economic management or operative management.[1,2] The efficiency with which the state exercises its powers of ownership affects the quality of public services, the fiscal position of the budget and the competitiveness of the entire economy.

Economic research has long documented the risks of state ownership: political interference in management decisions, soft budget constraints that allow loss-making enterprises to survive through state support, and weak incentives for efficiency.[3,4,5] At the same time, the state remains an owner of strategic assets in most countries, and the question is not only whether the state should own enterprises, but how it should do so. The OECD Guidelines on Corporate Governance of State-Owned Enterprises, revised in 2024, answer this question by recommending that the state act as an informed and active owner, clearly

[1] Civil Code of the Republic of Uzbekistan. Part One. Adopted 21 December 1995. URL: https://lex.uz/acts/-111466.
[2] Ibid., Art. 39 (property of a legal entity held in ownership, economic management or operative management).
[3] Shleifer A. State versus private ownership // Journal of Economic Perspectives. 1998. Vol. 12, No. 4. P. 133–150.
[4] Shleifer A., Vishny R.W. Politicians and firms // Quarterly Journal of Economics. 1994. Vol. 109, No. 4. P. 995–1025.
[5] Kornai J. The soft budget constraint // Kyklos. 1986. Vol. 39, No. 1. P. 3–30.

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separate its ownership function from other functions, ensure a level playing field and guarantee transparency and accountability.[6]

In Uzbekistan, reform of state property management started with Decree of the President No. PF-6096 of 27 October 2020, which approved the Strategy for the Management and Reform of Enterprises with State Participation for 2021–2025.[7] Before the reform, enterprises were managed by 61 ministries and agencies.[8] The reform was consolidated by the Law "On State Property Management" of 9 March 2023 and the Law of 14 February 2024 No. ZRU-907 "On Privatization of State Property".[9,10]

The aim of this article is to analyse the legal framework and results of this reform and to identify the main prospects for further improvement. The research question is whether the current legal model ensures that the state acts as an efficient, transparent and accountable owner.

Methods

Doctrinal analysis: The study examined the Civil Code, the Law "On State Property Management" of 9 March 2023, the Law No. ZRU-907 of 14 February 2024, the Law No. ZRU-980 of 22 October 2024 and Decree No. PF-6096 of 27 October 2020.

Comparative analysis: The national framework was assessed against the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024 edition).[11]

Descriptive analysis: Official data of the State Assets Management Agency (UzSAMA), including its consolidated reports on privatization, were analysed.

[6] OECD. OECD Guidelines on Corporate Governance of State-Owned Enterprises. 2024 Edition. Paris: OECD Publishing, 2024.
[7] Decree of the President of the Republic of Uzbekistan of 27 October 2020, No. PF-6096, approving the Strategy for the Management and Reform of Enterprises with State Participation for 2021–2025.
[8] The Law of the Republic of Uzbekistan "On State Property Management" was adopted // State Assets Management Agency. 10 March 2023. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.
[9] The Law of the Republic of Uzbekistan "On State Property Management" was adopted // State Assets Management Agency. 10 March 2023. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.
[10] Law of the Republic of Uzbekistan "On Privatization of State Property" of 14 February 2024, No. ZRU-907; see: https://gov.uz/en/davaktiv/news/view/9050.
[11] OECD. OECD Guidelines on Corporate Governance of State-Owned Enterprises. 2024 Edition. Paris: OECD Publishing, 2024.

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Theoretical analysis: Economic and legal literature on state ownership, privatization and corporate governance was reviewed.[12,13,14,15]

Limitations: Detailed data on the financial performance of individual enterprises with state participation are only partly public; conclusions on efficiency are therefore based on aggregated indicators.

Results

A unified legal framework: The Law "On State Property Management" establishes the directions of state policy in this field, defines the subjects of management (the Cabinet of Ministers, the State Assets Management Agency, specially authorised state bodies, state institutions and local authorities) and designates the Agency as responsible for single state policy.[16] It provides for the separation of ownership and regulatory functions by transferring ownership rights to the Agency or regulatory functions to other state bodies, and requires all organisations managing state property to disclose information, with a consolidated report on the effectiveness of state property management published on the Agency's website.[17] The Agency reports on the effectiveness of state property management to the President and the Cabinet of Ministers at least once a year and, on request, to the chambers of the Oliy Majlis.[18]

The Law No. ZRU-907, which replaced the 1991 Law "On Denationalization and Privatization" that had been amended more than 20 times, regulates the principles and procedure for selling state property to individuals and non-state entities and

