



REPUBLIC OF UZBEKISTAN

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

July 2024

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with the Republic of Uzbekistan, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on May 7, 2024, with the officials of the Republic of Uzbekistan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 28, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF.

The documents listed below will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2024 Article IV Consultation with the Republic of Uzbekistan

FOR IMMEDIATE RELEASE

Washington, DC – June 26, 2024: On June 13, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Republic of Uzbekistan¹ and considered and endorsed the Staff Appraisal on a lapse-of-time basis without a meeting.²

Uzbekistan's growth has remained strong. While remittances fell to the pre-2022 trend, expansionary fiscal policy, buoyant private consumption, and a surge in fixed investment boosted real GDP growth to 6 percent in 2023. In the first quarter of 2024, growth remained robust at 6.2 percent year-over-year (yoy). With a relatively high real policy rate and falling international food and energy prices, consumer price inflation fell from 12.3 percent (yoy) at the end of 2022 to 8.1 percent in April 2024. In 2023, Uzbekistan's current account deficit widened to 8.6 percent of GDP compared to 3.5 percent of GDP in 2022. An increase in imports of machinery and equipment (some of which is temporary), declining remittances, higher interest payments on foreign debt, and repatriation of earnings by foreign-owned enterprises more than offset buoyant gold exports. International reserves fell by \$1.2 billion in 2023 but remained high at close to 9 months' worth of imports at end-April 2024.

The outlook is broadly positive. The authorities' strong reform efforts, most notably the energy price reform and privatization of state enterprises, have improved economic prospects. Supported by strong domestic demand, real GDP growth is projected to remain robust at 5.4 percent in 2024 and rise slightly to 5.5 percent in 2025. Continued efforts to reduce the fiscal deficit, ongoing moderation in bank lending growth, and a slowdown in import growth will reduce the current account deficit this year and next. Inflation is projected to temporarily rise by end-2024 as administered energy prices increase, but continuing tight macroeconomic, macroprudential, and structural policies will reduce the inflation rate towards the Central Bank of Uzbekistan's (CBU) target over the medium term.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² The Executive Board takes decisions under its lapse-of time procedure when the Board agrees that a proposal can be considered without conveying formal discussions.

Given the uncertain global environment, external risks include geoeconomic spillovers, commodity price volatility, and an abrupt global slowdown. Domestic risks include slower-than-planned fiscal consolidation, weaker bank balance sheets, or materialization of contingent liabilities—from state banks, state-owned enterprises (SOEs), and public-private partnerships (PPPs). On the upside, an acceleration of structural reforms, greater inflows of income and capital, or higher export prices could improve the outlook.

Executive Board Assessment

In concluding the Article IV consultation with the Republic of Uzbekistan, Executive Directors endorsed the staff's appraisal as follows:

Uzbekistan continues its steadfast progress toward transforming its economy. The economy has experienced rapid growth and declines in poverty in recent years despite headwinds and uncertainty from the pandemic and Russia's war in Ukraine. Growth is expected to remain robust this year—despite a deceleration in trading partner growth and the withdrawal of the 2023 fiscal stimulus—and over the medium term, supported by the completion of fiscal consolidation, ongoing structural reforms, and continuing capital inflows. These achievements are a testament to the authorities' efforts to advance Uzbekistan's economic development through market-oriented reforms. However, challenges still remain from a large state footprint in the economy and last year's expansionary fiscal policy, and the authorities are determined to persevere in their reform efforts to address them and advance sustainable and inclusive growth. The positive economic outlook provides a unique opportunity for the implementation of reforms to deepen the foundations for a dynamic, open, and private sector-led economy.

The planned fiscal policy adjustment is appropriate to maintain robust public finances and facilitate external adjustment while supporting monetary policy in containing inflation. The size and pace of consolidation are ambitious but achievable, and the main consolidation measures are relatively growth-friendly given their efficiency-enhancing nature combined with protection of the vulnerable. There is scope to broaden the tax base, modernize the tax system, and increase the efficiency of public spending through rationalizing the wage bill, phasing out SOE support, and improving the targeting of social protection programs while eliminating overlaps and reducing administrative costs. Advancing pension reform is important to ensure long-term fiscal sustainability and effective social protection for workers. Efforts should also continue to improve fiscal institutions by strengthening core budget processes, unifying the public investment process, improving the identification and management of fiscal risks, ensuring full transition to GFS standards for fiscal monitoring and reporting, and continuing to develop the domestic debt market in coordination with monetary policy.

Monetary policy has managed to lower inflation and should remain focused on reducing it further to the CBU's target. Sustaining a high real policy rate, along with tight fiscal and macro-prudential policies and supportive structural reforms, would gradually reduce inflation to the CBU target by

end-2027. The CBU should stand ready to increase its policy rate if the energy price reform results in broader price pressures and raises inflation expectations.

Minimizing the state's involvement in the financial sector while strengthening financial sector supervision will support sustainable financial deepening while protecting financial stability. This involves modernizing the governance of state banks, mandating them to operate commercially, and expediting and expanding privatization efforts to all systemic financial institutions. While higher financial intermediation is welcome, and the recent macroprudential measures were appropriate, the impact of the measures that will come into force in July should be closely monitored to ensure sustainable financial deepening. Enhancing prudential supervision to align it with international standards and conducting AQRs and robust stress tests are also important to facilitate timely interventions and safeguard financial stability. Deposit-taking microbanks, if established, should be subjected to proper governance and capital requirements and adequate supervision.

Capitalizing on progress already achieved, sustained reform efforts will magnify their impact and make growth more sustainable, inclusive, and green. Careful sequencing of reforms would help expedite implementation, while reduced ad-hoc state intervention would enhance resource allocation efficiency. The government should continue efforts to accelerate the restructuring and privatization of state enterprises. It should also eliminate preferences for SOEs and unbundle large enterprises to increase competition and improve the business environment. The authorities are correctly accelerating their efforts for WTO accession and taking measures to bolster external competitiveness and export diversification, opening markets, and reducing monopolies would boost growth and help reduce inflation. Initiatives to increase women's labor participation and phase out energy subsidies would stimulate growth while supporting decarbonization and climate adaptation efforts.

The momentum on anticorruption efforts should be sustained, building on significant improvements in governance and rule of law indicators. Staff recommends enacting the asset declaration, conflict of interests, and whistleblower protection laws. The government should implement additional measures to improve the independence of prosecutors, judges, and the Chamber of Accounts. Finally, the government should take steps to further enforce access to government information which would improve accountability and trust in public administration.

Uzbekistan: Selected Economic Indicators 2021-2025					
	2021	2022	2023	2024	2025
				Proj.	
National income					
Real GDP growth (percent change)	7.4	5.7	6.0	5.4	5.5
Nominal GDP (in trillions of Sum)	738	897	1,067	1,267	1,505
GDP per capita (in U.S. dollars)	2,014	2,301	2,523	2,692	2,959
Population (in millions)	34.6	35.3	36.0	36.9	37.7
Prices (Percent change)					
Consumer price inflation (end of period) 1/	10.0	12.3	8.8	11.5	8.7
GDP deflator	13.5	14.9	12.2	12.7	12.6
External sector (Percent of GDP)					
Current account balance	-7.0	-3.5	-8.6	-7.6	-7.1
External debt	57.6	54.6	61.3	60.9	59.1
(Level)					
Exchange rate (in sums per U.S. dollar; end of period)	10,838	11,225	12,339	...	...
Real effective exchange rate (ave, 2015 =100, decline = depreciation)	65.3	61.6	58.4	...	...
Government finance (Percent of GDP)					
Consolidated budget revenues	27.7	32.0	30.1	30.5	30.6
Consolidated budget expenditures	33.2	36.0	35.6	34.5	33.6
Consolidated budget balance	-5.5	-4.0	-5.5	-4.0	-3.0
Adjusted revenues 2/	25.9	30.8	29.2	29.2	29.2
Adjusted expenditures 2/	30.5	34.8	33.8	32.4	31.6
Adjusted fiscal balance	-4.6	-4.1	-4.6	-3.3	-2.4
Policy-based lending	1.5	-0.1	1.0	0.7	0.6
Overall fiscal balance 2/	-6.0	-4.0	-5.5	-4.0	-3.0
Public debt	35.3	33.9	36.3	35.7	34.7
Money and credit (Percent change)					
Reserve money	28.3	31.4	4.9	8.5	8.8
Broad money	29.7	30.2	12.2	16.1	18.8
Credit to the economy	18.4	21.4	23.2	16.7	18.9
Sources: Country authorities and IMF staff estimates.					
1/ The consumer price inflation projection incorporates the effect of the announced increases in energy prices in 2024 and 2025.					
2/ IMF staff adjusts budget revenues and expenditures for financing operations, such as equity injections, policy lending, and privatization of state enterprises. The overall fiscal balance until 2021 is more negative than the consolidated budget balance as the latter includes privatization receipts as revenue. Since 2022, there is no difference as the authorities started including all privatization receipts as financing.					



REPUBLIC OF UZBEKISTAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

May 28, 2024

KEY ISSUES

Context. Uzbekistan's growth momentum continues on the back of far-reaching structural reforms to liberalize its economy, favorable commodity prices, and notable increases in financial and income flows. Leveraging the remarkable progress that has been achieved in the last seven years, the authorities remain steadfast in their commitment to continue their policy and reform agenda—as shown by the recent energy price reform—and to address the remaining challenges of reducing the role of the state, accelerating productivity growth, bringing down inflation, and stepping up some key structural reforms that have proceeded at a slower pace than desired.

Outlook and Risks. Growth is expected to remain robust at 5.4 percent in 2024, despite the appropriate withdrawal of fiscal stimulus and slowing trading partner growth. In 2025, growth is projected to pick up to around 5½ percent. Needed increases in administered energy prices would temporarily raise inflation to 11.5 percent by end-2024. Thereafter, inflation is expected to decline gradually to the central bank's 5 percent target by end-2027 as monetary policy remains tight, fiscal consolidation is completed, and structural reforms advance. Key risks include commodity price volatility, an unexpected global slowdown, and setbacks from state enterprises and public-private partnerships. Upside risks include acceleration of structural reforms, stronger capital and remittance inflows, and higher gold prices.

Policy Advice. The government's planned fiscal consolidation is appropriate and will help reduce inflation and imports while protecting the vulnerable. Further efforts are needed to broaden the tax base, modernize the tax system, improve the efficiency of public spending, and strengthen public financial management. Monetary policy should remain focused on reducing inflation to the central bank's target and be tightened if energy price reforms spill over to core inflation and inflation expectations. The authorities should tighten supervision to safeguard financial stability, phase out policy lending, and contain risks from rapid growth in household lending. Structural reforms should focus on reducing the state's role in the economy, promoting women's participation in the labor market, advancing decarbonization and climate adaptation initiatives, and enhancing governance and transparency, building on progress already made.

Approved By
**Thanos Arvanitis and
 Jarkko Turunen (SPR)**

Discussions for the 2024 Article IV consultation were held in Tashkent during April 23–May 7, 2024. The staff team comprised Yasser Abdih (head), Lawrence Dwight, Etibar Jafarov, Alejandro Simone, Koba Gvenetadze (MCD), Camilo Enciso (LEG), and Sarvar Ahmedov and Galina Kostina (local office). Thanos Arvanitis (MCD) joined the concluding meeting. The mission met with the Minister of Economy and Finance, Central Bank Governor, other Ministers and senior government officials, banks, and representatives from the private sector and civil society. Gonzalo Salinas contributed to the work on external competitiveness and diversification, and Carlos Segura (MCD) provided research assistance. Maria Orihuela-Quintanilla and Svetlana Zolotareva (MCD) provided administrative assistance.

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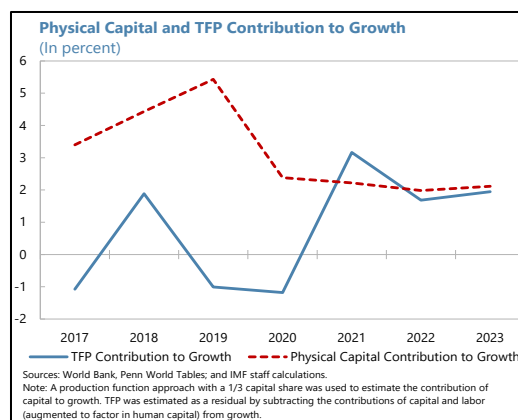
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CONTEXT

1. Growth has been strong and resilient since 2017 despite sizable shocks. Uzbekistan embarked on ambitious structural reforms, which, together with favorable commodity prices, significant capital inflows fueling investment, and sizable increases in remittances, drove average growth to 5.5 percent during 2018–23, despite the COVID-19 pandemic and Russia’s war in Ukraine. Growth proved resilient thanks to a sound government balance sheet that allowed fiscal policy to support economic activity and prudent policies that facilitated a sizable international reserve buildup. Nevertheless, rapid investment growth has not been associated with acceleration of total factor productivity (TFP) beyond the 1-2 percent rates observed over 2012-16 (text chart). Inflation has remained persistently elevated, and some structural reforms (energy price liberalization, privatization, and regulatory reforms to level the playing field for the private sector) have proceeded slower than desired.



2. The government is steadfast in its determination to continue Uzbekistan’s economic transformation. In May 2023, a new edition of the constitution with wide-ranging amendments came into effect, including extending presidential terms from two 5-year to two 7-year terms. In July 2023, President Mirziyoyev was re-elected under the new constitution, ensuring continued political support for reforms to advance Uzbekistan’s transition to a market economy.

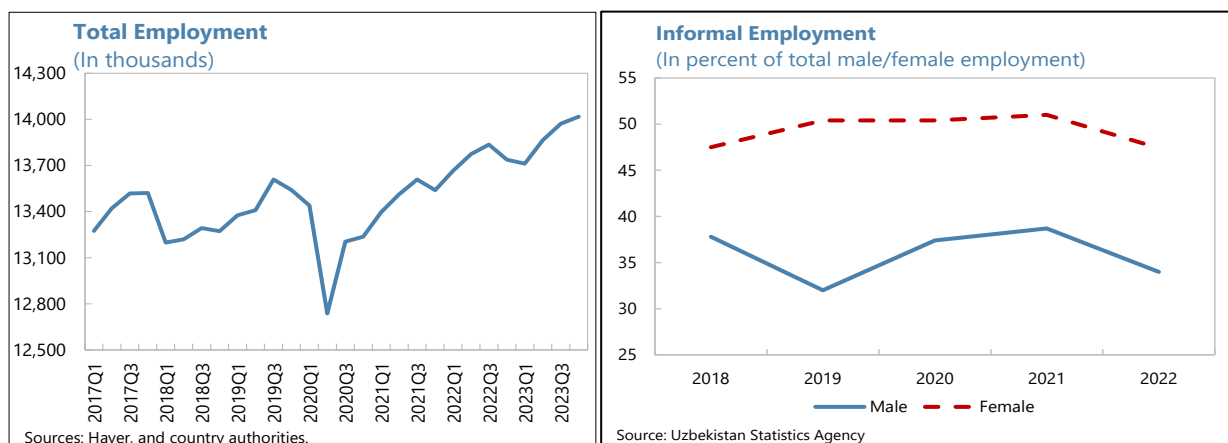
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

A. Recent Developments

3. The economy has grown rapidly over the last two years, supported by more accommodative policies last year. Following the start of Russia’s war in Ukraine, migrant arrivals surged and remittance inflows increased sharply, boosting domestic demand. This, combined with higher external demand, resulted in real GDP growth of 5.7 percent in 2022. While remittances reverted to the pre-2022 trend in 2023, a sizable fiscal expansion, robust private consumption, and a surge in fixed investment propelled real GDP growth to 6 percent in 2023 (Table 1, Figure 1). On the supply side, the main drivers were services—information and communication, trade, tourism, and accommodation—industry, and construction. Activity remained robust in the first quarter of 2024, with real GDP expanding by 6.2 percent year-over-year (y/y).

4. Growth has been accompanied by robust real income growth. Wage growth has been strong (Table 2). Employment has now more than recouped COVID losses and returned to the pre-pandemic trend. While unemployment fell, informal employment remains prevalent and elevated, especially for women (text chart). Recent wage dynamics and recovering employment, combined

with a significant safety net expansion since 2020, contributed to a steady decline in the poverty rate (national definition) to 11 percent in 2023 from 17 percent in 2021.



5. Inflationary pressures remain strong despite a sizable decline in headline CPI inflation.

CPI inflation declined from 12.3 percent y/y at the end of 2022 to 8.1 percent in April 2024 compared to the Central Bank of Uzbekistan (CBU)'s 5 percent inflation target (Figure 1). The key contributing factors were the high real policy rate (about 6 percent in April) and falling international food and energy prices. However, strong domestic demand has kept core inflation (excluding food and energy prices) high at 7.2 percent y/y in April 2024. Producer price inflation is also elevated at 14.5 percent (March 2024).

