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POLICY BRIEF

Beyond financial performance: Reclassifying state ownership in Uzbekistan by economic function

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KEY MESSAGES:

- **Financial performance alone is not enough to guide SOE privatization**. Current classification by legal form and financial results does not show whether an enterprise operates as a natural monopoly, a competitive-sector firm, a public-service provider, or a strategic-resource company. A loss-making postal service and a loss-making cement producer require different policy responses. The future of state ownership should therefore be guided by economic function, not by profitability alone.
- **Privatization should follow market opening, not replace it**. In competitive sectors such as banking, automotive, telecommunications, cement, chemicals, and aviation, privatization of dominant state-owned firms should be preceded by a review of market barriers, exclusive rights, and regulatory advantages. Where such barriers exist, they should be addressed before divestment. Otherwise, privatization may transfer protected rents from the state to private owners rather than create competition.
- **Some SOEs should not be treated as commercial failures if they perform public-service obligations**. Enterprises that deliver socially necessary but commercially unviable services need clearly defined mandates, transparent costing, and explicit public compensation. This would help separate genuine public-service obligations from weak commercial performance.
- **Strategic-resource enterprises need fiscal safeguards before partial listing**. Companies such as NMMC generate significant dividend income for the state budget. Partial listings can strengthen transparency and capital-market discipline, but they should be accompanied by dividend-transition mechanisms to reduce the risk of short-term fiscal pressure.
- **International experience shows that institutional design determines whether SOE reform lasts**. Kazakhstan illustrates the risk of consolidating state assets in a large operating holding. Türkiye shows that privatizations can be reversed when failed assets return to state-controlled vehicles. Romania shows that a portfolio fund with external management, international listings, and shareholder rights can help protect reform across political cycles.
- **The brief recommends moving from transaction-based privatization to a functional model of state ownership reform**. This means classifying major SOEs by economic function and matching each category with the right policy instrument: market opening for competitive sectors, transparent compensation for public-service obligations, dividend safeguards for strategic-resource listings, and stronger legal protection for long-term reform targets.

1. Introduction

The Government of Uzbekistan has returned to a central reform question that has shaped the country's economic agenda since 2017: how far should state ownership extend in the economy? With 1,685 state-owned enterprises still operating and roughly 42 percent of major sectors remaining under state control, the presidential meeting of 6 April 2026 called for a sector-by-sector analysis of competition before further privatization decisions are made (President of Uzbekistan, 2026). This policy brief responds to that reform direction.

International assessments point to the same issue. An IMF mission to Uzbekistan in April 2026 noted that many state-owned enterprises operate in sectors that are already competitive and recommended privatizing profitable firms while closing loss-making ones (IMF, 2026). Similar conclusions are reflected in broader evaluations of SOE reform by the OECD, the World Bank, the IMF, and the Asian Development Bank, which emphasize that ownership reform should be linked to market structure, competition, public-service obligations, and fiscal risks (OECD, 2024; World Bank, 2020; IMF, 2020; ADB, 2022).

The policy question, therefore, is not only which SOEs should be privatized. It is also which forms of state ownership are economically justified, under what conditions, and with which safeguards. State ownership may remain appropriate in natural monopolies, provided that access, tariffs, and investment are subject to effective regulations. It may also be justified where enterprises deliver public-service obligations that are clearly defined and transparently financed from the budget. By contrast, state-owned firms that compete directly with private companies, or that operate primarily as sources of fiscal revenue, can distort competition, weaken market discipline, and delay private-sector development.

This distinction forms the analytical basis of the brief. Section 2 sets out a functional framework for classifying state-owned enterprises. Sections 3 and 4 examine why the current approach to privatization and SOE reform tends to stall. Section 5 draws lessons from Kazakhstan, Türkiye, and Romania. Section 6 proposes six policy steps for aligning state ownership with economic function and long-term market development.

2. Diagnostic frame: how Uzbekistan classifies state ownership today

2.1 What the current classification misses

The State Assets Management Agency (UzSAMA) currently classifies state-owned enterprises mainly by two criteria: legal form and financial performance. Legal form distinguishes joint-stock companies, limited liability companies, unitary enterprises, banks, and other organizational types. Financial performance distinguishes profitable, low-profitable, loss-making enterprises, and entities considered for liquidation. In its 2024 annual report, UzSAMA identified 451 loss-making SOEs; in the 2025 update, this number declined to 362 (UzSAMA, 2024; 2025a). This suggests some improvement in financial performance, but it does not answer the deeper policy question: what economic function does each enterprise perform?

