



CORPORATE GOVERNANCE REFORMS IN STATE-OWNED JOINT STOCK COMPANIES OF UZBEKISTAN: PROGRESS, CHALLENGES, FUTURE DIRECTIONS

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ABSTRACT

This article examines the state of corporate governance in state-owned joint stock companies (SOJSCs) in Uzbekistan. Using qualitative analysis based on secondary data from international financial institutions, academic literature, and official reform documents, the study evaluates current governance structures, identifies reforms undertaken since 2016, and discusses remaining challenges in aligning Uzbekistan's corporate governance practices with OECD principles. The results show that while Uzbekistan has made considerable progress in transparency, IFRS transition, independent directors and capital market readiness, state dominance and political influence over boards and key decisions still limit full autonomy and market discipline. The paper concludes with a balanced assessment of progress and future reform priorities.

Keywords: Corporate governance, state-owned enterprises, OECD principles, board independence, IFRS, transparency, privatization, institutional reform, economic modernization.



Introduction

Corporate governance has become a central pillar of economic reform and market development, especially for transition economies seeking to modernize their institutional frameworks. In Uzbekistan, state-owned joint stock companies (SOJSCs) represent a dominant share of strategic sectors such as energy, banking, mining, and transportation (Abdullaev, 2020). Although the government initiated major structural reforms after 2016, particularly under President Shavkat Mirziyoyev, concerns remain regarding transparency, accountability, and professional independence within SOJSC governance structures.

International organizations such as the World Bank, ADB, and EBRD have repeatedly emphasized the importance of modern corporate governance for attracting investment and enhancing operational efficiency (EBRD, 2024). In Uzbekistan, major SOEs such as Uzbekneftegaz (oil and gas), Uzbekenergo (energy), Uzavtosanoat (automotive), and Uzbektelecom (telecommunications) continue to play a crucial economic role but have historically operated under strong state influence and limited board independence.

This article aims to assess the current state of corporate governance in Uzbekistan's SOJSCs, evaluating both progress and persisting gaps. The analysis is guided by the OECD Principles of Corporate Governance, particularly those related to shareholder rights, board responsibilities, and disclosure standards. The study adopts a balanced approach, acknowledging both institutional reforms introduced in recent years as well as the structural limitations that continue to challenge genuine transformation.

METHODOLOGY

This study is based on a qualitative research approach, relying entirely on secondary sources rather than primary data collection. Instead of conducting interviews or surveys, the research examines existing reports, academic publications, and official government documents to understand how corporate governance is structured and evolving within Uzbekistan's state-owned joint stock companies (SOJSCs). The intention is not to measure performance quantitatively, but rather to interpret institutional developments and identify patterns in governance reform.



LITERATURE REVIEW

The analysis draws on authoritative sources such as the ADBI's working paper on Uzbekistan's state-owned enterprises (Abdullaev, 2020), EBRD corporate governance assessments, World Bank reform reports, and academic studies including the work of Abduraupov and Makhkamov (2021), who apply OECD governance principles specifically to the Uzbek context. In addition, official government directives related to privatization and management reform, as well as credible local economic media such as Kun.uz, are used to ensure up-to-date insight into reforms currently taking place (Ashurov 2014).

The evaluation is guided by the OECD Principles of Corporate Governance, particularly those related to shareholder rights, supervisory board independence, transparency standards, and the role of the state as owner rather than direct operator. These principles serve as a benchmark to assess whether Uzbekistan's SOJSCs are transitioning toward internationally recognized governance standards or whether traditional state-centric practices still dominate (Sadikova 2025).