6. The overall fiscal deficit rose to 5.5 percent of GDP in 2023, significantly exceeding the 3 percent budget target.

After falling to 4 percent of GDP in 2022, as pandemic fiscal support measures were scaled back, the deficit increased due to higher-than-budgeted wage increases, energy subsidies (reflecting delays in implementing energy price increases), public investment, and policy lending. The higher deficit was mainly financed by multilateral and bilateral external borrowing, privatization receipts, two Eurobonds, and domestic debt market issuance as well as the drawdown of the Fund for Reconstruction and Development (FRD) cash balances and use of the SDR allocation. Public and publicly guaranteed (PPG) debt increased by 2.4 percentage points but remains moderate at 36.3 percent of GDP at end-2023 (Figure 2, Tables 3a and 3b).

7. The external current account deficit widened notably to 8.6 percent in 2023 from 3.5 percent of GDP in 2022.

Imports of energy, machinery, and equipment surged last year—some of which are expected to be temporary¹—mirroring strong investment growth, including more than \$1.5 billion from sizable capacity expansion projects in the mining sector. This rapid import growth, combined with the return of remittances to the pre-2022 trend, higher net interest payments on foreign debt, and repatriation of earnings by foreign-owned enterprises, more than offset buoyant

¹ The entry of new private companies in the air transportation sector, the adoption of greener public transportation in cities (i.e., electric buses), a temporary reduction in import tariffs for small cars, a broadening of the right to import cars for commercial purposes beyond official dealers (that was revoked in 2024), and a harsh winter led to a temporary surge in imports of airplanes, buses, cars, and gasoline, respectively.

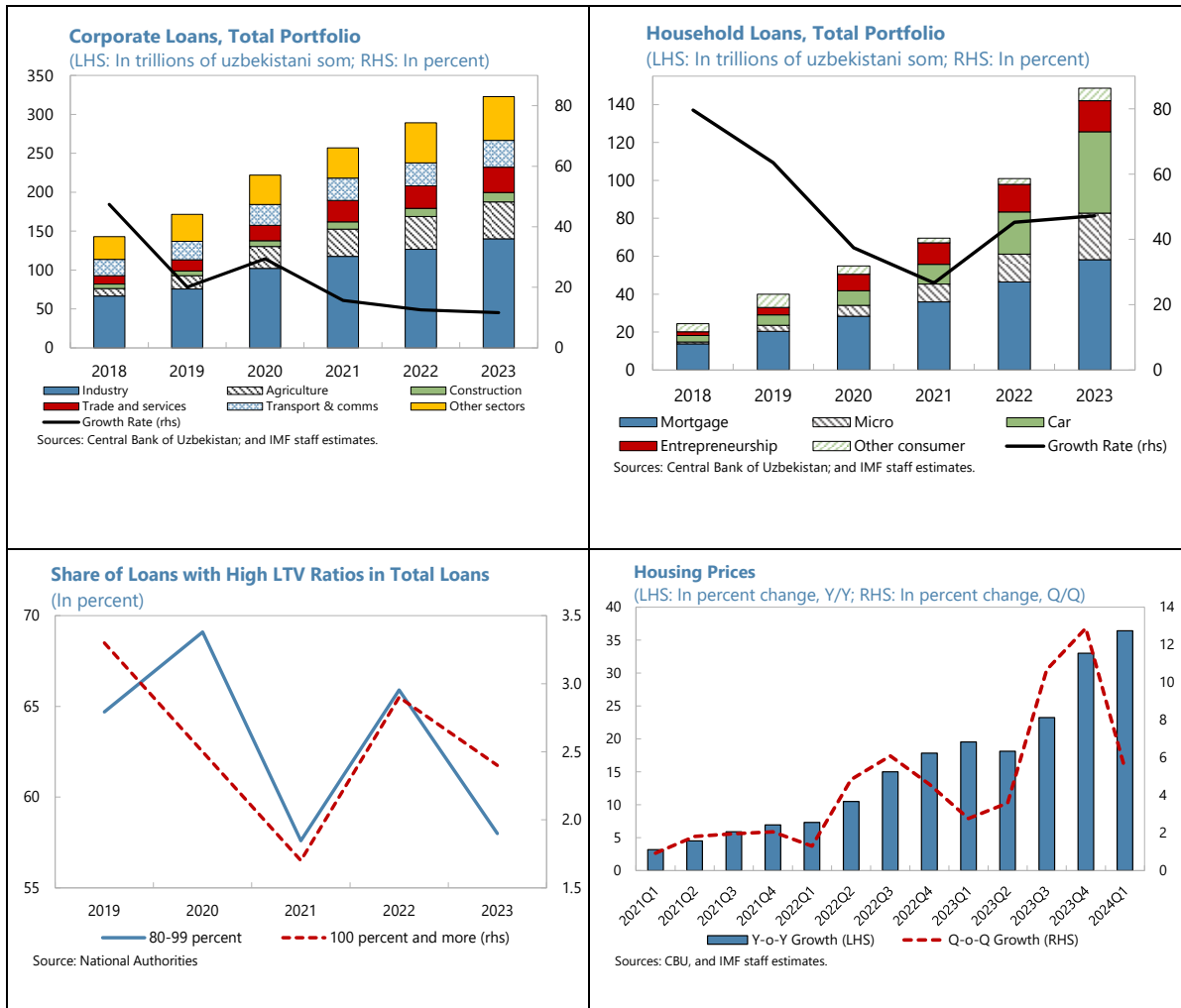
gold exports. External debt increased to about 61 percent of GDP, of which about 34 percent of GDP was PPG (Annex I, Tables 4a and 4b, Figure 3). International reserves fell by \$1.2 billion in 2023 but remained well above 200 percent of the Fund's reserve adequacy metric. Uzbekistan's external position in 2023 is assessed as weaker than the level implied by medium-term fundamentals and desirable policies.

8. Reported financial sector indicators suggest systemic financial risks are contained but growing, and indicators may not fully capture risks. The aggregate bank capital adequacy ratio (CAR) has stabilized around 17.5 percent since 2020, compared with the regulatory minimum of 13 percent (Table 5). Non-performing loans (NPLs) were 4.5 percent of total loans in March 2024, but the ratio might be underestimated as restructured loans stood at about 15 percent of loan portfolios and NPLs for loans at preferential rates were 11 percent. Despite a significant reduction in excess liquidity in 2023, the banking system still had a liquidity coverage ratio of about 160 percent in March 2024, well above the required 100 percent. Dollarization has declined but remained high at about 43 percent for loans and 30 percent for deposits in March 2024.

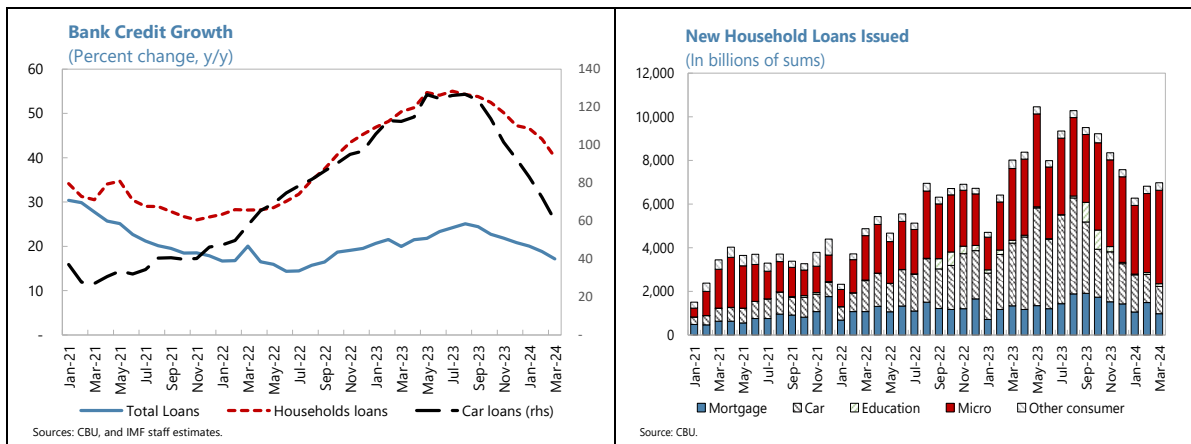
9. To stem possible financial risks, the authorities tightened macroprudential requirements, and credit growth has started to moderate.

- In 2023, overall credit grew by about 23 percent (Tables 6 and 7), with household loans surging by 47 percent from low levels, reaching 13.9 percent of GDP by end-year. The state mortgage programs launched in 2020 and underlying government incentives sustained momentum in mortgage loan growth (25 percent in 2023).² This, combined with population growth, rural-to-urban migration, strong income growth, and increased housing demand from migrants, fueled growth in housing prices (33 percent in 2023). Meanwhile, legislative changes enabling lending for imported goods in April 2023 and pent-up demand facilitated a sizable increase in car loans (by 93 percent in 2023). There were also signs that banks relaxed lending standards in 2022 and the first half of 2023 as the share of loans with high loan-to-value (LTV) ratios in bank portfolios increased then, and some borrowers may have a heavy debt burden, as indicated by their high debt service-to-income (DSTI) ratios. Business loans grew below nominal GDP growth in 2023 (12 percent) (text chart).
- To contain financial stability risks, in August 2023, the CBU set a concentration limit on car loans and reduced the ceiling on LTV ratios for car and mortgage loans. In January 2024, the CBU announced that it would implement new mandatory DSTI limits and additional capital requirements for loans with high LTV and DSTI ratios, effective July 1, 2024. The authorities also increased the interest rate on policy lending to 4 percentage points above the policy rate starting January 1, 2024, for most family entrepreneurship preferential loans, although it remains below market rates.

² Although the share of outstanding mortgages under the state mortgage development program declined, it remained high at 51 percent in December 2023. The program accounted for more than half of new mortgages in the first quarter of 2024.



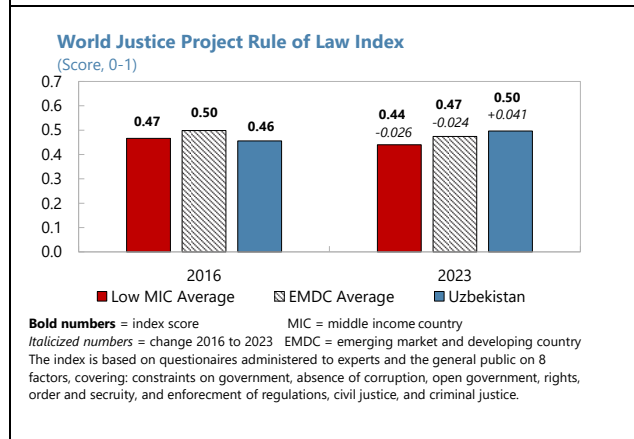
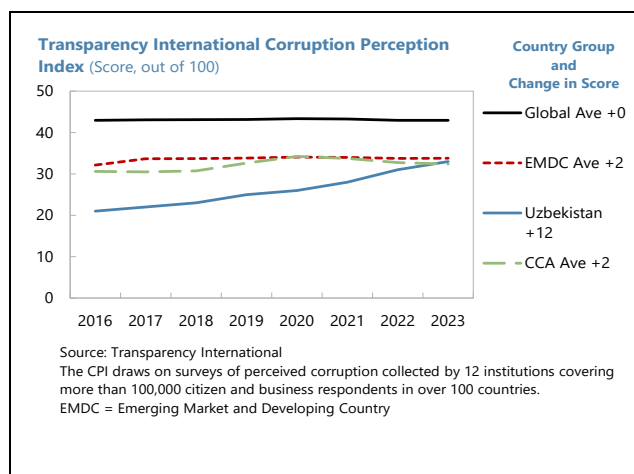
- As a result, after peaking in summer 2023, overall and household credit growth have been on a downward trend, moderating to 17.2 percent y/y—below nominal GDP growth—and 40.1 percent, respectively, in March 2024. There are also signs that housing price growth may have peaked (text chart).



10. Uzbekistan has made substantial progress on governance and structural reforms, although challenges remain.

- Important reforms in the energy sector were implemented over the past year. An independent energy regulator was established, and energy prices were increased for firms in October 2023 and for households in May 2024. Further energy price increases for companies and households have been announced to take place in April 2025, aiming to reach full cost recovery by end-2026.

- The government has privatized several medium-sized enterprises and is committed to privatizing two large state banks, Asaka and SQB, and additional state enterprises as soon as possible. It expects to continue the privatization effort, as the privatization of most large enterprises remains outstanding.



- The authorities have also made considerable efforts to address significant corruption vulnerabilities and governance weaknesses (text chart). Uzbekistan’s scores on the Transparency International’s Corruption Perceptions Index (TI CPI)³ and on the World Justice Project’s Rule of Law Index (WJP RLI)⁴ have improved substantially. Starting from a low level, the TI CPI score improved 12 points from 2016 to 2023—compared to only a two-point improvement for the average of emerging market and developing countries (EMDC). Uzbekistan’s overall score on the WJP RLI rose 0.041 points, the largest improvement of any country over the same period, and, by 2023, had surpassed the average for low middle income countries (MIC) and EMDCs. Nonetheless, given initial low levels, there is sizable scope for further improvement to address remaining corruption vulnerabilities and the rule of law, especially in the areas of education, health, construction, and procurement.⁵

- Negotiations on accession to the World Trade Organization (WTO) have accelerated and the business environment has improved. As of May 2024, bilateral negotiations had been finalized with 11 of 31 countries, and the government expects to complete the remaining ones by end-

³ Transparency International: [2023 Corruptions Perceptions Index, Uzbekistan](#).

⁴ World Justice Project. 2023 Rule of Law Index, Uzbekistan.

⁵ IMF (2024). Republic of Uzbekistan—Selected Issues Paper: Enhancing Governance and Combatting Corruption.

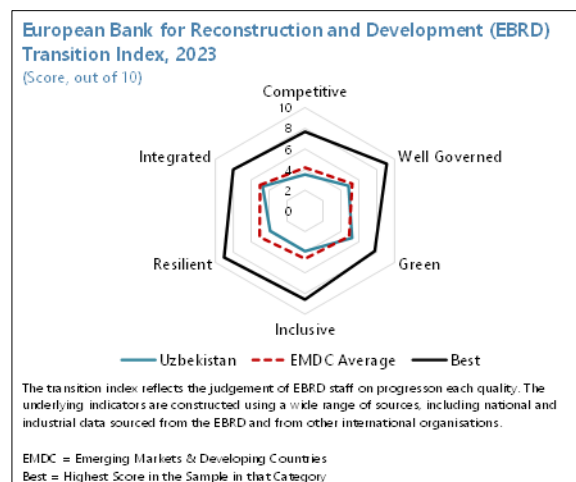
2025. A 2022 OECD survey⁶ indicated firms believe the business environment, licensing, investment facilitation, the tax system, and infrastructure have improved. Additional improvements to competitiveness, though, will be needed for Uzbekistan to surpass the EMDC average (text chart).

B. Outlook and Risks

11. The economic outlook is broadly positive, on the back of the authorities' efforts to strengthen policies and maintain the reform momentum.

- **Growth** is projected to remain strong at 5.4 percent in 2024, despite the withdrawal of the 2023 fiscal stimulus and lower trading partner growth, and 5.5 percent in 2025. It is expected to remain at that level thereafter as fiscal adjustment is completed and strong investments and structural reforms continue.
- **Inflation** is projected to rise temporarily to 11.5 percent y/y by end-2024 and stand at 8.7 percent at end-2025, following administered energy price increases this year and next (which are estimated to add about 4½ and 1¼ percentage points to inflation in 2024 and 2025, respectively⁷). With a high real policy rate maintained (1121), tighter fiscal (1115) and macro-prudential (1131) policies, and supportive structural reforms (1136 & 1137), inflation would gradually decline to the CBU's 5 percent target by end-2027. The gradual pace reflects factoring in the impact of the necessary increases in energy prices and inflation inertia.
- **The current account deficit** is expected to gradually decline to 7.6 percent of GDP this year, 7.1 percent next year, and around 5 percent of GDP over the medium term as fiscal consolidation, moderation in bank lending growth, the reversal of the temporary increases in imports, export yields from prior investments, and continued structural reforms take place. These deficits, which reflect sizable imports needed for investments, are expected to be financed mainly by foreign direct investment and long-term borrowing, including from international financial Institutions (IFIs) and bilateral donors. Given the stability and long maturity of the financing sources, debt rollover risks will remain low. **International reserves'** import coverage would gradually fall from the current high levels but would remain adequate at close to 5 months of imports by 2029.