Financial classification is useful for monitoring fiscal risks and enterprise performance, but it is not sufficient for deciding the future role of state ownership. A loss-making postal service performs a different economic function from a loss-making cement producer. Similarly, a profitable mining monopoly differs from a profitable telecommunications operator. Enterprises may therefore share the same financial profile while playing very different roles in the economy. Classifying them primarily by financial result can obscure whether the problem is commercial inefficiency, a public-service mandate, monopoly power, or strategic-resource management.

Two examples illustrate this gap. UzAuto Motors is classified as a profitable joint-stock company, yet it accounts for a dominant share of the domestic automobile market (Uzavtosanoat, 2026). Uzbekistan Airways is classified as a strategic enterprise, but it remains the dominant carrier in a sector where private competition is common in comparator economies (Spot.uz, 2026). In both cases, the issue is not only ownership, but the combination of state ownership with market protection or structural dominance. Without first addressing these conditions, privatization could transfer existing rents to private owners rather than create a genuinely competitive market.

This is the gap that a functional classification can help close. Instead of asking only whether an SOE is profitable or loss-making, policymakers should also ask whether it operates in a natural monopoly, a competitive market, a public-service domain, or a strategic-resource sector. The OECD competitive neutrality framework is relevant precisely because it focuses on whether state-owned and private firms compete under equivalent market conditions (OECD, 2024).

2.2 An alternative: Four functional categories

An alternative approach is to classify state-owned enterprises by economic function. **Figure 1** presents a four-category framework synthesized from OECD work on competitive neutrality, the World Bank's evaluation of SOE reform, the IMF Fiscal Monitor's chapter on SOEs, and the ADB SOE Reform Handbook (OECD, 2024; World Bank, 2020; IMF, 2020; ADB, 2022). These sources point to a common distinction: state-owned enterprises may operate in natural monopoly conditions, in competitive markets, as providers of public-service obligations, or as holders of strategic resources.

Each category requires a different policy instrument. Natural monopolies may justify continued state ownership, but only with independent regulation of tariffs, access, service quality, and investment. Competitive-sector enterprises should face market opening and competitive neutrality before divestment. Public service providers require clearly defined mandates and transparent budget compensation. Strategic-resource enterprises may remain partly state-owned, but should be subject to capital-market discipline, dividend transparency, and professional governance.

Figure 1. A four-category functional framework

Category	Examples in Uzbekistan	Main policy instrument
A. Natural monopoly	Electricity grids, gas pipelines, rail infrastructure, water networks	State ownership with independent regulation
B. Competitive sector	Automotive, telecom retail, banking, cement, chemicals, airlines	Market opening first, then divestment
C. Public service obligation	Postal service, regional water services, public broadcasting	State ownership or contracting with a budget-funded service mandate
D. Strategic resource	NMMC, Navoiyuran, upstream oil and gas	Partial state ownership with capital-market discipline through partial listing

Source: Author's elaboration based on the OECD Competitive Neutrality framework (OECD, 2024), World Bank evaluation of SOE reform (World Bank, 2020), IMF Fiscal Monitor's chapter on SOEs (IMF, 2020), and ADB SOE Reform Handbook (ADB, 2022). Each category implies a different policy tool; privatization is only one of several possible instruments.

This distinction is important because mixing categories can lead to policy errors. Privatizing a protected monopoly may transfer monopoly rents to private owners rather than create competition. Retaining a competitive firm in state ownership may weaken market discipline and deter private investment. Treating a public-service provider as a commercial failure may lead to underfunding of essential services. Treating a strategic-resource firm only as a source of fiscal dividends may delay capital-market reform. A functional classification therefore helps match each SOE to the appropriate reform instrument.

Presidential Resolution RP-145 of April 2025 already moves partly in this direction. It assigns 29 enterprises for direct sale to private investors and 12 enterprises for partial listing on the stock market (RP-145, 2025). The enterprises selected for direct sale are located predominantly in competitive sectors, whereas those selected for listing are largely strategic-resource firms. However, this matching exercise is only a starting point. Competitive-sector firms still require market opening before divestment, while strategic-resource firms require safeguards to preserve fiscal stability and dividend flows before partial listing. Section 3 examines these issues through the banking sector and the 2025 privatization program.