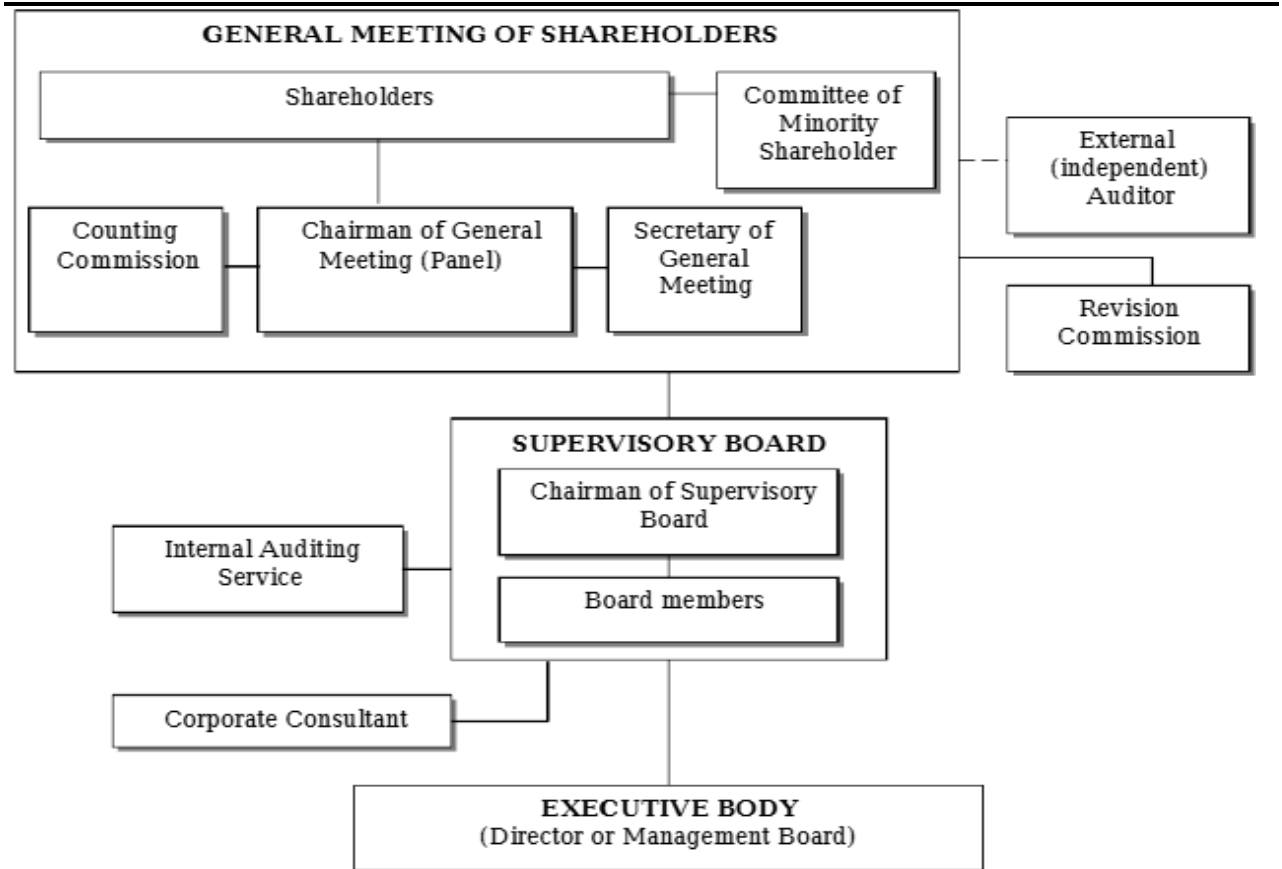
RESULTS

State-owned joint stock companies continue to dominate Uzbekistan's economy, especially in strategic sectors. According to ADBI (Abdullaev, 2020), SOEs account for over 47% of industrial output, controlling critical industries such as oil and gas (Uzbekneftegaz), energy (Uzbekenergo), automotive (Uzavtosanoat), and transportation (Uzbekistan Railways). Many of these entities still function with legacy centralized structures inherited from Soviet-era ministries, with limited operational independence.

Governance Structure Characteristics:

Most major SOEs have been legally corporatized into joint stock companies, with three governance layers:

1. Shareholders' General Meeting
2. Supervisory Board
3. Executive office (Graph № 1)



Graph №1 . Typical corporate governance framework of Uzbek joint-stock companies ¹

However, EBRD data confirms that many supervisory boards still include high-ranking government officials, blurring the line between state oversight and strategic neutrality. Board independence, a key OECD standard exists mostly on paper but inconsistently in practice (EBRD, 2024).