12. Uncertainty is high, with risks on both the upside and downside (Annex II).



⁶ OECD (2023), *Insights on the Business Climate in Uzbekistan*, OECD Publishing, Paris.

⁷ Estimated based on a dynamic stochastic general equilibrium model.

- **Key risks:** External risks include geoeconomic spillovers from an intensification of Russia’s war in Ukraine,⁸ commodity price volatility, and an abrupt global slowdown. Domestic risks include slower-than-planned fiscal consolidation, weakening bank balance sheets, and materialization of contingent liabilities from state banks, state-owned enterprises (SOEs), or public-private partnerships (PPPs). Upside risks include acceleration of structural reforms, continued favorable capital and income inflows, and higher global prices for Uzbekistan’s exports.
- **Policy responses** to downside risks include increasing exchange rate flexibility, tightening monetary policy to prevent adverse impacts on core inflation and inflation expectations, providing targeted fiscal support in case of temporary shocks, and accelerating structural reforms.

Authorities’ Views

13. The authorities are more optimistic than staff on the outlook but are in broad agreement with the main risks. Staff projections for real GDP growth are at or closer to the lower end of the authorities’ baseline range forecasts (5.5-6 percent in 2024-2025, and 6-6.5 percent in the medium term). While the authorities concurred that fiscal consolidation and slower global growth would dampen growth this year and next, they remain hopeful that ongoing reforms, high investments, and high gold prices will lead to stronger exports and output growth in 2024 and the medium term. They do not see high risks to external sustainability given that the current account deficits are driven largely by sizable investments that would lead to future exports and are mostly financed by stable and long-term financing. This is reinforced by the fact that a portion of the 2023 import increase was temporary, and that the current account deficit is projected to decline. The authorities also expect a faster convergence of inflation to the CBU target but acknowledged the uncertainty of the impact of energy price reform on inflation.

BOLSTERING RESILIENCE AND SUSTAINING ROBUST GROWTH

14. Discussions focused on preserving macro-financial stability and better sequencing reforms to achieve more sustainable, inclusive, and greener growth. Fiscal policy should support monetary policy in containing inflation and facilitate external adjustment while ensuring debt sustainability, increased medium-term economic efficiency, and protection of the vulnerable. Monetary policy should focus on reducing inflation to the CBU’s target. Financial sector supervision should be strengthened to maintain financial stability. Better sequencing structural reforms would magnify their impact and reduce risks of unintended consequences. Growth could be made more sustainable, inclusive, and green by enhancing governance and transparency, reducing the state’s role, bolstering women’s inclusion in the labor market, and advancing decarbonization and climate adaptation.

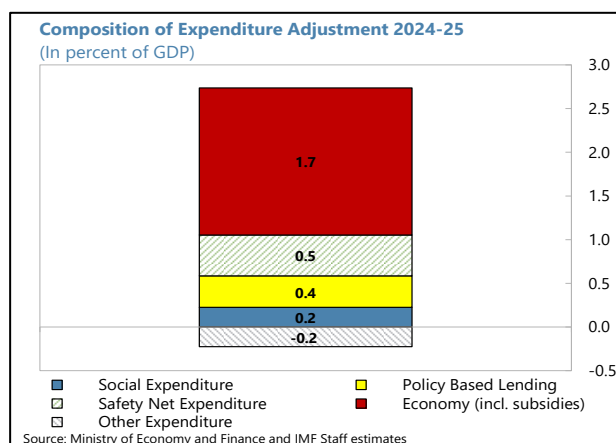
⁸ See also IMF (2024), [Regional Economic Outlook, Middle East and Central Asia, April 2024](#).

A. Fiscal Policy

15. The 2024 budget appropriately aims to return to a consolidation path.

The authorities' 2024 overall fiscal deficit (OFD) target (4 percent of GDP) and medium-term OFD target (3 percent of GDP) would rebuild fiscal buffers, support monetary policy in reducing inflation, and facilitate external adjustment. These targets, combined with the PPG debt limit (see ¶18), are appropriate to anchor fiscal policy in the coming years and maintain Uzbekistan's low risk of debt distress (see the accompanying Debt Sustainability

Analysis). The envisaged consolidation of 1.0-1.5 percent of GDP per year over 2-years is ambitious but achievable, and its composition is generally growth-friendly (text chart), based on reducing untargeted energy subsidies while protecting the vulnerable with lifeline tariffs and a one-off safety net payment to compensate for higher winter heating costs, improving social and safety net expenditure targeting, and reducing policy lending (see below and Selected Issues Paper I).



16. Nevertheless, there is scope to broaden the tax base and modernize the tax system to create space for priority social and development needs and support the planned fiscal adjustment.

Despite efforts to broaden the tax base, including through significant reforms to reduce value-added tax (VAT) exemptions, the revenue-to-GDP ratio has declined modestly since 2019 (Figure 2).⁹ Tax reforms that aimed to make the tax system more business-friendly by reducing its burden as well as the reduction in the VAT rate from 15 percent to 12 percent in 2023 contributed to this outcome. Consistent with IMF capacity development (CD) advice, staff proposed (i) introducing progressivity in the current flat-rate personal income tax to improve equity; (ii) increasing specific excise tax rates (e.g., alcohol, fossil fuels, vehicles, sugar) to address externalities better; (iii) broadening the corporate income tax (CIT) base by reducing investment deductions, eliminating tax exemptions, and revisiting income-based tax incentives while reducing the tax burden for small business; (iv) eliminating costly custom duties non-statutory exemptions; and (v) strengthening tax administration to address weaknesses identified by the recent Tax Administration Diagnostic Assessment Tool (TADAT). The latter includes performing a taxpayer register audit to ensure accuracy, preparing a compliance improvement plan to address risks across all taxes and taxpayer segments, and achieving 100 percent on-time payments by large taxpayers.

17. There is also room to improve spending efficiency and advance pension reform.

Since 2019, current spending has increased due to wage pressures—crowding out non-wage expenditures, notably in the health and education sectors— SOE support (including energy

⁹ 2019 was chosen to facilitate comparisons as the fiscal coverage of prior data differs. For a similar reason, the impact of the 2022 budget coverage expansion was excluded from revenue.

subsidies), and growing safety net spending (Figure 2). The government should rationalize the wage bill, reduce the costs of goods and services through improved procurement (e.g., centralized purchasing of pharmaceuticals), phase out support to SOEs, and accelerate SOE reforms. It should also avoid across-the-board spending cuts.¹⁰ On social protection, staff advised leveraging the welcome establishment of the National Agency for Social Protection in July 2023 to consolidate the various social protection programs by eliminating overlap, further improving targeting, and reducing administrative costs. Regarding social insurance, a 2019 reduction in social contributions, without compensating changes, undermined the pension system's financial sustainability. Staff recommended reforms in line with IMF CD advice, including gradually raising the low retirement ages for men and women, expanding the reference wage history used for pension calculations, and making the pension system's basic parameters rule-based to restore sustainability.

18. The government has taken actions to improve debt and fiscal risk management. The May 2023 public debt law requires the government to prepare a public debt management strategy and an annual borrowing plan and includes several provisions that facilitate fiscal risk management. It sets a debt ceiling of 60 percent of GDP on PPG debt and requires government action to prevent a breach if PPG debt reaches 50 percent of GDP. The law also establishes conditions for providing state guarantees and gives authority to the government to set ceilings on guarantees, including a separate one for PPP-related guarantees. PPPs have grown rapidly in recent years, amounting to a cumulative 20 percent of GDP at end-2023.

19. The authorities should build on ongoing efforts that strengthen fiscal institutions to support fiscal consolidation and increase market financing of the budget.

- The authorities have made notable progress towards addressing some public financial management (PFM) challenges experienced in recent years, in line with IMF CD advice. They are currently on track to publish the 2025-2027 Fiscal Strategy Paper (FSP) to guide budget preparation and set expenditure ceilings, which had not been prepared regularly. They are also committed to adhering to their budget calendar and limiting significant within-year changes to the budget, which have been recurrent challenges. They also plan to publish a first comprehensive Fiscal Risk Statement (FRS) in June to help identify, monitor, and manage macro-fiscal risks, fiscal risks from the largest SOEs, and fiscal risks from PPPs. The FRS is envisaged to cover an initial assessment of climate-change-related risks. The authorities have also hired a Government Finance Statistics (GFS) expert to promptly restore publication and reporting of fiscal statistics in the GFS standard of the IMF Statistics Department and seek to achieve Special Data Dissemination Standards (SDDS) by end-2024. More generally, the authorities are planning to develop later this year a new 2025-2030 PFM strategy and focus it on core budget processes

¹⁰ To support consolidation, the government also implemented a 10 percent across-the-board reduction in goods and services in the 2024 budget. However, across-the-board cuts should be avoided since they can disrupt essential services (like providing gasoline for ambulances) and/or have adverse medium-term growth consequences (e.g., postponing proper maintenance of infrastructure). Moreover, they may lead to public pressure for quickly reversing the measures.

to entrench fiscal discipline once the ongoing Public Expenditure and Financial Accountability Assessment (PEFA) is completed by mid-2024.

- Staff welcomed the actions to address PFM challenges and encouraged the authorities to bring them to completion and build on the momentum to improve public investment management. The public investment budget remains fragmented by funding sources and approved separately from the recurrent budget. The preparation of the public investment budget should be aligned with that of the recurrent budget and be incorporated in the budget documentation. The public investment process, including selection and appraisal, should be unified irrespective of the financing source, and a single project pipeline should be established. To prevent fiscal risks from PPPs, staff recommends introducing a ceiling on PPP guarantees as authorized in the public debt law, taking into account the results of the ongoing stock-taking exercise.
- Staff welcomed the strengthened coordination of monetary policy with domestic debt market development to facilitate liquidity management and reduce borrowing costs and encouraged the authorities to publish their debt management strategy and annual borrowing plan in line with the public debt law and continue progress in building a yield curve.

Authorities' Views

20. The authorities broadly agreed with staff's assessment and advice. They reiterated their commitment to the 4 percent of the GDP deficit target in 2024 and 3 percent in 2025 and beyond to ensure macroeconomic stability. The authorities agreed with staff on the need to further modernize the tax system and broaden the tax base, including by improving tax administration, and are planning to update their medium-term revenue strategy informed by staff's advice. They also noted the importance of increasing the efficiency of expenditure, including through improved public procurement, and their plan to develop a 2025-2030 strategy for improving public financial management. The authorities are considering to include within the strategy a new fiscal deficit rule in line with their medium-term 3 percent fiscal deficit target, measures to further strengthen the identification and management of fiscal risks from SOEs and PPPs, and plans to ensure a full transition to the GFS standard for fiscal statistics by 2027. On public investment management, the authorities are working to find the best way to implement staff's advice with capacity development support.

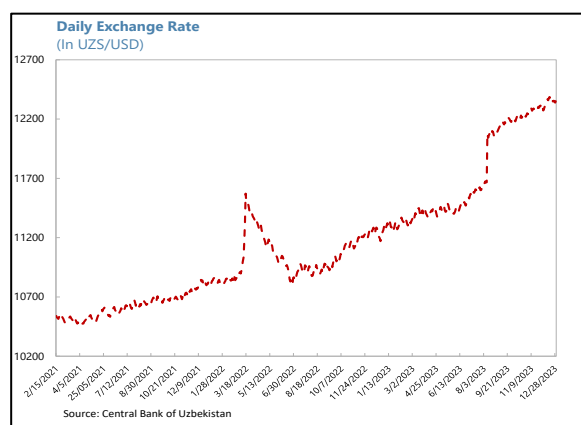
B. Monetary and Exchange Rate Policies

21. Monetary policy should remain focused on reducing inflation and anchoring inflation expectations around the CBU's medium-term inflation target. The policy stance is appropriate at this time. Inflation has been steadily declining, real interest rates for loans are around 14 percent, and structural excess liquidity is declining from high levels. Meanwhile, business credit is growing more slowly than nominal GDP, while buoyant household lending—reflecting an initial low level, credit market distortions (e.g., incentives from loans on preferential terms), and temporarily loose lending standards by banks (¶9, Figure 4)—has started to moderate. The CBU should remain data-driven and stand ready to tighten if the administrative energy price increases spill over to core

inflation or inflation expectations. Low and stable inflation will make the business environment more predictable, bolster medium-term growth prospects, and benefit the most vulnerable who suffer the most from high and volatile inflation.

22. The CBU took welcome measures to strengthen monetary policy transmission, but further efforts are needed. The CBU (i) deepened the interbank money market by aligning the operating benchmark methodology with international practices; (ii) enhanced liquidity management; (iii) created a primary dealership system in the government securities market, together with the Ministry of Economy and Finance; (iv) removed interest caps on government securities and allowed foreign investors to buy them; and (v) approved a communication strategy. Nevertheless, transmission remains constrained by high dollarization, low financial intermediation, structural excess liquidity, and sizable policy lending. Improving liquidity forecast accuracy is important as the interbank market is transitioning from excess liquidity to liquidity shortage conditions. Coordination with the MOEF to ensure access to high-frequency government cash and deposit forecasts should be increased. Sound monetary policies should be maintained and central bank independence safeguarded to facilitate de-dollarization. Continued financial sector reforms, including privatizing state banks, reducing policy lending, and deepening the interbank market, are essential to reduce excess liquidity, deepen financial intermediation, and facilitate local capital market development.

23. The exchange rate has been steadily depreciating and trading in a narrow range. In 2023, the sum depreciated 10 percent vis-à-vis the US dollar, with a one-time depreciation of 4.2 percent (mid-2023) linked to depreciation of main trading partners' currencies (text chart). The exchange rate regime is *de-jure* floating, but the Fund classifies it as a *de-facto* crawl-like arrangement. The CBU's foreign exchange market intervention seeks to reduce short-term volatility and is guided by the *neutrality principle*, whereby the CBU sells foreign exchange equal to the value of gold it purchases from local producers to sterilize its liquidity impact. During 2022-23, the CBU also used its foreign exchange (FX) intervention to smooth out the impact on the exchange rate of significant remittance volatility generated by Russia's war in Ukraine.



24. Additional exchange rate flexibility would help absorb potential shocks and safeguard reserves. The authorities noted that excessive exchange rate volatility poses risks in a dollarized economy with shallow financial markets, including to government and banks' balance sheets. However, as the authorities make progress in deepening the FX market, they should also gradually allow the exchange rate to fluctuate in wider ranges. Meanwhile, the authorities should adhere to the neutrality principle on an annual basis to improve liquidity management. Other foreign exchange rate interventions should be limited to addressing disorderly market conditions.

25. Staff encouraged the CBU to promptly implement the outstanding safeguards assessment recommendations. The CBU implemented several measures to strengthen its operations and governance. It established an investment committee, approved related charter and guidelines, and adopted a road map to implement risk-based internal audits. The transition to International Financial Reporting Standards (IFRS) is ongoing, with the first audited IFRS-compliant financial statements expected this year. Staff recommended that the CBU build on this progress and proceed with legal reforms to strengthen internal oversight by introducing a majority of non-executives on the Board (or creating a supervisory board); ensure that the Audit Committee consists exclusively of independent members; introduce collegial decision-making for CBU's executive management; align the CBU's functions with international best practices; and improve financial and personal autonomy safeguards. Further efforts are also needed to finalize and adopt an external auditor selection policy, a multi-year plan to establish an enterprise risk management framework, and an emergency liquidity assistance framework drafted with Fund technical assistance.

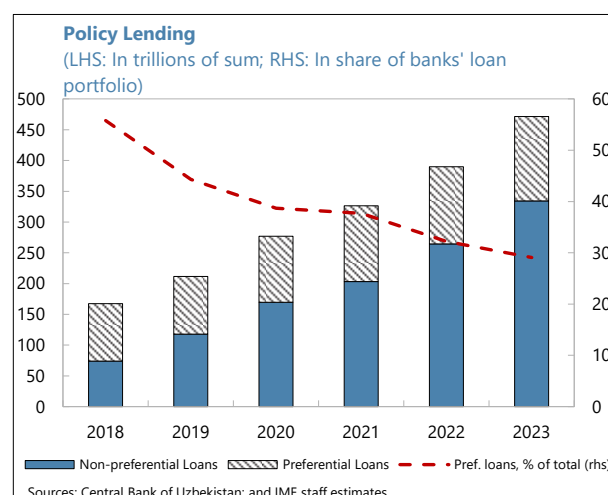
Authorities' Views

26. The CBU reiterated its commitment to lowering inflation while maintaining exchange rate flexibility. It stands ready to adjust the monetary policy stance as needed to reduce inflation towards the target and anchor inflation expectations, including if there were signs of spillovers to core inflation and inflation expectations from the energy price reform. The CBU considers it broadly adhered to the neutrality principle over time, noting its decision contributed to smoothing the effects of the significant volatility in remittances during 2022-2023. The CBU also highlighted that it maintained exchange rate flexibility by not targeting any particular exchange rate level, as evidenced by reserves remaining broadly stable in recent years. The authorities intend to request technical assistance to implement the outstanding safeguards assessment recommendations.