3. Two case studies: banking and the 2025 privatization program

3.1 Banking sector: a five-year strategy with one fully privatized bank

Banking falls under Category B of the functional framework: it is a competitive sector in which state ownership should gradually give way to market-based ownership, stronger competition, and commercial lending discipline. In practice, however, banking privatization has been managed mainly as a sequence of individual bank sales rather than as a broader market-opening program.

The Banking Sector Reform Strategy approved in 2020 listed six state-owned commercial banks for privatization by 2025 (DP-5992, 2020). Five years later, only Ipoteka Bank had been fully privatized, following its sale to Hungary's OTP. No banking-specific successor strategy has yet replaced the 2020–2025 framework. Instead, the banking privatization objective has been incorporated into the wider Uzbekistan–2030 strategy, which aims to reduce the number of state-owned banks from nine to four by 2030 (DP-21, 2026).

Recent developments suggest that the reform process has not stopped. In late 2025, the European Bank for Reconstruction and Development acquired a 15 percent stake in Asaka Bank to prepare it for full privatization (Ministry of Economy and Finance, 2025). A subsequent presidential decree required Asaka Bank to be reorganized on market principles (Ministry of Justice, 2026). These steps indicate continued movement toward bank privatization.

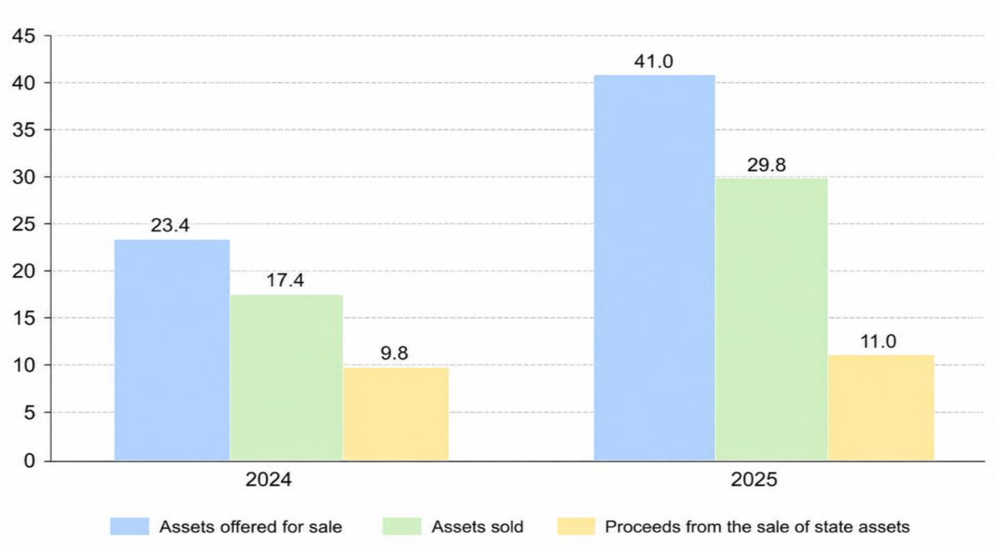
At the same time, the credibility of the timetable remains uncertain. The Uzbekistan–2030 strategy postponed the start of new bank privatizations from 2026 to 2027 (DP-21, 2026). The IMF's 2026 mission also warned that directing credit through systemic state-owned banks on government instructions could increase risks to both financial stability and the state budget (IMF, 2026). The overall reform direction is therefore correct, but the implementation mechanism remains weak: deadlines have been postponed, the sector-specific strategy has expired, and state-owned banks continue to play a large role in policy-directed lending.

The banking case illustrates a broader problem in Uzbekistan's SOE reform agenda. Privatizing one institution can be an important transaction, but it does not by itself create a competitive banking market. For banking reform to support private-sector development, privatization should be linked to a wider program of market opening, reduced policy-directed lending, stronger bank governance, and a binding timetable for reducing state ownership.

