ENTERPRISES WITH STATE PARTICIPATION: FOREIGN EXPERIENCE AND LESSONS FOR UZBEKISTAN

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Abstract. State-owned enterprises (SOEs) play a significant role in the global economy. This paper analyzes governance models, corporate governance systems, and approaches to improving the efficiency of SOEs based on the experience of foreign countries, particularly China, Singapore, Norway, and South Korea. The study employs comparative analysis and literature review methods. The findings indicate that strong corporate governance, transparency, and the balance between strategic objectives and commercial interests are key determinants of SOE performance. The paper concludes with practical recommendations for Uzbekistan.

Keywords: state-owned enterprises, corporate governance, privatization, international experience, economic efficiency, transparency.

INTRODUCTION

State-owned enterprises (SOEs) are commercial organizations in which the government or a state agency has a controlling stake. They are widespread in strategic sectors such as energy, transport, finance and industry, and serve as an important driving force for economic development in many countries.

However, the activities of SOEs are often the subject of criticism. Bureaucratic management, political interference, lack of transparency and lack of market competition are considered as factors that weaken the efficiency of enterprises (Kornai, 2000). At the same time, in some countries SOEs serve as an important tool in implementing strategic state interests and stabilizing the national economy.

Uzbekistan has paid special attention to the issue of SOEs in the process of economic reform during the years of independence. In recent years, as part of the ongoing reforms, programs for the reorganization and privatization of state-owned enterprises have been activated. However, for the successful implementation of this process, it is important to learn the right lessons from foreign experience.

This study has two main objectives: first, to analyze successful foreign models of SOE management; second, to develop recommendations adapted to the conditions of Uzbekistan.

Research questions:

- To determine which models of SOE management in foreign countries are successful.

- What role does corporate governance play in improving the efficiency of SOEs?

- What lessons can be applied in the modernization of SOEs in Uzbekistan?

Literature review

SOE theory and their characteristics

SOEs are interpreted in economic theory as an important link between the state and the market. Vickers and Yarrow (1988) conducted the first fundamental research on the impact of state ownership on economic efficiency and substantiated the comparative weakness of SOEs compared to private enterprises. At the same time, Megginson and Netter (2001) showed, based on extensive empirical analysis, that privatization often increases efficiency, although this pattern is not the same for all sectors and countries.

Stiglitz (2006) argued that state intervention is economically justified in cases of market failures—monopoly, externalities, and public goods. In this context, SOEs can serve an important function as a tool of public policy.

Corporate Governance and Transparency

The OECD (2015) Guidelines for the Governance of SOEs set international standards. According to this document, an effective corporate governance system should include the following elements: an independent supervisory board, transparency of financial reporting, clearly defined strategic objectives, and incentive systems that motivate managers.

Böwer (2017) conducted a comparative study of SOE governance models in OECD countries and identified differences in the effectiveness of centralized (Singapore, Norway) and decentralized (USA, Germany) models. The results of the study show that centralized holdings often perform better.

SOEs in Transition Economies

Estrin and Pelletier (2018) studied the process of transforming SOEs in transition economies and found that success depends largely on the strength of corporate governance, market competition, and the level of political intervention. These factors are particularly important in countries like Uzbekistan, where the public sector still accounts for a large share of the economy.

METHODOLOGY

This study used comparative analysis and systematic literature review methods. Four countries—China, Singapore, Norway, and South Korea—were selected as the objects of the study. These countries represent different models of SOE governance and have been studied globally.

The comparative analysis was conducted on the following criteria: corporate governance structure, performance indicators, level of transparency, extent of state intervention, and privatization experience. Data were obtained from OECD reports, World Bank databases, Temasek Holdings, Statoil (Equinor) and official reports of SASAC.

The study was conducted in two stages. In the first stage, each country model was described separately and the main determinants were identified. In the second stage, a comparative analysis was conducted between the models, common and different aspects were identified, and conclusions and recommendations for Uzbekistan were developed.

RESULTS

The results of the study clearly showed the differences in the management of SOEs and common success factors in the four countries.

China: a strategic control model

A special agency for the management of state-owned enterprises in China, SASAC (State-owned Assets Supervision and Administration Commission), was established in 2003. This agency has consolidated the powers of managing the assets of state-owned enterprises, appointing management and setting strategic directions. Over the past decade, China has reformed SOEs based on the policy of "improving border capacity" and enhancing international competitiveness.

However, the fact that political objectives often prevail over commercial objectives, weaknesses in corporate governance and the risk of corruption remain major shortcomings of the Chinese model (Lin & Milhaupt, 2013).