C. Financial Sector Policies

27. Financial intermediation remains low, with state banks pursuing multiple objectives beyond commercial profitability. Ten state banks

(out of a total of 35 banks) dominate the financial sector, accounting for 67 percent of banking system assets as of March 2024. Their multiple objectives are reflected in the policy lending they carry out at preferential rates to promote social objectives, supported by the Fund for Reconstruction and Development (FRD), the state budget (either through direct funding or loan guarantees), and the state banks' own funds. While lending at preferential rates has been declining as a share of the banks' loan portfolio since 2017, it remains sizable—29.1 percent at end-2023 (text chart). Given significant non-commercial objectives, state banks have

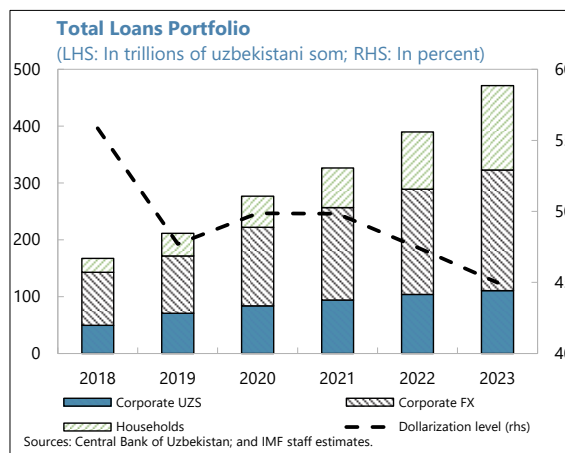


experienced liquidity or capital shortfalls and received capital injections totaling about 5.3 percent of (projected) 2024 GDP over 2017-2024. The CBU is working on legislation to create a new layer of deposit-taking regulated microbanks that would lend 70 percent of their portfolio to under-served individuals, small and medium-sized enterprises, and agri-businesses to increase financial inclusion.

28. State banks should focus on achieving commercial objectives and preparations for privatization of selected banks should be accelerated. The privatization of the banking system has advanced but at a slow pace. The 2020-25 Banking Reform Strategy aimed to reduce bank state ownership to 40 percent of bank assets by 2025. However, since 2020, only one large bank (Ipoteka Bank, 7.5 percent of bank assets) and one small bank (Uzagrocreditbank, less than one percent of bank assets) have been privatized, partly affected by unforeseen external shocks. Ipoteka Bank’s experience illustrates the importance of thorough preparation and the role of IFIs in providing analysis and attracting potential investors (Annex III). International experience also underscores the need for transparent privatization procedures, strong regulatory frameworks, good creditor and shareholder rights, and competitive bidding processes to attract qualified investors and receive the best value for the assets.

29. The government should reform banks that remain state-owned to minimize financial stability risks. Staff advised against current plans to keep systemic banks as policy banks, which could increase financial risks or costs to the budget. Banks remaining under public ownership should be mandated to operate commercially with efficient systems and appropriate governance structures. Any non-commercial activities should be moved to, or transparently compensated from, the budget. Policy lending should be phased out. State banks’ performance should be monitored, and the rationale for state ownership should be reassessed periodically. State banks that fail to perform should be restructured for privatization or be resolved.

30. Accurately assessing asset quality and strong supervision are paramount to protect financial stability. Given weaknesses in credit screening for policy lending, its sizable share in bank loan portfolios, and high shares of restructured loans in loan portfolios, staff advised conducting independent asset quality reviews to evaluate loan portfolio quality and implementing risk-based supervision following international standards to adequately measure financial risks, detect vulnerabilities, and act on them. The authorities need to enhance risk assessment standards, limit foreign exchange lending to businesses without adequate foreign currency revenue (text chart), strengthen the resolution framework and deposit insurance by adopting new laws to facilitate bank restructuring, and cap deposit insurance to reduce moral hazard. The CBU’s continued efforts to enhance the quality of its stress tests and the forthcoming Financial Sector Assessment Program (FSAP)



will help identify weaknesses, enabling further improvements.

31. While household lending growth has started to moderate, the CBU should closely monitor any emerging risks. While the August 2023 macroprudential measures have been effective in moderating lending growth and the implementation of mandatory debt service-to-income (DSTI) ratio limits and additional capital requirements for loans with high LTV and DSTI ratios, effective July 2024, will help mitigate the accumulation of financial risks and contain borrowers' debt burden, staff advised closely monitoring housing prices and household lending and standing ready to adjust policy if needed. In addition, lending not subject to the DSTI ratio (which is limited to 15 percent of the banks' loan portfolio) should be watched closely, and a robust system should be implemented to assess the income of informal sector borrowers lacking formal income documentation.

32. Staff highlighted the risks of the CBU's plan to create deposit-taking micro banks and discussed options to reduce them. Introducing a new segment to be involved in operations similar to directed lending could increase financial stability risks and divert valuable supervisory resources away from other important tasks. To reduce these risks, microbanks should be subjected to prudential requirements for management teams, proper governance, reporting, disclosure, and portfolio diversification, in line with Basel's framework for regulation and supervision on a proportional basis. These need to be complemented with appropriate capital requirements, by setting proper risk weights for loans and minimum capital.

Authorities' Views

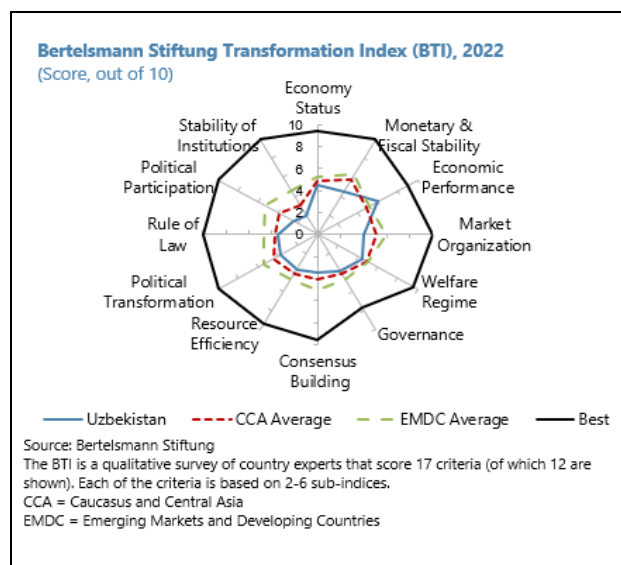
33. The authorities are determined to accelerate bank privatization and strengthen supervision. Noting that the delays in privatization were due partly to a challenging regional and global environment, they highlighted they are working on privatizing two large state banks with support from IFIs and private consultants. The authorities noted that the August 2023 macroprudential measures had a discernible impact on car and mortgage loan growth, and the implementation of the additional measures announced in January 2024 will further help contain financial stability risks. They assured microbanks would not be allowed to provide FX services or have a trading book and would be subject to proper risk-based supervision. The authorities plan to discuss the measures that would limit foreign exchange lending to businesses without foreign currency revenue with the upcoming FSAP mission. They appreciated significant IMF technical assistance in various areas and looked forward to the forthcoming FSAP.

D. Structural Reforms and Governance

34. While remarkable progress has been made in liberalizing the economy, appropriate reform sequencing and reduced state intervention would accelerate growth. Cross-country studies suggest that proper pricing and removing binding constraints (often governance, business

regulation, and trade) yield the most significant growth benefits.¹¹ Those that cover exclusively the Caucasus and Central Asia (CCA) add to the list reducing the state footprint in the economy.¹² Reforms likely to have the biggest impact in Uzbekistan include further privatization and improved governance of state enterprises, reduced policy lending, additional deregulation, and less ad hoc intervention in the economy.¹³

35. The government has taken significant steps to improve the business environment. In 2020, the government enacted a law to strengthen the Anti-Monopoly Committee and removed more than 600 laws and regulations that hindered private businesses. In 2023, Uzbekistan passed a Law on Competition that defines dominant market power and sets penalties for abuse. In addition to actively negotiating WTO accession, the authorities are pursuing opportunities for cooperation with neighboring countries to improve infrastructure and reduce transport costs.



36. Staff recommended further steps to increase competition and facilitate diversification. Further improvements in the business environment are needed to promote competition and create a level playing field between the private sector and SOEs. For example, some third-party indicators suggest that Uzbekistan scores lower on a number of measures of economic transformation than the average of the CCA countries and EMDCs (e.g., the Bertelsmann Stiftung Transformation Index (BTI) index, text chart). Staff's analysis underscores that reducing trade barriers,¹⁴ enhancing governance, and investing in infrastructure, education, and skill development would help the advancement of the private sector and bolster external competitiveness and export diversification (Annex IV).

¹¹ See (i) Nsouli et al and others (2002), *The Speed of Adjustment and the Sequencing of Economic Reforms: Issues and Guidelines for Policymakers*, IMF Working Paper 02/132; (ii) Ostry and others (2009), *Structural Reforms and Economic Performance in Advanced and Developing Countries*, IMF Occasional Paper 268; (iii) IMF (2023), *Regional Economic Outlook, Middle East and Central Asia, October*; and (iv) Budina et al. (2023), *Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies*. IMF Staff Development Note 2023/007.

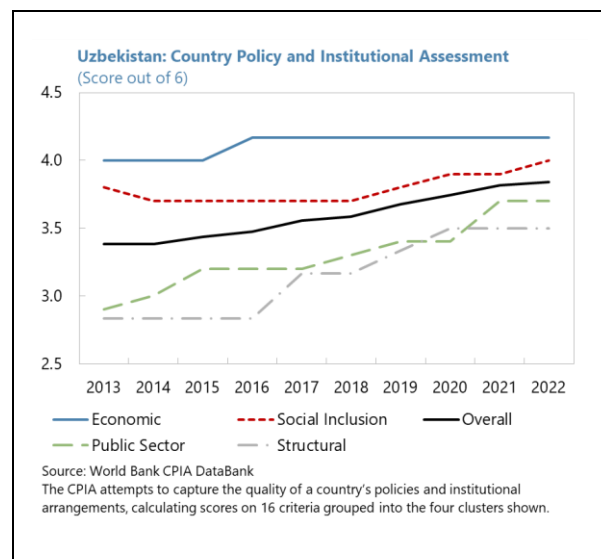
¹² Giginishvili et al. (2023), *Paving the Way to more Resilient, Inclusive, and Greener Economies in the Caucasus and Central Asia*. IMF Middle East and Central Asia Departmental paper.

¹³ See also IMF (2021), Republic of Uzbekistan—Staff Report for the 2021 Article IV Consultation, Annex IV. *Impact of Structural Reforms*.

¹⁴ While trade barriers in Annex IV refer solely to import tariffs, OECD (2023) suggests reducing also non-tariff trade barriers, including through simplifying trade documentation, automating border processes, and improving border agency cooperation (<https://doi.org/10.1787/317ce52e-en>).

37. Staff welcomed SOE reform progress and urged the authorities to continue. Since 2019, Uzbekistan has enacted several laws and decrees to establish a timebound process to restructure, privatize, and sell state assets, including state banks, state enterprises, and government property. The government has promoted improvements in corporate governance and privatized several medium-sized enterprises, including a beverage bottling plant, a fertilizer company, an oil refinery, and a cement plant. In addition, and as noted above, Uzbekistan privatized one large bank and plans to privatize two more. SOE reforms should be accelerated to improve SOE governance and performance. This includes separating regulatory and operational functions, phasing out non-commercial goals, eliminating directed lending, strengthening management qualifications, boosting the independence of corporate boards, and adopting comprehensive and transparent reporting of operational and financial performance—including via IFRS. The government should also remove SOE preferences and accelerate the privatization of large SOEs, especially those in key industries, which could generate significant efficiency gains. Procedures should ensure the integrity of privatization, including avoiding conflicts of interest and abuses of power.

38. Uzbekistan has made steady improvements to the rule of law and its anti-corruption framework (text chart). In 2020, the government established the Anti-Corruption Agency, which has led significant efforts to improve the legal framework and strategies for combatting corruption, accelerate digitalization of government services, and implement measures to boost the detection of corruption and prevention of conflicts of interest. The new Constitution, approved in 2023, improves the independence of the Prosecutor General’s Office, Chamber of Accounts, and the judiciary. The Supreme Board for the Selection of Judges has strengthened selection procedures for new judges, including requiring that candidates have attended the recently created Judicial Academy. The government plans to introduce an international commercial court to streamline and improve the adjudication of contract disputes and has launched a [public procurement portal](#), which requires bidders to disclose beneficial owners. The draft law on asset declaration will require public officials to report assets and income, which would be available to the public, a positive step in line with best practice. It will go through public discussions before making its way to the cabinet of ministers and then Parliament for approval. The draft law on whistleblower protection is pending approval by Parliament, while the conflicts of interest law is under discussion in the Presidential administration.



39. Staff advised the government to further address corruption vulnerabilities, strengthen anticorruption institutions, and enact pending legal reforms. Continuing efforts to digitize services, eliminate red tape, and improve oversight would help reduce corruption. The government could further enhance the independence of prosecutors and judges by improving the selection

process. The independence of the Chamber of Accounts could be enhanced by ensuring its rules are consistent with international standards for Supreme Audit Institutions, in particular regarding removal of its Chair. Staff recommends the enactment of the pending anticorruption laws consistent with international good practices. Finally, the government could consider measures to improve contract enforcement and adjust the laws on access to information and openness of government to grant the Anti-Corruption Agency greater authority to enforce compliance (See Selected issues paper II).

40. Taking bold measures to decarbonize and adapt to climate change is critical. Staff recommended building on existing progress—like the ongoing energy price reform and the Innovative Carbon Resource Application for Energy Transition Project for Uzbekistan (iCRAFT), supported by the World Bank—to address climate challenges, shift away from carbon-intensive products, promote green technology and investments, and advance adaptation measures aimed at increasing water efficiency, diversifying crops, improving waste management, developing early-warning systems for hydro-meteorological hazards, and reforestation. Staff also advised putting into force targeted support for those affected by the green transition and policies to promote private funding for the transition, private sector development, and supportive climate-related public expenditures (Annex VI).

41. Uzbekistan needs to unlock the potential of women in the labor market. While significant progress has been made in empowering women, their labor force participation rates lag peers. Reforming maternity leave benefits, promoting paternity leave, providing more affordable high-quality childcare, especially for children up to three years old, improving rural infrastructure and access to finance, and facilitating female entrepreneurship would help boost women's participation. Providing relevant training and education, particularly in science, technology, engineering, and mathematics, would equip women with necessary qualifications and enhance employability. The government should also help informal workers transition to formal employment with better job quality (Annex VII).

Authorities' Views

42. The authorities emphasized their commitment to continued structural reforms as outlined in the Uzbekistan Strategy 2030.¹⁵ They highlighted the energy price reform and the accelerated privatization of state assets in 2024 as major achievements. Among their remaining goals are abolishing 17 state monopolies; attracting private investments to the rail, road, and electricity sectors; and further developing efficient PPP projects. Uzbekistan also aims to provide all government services digitally and to reduce the regulatory burden by 30 percent. Regarding governance and anti-corruption, the authorities plan to strengthen the transparency and independence of the judiciary; continue to work on the asset declaration, conflict of interests, and

¹⁵ The Strategy lays out the authorities' ambitious reform objectives. It emphasizes five priority areas: (i) improving people's lives, (ii) achieving sustainable economic growth, (iii) protecting the environment and water resources, (iv) ensuring the rule of law and a government that serves the people, and (v) promoting regional and global cooperation.

whistleblower protection laws; and improve Uzbekistan's ranking on TI CPI by 50 positions. To encourage the green transition, Uzbekistan aims to increase renewable energy to 40 percent of consumption and efficiency of water use by 25 percent. To support women, the government has enshrined gender equality in the recent constitutional reform and plans to increase women's share in leadership roles to 30 percent.

STAFF APPRAISAL

43. Uzbekistan continues its steadfast progress toward transforming its economy. The economy has experienced rapid growth and declines in poverty in recent years despite headwinds and uncertainty from the pandemic and Russia's war in Ukraine. Growth is expected to remain robust this year—despite a deceleration in trading partner growth and the withdrawal of the 2023 fiscal stimulus—and over the medium term, supported by the completion of fiscal consolidation, ongoing structural reforms, and continuing capital inflows. These achievements are a testament to the authorities' efforts to advance Uzbekistan's economic development through market-oriented reforms. However, challenges still remain from a large state footprint in the economy and last year's expansionary fiscal policy, and the authorities are determined to persevere in their reform efforts to address them and advance sustainable and inclusive growth. The positive economic outlook provides a unique opportunity for the implementation of reforms to deepen the foundations for a dynamic, open, and private sector-led economy.