3.2 The 2025 privatization program: two methods, mixed results

The wider 2025 privatization program shows a similar pattern: greater transactional activity, but only limited evidence so far of a deeper change in market structure. Following the adoption of the April 2025 program, state-asset sales nearly doubled between 2024 and 2025 (RP-145, 2025; **Figure 2**). The program uses two main methods: direct sales of enterprises to private investors and the placement of minority shareholdings on the stock market. In the functional framework used in this brief, the direct-sale list consists largely of Category B firms operating in competitive sectors, while the share-offering list consists mainly of Category D firms holding strategic resources. These two groups therefore require different policy treatment.

Figure 2. Privatization of state assets, 2024–2025, trillion UZS



Source: UzSAMA annual reports (UzSAMA, 2024; 2025a).

The direct-sale list covers 29 enterprises. So far, two transactions have been completed: SamAuto, sold to Türkiye's Anadolu Isuzu, and Boysunkomir (Anadolu Isuzu, 2025; UzSAMA, 2025a). Four enterprises are currently in active auction, including the mobile operator Mobiuz, with an indicative price of around USD 300 million (UzSAMA, 2025b). Twelve enterprises are at the strategy-preparation stage, while eight remain under preliminary study, including UzAuto Motors (UzSAMA, 2025a).

The share-offering list covers 12 enterprises. The first major transaction took place in late April 2026, when the National Investment Fund of Uzbekistan (UzNIF) sold shares to public investors. UzNIF holds minority stakes in several of Uzbekistan's largest state-owned companies, including NMMC, Navoiyuran, Uzbekneftegaz, UzAuto Motors, and Uzbekistan Airports. Its shares were offered simultaneously on the London and Tashkent stock exchanges, raising about USD 604 million and valuing UzNIF at approximately USD 1.95 billion. BlackRock, Franklin Templeton, and Redwheel committed in advance to purchase substantial portions of the offering (LSE, 2026). The structure broadly follows the Romanian Fondul Proprietatea model discussed in Section 5.3.

However, the momentum from the UzNIF transaction was followed by a setback. Days later, the next planned share offering - for NMMC - was reportedly paused indefinitely (Mining.com, 2026). This illustrates the different constraints facing strategic-resource enterprises. Unlike many competitive-sector firms, they are not only candidates for capital-market reform; they are also major sources of fiscal revenue through dividends. As a result, their privatization or partial listing requires a mechanism to manage the fiscal transition.

A more encouraging signal comes from Presidential Resolution RP-74 of February 2026. The resolution keeps 51 percent state ownership of electricity distribution and rail networks, while introducing private partners to manage generation and distribution in Samarkand, Jizzakh, and Sirdaryo, with USD 4 billion in modernization investment (RP-74, 2026). In practice, this reflects the Category A model from Section 2: the state retains ownership of network infrastructure, while private operators provide regulated services on that infrastructure.

Overall, the 2025 program shows progress, but also confirms the need for a functional approach. Direct sales in competitive sectors should be preceded by market opening and competitive impact assessment. Share offerings in strategic-resource sectors require fiscal safeguards, dividend transparency, and capital-market discipline. Natural-monopoly infrastructure requires a different model again: continued public ownership of core networks combined with independent regulation and private participation where appropriate.

4. Three institutional gaps

Taken together, the banking strategy and the 2025 privatization program reveal a consistent pattern. Individual transactions are moving forward, but the market and institutional conditions around them are not changing at the same pace. Some sales are delayed because competition conditions are not ready; some loss-making enterprises cannot be separated from public-service obligations; and some strategic-resource firms remain difficult to list because the budget depends heavily on their dividends. Three institutional gaps explain this pattern.

4.1 No competition-first approach to privatization

Major privatization transactions should be preceded by a competitive impact assessment, a function that falls within the legal mandate of the Competition Promotion and Consumer Protection Committee. Such an assessment is necessary because market structure in Uzbekistan remains highly concentrated. In 2023, the Center for International Private Enterprise reported that around 80 percent of monopolies in Uzbekistan had state ownership or state-controlled shareholders (CIPE, 2023).

The Ipoteka Bank case illustrates the limits of transaction-based reform. Although the bank was sold to Hungary's OTP in 2022–2023, the overall structure of the banking market did not change significantly. State-owned banks still hold a large share of banking assets, and credit continues to be channeled toward government priorities. Selling one bank, therefore, does not by itself create a competitive credit market.