[12] Shleifer A. State versus private ownership // Journal of Economic Perspectives. 1998. Vol. 12, No. 4. P. 133–150.
[13] Shleifer A., Vishny R.W. Politicians and firms // Quarterly Journal of Economics. 1994. Vol. 109, No. 4. P. 995–1025.
[14] Kornai J. The soft budget constraint // Kyklos. 1986. Vol. 39, No. 1. P. 3–30.
[15] Detter D., Fölster S. The Public Wealth of Nations: How Management of Public Assets Can Boost or Bust Economic Growth. Basingstoke: Palgrave Macmillan, 2015.
[16] The Law of the Republic of Uzbekistan "On State Property Management" was adopted // State Assets Management Agency. 10 March 2023. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.
[17] The Law of the Republic of Uzbekistan "On State Property Management" was adopted // State Assets Management Agency. 10 March 2023. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.
[18] The Law of the Republic of Uzbekistan on State Property Management was adopted // Tashkent Regional Department of the State Assets Management Agency. URL: https://toshvil.davaktiv.uz/en/blog/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.

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appoints the Agency as the authorised body in the field of privatization.[19,20] The Law No. ZRU-980 of 22 October 2024 abolished the practice of selling state property at a "zero" price and assigned to the Agency the coordination of dividend policy at enterprises with state participation.[21]

Results of the reform: The quantitative results are significant. According to the Agency, privatization proceeds amounted to only UZS 1.1 trillion over the ten years preceding 2020, but reached UZS 77.6 trillion in 2020–2025; based on the "sell or explain" principle, the number of enterprises with state participation was reduced by 61 per cent in 2021–2025, and around 1.5 million assets were put up for auction through the E-auksion platform.[22] In 2024 alone, assets and land plots worth UZS 24.4 trillion were put up for sale, of which assets worth UZS 17.4 trillion were privatized.[23]

A qualitatively new step was the listing of the National Investment Fund of the Republic of Uzbekistan (UzNIF). Established in 2024 and managed by Franklin Templeton as trustee under an agreement with the Ministry of Economy and Finance, the fund holds stakes of between 25 and 40 per cent in 13 state-owned companies. In May 2026 it completed the country's first international IPO, raising about USD 604 million at a valuation of around USD 1.95 billion on the London and Tashkent stock exchanges.[24,25]

[19] Law of the Republic of Uzbekistan "On Privatization of State Property" of 14 February 2024, No. ZRU-907; see: https://gov.uz/en/davaktiv/news/view/9050.
[20] The Law of the Republic of Uzbekistan "On privatization of state property" was adopted // State Assets Management Agency. 15 February 2024. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-privatization-of-state-property-was-adopted.
[21] Uzbekistan ends "zero" price sales of state assets under new law // Kun.uz. 24 October 2024. URL: https://kun.uz/en/news/2024/10/24/uzbekistan-ends-zero-price-sales-of-state-assets-under-new-law; The procedure for the management of state property is being improved // State Assets Management Agency. 23 October 2024. URL: https://gov.uz/en/davaktiv/news/view/25776.
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[23] State Assets Management Agency. Consolidated Report on the Privatization of State Property for 2024. Tashkent, April 2025. URL: https://davaktiv.uz/uploads/docs/Uzsama_ENG_2025.pdf.
[24] Uzbekistan national investment fund lists in London after $604m IPO // bne IntelliNews. 13 May 2026. URL: https://www.intellinews.com/uzbekistan-national-investment-fund-lists-in-london-after-604m-ipo-442698/.
[25] UzNIF debuts on London market in first international Uzbek IPO // Euronews. 18 May 2026. URL: https://www.euronews.com/business/2026/05/18/uznif-debuts-on-london-market-in-first-international-uzbek-ipo.

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Table 1. Key stages and indicators of the reform of state property management

Stage	Legal basis	Main result
2020	Decree No. PF-6096; Strategy 2021–2025	Programme of SOE reform and privatization; UzSAMA as central body
2023	Law "On State Property Management"	Unified framework; separation of ownership and regulation; public reporting
2024	Law No. ZRU-907; Law No. ZRU-980	New privatization law; end of "zero-price" sales; dividend policy coordination
2020–2025	Implementation	Privatization proceeds UZS 77.6 trillion; SOEs reduced by 61%
2026	UzNIF IPO	First international IPO; professional external manager

Source: compiled by the author on the basis of official data.[26,27,28,29,30]

Discussion

Strengths of the new model: The reform addresses the main weaknesses identified by the OECD Guidelines. The separation of ownership and regulatory functions reduces conflicts of interest when the same ministry both regulates a sector and owns enterprises competing in it.[31] The designation of a single agency responsible for ownership policy moves Uzbekistan from a decentralised model, in which 61 ministries managed enterprises, towards a coordinated or centralised model. Public reporting and the use of electronic auctions increase transparency and