44. The planned fiscal policy adjustment is appropriate to maintain robust public finances and facilitate external adjustment while supporting monetary policy in containing inflation. The size and pace of consolidation are ambitious but achievable, and the main consolidation measures are relatively growth-friendly given their efficiency-enhancing nature combined with protection of the vulnerable. There is scope to broaden the tax base, modernize the tax system, and increase the efficiency of public spending through rationalizing the wage bill, phasing out SOE support, and improving the targeting of social protection programs while eliminating overlaps and reducing administrative costs. Advancing pension reform is important to ensure long-term fiscal sustainability and effective social protection for workers. Efforts should also continue to improve fiscal institutions by strengthening core budget processes, unifying the public investment process, improving the identification and management of fiscal risks, ensuring full transition to GFS standards for fiscal monitoring and reporting, and continuing to develop the domestic debt market in coordination with monetary policy.

45. Monetary policy has managed to lower inflation and should remain focused on reducing it further to the CBU's target. Sustaining a high real policy rate, along with tight fiscal and macro-prudential policies and supportive structural reforms, would gradually reduce inflation to the CBU target by end-2027. The CBU should stand ready to increase its policy rate if the energy price reform results in broader price pressures and raises inflation expectations.

46. Minimizing the state's involvement in the financial sector while strengthening financial sector supervision will support sustainable financial deepening while protecting

financial stability. This involves modernizing the governance of state banks, mandating them to operate commercially, and expediting and expanding privatization efforts to all systemic financial institutions. While higher financial intermediation is welcome, and the recent macroprudential measures were appropriate, the impact of the measures that will come into force in July should be closely monitored to ensure sustainable financial deepening. Enhancing prudential supervision to align it with international standards and conducting AQRs and robust stress tests are also important to facilitate timely interventions and safeguard financial stability. Deposit-taking microbanks, if established, should be subjected to proper governance and capital requirements and adequate supervision.

47. Capitalizing on progress already achieved, sustained reform efforts will magnify their impact and make growth more sustainable, inclusive, and green. Careful sequencing of reforms would help expedite implementation, while reduced ad-hoc state intervention would enhance resource allocation efficiency. The government should continue efforts to accelerate the restructuring and privatization of state enterprises. It should also eliminate preferences for SOEs and unbundle large enterprises to increase competition and improve the business environment. The authorities are correctly accelerating their efforts for WTO accession and taking measures to bolster external competitiveness and export diversification, opening markets, and reducing monopolies would boost growth and help reduce inflation. Initiatives to increase women's labor participation and phase out energy subsidies would stimulate growth while supporting decarbonization and climate adaptation efforts.

48. The momentum on anticorruption efforts should be sustained, building on significant improvements in governance and rule of law indicators. Staff recommends enacting the asset declaration, conflict of interests, and whistleblower protection laws. The government should implement additional measures to improve the independence of prosecutors, judges, and the Chamber of Accounts. Finally, the government should take steps to further enforce access to government information which would improve accountability and trust in public administration.

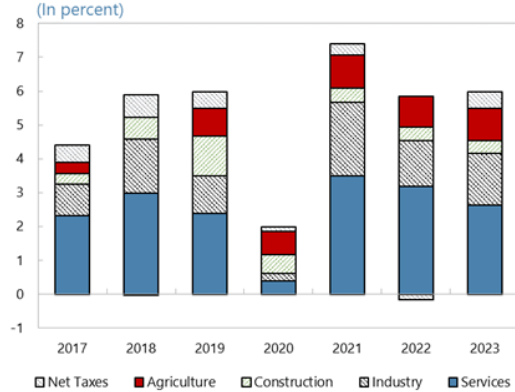
49. It is proposed that the next Article IV consultation with Uzbekistan take place on the standard 12-month cycle.

Figure 1. Uzbekistan: Real Sector

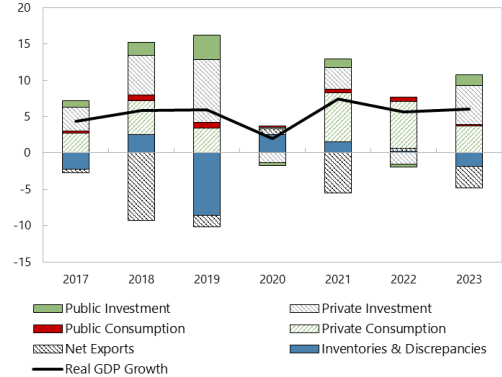
In 2023, the economy recorded strong and broad-based growth...

...driven by strong investments and private consumption reflecting in part the fiscal expansion.

Contributions to Real GDP Growth (Production Side)

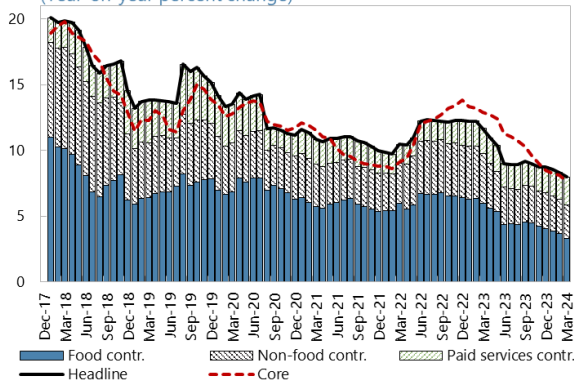


Contributions to Real GDP Growth (Expenditure Side)



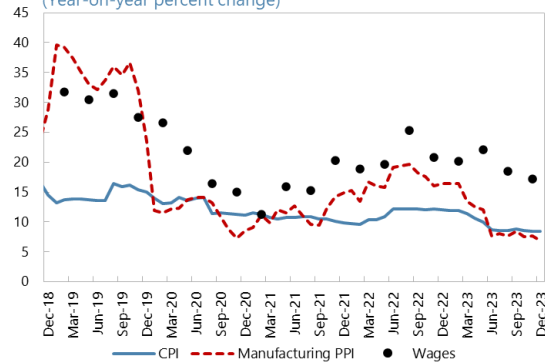
Inflation declined but remains elevated...

Inflation
(Year-on-year percent change)



...alongside strong wage growth.

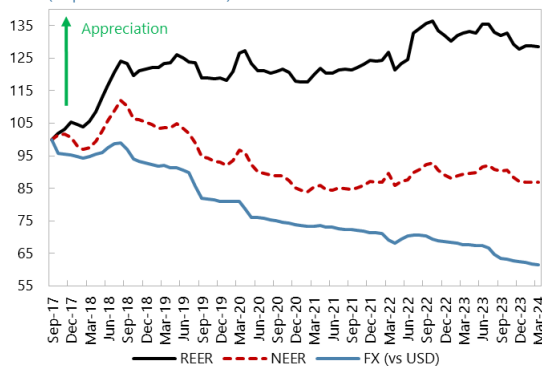
Prices and Wages
(Year-on-year percent change)



The figure for 2023 is preliminary. Labor force data are under review due to statistical issues.

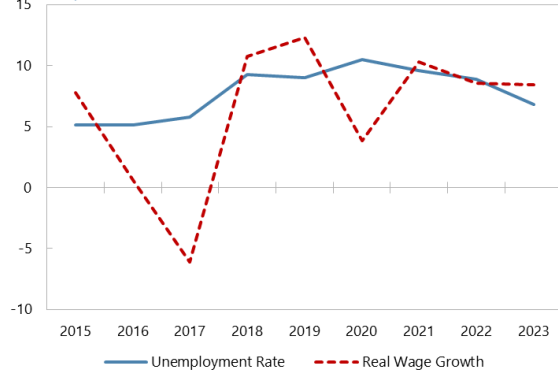
The NEER and CPI-based REER have remained broadly stable.

Exchange Rate
(September 2017=100)



The unemployment rate declined while real wages continued to grow at a rapid pace.

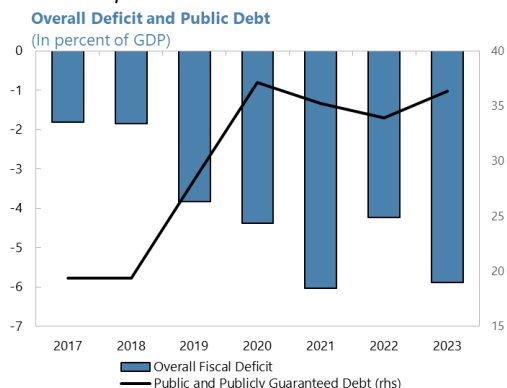
Unemployment and Real Wage Growth
(In percent)



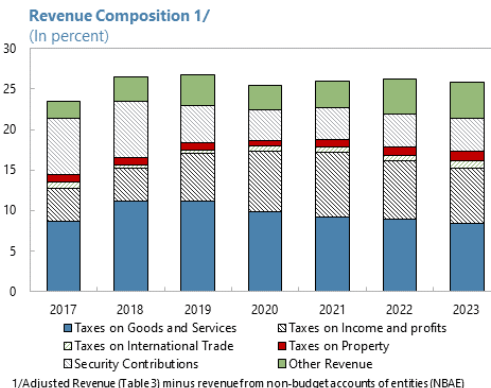
Sources: Country authorities; and IMF staff estimates.

Figure 2. Uzbekistan: Fiscal Sector

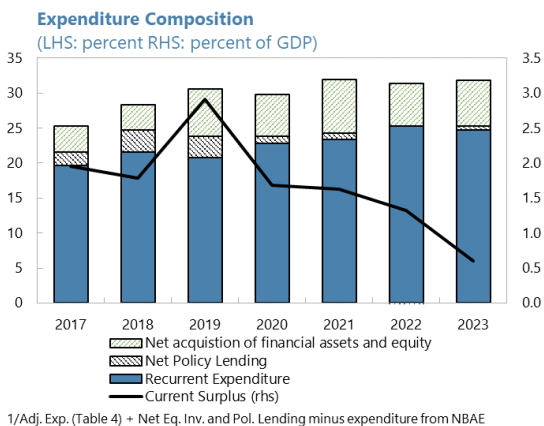
Overall fiscal deficits have remained elevated in response to shocks leading to significant debt accumulation from low levels.



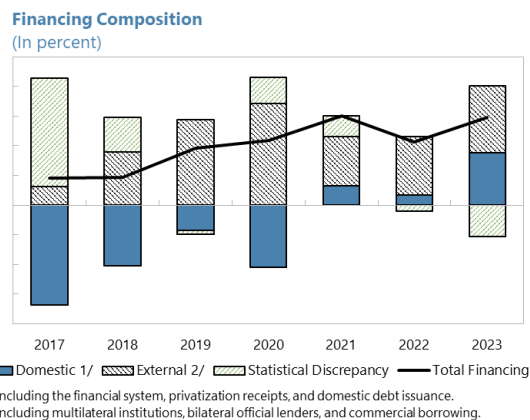
Revenue has declined modestly since 2019 as social security contributions, mining taxation, and the VAT rate were reduced...



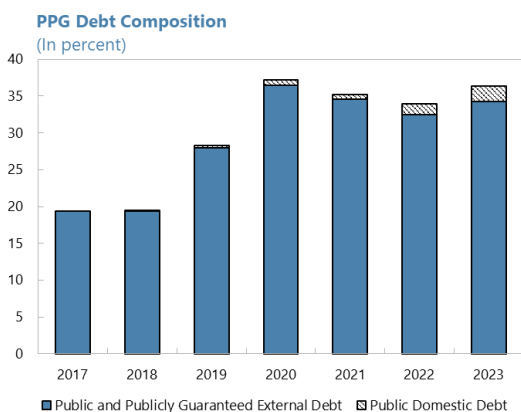
...while recurrent expenditure has grown rapidly reflecting wage, safety net, and SOE support pressures reducing the current surplus.



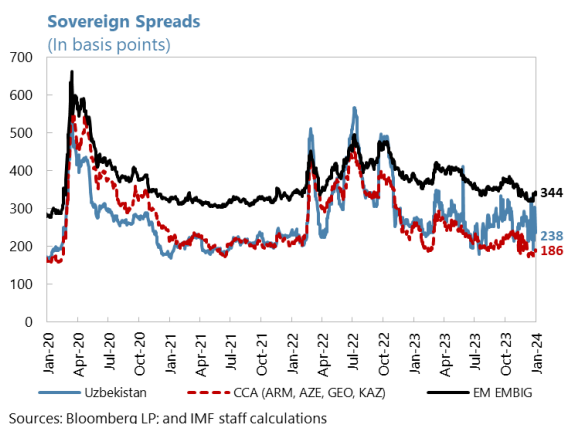
While domestic financing has grown, the consolidated budget remains mainly financed by multilateral and official lenders...



...and public and publicly guaranteed external debt accounts for most of the public and publicly guaranteed debt stock...



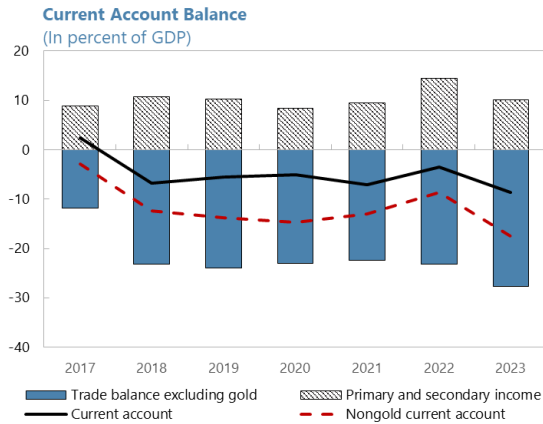
Uzbek spreads followed closely the CCA average but have decoupled in 2023 coinciding with a significantly larger fiscal deficit than budgeted.



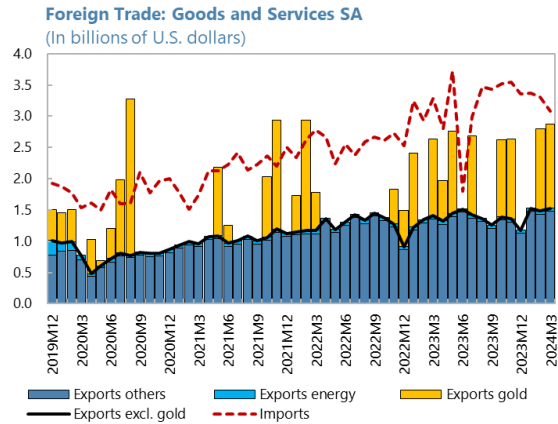
Sources: Country authorities; and IMF staff estimates.

Figure 3. Uzbekistan: External Sector

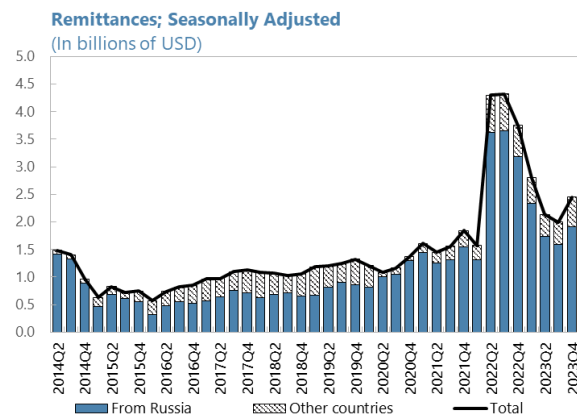
In 2023, the current account deficit increased significantly, reflecting the fiscal expansion, declines in remittances, and strong investments...



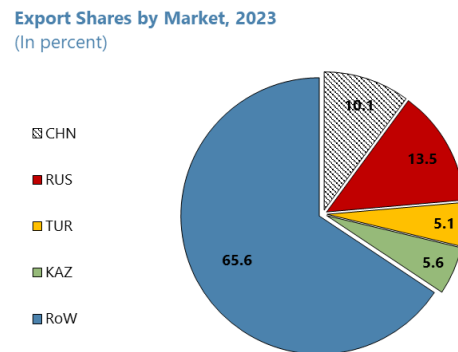
...despite a sharp increase in gold exports.



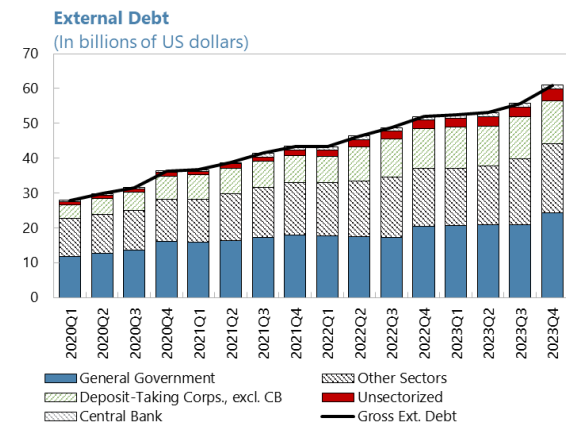
Remittances reversed to the pre-war trend after surging in 2022.