The same logic applies beyond banking. If a dominant SOE is sold while market barriers, exclusive rights, or regulatory advantages remain in place, privatization may simply transfer market power from the state to a private owner. A competition-first approach would require policymakers to assess market concentration, regulatory barriers, access conditions, and competitive neutrality before approving major sales.

4.2 No public-service obligation framework

Some state-owned enterprises operate at a loss because they deliver services that the private sector cannot provide commercially, such as rural postal delivery, regional water supply, certain transport routes, and public broadcasting. Others operate at a loss because of weak commercial performance, poor management, or lack of restructuring. The current financial recovery approach risks placing both groups on the same list (UzSAMA, 2025a).

This creates two problems. First, genuine public-service providers may not receive transparent budget support for the social functions they perform. Second, commercially active enterprises may use the absence of a clear public-service framework to delay restructuring. The IMF's 2026 mission framed the issue clearly: state-owned enterprises should not be assigned non-commercial activities unless those activities are fully compensated through the budget (IMF, 2026).

A Public Service Obligation framework would address this gap by identifying the social mandate, estimating its cost, financing it transparently from the budget, and separating it from commercial accounts. Without such a framework, policymakers cannot reliably distinguish between enterprises that need public funding for social mandates and enterprises that require restructuring, privatization, or liquidation.

4.3 Dividend dependence as a binding constraint

The reported pause in the NMMC IPO in early May 2026 confirmed another constraint in the privatization process: the state budget depends heavily on dividends from a small number of large SOEs (Mining.com, 2026). NMMC, together with four other top dividend-paying SOEs - Almalyk Mining and Metallurgical Complex, Navoiyuran, Uzavtosanoat, and Uzbekneftegaz - accounts for 95.5 percent of all state dividends (UzSAMA, 2025a).

A significant sale of state shares in any of these enterprises could therefore create a short-term fiscal gap if no transition mechanism is in place. The current RP-145 structure does not yet include a clear mechanism to replace or protect that revenue during the privatization transition. As a result, politically and fiscally sensitive transactions are likely to be delayed, even when they are strategically justified.

This is not only a question of political will. It is also a question of institutional design. If strategic-resource enterprises are expected to move toward partial listing, the government needs a fiscal transition mechanism: for example, a minimum dividend policy, phased share offerings, or a medium-term budget adjustment plan. Without such safeguards, strategic-resource listings will remain vulnerable to postponement.

These three gaps reinforce each other. A competitive impact assessment would ensure that market structure is examined before each major sale. A Public Service Obligation framework would separate social mandates from commercial operations. A dividend-protection mechanism would allow strategic-resource share offerings, such as NMMC, to proceed without creating an immediate fiscal shortfall. Together, these measures would allow the four-category framework in Section 2 to operate in practice.

5. International reform models

International experience does not point to one single model of SOE reform. Instead, it shows several institutional choices that can either sustain privatization over time or allow state ownership to re-expand through new channels. For Uzbekistan, three cases are especially relevant. Kazakhstan illustrates the risk of consolidating state assets inside a large operating holding. Türkiye shows that even successful privatizations can be reversed if failed assets are later absorbed by a sovereign wealth fund or similar vehicle. Romania shows how a portfolio fund with an external professional manager, international listings, and shareholder rights can help protect reform across political cycles.

Figure 3. Three international reform models

Country	What the experience shows	Key lesson for Uzbekistan
Kazakhstan	In 2008, Kazakhstan placed many of its largest state-owned companies - including firms in oil, mining, railways, airlines, power, and telecommunications - under Samruk-Kazyna. Despite repeated privatization announcements, the holding's assets remain large relative to the economy (OECD, 2021; IMF, 2025a).	A single state holding can create the appearance of reform without materially reducing the state's role in the economy. Uzbekistan should avoid any drift toward a broad holding-company model that consolidates ownership rather than shrinking it.
Türkiye	Türkiye's Privatization Administration, established in 1984, sold 210 of 278 state companies and raised USD 71.6 billion by end-2024, including the USD 6.55 billion sale of Türk Telekom in 2005. However, the Türk Telekom sale was later reversed when the buyer failed and the Türkiye Wealth Fund took the company back in 2022. Public-private partnership commitments have also reached significant levels (OECD, 2021; US State Department, 2025; IMF, 2025b).	Privatization can generate large proceeds, but later wealth-fund absorption and rising PPP commitments can weaken reform discipline. Uzbekistan should keep UzNIF's mandate narrow and strengthen PPP oversight before fiscal commitments grow further.
Romania	In 2005, Romania created Fondul Proprietatea, an investment fund holding minority shares in major state companies. Since 2010, it has been managed by Franklin Templeton. Over fifteen years, the fund has paid about USD 7.1 billion to shareholders, preserved its core structure across several governments, and maintained international investor involvement (Franklin Templeton, 2026).	A portfolio fund with a foreign professional manager, international stock-exchange listings, and institutional shareholders with legal standing can help sustain reform across political cycles. UzNIF has adopted elements of this model, but its safeguards need to be strengthened to reduce the risk of political interference.