[26] The Law of the Republic of Uzbekistan "On State Property Management" was adopted // State Assets Management Agency. 10 March 2023. URL: https://davaktiv.uz/en/news/the-law-of-the-republic-of-uzbekistan-on-state-property-management-was-adopted.
[27] Law of the Republic of Uzbekistan "On Privatization of State Property" of 14 February 2024, No. ZRU-907; see: https://gov.uz/en/davaktiv/news/view/9050.
[28] Uzbekistan ends "zero" price sales of state assets under new law // Kun.uz. 24 October 2024. URL: https://kun.uz/en/news/2024/10/24/uzbekistan-ends-zero-price-sales-of-state-assets-under-new-law; The procedure for the management of state property is being improved // State Assets Management Agency. 23 October 2024. URL: https://gov.uz/en/davaktiv/news/view/25776.
[29] From state ownership to a private capital-driven economy // State Assets Management Agency. 24 August 2026. URL: https://gov.uz/en/davaktiv/news/view/209544.
[30] Uzbekistan national investment fund lists in London after $604m IPO // bne IntelliNews. 13 May 2026. URL: https://www.intellinews.com/uzbekistan-national-investment-fund-lists-in-london-after-604m-ipo-442698/.
[31] OECD. OECD Guidelines on Corporate Governance of State-Owned Enterprises. 2024 Edition. Paris: OECD Publishing, 2024.

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reduce opportunities for corruption. The abolition of "zero-price" sales protects the public interest by ensuring that state assets are sold at market value.

The UzNIF listing illustrates another important principle: by entrusting management to a professional international manager and subjecting state assets to the disclosure requirements of the London Stock Exchange, the state signals its willingness to apply international standards of transparency and fiduciary discipline.[32]

Remaining challenges: (1) Completing the centralisation of ownership: Ownership rights over many enterprises still remain with sectoral bodies. A gradual transfer of all commercial enterprises to the Agency, or to a holding company under it, would complete the separation of functions.

(2) Independent and professional boards: International experience shows that boards composed mainly of civil servants rarely exercise independent oversight. The OECD Guidelines recommend boards with a sufficient number of independent members selected through transparent, merit-based procedures.[33]

(3) Soft budget constraints: Kornai showed that when loss-making enterprises can rely on state bailouts, managers lack incentives for efficiency.[34] Clear rules on state support, separate accounting for public service obligations and compensation for them through transparent contracts are needed.

(4) Protection of public interests in privatization: The rapid growth of privatization increases the importance of post-privatization control: compliance with investment and employment obligations, prevention of asset stripping and the protection of socially significant objects. The Senate's decision in 2024 to prohibit the privatization of parks and boulevards shows that the boundaries of privatization must be defined by law.[35]

[32] UzNIF debuts on London market in first international Uzbek IPO // Euronews. 18 May 2026. URL: https://www.euronews.com/business/2026/05/18/uznif-debuts-on-london-market-in-first-international-uzbek-ipo.
[33] OECD. OECD Guidelines on Corporate Governance of State-Owned Enterprises. 2024 Edition. Paris: OECD Publishing, 2024.
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(5) Digitalisation and data: A complete, publicly accessible digital register of state property, including land and real estate held by state institutions, is a precondition for effective management and civil-law protection of state property. Interpretation: The results confirm the conclusion of the comparative literature that the efficiency of state ownership depends less on the share of state property in the economy than on the quality of ownership governance.[36] Uzbekistan has built the legal foundation of a modern ownership model; the next stage is its full institutionalisation.

Conclusion and recommendations

The reform of state property management in Uzbekistan since 2020 has created a unified legal framework, a central ownership body, mechanisms of transparency and a record volume of privatization, culminating in the first international IPO of state-linked assets in 2026. The answer to the research question is that the legal model now meets many international standards, while its full implementation requires further institutional steps. The following measures are proposed:

1. Complete the transfer of ownership rights over commercial enterprises from sectoral ministries to the State Assets Management Agency or a holding company under it.
2. Introduce mandatory independent members on the boards of large enterprises with state participation, selected through open competition.
3. Adopt a unified dividend and performance framework with key performance indicators for each enterprise and publish annual results.
4. Establish rules on state support and public service obligations to eliminate soft budget constraints.
5. Strengthen post-privatization control through standard contract clauses on investment obligations and civil-law remedies for their breach.

[36] Detter D., Fölster S. The Public Wealth of Nations: How Management of Public Assets Can Boost or Bust Economic Growth. Basingstoke: Palgrave Macmillan, 2015.

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6. Create a complete and publicly accessible digital register of state property integrated with the cadastre and the E-auksion platform.

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