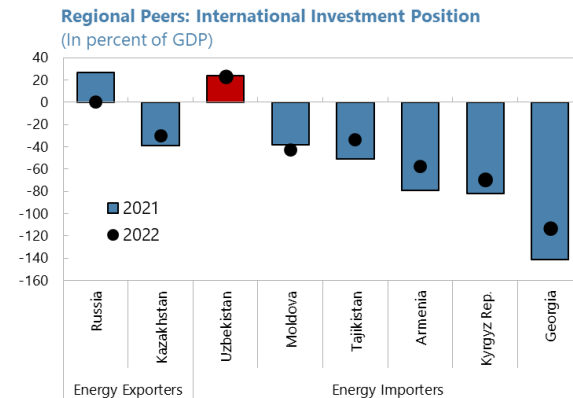
Russia and China account for about one quarter of exports.



External debt has been rising fast...



but Uzbekistan's international investment position is better than that of peer countries.

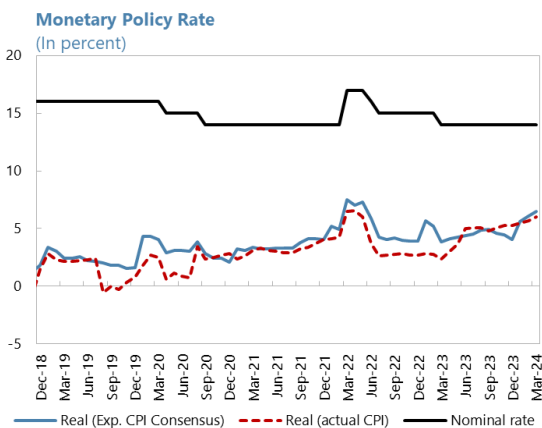


Sources: Country authorities; and IMF staff estimates.

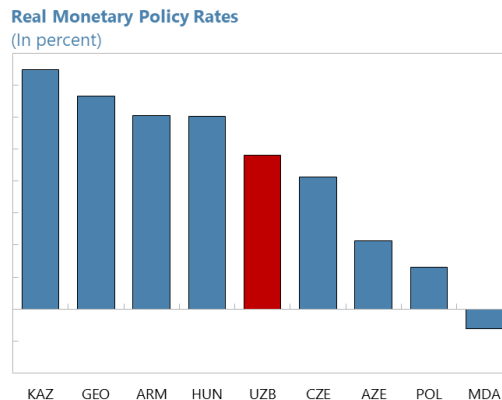
Sources: IMF, BOP statistics; and IMF staff estimates.

Figure 4. Uzbekistan: Monetary Sector

The real policy interest rate has increased over time and is positive and sizable...

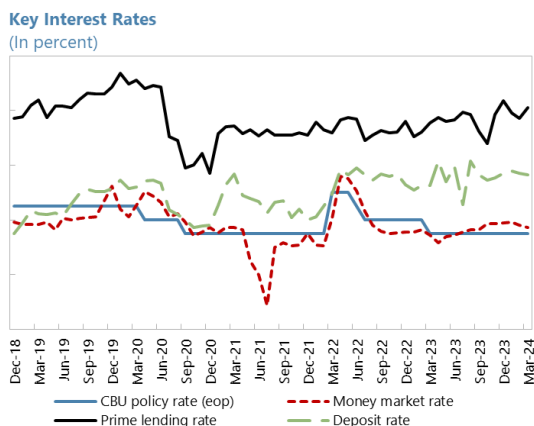


...but does not stand out in relation to comparator countries.

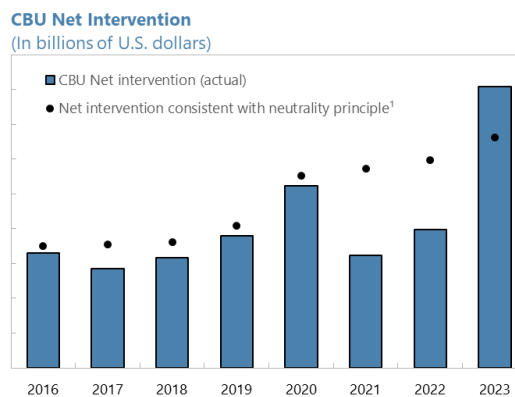


Sources: Consensus Forecast; and IMF staff estimates based on country authorities.

Bank lending and deposit rates response to policy rate changes is limited reflecting constrained monetary transmission.

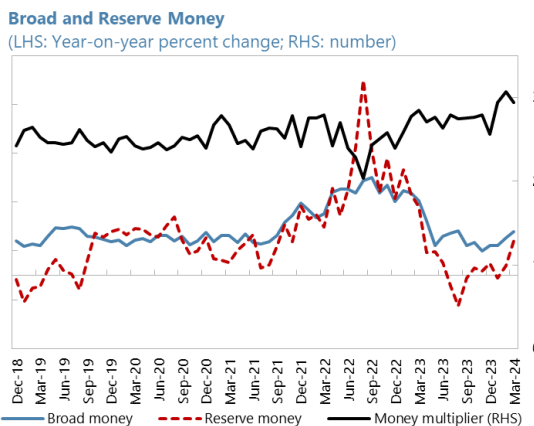


Foreign exchange intervention has been used to smooth exchange rate fluctuations in recent years given large external shocks...

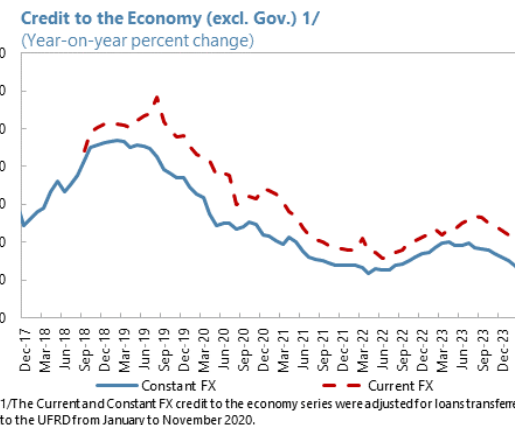


1/ Represents the amount of CBU intervention needed to sterilize the gold purchases.

While broad money and reserve money growth are below nominal GDP...



...credit to the economy has started to moderate.



1/The Current and Constant FX credit to the economy series were adjusted for loans transferred to the UFRD from January to November 2020.

Sources: Country authorities; and IMF staff estimates.

Table 1. Uzbekistan: Selected Economic Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income										
Nominal GDP (in trillions of Sum)	606	738	897	1,067	1,267	1,505	1,748	1,994	2,256	2,548
Population (in millions)	33.9	34.6	35.3	36.0	36.9	37.7	38.5	39.3	40.1	41.0
GDP per capita (in U.S. dollars)	1,776	2,014	2,301	2,523	2,692	2,959	3,220	3,493	3,796	4,118
Real sector										
	(Annual percent change)									
GDP at current prices	13.7	21.9	21.4	19.0	18.8	18.8	16.2	14.1	13.2	12.9
GDP at constant prices	2.0	7.4	5.7	6.0	5.4	5.5	5.5	5.5	5.5	5.5
GDP deflator	11.4	13.5	14.9	12.2	12.7	12.6	10.1	8.1	7.3	7.0
Consumer price index (eop)	11.2	10.0	12.3	8.8	11.5	8.7	7.1	5.0	5.0	5.0
Consumer price index (average)	12.9	10.8	11.4	10.0	10.9	10.3	7.8	5.9	5.0	5.0
Money and credit										
	(Annual percent change)									
Reserve money	15.4	28.3	31.4	4.9	8.5	8.8	8.4	8.2	8.1	8.0
Broad money	17.7	29.7	30.2	12.2	16.1	18.8	18.5	16.6	16.4	16.3
Credit to the economy	34.4	18.4	21.4	23.2	16.7	18.9	16.3	14.1	13.2	13.0
Velocity (in levels)	5.4	5.1	4.7	5.0	5.1	5.1	5.0	4.9	4.8	4.7
	(Percent of GDP)									
Broad money	18.5	19.7	21.1	19.9	19.4	19.4	19.8	20.3	20.8	21.5
Credit to the economy	46.3	45.0	45.0	46.6	45.7	45.8	45.9	45.9	45.9	45.9
External sector										
	(Percent of GDP)									
Current account	-5.0	-7.0	-3.5	-8.6	-7.6	-7.1	-6.2	-5.4	-5.1	-4.9
External debt	58.0	57.6	54.6	61.3	60.9	59.1	57.0	55.2	53.0	51.0
	(Annual percent change)									
Exports of goods and services	-14.6	13.1	27.5	19.5	7.7	10.8	12.5	11.7	10.1	10.0
Imports of goods and services	-14.9	23.4	27.5	18.2	7.3	8.0	7.7	7.6	7.6	7.6
Exchange rate (in Sums per U.S. dollar; eop)	10,477	10,838	11,225	12,339	...	...	...	...	...	...
Exchange rate (in Sums per U.S. dollar; ave)	10,054	10,609	11,047	11,736	...	...	...	...	...	...
Real effective exchange rate CPI based (2015=100, - = dep)	65.5	65.3	61.6	58.4	55.0	54.0	52.8	51.6	50.5	49.4
Gross international reserves (in billions of U.S. dollars)	34.9	35.1	35.8	34.6	32.3	31.2	30.8	31.1	31.2	31.7
Gross international reserves (months of imports)	15.0	11.8	10.2	9.2	8.0	7.1	6.5	6.1	5.7	4.9
Government finance										
	(Percent of GDP)									
Consolidated budget revenues 1/	26.5	27.7	32.0	30.1	30.5	30.6	31.1	31.4	31.5	31.5
Consolidated budget expenditures 1/	30.8	33.2	36.0	35.6	34.5	33.6	34.1	34.4	34.5	34.5
Consolidated budget balance	-4.3	-5.5	-4.0	-5.5	-4.0	-3.0	-3.0	-3.0	-3.0	-3.0
Adjusted revenues 2/	25.5	25.9	30.8	29.2	29.2	29.2	29.7	30.1	30.2	30.2
Adjusted expenditures 2/	28.7	30.5	34.8	33.8	32.4	31.6	32.3	32.6	32.7	32.7
Adjusted fiscal balance	-3.3	-4.6	-4.1	-4.6	-3.3	-2.4	-2.5	-2.5	-2.5	-2.5
Policy lending	1.1	1.5	-0.1	1.0	0.7	0.6	0.5	0.5	0.5	0.5
Overall fiscal balance	-4.4	-6.0	-4.0	-5.5	-4.0	-3.0	-3.0	-3.0	-3.0	-3.0
Total public & publicly guaranteed debt	37.1	35.3	33.9	36.3	35.7	34.7	32.5	31.7	30.8	30.4
Labor market 3/										
Formal sector employment growth (percent)	3.0	8.1	3.9	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Working-age population growth (percent)	1.0	1.0	0.8	1.2	1.0	1.0	1.0	1.0	1.0	1.0
Unemployment rate (percent)	10.5	9.6	8.9	6.8	6.3	5.8	5.3	4.8	4.3	3.8
Labor migrants (millions)	1.8	1.5	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0

Sources: Country authorities; and IMF staff estimates.

1/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget and all privatization receipts are treated as financing.

2/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity injections, policy lending, and privatization receipts before 2022.

3/ 2023 data are preliminary estimates from the authorities likely to be revised as the statistical methodologies to measure the number of migrants are being reviewed.

Table 2. Uzbekistan: National Accounts, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Share of GDP)									
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Final consumption expenditures	75.0	76.4	77.6	75.9	74.7	73.6	71.9	70.2	68.8	67.0
Private	58.9	59.8	61.0	59.7	59.3	57.3	54.9	53.0	51.5	49.7
Public	16.2	16.6	16.6	16.1	15.4	16.3	17.0	17.2	17.2	17.3
Gross investment	38.4	40.1	39.3	43.1	43.8	43.6	43.7	43.9	44.3	45.1
Gross fixed capital formation	36.6	34.2	31.3	34.8	36.0	36.3	36.7	37.4	38.1	39.2
Inventories and stat. discrepancy	1.9	5.9	8.0	8.3	7.9	7.4	6.9	6.6	6.2	5.9
Net exports	-13.5	-16.5	-16.9	-19.0	-18.5	-17.2	-15.5	-14.1	-13.1	-12.1
Exports of goods and services	24.2	23.7	27.0	26.5	26.1	25.7	26.1	26.3	26.1	25.9
Imports of goods and services	37.7	40.2	43.9	45.5	44.6	42.9	41.6	40.4	39.2	38.0
Gross national savings	33.4	33.1	35.8	34.5	36.2	36.5	37.5	38.5	39.2	40.3
Savings-investment balance	-5.0	-7.0	-3.5	-8.6	-7.6	-7.1	-6.2	-5.4	-5.1	-4.9
	(Annual percent change)									
GDP at constant prices	2.0	7.4	5.7	6.0	5.4	5.5	5.5	5.5	5.5	5.5
Domestic demand	-0.4	10.0	4.3	9.4	5.9	5.4	4.7	4.7	5.0	5.0
Final consumption expenditures	0.5	9.7	9.2	5.1	4.3	4.4	3.4	3.2	3.6	3.0
Private	0.3	11.7	11.1	6.1	5.3	2.8	2.0	2.4	3.2	2.3
Public	1.4	3.1	3.5	1.4	0.3	11.9	9.3	6.4	5.4	5.6
Gross investment	-2.0	10.5	-4.9	18.3	9.0	7.2	7.3	7.3	7.3	8.3
Exports of goods and services	-20.1	13.4	24.6	7.7	7.5	9.4	11.7	10.7	8.7	8.4
Imports of goods and services	-14.9	23.4	13.5	11.5	8.0	7.7	7.6	7.0	6.5	6.4
	(Contribution to real growth)									
GDP at constant prices (contributions)	2.0	7.4	5.7	6.0	5.4	5.5	5.5	5.5	5.5	5.5
Domestic demand	1.1	13.0	5.3	9.0	7.0	6.5	5.8	5.6	5.9	5.8
Final consumption expenditures	0.4	7.3	7.0	3.9	3.2	3.5	2.6	2.4	2.6	2.1
Gross fixed capital formation	-1.7	1.0	0.1	6.9	3.3	2.7	2.7	2.8	2.8	3.2
Inventories and stat. discrepancy	2.5	4.7	-1.8	-1.9	0.6	0.3	0.4	0.5	0.4	0.4
Net exports	0.9	-5.6	0.4	-3.0	-1.6	-1.0	-0.3	-0.1	-0.3	-0.3
Deflators										
GDP	11.4	13.5	14.9	12.2	12.7	12.6	10.1	8.1	7.3	7.0
Domestic demand	9.0	12.4	16.6	12.4	11.7	11.4	9.3	7.6	6.8	6.7
Final consumption expenditures	12.1	13.2	13.0	14.0	12.1	12.0	9.8	7.9	7.0	6.9
Private	12.5	11.0	11.8	9.9	12.1	11.5	9.2	7.5	6.7	6.6
Public	12.1	21.5	17.6	13.9	12.8	12.5	10.6	8.7	7.6	7.3
Gross investment	10.8	11.5	18.6	7.9	10.8	10.2	8.4	7.0	6.4	6.2
Gross fixed capital formation	11.1	10.8	10.9	15.7	12.2	11.3	9.4	8.0	7.3	7.1
Exports of goods and services	21.6	5.3	11.2	2.1	8.8	7.2	5.3	3.9	3.3	3.4
Imports of goods and services	13.7	5.4	16.9	-0.5	7.9	6.1	4.6	3.5	3.0	3.1
Prices										
CPI (average, in percent)	12.9	10.8	11.4	10.0	10.9	10.3	7.8	5.9	5.0	5.0
CPI (end-of-period, in percent)	11.2	10.0	12.3	8.8	11.5	8.7	7.1	5.0	5.0	5.0
Minimum wage (in thousands of Sum)	650	767	889	1,011	1,147	1,303	1,460	1,604	1,739	1,877
Average formal sector wage (in thousands of Sum)	1,714	2,022	2,426	2,759	3,129	3,555	3,983	4,376	4,744	5,122
Growth (percent)	12.6	18.0	20.0	13.7	13.4	13.6	12.0	9.9	8.4	8.0
Average government wage (in thousands of Sum)	2,026	2,390	2,772	3,152	3,576	4,062	4,551	5,000	5,421	5,853
Growth (percent)	12.6	18.0	16.0	13.7	13.4	13.6	12.0	9.9	8.4	8.0
Employment										
Formal sector employment growth (percent)	3.0	8.1	3.9	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Working-age population growth (percent)	1.0	1.1	0.8	1.2	1.0	1.0	1.0	1.0	1.0	1.0
Unemployment rate (percent)	10.5	9.6	8.9	6.8	6.3	5.8	5.3	4.8	4.3	3.8
Labor migrants (millions)	1.8	1.5	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0

Sources: Country authorities; and IMF staff estimates.