Kazakhstan's experience highlights a specific risk: when major state companies are placed under one operating holding company, reform may appear to advance while the state's economic role remains largely intact. Dividend flows from profitable companies can be used to offset the losses of weaker firms, allowing the portfolio to reorganize internally rather than shrink. UzNIF currently avoids this problem because it is designed as a fund that prepares minority shareholdings for sale, not as an operating holding that manages companies. This distinction should be preserved.

Türkiye illustrates a second risk. The 2005 privatization of Türk Telekom was initially one of the country's major privatization transactions, but the asset later returned to state control after the buyer's failure and the involvement of the Türkiye Wealth Fund (US State Department, 2025). The lesson for Uzbekistan is not to avoid privatization, but to prevent failed transactions from becoming a channel for renewed state ownership. UzNIF's mandate should therefore remain narrow, and if a sale fails, the enterprise should be restructured and re-tendered rather than absorbed into a broader state holding.

Romania provides the most relevant positive reference for Uzbekistan's current direction. Fondul Proprietatea has retained its core structure because several safeguards operate together: an external professional manager, international listings, institutional shareholders, and legal rights that help protect the fund's mandate (Franklin Templeton, 2026). UzNIF has adopted some of these design elements at launch, particularly the portfolio-fund structure and international market placement. The next challenge is to strengthen these safeguards so that UzNIF remains a divestment vehicle rather than becoming a permanent state-asset manager.

Taken together, these cases suggest that Uzbekistan's current approach has both strengths and risks. The Kazakhstan risk is partly contained because UzNIF is structured as a portfolio fund rather than an operating holding company. The Türkiye risk remains relevant if failed or delayed privatizations are later absorbed into state-controlled vehicles. The Romania lesson is the most constructive: external management, market listing, shareholder rights, and a narrow mandate can help preserve reform over time. Section 6 translates these lessons into practical recommendations.

6. Recommendations

The four-category framework proposed in this brief should be used not only as an analytical tool, but also as an operational guide for the next stage of SOE reform. Each category requires a different reform instrument. Competitive-sector enterprises require market opening and divestment. Natural monopolies require independent regulation. Public-service providers require transparent compensation for social mandates. Strategic-resource enterprises require partial listing, dividend transparency, and fiscal safeguards. The following six recommendations translate this framework into practical steps.

6.1 Classify the 47 strategic state-owned enterprises by economic function

As a first step, the State Assets Management Agency, in coordination with the Competition Promotion and Consumer Protection Committee, could develop and publish a functional classification of the 47 strategic state-owned enterprises based on the four categories set out in Figure 1: natural monopoly, competitive sector, public-service provider, and strategic resource. These 47 enterprises include the 29 large enterprises listed in Annex 1 of Resolution RP-145, the 12 enterprises listed in Annex 2, and the six state-owned commercial banks covered by the 2020 banking reform strategy (RP-145, 2025; DP-5992, 2020).

This classification can be completed by the end of 2026 and published with a short justification for each enterprise. The presidential meeting of 6 April 2026 called for a sector-by-sector analysis before further privatization decisions are made (President of Uzbekistan, 2026). A functional classification would help translate this instruction into an operational tool. Without such classification, enterprises with very different economic roles may remain in a single reform pipeline, making it difficult to match each enterprise to the appropriate policy instrument.

6.2 Open competitive markets before selling enterprises to private owners

For enterprises classified as competitive-sector firms, the Cabinet of Ministers and the Competition Promotion and Consumer Protection Committee could first conduct a competition review to identify market barriers that may protect incumbent state-owned firms. These may include import restrictions, exclusive licences, privileged access to infrastructure, protected routes, or other regulatory advantages. Addressing these conditions before divestment would help ensure that privatization supports market development rather than simply transferring existing market power to private owners.