Singapore: The Temasek Model

Singapore's Temasek Holdings model is recognized as one of the most successful examples of SOE governance worldwide. Founded in 1974, Temasek currently manages over US$300 billion in assets and has an average annual return of over 14%.

The main features of the Temasek model are: management based on commercial criteria, a highly qualified independent board of directors, international reporting standards and the absence of state interference in day-to-day management. The government acts as a strategic owner, but operational decisions are made by managers.

Norway: Equinor and sovereign wealth funds

Norway has created a unique model for managing its oil wealth. The Sovereign Wealth Fund, managed by Norges Bank Investment Management — the world's largest sovereign wealth fund (about US$1.7 trillion in 2024) — has enabled Norway to preserve oil revenues for future generations.

Equinor (formerly Statoil) operates competitively and transparently as a partially state-owned corporation listed on international stock exchanges. The Norwegian model is based on avoiding the "resource curse" by not budgeting and hoarding oil revenues (Mehlum et al., 2006).

South Korea: chaebols and transformation

South Korea has driven its economic growth largely through its private but closely linked chaebol conglomerates. While state-owned enterprises remain dominant in the energy and infrastructure sectors, the 1997–1998 financial crisis accelerated corporate governance reforms.

The reforms have increased corporate transparency, improved the environment for foreign investment, and strengthened the role of independent auditing. This process is a relevant lesson for transition economies.

Table 1. Key indicators of corporate governance in comparison countries

Country.	Model type	Transparency level	State share (%)	Performance Rating

China.	Centralized (SASAC)	Medium	~70%	3.5/5
Singapore.	Holding (Temasek)	High	~24%	4.7/5
Norway.	Fund + quotation	Very high	~34%	4.9/5
South Korea.	Mixed model	High	~27%	4.2/5
Uzbekistan.	Transition stage	Low–medium	~55%	2.8/5

Based on author's estimates and World Bank data.

Table 2. Comparative analysis of factors affecting the effectiveness of the DIK

Factor	Singapore	Norway	China	Uzbekistan
Independent board	Yes	Yes	Partial	Partial
Dominance of commercial objectives	Yes	Yes	None	Partial
International reporting standards	Yes	Yes	Partial	None
Level of political interference	Low	Low	High	High
Openness to market competition	High	High	Medium	Low

Discussion

The results of the study allowed us to identify several universal factors that determine the effectiveness of SOEs. First, high-performing SOEs (Singapore, Norway) minimize political interference in corporate governance and prioritize commercial interests. This is consistent with the principle of independence established by Johnson and Johnson (2009) in social organizations.

Second, transparency and international reporting standards (IFRS, GRI) increase the credibility of SOEs and improve their ability to attract capital. The experience of Norway's Equinor shows that even a state-owned enterprise can fully compete with private companies if the governance system is appropriate.

Third, the holding structure (Singapore's Temasek model) allows for centralized management of dispersed state assets and ensures that the strategic direction of each enterprise is consistent with the government's ownership policy. This model seems particularly relevant for Uzbekistan, since SOEs in the country are under the control of several ministries and coordination problems are observed.

Uzbekistan has taken significant steps to reform, privatize, and enhance the competitive environment of SOEs since 2017. However, the study shows that further efforts are needed to improve corporate governance standards and increase transparency. International experience shows that this process requires consistent political will and institutional capacity building over the years.

The main limitation of the study is that direct comparisons across countries are somewhat difficult due to different legal systems, cultural contexts, and stages of economic development. Future studies should conduct micro-level analysis in specific sectors (energy, transport, finance) in Uzbekistan and quantify the effectiveness of reforms.

CONCLUSION

This study has shown that the success of SOEs primarily depends on the quality of corporate governance, transparency, and reasonable limits on state intervention. The experience of Singapore and Norway is an example of good practices in which these countries have been able to align their strategic and commercial goals through their SOEs.

The following recommendations have been developed for the reforms of the SOEs of Uzbekistan: the formation of independent supervisory boards and ensuring their operational independence; increasing transparency through the widespread application of international financial reporting standards (IFRS); considering the introduction of a centralized holding structure similar to the Singaporean Temasek model; providing SOE managers with a performance-based incentive system and introducing mechanisms to stimulate market competition in sectors where full privatization is not possible.

These recommendations identify important areas for the modernization of SOEs and increasing their contribution to the development of the national economy within the framework of economic reforms in Uzbekistan.

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