Table 3a. Uzbekistan: General Government, 2020–29
(Billions of sums)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Consolidated budget revenues	160,394	204,453	286,521	321,017	386,567	460,583	543,262	626,733	710,245	802,816
Tax revenues	112,892	138,257	159,750	184,509	229,580	274,905	328,593	381,038	432,445	489,399
Taxes on incomes and profits	45,207	58,930	64,447	73,104	90,610	111,209	136,515	161,363	185,532	212,849
Taxes on property	4,361	6,540	9,321	11,988	16,575	20,323	24,373	28,708	33,544	39,117
Taxes on goods and services	59,771	68,022	80,236	89,811	110,811	129,748	151,868	172,822	192,777	214,074
Value added tax	31,177	38,439	52,189	57,885	69,907	84,392	98,888	113,728	130,194	147,970
Excises	11,697	13,087	13,455	15,834	18,796	20,458	22,084	23,820	25,771	27,718
Mining tax	16,417	15,812	13,887	15,300	20,843	23,372	29,107	33,217	34,457	35,708
Taxes on international trade	3,554	4,765	5,746	9,606	11,583	13,625	15,837	18,145	20,592	23,359
Other revenues 1/	24,601	37,130	89,057	89,462	101,734	119,567	137,903	158,103	178,623	201,337
Funds	22,901	29,065	37,714	47,046	55,253	66,111	76,766	87,593	99,177	112,080
Social security contributions	20,737	26,786	33,264	39,961	47,018	56,391	65,508	74,739	84,593	95,558
Other	2,164	2,279	4,450	7,085	8,235	9,721	11,258	12,853	14,584	16,522
Consolidated budget expenditures	186,483	245,223	322,447	380,008	437,244	505,714	595,677	686,530	777,895	879,215
Social	55,550	69,369	81,165	98,145	111,961	135,080	156,900	181,097	205,232	231,979
Social safety net	40,547	48,139	64,167	71,084	82,404	93,249	106,664	123,113	139,520	157,704
Economy	16,674	21,802	23,754	39,148	43,351	29,895	33,802	39,490	44,786	50,671
Public administration	8,691	10,366	12,608	17,002	20,557	23,548	27,193	31,386	35,569	40,205
Public investment	26,568	47,408	35,210	42,898	48,048	51,604	58,723	67,420	76,340	86,240
Interest expenditure	1,816	2,238	4,098	8,221	15,509	18,052	20,556	21,830	24,318	26,136
Other expenditure 1/	27,782	38,335	95,712	94,224	103,664	136,923	178,225	206,661	234,553	266,430
Externally Financed Expenditure	8,854	7,565	5,733	9,286	11,750	17,363	13,615	15,531	17,577	19,852
Consolidated budget balance	-26,089	-40,771	-35,926	-58,991	-50,677	-45,131	-52,416	-59,797	-67,650	-76,399
Adjustments to revenues	-6,232	-12,961	-10,782	-9,738	-17,003	-21,127	-23,391	-26,288	-29,311	-32,592
Adjusted revenues 2/	154,162	191,491	275,739	311,279	369,564	439,457	519,871	600,445	680,935	770,224
Adjustments to Expenditures	-12,614	-20,115	-10,324	-19,989	-26,492	-30,168	-31,766	-36,245	-41,001	-46,291
Adjusted expenditures 2/	173,869	225,108	312,122	360,019	410,752	475,546	563,911	650,285	736,894	832,925
Adjusted fiscal balance	-19,707	-33,617	-36,383	-48,740	-41,188	-36,089	-44,040	-49,840	-55,959	-62,701
Policy-based lending operations	6,792	10,968	-458	10,252	9,489	9,042	8,375	9,957	11,691	13,699
Overall fiscal balance	-26,499	-44,585	-35,926	-58,991	-50,677	-45,131	-52,416	-59,797	-67,650	-76,399
Statistical Discrepancy	-10,582	-10,653	4,111	21,976	0	0	0	0	0	0
Financing	15,916	33,932	40,036	80,967	50,677	45,131	52,416	59,797	67,650	76,399
Domestic	-25,512	9,510	4,585	32,936	15,617	-2,451	16,086	7,201	18,890	13,947
Domestic banking system	-28,126	4,909	-8,730	18,392	-7,260	-22,251	5,273	-14,163	-4,014	-10,646
Deposits at the central bank	-13,503	23,236	4,618	28,649	5,739	3,997	4,178	4,304	4,390	4,476
Deposit money banks	-14,623	-18,327	-13,348	-10,256	-12,999	-26,248	1,095	-18,466	-8,404	-15,122
Treasury bills & bonds	2,204	787	8,296	8,878	12,877	9,217	-250	9,969	11,282	12,742
Privatization proceeds	410	3,814	5,019	5,666	10,000	10,583	11,063	11,395	11,623	11,851
External	41,429	24,422	35,451	48,031	35,060	47,581	36,329	52,596	48,760	62,453
Multilateral	25,565	10,097	33,068	33,210	24,282	17,878	23,122	31,760	34,751	39,401
of which: IMF	3,770	...	...	5,833	...	...	...	...	...	...
Bilateral	8,349	5,105	2,288	4,890	7,865	15,613	6,183	6,398	6,192	6,110
Commercial	7,515	9,220	95	9,931	2,912	14,089	7,024	14,439	7,817	16,942
Memorandum items										
GDP	605,515	738,425	896,618	1,066,569	1,267,082	1,504,709	1,747,772	1,993,777	2,256,321	2,548,400

Sources: Country authorities; and IMF staff estimates.

1/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget.

2/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity injections, policy lending, and privatization of state enterprises before 2022. Since 2022, the authorities include all privatization proceeds as financing.

Table 3b. General Government 2020–29
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Consolidated budget revenues	26.5	27.7	32.0	30.1	30.5	30.6	31.1	31.4	31.5	31.5
Tax revenues	18.6	18.7	17.8	17.3	18.1	18.3	18.8	19.1	19.2	19.2
Taxes on incomes and profits	7.5	8.0	7.2	6.9	7.2	7.4	7.8	8.1	8.2	8.4
Taxes on property	0.7	0.9	1.0	1.1	1.3	1.4	1.4	1.4	1.5	1.5
Taxes on goods and services	9.9	9.2	8.9	8.4	8.7	8.6	8.7	8.7	8.5	8.4
Value added tax	5.1	5.2	5.8	5.4	5.5	5.6	5.7	5.7	5.8	5.8
Excises	1.9	1.8	1.5	1.5	1.5	1.4	1.3	1.2	1.1	1.1
Mining tax	2.7	2.1	1.5	1.4	1.6	1.6	1.7	1.7	1.5	1.4
Taxes on international trade	0.6	0.6	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Other revenues 1/	4.1	5.0	9.9	8.4	8.0	7.9	7.9	7.9	7.9	7.9
Funds	3.8	3.9	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Social security contributions	3.4	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Other	0.4	0.3	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Consolidated budget expenditures	30.8	33.2	36.0	35.6	34.5	33.6	34.1	34.4	34.5	34.5
Social	9.2	9.4	9.1	9.2	8.8	9.0	9.0	9.1	9.1	9.1
Social safety net	6.7	6.5	7.2	6.7	6.5	6.2	6.1	6.2	6.2	6.2
Public administration	1.4	1.4	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Economy	2.8	3.0	2.6	3.7	3.4	2.0	1.9	2.0	2.0	2.0
Public investment	4.4	6.4	3.9	4.0	3.8	3.4	3.4	3.4	3.4	3.4
Interest expenditure	0.3	0.3	0.5	0.8	1.2	1.2	1.2	1.1	1.1	1.0
Other expenditures 1/	4.6	5.2	10.7	8.8	8.2	9.1	10.2	10.4	10.4	10.5
Externally financed expenditure	1.5	1.0	0.6	0.9	0.9	1.2	0.8	0.8	0.8	0.8
Consolidated budget balance	-4.3	-5.5	-4.0	-5.5	-4.0	-3.0	-3.0	-3.0	-3.0	-3.0
Adjustments to revenues	-1.0	-1.8	-1.2	-0.9	-1.3	-1.4	-1.3	-1.3	-1.3	-1.3
Adjusted revenues 2/	25.5	25.9	30.8	29.2	29.2	29.2	29.7	30.1	30.2	30.2
Adjustments to Expenditures	-2.1	-2.7	-1.2	-1.9	-2.1	-2.0	-1.8	-1.8	-1.8	-1.8
Adjusted expenditures 2/	28.7	30.5	34.8	33.8	32.4	31.6	32.3	32.6	32.7	32.7
Adjusted fiscal balance	-3.3	-4.6	-4.1	-4.6	-3.3	-2.4	-2.5	-2.5	-2.5	-2.5
Policy-based lending operations	1.1	1.5	-0.1	1.0	0.7	0.6	0.5	0.5	0.5	0.5
Overall fiscal balance	-4.4	-6.0	-4.0	-5.5	-4.0	-3.0	-3.0	-3.0	-3.0	-3.0
Statistical Discrepancy	-1.7	-1.4	0.5	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing	2.6	4.6	4.5	7.6	4.0	3.0	3.0	3.0	3.0	3.0
Domestic	-4.2	1.3	0.5	3.1	1.2	-0.2	0.9	0.4	0.8	0.5
Domestic banking system	-4.6	0.7	-1.0	1.7	-0.6	-1.5	0.3	-0.7	-0.2	-0.4
Deposits at the central bank	-2.2	3.1	0.5	2.7	0.5	0.3	0.2	0.2	0.2	0.2
Deposit money banks	-2.4	-2.5	-1.5	-1.0	-1.0	-1.7	0.1	-0.9	-0.4	-0.6
Treasury bills & bonds	0.4	0.1	0.9	0.8	1.0	0.6	0.0	0.5	0.5	0.5
Privatization proceeds	0.1	0.5	0.6	0.5	0.8	0.7	0.6	0.6	0.5	0.5
External	6.8	3.3	4.0	4.5	2.8	3.2	2.1	2.6	2.2	2.5
Multilateral	4.2	1.4	3.7	3.1	1.9	1.2	1.3	1.6	1.5	1.5
of which: IMF	0.6	...	...	0.5	...	...	...	...	...	...
Bilateral	1.4	0.7	0.3	0.5	0.6	1.0	0.4	0.3	0.3	0.2
Commercial	1.2	1.2	0.0	0.9	0.2	0.9	0.4	0.7	0.3	0.7

Sources: Country authorities; and IMF staff estimates.

1/ Beginning in 2022, off-budget accounts of ministries and agencies were included in the budget.

2/ Adjusted fiscal data are budget data adjusted for financing operations, such as equity transactions, policy lending, and privatization proceeds before 2022. Since 2022, the authorities include all privatization proceeds as financing.

Table 4a. Uzbekistan: Balance of Payments, 2020–29
(Millions of US dollars, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025		2026		2027		2028		2029	
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.				
I. Current account balance	-3,028	-4,898	-2,847	-7,788	-7,567	-7,902	-7,628	-7,475	-7,798	-8,217							
Balance of goods and services	-8,102	-11,494	-14,644	-17,048	-18,196	-18,882	-18,885	-18,922	-19,402	-19,872							
Merchandise trade balance	-6,216	-8,767	-11,660	-14,859	-16,519	-17,760	-18,495	-19,431	-20,681	-22,077							
Exports of goods	12,832	14,142	16,649	19,617	20,551	22,145	24,477	26,868	29,210	31,681							
Cotton fiber	147	137	4	0	0	0	0	0	0	0							
Energy	659	915	1,224	940	842	876	881	885	892	904							
Gold	5,804	4,110	4,110	8,154	7,395	7,074	7,588	7,910	7,910	7,910							
Food Products	1,444	1,472	1,824	1,962	2,204	2,405	2,632	2,894	3,184	3,502							
Other exports of goods	4,778	7,509	9,487	8,560	10,109	11,790	13,376	15,179	17,225	19,365							
Imports of goods	19,048	22,909	28,309	34,476	37,071	39,905	42,973	46,299	49,892	53,758							
Food Products	1,944	2,633	3,557	3,728	3,920	4,156	4,428	4,733	5,065	5,420							
Energy products	984	1,401	1,615	2,370	2,210	2,325	2,496	2,698	2,918	3,126							
Machinery and equipment	8,015	8,509	9,876	14,861	16,149	17,388	18,762	20,383	22,179	24,104							
Other imports of goods	8,105	10,366	13,261	13,516	14,792	16,036	17,286	18,486	19,730	21,108							
Balance of services	-1,885	-2,727	-2,984	-2,189	-1,677	-1,122	-389	509	1,279	2,205							
Credit	1,704	2,300	4,317	5,433	6,421	7,735	9,152	10,701	12,153	13,802							
Debit	3,590	5,027	7,301	7,622	8,098	8,858	9,541	10,193	10,874	11,597							
Primary income (net)	160	357	903	-761	-477	-930	-1,169	-1,406	-1,933	-2,290							
Primary income: Credit	1,939	2,554	4,211	3,553	4,531	4,708	4,858	4,912	4,935	5,064							
Primary income: Debit	1,779	2,197	3,308	4,314	5,009	5,638	6,027	6,318	6,868	7,354							
Secondary income (net)	4,914	6,239	10,894	10,022	11,106	11,911	12,426	12,852	13,537	13,944							
Secondary income: Credit	5,396	6,892	11,748	10,694	11,802	12,803	13,418	13,950	14,756	15,294							
Secondary income: Debit	482	653	854	672	696	892	992	1,098	1,218	1,350							
II. Capital transfers	25	32	22	8	30	33	37	41	46	50							
III. Financial account balance 1/	-5,528	-5,919	-480	-6,541	-5,155	-6,786	-7,242	-7,778	-7,798	-8,777							
Direct investment	-1,717	-2,278	-2,600	-2,175	-3,170	-3,892	-4,926	-5,293	-6,019	-6,593							
Portfolio investment	-1,390	-1,996	-27	-995	-457	-1,344	-798	-1,294	-728	-1,122							
Other investment	-2,428	-1,658	2,137	-3,371	-1,527	-1,549	-1,518	-1,191	-1,051	-1,062							
Loans, net (- = net inflow)	-7,756	-4,987	-4,365	-5,755	-5,265	-4,975	-4,087	-4,173	-4,162	-4,263							
Public and publ. guaranteed debt	-3,969	-2,029	-2,853	-2,891	-1,876	-1,786	-1,385	-1,197	-2,129	-2,419							
Commercial non-guaranteed	-3,787	-2,958	-1,511	-2,864	-3,389	-3,188	-2,702	-2,197	-2,033	-1,844							
Others	5,329	3,329	6,502	2,384	3,737	3,426	2,570	2,982	3,111	3,201							
IV. Errors and omissions	-1,129	-1,520	1,021	-1,513	0	0	0	0	0	0							
Overall balance (I + II - III + IV)	1,397	-466	-1,324	-2,752	-2,383	-1,082	-349	344	46	609							
V. Financing	-1,397	466	1,324	2,752	2,383	1,082	349	-344	-46	-609							
Use of reserves (- = increase/accumulation)	-1,772	466	1,324	2,813	2,505	1,156	373	-319	-21	-585							
Use of IMF credit (net)	375	0	0	-61	-122	-73	-25	-25	-25	-25							
VI. Gold purchases not exported & valuation changes	4,348	701	1,952	1,610	283	0	0	0	0	0							
Change in reserves (- V + VI ; + = increase)	5,745	235	628	-1,203	-2,222	-1,156	-373	319	21	585							
Memorandum items:																	
Current account balance (in percent of GDP)	-5.0	-7.0	-3.5	-8.6	-7.6	-7.1	-6.2	-5.4	-5.1	-4.9							
Underlying current account (in percent of GDP) 2/	-5.4	-4.6	-1.1	-10.2	-7.5	-6.7	-5.8	-5.1	-4.8	-4.6							
Gross international reserves (billions of U.S. dollars)	34.9	35.1	35.8	34.6	32.3	31.2	30.8	31.1	31.2	31.7							
Gross international reserves (months of imports)	15.0	11.8	10.2	9.2	8.0	7.1	6.5	6.1	5.7	4.9							
Gross international reserves excl. FRD (billions of U.S. dollars)	24.4	26.5	27.8	28.5	26.0	24.8	24.5	24.8	24.8	25.4							
Gross international reserves excl. FRD (months of imports)	10.5	8.9	7.9	7.6	6.4	5.7	5.2	4.9	4.6	3.9							
Real exchange rate CPI based (2015=100)	65.5	65.3	61.6	58.4	55.0	54.0	52.8	51.6	50.5	49.4							
Remittances (billions of U.S. dollars)	7.2	9.4	15.6	13.6	15.1	16.2	16.9	17.5	18.2	18.8							
Total debt service payment (billions of U.S. dollars)	3.4	6.3	7.4	8.3	9.7	10.4	10.0	10.1	10.8	11.9							
Gross external financing needs (billions of U.S. dollars)	5.6	10.1	8.8	13.6	15.0	15.2	15.5	14.8	17.0	17.8							

Sources: Country authorities; and IMF staff estimates.