This sequencing could begin in sectors where market opening is already partly under way, including the automotive sector, where ADM Jizzakh, BYD, Chery, and KIA have entered or expanded their presence (Uzavtosanoat, 2026). It could then be extended to other competitive sectors, including telecommunications, cement, chemicals, and aviation. The IMF's April 2026 mission recommended a similar direction, emphasizing the need to empower sector regulators and remove exclusive rights before private investment expands (IMF, 2026).

Selling a dominant SOE before opening the market may risk replacing a state monopoly with a private one. A competition-first approach would reduce this risk by linking divestment to market opening, competitive neutrality, and the removal of protected rents.

6.3 Turn the banking privatization schedule into a binding legal commitment

The Central Bank, the Ministry of Economy and Finance, and the Oliy Majlis could consider giving stronger legal force to the banking privatization schedule set out in the Uzbekistan–2030 strategy. The current strategy envisages reducing the number of state-owned banks from nine to four by 2030 (DP-21, 2026). To strengthen credibility, this target could be supported by a dedicated legal act or amendments defining the timetable, responsible institutions, reporting requirements, and conditions for any deferral.

The rationale is credibility. The 2020 banking reform strategy listed six state-owned commercial banks for privatization by 2025, but only Ipoteka Bank was fully privatized within that period. The IMF's April 2026 mission warned that retaining the largest state-owned commercial banks as policy banks (institutions that lend on the basis of government instructions rather than commercial assessment) could increase risks to both financial stability and the state budget (IMF, 2026).

A limited deferral mechanism could provide flexibility without weakening the timetable. For example, a one-time deferral of up to twelve months could be allowed under published criteria, such as financial instability, failed tender conditions, or a material external shock. This would reduce the scope for repeated discretionary postponement while recognizing that bank privatization may depend on market conditions.

6.4 Build a framework for public service obligations

The Ministry of Economy and Finance, together with UzSAMA and relevant line ministries, could develop a legal framework that separates commercial activity from public-service obligations within state-owned enterprises. For enterprises classified as public-service providers (such as Uzbekistan Post, regional water utilities, selected transport routes, or public broadcasting) the social mandate could be explicitly defined, costed, and compensated through transparent public financing.

Such a framework would address a major weakness in the current system. Some SOEs operate at a loss because they provide socially necessary services that are not commercially viable. Others operate at a loss because of weak management or inefficient commercial activity. Without a Public Service Obligation framework, these two cases are difficult to distinguish. The IMF's April 2026 mission was clear on this point: SOEs should not be assigned non-commercial activities unless those activities are fully compensated through the budget (IMF, 2026).

A PSO framework could include four core elements: a clear definition of the service mandate, a methodology for estimating its cost, transparent compensation, and separate accounting for commercial and non-commercial activities. It could be developed in coordination with the budget process, so that implementation is linked to medium-term fiscal planning rather than treated as a separate SOE reform exercise. The ADB's Community Service Obligation framework, applied in the Solomon Islands and piloted in postal and broadcasting corporations, provides a relevant reference model (ADB, 2022).

6.5 Prepare a revised NMMC share sale with dividend safeguards

UzSAMA and the Ministry of Economy and Finance, in consultation with UzNIF's anchor investors and international financial institutions such as the EBRD and IFC, could prepare a revised approach to the paused NMMC share sale. The objective would be to support capital-market reform while reducing the risk of an abrupt loss of dividend income for the state budget.

The revised approach could include three elements. First, the initial offering could be smaller than the 10–15 percent originally envisaged in Resolution RP-145 (RP-145, 2025). Second, before the sale, NMMC could adopt a minimum annual dividend policy for a defined transition period, for example five years. Third, a second offering could be considered only after the first placement has demonstrated stable market performance and predictable dividend flows.

This approach would address one of the main fiscal constraints affecting strategic-resource listings. NMMC and a small group of other major SOEs account for most state dividend income. Without a transition mechanism, a large sale of state shares may create short-term pressure on the budget and increase the likelihood of postponement. Saudi Aramco's 2019 listing used a comparable sequencing logic: the company sold only a small shareholding while committing to a large annual dividend floor (Saudi Aramco, 2019). For Uzbekistan, the specific share size, dividend floor, and transition period would need to be calibrated to fiscal conditions and investor expectations. The broader principle is that strategic-resource listings require fiscal safeguards as well as capital-market discipline.