Since 2016, Uzbekistan has clearly entered a transition phase in how it governs its state-owned joint stock companies. The government has started to acknowledge that strong corporate governance is essential not only for attracting foreign investors but also for improving the efficiency of SOEs themselves. One of the major steps was the introduction of the national Corporate Governance Code in 2016, which was directly inspired by OECD principles and encouraged companies to adopt international standards around transparency and board accountability. In addition, the gradual

¹ Ashurov Z.A-2014



adoption of International Financial Reporting Standards (IFRS), made mandatory for all joint stock companies starting from 2021, signals a decisive move towards more globally compatible financial reporting (IFRS, 2021).

Another important reform is the introduction of independent directors on supervisory boards. Although still optional in practice, many large SOEs have formally begun including such directors, at least symbolically, to show alignment with global expectations. Furthermore, the government has recently experimented with capital market-oriented privatization, planning future IPOs for certain state enterprises instead of the traditional direct sale approach. These reforms demonstrate that the state is not seeking to abandon control overnight, but rather to modernize it and make it more transparent and professionally justifiable.

ANALYSIS

However, despite these visible efforts, real change inside the SOEs is still progressing slowly. In most major companies, the state continues to exercise significant influence over key decisions, especially through high-ranking government officials who still sit on supervisory boards. This makes it difficult to claim that these companies truly operate under independent corporate governance similar to that of a competitive private-sector corporation. In many cases, commercial decisions are still shaped by political or strategic state objectives rather than efficiency or market demand.

Transparency has improved, but not uniformly. Some companies now publish IFRS-based reports, while others continue to disclose only minimal or outdated information. Similarly, while independent directors exist legally, their influence on strategic decision-making is still limited. Privatization, too, has been cautious and selective, the government is willing to sell minority stakes or auxiliary assets, but the largest and most strategic SOEs remain fully under state control. This reflects a reform process that is genuine but still controlled, careful, and gradual, rather than radical or market-driven.

DISCUSSION

The findings from the results indicate that Uzbekistan's approach to corporate governance reform is strategic but cautious, combining modernization with preservation of state control. When compared to OECD principles, it becomes clear that Uzbekistan has made progress in areas like formal disclosure requirements, IFRS



integration, and initial steps toward board independence. These are important foundations that many other transition economies also struggled with during early reform phases.

However, unlike OECD based systems, where the state acts as an owner but not an operator, Uzbekistan still leans toward active administrative control, especially in sectors considered strategic, such as energy, mining, and banking. This dual identity of the state, both as regulator and majority shareholder, makes it difficult to fully separate economic logic from political decision-making. For example, companies like Uzbekneftegaz or Uzbekenergo may still be expected to fulfill broader national policy goals, rather than purely commercial targets.

At the same time, it would be unfair to categorize reforms as superficial. There is evidence of genuine institutional learning. The introduction of accountability tools such as the corporate governance scorecard (Abduraupov & Makhkamov, 2021), and the requirement for board performance evaluation and public reporting, clearly shows that Uzbekistan is not treating corporate governance as a box-ticking exercise, but as a foundation for long-term transformation.

CONCLUSION

This study has shown that corporate governance reform in Uzbekistan's state-owned joint stock companies is actively underway but still evolving. On one hand, the government has introduced meaningful structural changes, including IFRS reporting, corporate governance codes, independent directors, and early capital market-oriented privatization mechanisms. These reforms clearly align Uzbekistan with globally recognized OECD principles and help build investor confidence.

On the other hand, the legacy of centralized state control remains visible, particularly in the composition of supervisory boards and decision-making autonomy. Many SOEs still operate with limited separation between ownership and management, and reforms often remain more formal than deeply operational in nature.

Overall, Uzbekistan is not resisting reform, it is reforming gradually, not radically. The direction is clearly correct, but the speed and depth of implementation will determine whether these efforts lead to real competitive discipline and higher efficiency or remain largely symbolic. Future progress will depend on strengthening genuine board independence, empowering internal governance mechanisms, and expanding capital market participation beyond symbolic IPOs.



In summary, Uzbekistan appears to be positioning its SOEs for gradual transition toward commercial discipline without giving up state oversight too quickly, a reform path also previously followed by countries like Singapore and South Korea in earlier decades. The real challenge now is whether reform implementation will move beyond compliance and translate into independent decision-making and performance-driven accountability inside the companies themselves.

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