6.6 Give stronger legal protection to the 2030 reform targets

The Cabinet of Ministers and the Oliy Majlis could consider giving stronger legal force to the main 2030 targets for reducing state participation in the economy. This could be done through a dedicated law or amendments to existing legislation. The objective would be to make the reform framework more predictable and less vulnerable to discretionary revision.

First, the legal framework could formalize the core targets and restrictions set out in the April 2025 privatization decree, including increasing the non-state sector's share of the economy to 85 percent, reducing the number of SOEs sixfold, and maintaining the moratorium on creating new SOEs until 2030, except in defence and security sectors (DP-70, 2025). These provisions could be amended only through a transparent legislative process, rather than by executive decision alone.

Second, the legal framework could define UzNIF as a portfolio fund that holds minority shares for sale, rather than as an operating holding company. This distinction is central to the international lessons discussed in Section 5. Romania's Fondul Proprietatea has remained effective because it preserved a portfolio-fund model with external management and shareholder discipline. Kazakhstan's Samruk-Kazyna, by contrast, illustrates the risk that a large operating holding can consolidate state ownership rather than reduce it.

Third, after the moratorium ends in 2030, the creation of any new SOE could require parliamentary approval following a competitive neutrality assessment. The same framework could require the Ministry of Economy and Finance to disclose annually to parliament the total fiscal commitments arising from public-private partnerships. This would help keep off-budget obligations visible as privatization and PPP development proceed in parallel.

6.7 Two possible outcomes for 2030

The decisions taken between 2026 and 2028 will shape the type of state-ownership model Uzbekistan has by 2030. If reform remains mainly transaction-based, individual sales may still be completed, but the state's role in the economy may decline only gradually. Enterprises with different economic functions may remain in a single reform pipeline; competitive markets may remain protected; banking privatization may continue to face delays; public-service mandates may remain hidden in enterprise accounts; strategic-resource listings such as NMMC may remain difficult to complete; and the 2030 reform targets may remain vulnerable to revision.

If the proposed steps are taken, Uzbekistan could move toward a more durable reform model. Functional classification would allow each SOE to be matched with the appropriate policy instrument. Competition-first privatization would reduce the risk of transferring monopoly rents to private owners. A Public Service Obligation framework would separate social mandates from commercial performance. Dividend safeguards would make strategic-resource listings more fiscally manageable. Stronger legal protection of the 2030 targets would help sustain reform beyond individual transactions and political cycles.

The practical choice is therefore not between privatization and state ownership in general. It is between an ad hoc transaction-based approach and a functional model in which each form of state ownership is justified, regulated, financed, or reduced according to its economic role.

7. Conclusion

The presidential meeting of 6 April 2026 on reducing state participation in the economy raised a central policy question: which forms of state ownership help build a competitive market, and which forms constrain it? Uzbekistan already has many of the institutions, legal tools, and international reference points needed to address this question. The next step is to move from transaction-based privatization toward a more functional model of state ownership reform.

The UzNIF dual listing of 29 April 2026 showed that international investors are prepared to participate in Uzbekistan's privatization process when the institutional design is credible and market-oriented (LSE, 2026). At the same time, delays in banking privatization and the reported pause in the NMMC share sale suggest that large transactions cannot rely on political commitment alone. They also require competition safeguards, public-service obligation rules, fiscal transition mechanisms, and legal protection for long-term reform targets.

The six recommendations in this brief set out a practical sequence for the next stage of reform. Classifying SOEs by economic function would help distinguish natural monopolies, competitive-sector firms, public-service providers, and strategic-resource enterprises. Each group could then be matched with the appropriate policy instrument: regulation, market opening and divestment, transparent public compensation, or partial listing with dividend safeguards.

The decisions taken between 2026 and 2028 will shape the structure of Uzbekistan's economy in 2030. If reform remains focused mainly on individual transactions, privatization may generate revenue without significantly reducing the state's role in the economy. If reform is guided by economic function, Uzbekistan would be better positioned to reduce state participation while strengthening competition, protecting essential public services, preserving fiscal stability, and attracting long-term private investment.

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