1/ Positive values means outflows.

2/ Underlying current account assumes the annual gold production is exported.

Table 4b. Uzbekistan: Balance of Payments, 2020–29
(Percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	
I. Current account balance	-5.0	-7.0	-3.5	-8.6	-7.6	-7.1	-6.2	-5.4	-5.1	-4.9
Balance of goods and services	-13.5	-16.5	-18.0	-18.8	-18.3	-16.9	-15.2	-13.8	-12.7	-11.8
Merchandise trade balance	-10.3	-12.6	-14.4	-16.3	-16.6	-15.9	-14.9	-14.2	-13.6	-13.1
Exports of goods	21.3	20.3	20.5	21.6	20.7	19.9	19.7	19.6	19.2	18.8
Cotton fiber	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy	1.1	1.3	1.5	1.0	0.8	0.8	0.7	0.6	0.6	0.5
Gold	9.6	5.9	5.1	9.0	7.4	6.3	6.1	5.8	5.2	4.7
Food Products	2.4	2.1	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1
Other exports of goods	7.9	10.8	11.7	9.4	10.2	10.6	10.8	11.1	11.3	11.5
Imports of goods	31.6	32.9	34.9	37.9	37.3	35.8	34.7	33.7	32.8	31.9
Food Products	3.2	3.8	4.4	4.1	3.9	3.7	3.6	3.4	3.3	3.2
Energy products	1.6	2.0	2.0	2.6	2.2	2.1	2.0	2.0	1.9	1.9
Machinery and equipment	13.3	12.2	12.2	16.4	16.2	15.6	15.1	14.8	14.6	14.3
Other imports of goods	13.5	14.9	16.3	14.9	14.9	14.4	13.9	13.5	13.0	12.5
Balance of services	-3.1	-3.9	-3.7	-2.4	-1.7	-1.0	-0.3	0.4	0.8	1.3
Credit	2.8	3.3	5.3	6.0	6.5	6.9	7.4	7.8	8.0	8.2
Debit	6.0	7.2	9.0	8.4	8.1	7.9	7.7	7.4	7.1	6.9
Primary income (net)	0.3	0.5	1.1	-0.8	-0.5	-0.8	-0.9	-1.0	-1.3	-1.4
Primary income: Credit	3.2	3.7	5.2	3.9	4.6	4.2	3.9	3.6	3.2	3.0
Primary income: Debit	3.0	3.2	4.1	4.7	5.0	5.1	4.9	4.6	4.5	4.4
Secondary income (net)	8.2	9.0	13.4	11.0	11.2	10.7	10.0	9.4	8.9	8.3
Secondary income: Credit	9.0	9.9	14.5	11.8	11.9	11.5	10.8	10.2	9.7	9.1
Secondary income: Debit	0.8	0.9	1.1	0.7	0.7	0.8	0.8	0.8	0.8	0.8
II. Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
III. Financial account balance 1/	-9.2	-8.5	-0.6	-7.2	-5.2	-6.1	-5.8	-5.7	-5.1	-5.2
Direct investment	-2.9	-3.3	-3.2	-2.4	-3.2	-3.5	-4.0	-3.9	-4.0	-3.9
Portfolio investment	-2.3	-2.9	0.0	-1.1	-0.5	-1.2	-0.6	-0.9	-0.5	-0.7
Other investment	-4.0	-2.4	2.6	-3.7	-1.5	-1.4	-1.2	-0.9	-0.7	-0.6
Loans, net (- = net inflow)	-12.9	-7.2	-5.4	-6.3	-5.3	-4.5	-3.3	-3.0	-2.7	-2.5
Public and publ. guaranteed debt	-6.6	-2.9	-3.5	-3.2	-1.9	-1.6	-1.1	-1.4	-1.4	-1.4
o/w new IFI funding (excl. IMF funding)	-2.2	-0.5	-0.4							
Commercial nonguaranteed	-6.3	-4.2	-1.9	-3.2	-3.4	-2.9	-2.2	-1.6	-1.3	-1.1
Others	8.8	4.8	8.0	2.6	3.8	3.1	2.1	2.2	2.0	1.9
Trade credits	2.6	0.2	3.1	1.4	1.4	1.2	0.5	0.6	0.5	0.5
Other capital	6.3	4.6	4.9	1.2	2.4	1.8	1.6	1.6	1.5	1.4
IV. Errors and omissions	-1.9	-2.2	1.3	-1.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (I + II - III + IV)	2.3	-0.7	-1.6	-3.0	-2.4	-1.0	-0.3	0.3	0.0	0.4
V. Financing	-2.3	0.7	1.6	3.0	2.4	1.0	0.3	-0.3	0.0	-0.4
Use of reserves	-2.9	0.7	1.6	3.1	2.5	1.0	0.3	-0.2	0.0	-0.3
Use of IMF credit (net)	0.6	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
VI. Gold purchases not exported & valuation changes	7.2	1.0	2.4	1.8	0.3	0.0	0.0	0.0	0.0	0.0
Change in reserves (V + VI ; + = increase)	9.5	0.3	0.8	-1.3	-2.2	-1.0	-0.3	0.2	0.0	0.3
Memorandum items:										
Current account balance (percent of GDP)	-5.0	-7.0	-3.5	-8.6	-7.6	-7.1	-6.2	-5.4	-5.1	-4.9
Underlying current account (percent of GDP) 2/	-5.4	-4.6	-1.1	-10.2	-7.5	-6.7	-5.8	-5.1	-4.8	-4.6
Gross international reserves (billions of U.S. dollars)	34.9	35.1	35.8	34.6	32.3	31.2	30.8	31.1	31.2	31.7
Gross international reserves excl. FRD (billions of U.S. dollars)	24.4	26.5	27.8	28.5	26.0	24.8	24.5	24.8	24.8	25.4
Real exchange rate CPI based (2015=100)	65.5	65.3	61.6	58.4	55.0	54.0	52.8	51.6	50.5	49.4
Remittances (percent of GDP)	11.9	13.5	19.3	15.0	15.2	14.6	13.7	12.8	11.9	11.1
Gross external debt (percent of GDP)	58.0	57.6	54.6	61.3	60.9	59.1	57.0	55.2	53.0	51.0
PPG external debt (percent of GDP)	36.5	34.6	32.4	34.3	33.0	31.8	30.0	29.0	27.9	27.3
Total debt service payment (percent of GDP)	5.7	9.0	9.1	9.1	9.8	9.4	8.1	7.4	7.1	7.0
Gross external financing needs (percent of GDP)	9.3	14.6	10.8	14.9	15.1	13.7	12.5	10.8	11.2	10.6
Nominal exchange rate (avg.)	10,054	10,609	11,047	11,736	...	...	...	...	...	...
Nominal exchange rate (eop)	10,477	10,838	11,225	12,339	...	...	...	...	...	...

Sources: Country authorities; and IMF staff estimates.

1/ Positive values means outflows.

2/ Underlying current account assumes the annual gold production is exported.

Table 5. Uzbekistan: Financial Soundness Indicators for the Banking Sector, 2016–23
(End of period, unless otherwise indicated)

	2016	2017	2018	2019 ¹	2020	2021	2022	2023
Capital adequacy								
Regulatory capital to risk-weighted assets	14.7	18.8	15.6	23.5	18.4	17.5	17.8	17.5
Regulatory tier 1 capital to risk-weighted assets	12.5	16.5	14.3	20.4	15.2	14.6	14.5	14.1
Tier 1 capital to total assets	9.8	14.5	11.7	16.7	13.2	13.2	12.2	13.0
Asset quality								
Non-performing loans to total gross loans	0.7	1.2	1.3	1.5	2.1	5.1	3.5	3.5
Non-performing loans net of provisions to capital	2.3	3.0	4.7	2.7	3.6	13.1	9.0	9.9
Provisions/NPLs	50.2	54.0	46.7	56.7	63.7	45.9	46.6	36.7
Large exposure/tier 1 capital	...	...	...	165	224	221	223	184
Profitability								
Interest margin to gross income	39.5	32.5	48.4	50.7	54.3	49.0	42.1	40.8
Non-interest expenses to gross income	64.8	59.3	54.4	49.5	45.1	47.1	46.5	46.2
Return on assets	2.0	1.9	2.0	2.2	2.2	1.3	2.5	2.6
Return on equity	17.9	17.1	16.2	13.0	10.3	6.1	13.3	14.2
Liquidity								
Liquid assets to total assets (Liquid asset ratio)	25.4	23.6	13.6	13.9	15.4	18.6	21.5	16.2
Liquid assets to short-term liabilities	48.4	55.7	41.2	40.3	39.9	46.9	47.3	37.1
FX Vulnerability								
Net FX open position in foreign exchange to capital	12.6	14.0	2.3	11.3	4.0	6.0	1.7	4.5
Ratio FX loans to total loans	44.1	63.2	56.6	47.1	49.2	49.2	46.7	44.1
Ratio FX liabilities to total liabilities	44.8	67.6	62.1	56.9	59.7	57.5	55.4	52.5

Sources: Country authorities; and IMF staff estimates.

¹ In December 2019, loans to SOEs valued at Sum 41 trillion were transferred from state banks to the Fund for Reconstruction and Development, improving capital ratios.

Table 6. Uzbekistan: Central Bank Survey, 2020–29
(In billions of sums, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	
Gross international reserves (billions of U.S. dollars)	34.9	35.1	35.8	34.6	32.3	31.2	30.8	31.1	31.2	31.7
Official exchange rate (Sum/U.S. dollar, eop)	10,477	10,838	11,225	12,339	13,154	13,825	14,379	14,669	14,961	15,251
Net foreign assets	361,722	368,829	396,663	424,315	419,712	426,139	438,214	452,096	461,763	480,009
Foreign Assets	365,688	380,829	408,482	431,204	425,451	431,156	443,078	456,697	466,085	484,037
Foreign liabilities	3,966	12,000	11,819	6,889	5,740	5,017	4,864	4,600	4,322	4,028
Net domestic assets	-314,845	-308,696	-317,677	-341,439	-329,816	-328,317	-332,188	-337,331	-337,748	-346,028
Net domestic credit	-149,125	-146,754	-148,317	-114,666	-115,405	-116,546	-116,512	-114,323	-112,009	-109,548
Government, net	-151,822	-133,298	-132,570	-113,746	-114,485	-115,626	-115,591	-113,403	-111,089	-108,628
Local government, net	0	0	0	0	0	0	0	0	0	0
Public nonfinancial corporations, net	295	303	419	738	738	738	738	738	738	738
Private sector, net	0	0	0	0	0	0	0	0	0	0
Other financial corporations, net	0	0	0	0	0	0	0	0	0	0
Banks	2,402	-13,759	-16,166	-1,658	-1,658	-1,658	-1,658	-1,658	-1,658	-1,658
Other items, net	-165,721	-161,942	-169,360	-226,773	-214,410	-211,771	-215,676	-223,008	-225,739	-236,480
Deposits excl. from broad money	0	0	0	0	0	0	0	0	0	0
Securities other than shares excl. from broad money	0	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0
Fin. derivatives	0	0	0	0	0	0	0	0	0	0
Shares and other equity	-169,470	-163,125	-170,299	-231,227	-219,702	-218,055	-222,975	-231,334	-235,162	-247,122
Other items (net)	3,749	1,183	939	4,454	5,291	6,284	7,299	8,326	9,422	10,642
Monetary base	46,877	60,133	78,986	82,875	89,896	97,822	106,026	114,765	124,015	133,980
Currency in circulation	27,799	32,792	48,843	54,628	63,523	74,894	82,197	91,517	97,409	106,367
Liabilities to other depository corporations	18,800	27,122	29,914	27,898	25,958	22,436	23,257	22,596	25,868	26,779
Other liabilities (incl in monetary base)	278	219	229	349	415	493	572	653	739	834
Growth rates										
Reserve money	15.4	28.3	31.4	4.9	8.5	8.8	8.4	8.2	8.1	8.0
Net foreign assets	32.0	2.0	7.5	7.0	-1.1	1.5	2.8	3.2	2.1	4.0
Net domestic assets	34.9	-2.0	2.9	7.5	-3.4	-0.5	1.2	1.5	0.1	2.5
Net credit to government	20.3	-12.2	-0.5	-14.2	0.6	1.0	0.0	-1.9	-2.0	-2.2
Nominal GDP	13.7	21.9	21.4	19.0	18.8	18.8	16.2	14.1	13.2	12.9
Money multiplier (in levels)	2.4	2.4	2.4	2.6	2.7	3.0	3.3	3.5	3.8	4.1

Sources: Uzbekistan authorities and IMF staff estimates and projections.

Table 7. Uzbekistan: Depository Corporations Survey, 2020–29
(In billions of sums, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets (billions of U.S. dollars)	37.7	38.1	41.0	38.3	35.5	34.4	33.7	33.9	33.7	34.3
Official exchange rate (Sum/U.S. dollar, eop)	10,477	10,838	11,225	12,339	13,154	13,825	14,379	14,669	14,961	15,251
Net foreign assets	285,284	275,806	276,353	274,440	241,812	223,549	200,263	189,120	172,658	169,515
Foreign assets	394,574	412,988	460,038	472,757	467,449	475,294	484,672	497,663	504,874	523,577
Foreign liabilities	109,290	137,183	183,685	198,317	225,638	251,745	284,409	308,543	332,216	354,063
Net domestic assets 1/	-173,272	-130,551	-87,268	-62,354	4,513	68,971	146,246	214,974	297,709	377,711
Net domestic credit	67,562	119,055	177,066	277,659	351,215	435,343	541,496	642,833	763,273	892,062
Government, net	-212,804	-212,879	-226,030	-219,127	-228,448	-253,891	-260,204	-271,806	-272,527	-278,869
Local government	0	0	0	0	0	0	0	0	0	0
Nonfinancial public corporations	62,996	66,194	74,358	78,081	87,294	97,555	106,485	114,019	121,052	128,248
Private sector	214,936	263,027	325,645	413,809	486,552	584,772	687,192	791,467	904,390	1,030,984
Other financial corporations	2,434	2,714	3,093	4,896	5,817	6,908	8,024	9,153	10,358	11,699
Rest of economy	280,366	331,935	403,096	496,786	579,663	689,234	801,700	914,639	1,035,800	1,170,931
Other items, net	-240,835	-249,606	-264,334	-340,012	-346,702	-366,372	-395,251	-427,858	-465,565	-514,351
Deposits excl. from broad money	-138	-127	-199	-235	-280	-332	-386	-440	-498	-562
Other securities than shares excl. from broad money	-121	-104	-45	-46	-54	-64	-75	-85	-96	-109
Loans	-15,472	-16,713	-13,963	-20,045	-23,814	-28,280	-32,848	-37,471	-42,405	-47,895
Fin. derivatives	0	0	0	0	0	0	0	0	0	0
Insurance technical reserves	0	0	0	0	0	0	0	0	0	0
Shares and other equity	-227,824	-234,042	-249,865	-328,306	-334,031	-351,326	-377,774	-407,921	-443,002	-488,868
Others	2,720	1,380	-262	8,619	11,477	13,629	15,831	18,059	20,437	23,083
Broad Money	112,012	145,255	189,085	212,086	246,325	292,520	346,509	404,094	470,366	547,226
Currency outside depository corporations	24,920	28,657	42,206	45,608	52,724	61,413	66,579	74,128	78,901	86,157
Transferable deposits	27,200	35,683	44,776	50,946	61,634	76,118	93,631	113,232	136,506	164,284
Quasi-money	59,892	80,915	102,103	115,533	131,967	154,990	186,298	216,733	254,959	296,784
<i>Memorandum items:</i>										
FRD (in billions of U.S. dollars)	11.6	9.6	9.5	7.7	7.8	7.8	7.9	7.9	7.9	8.0
FRD in reserves at CBU	10.5	8.6	8.5	6.5	6.3	6.3	6.3	6.3	6.3	6.3
FRD Loans to banks	1.1	1.0	0.9	1.2	1.4	1.5	1.5	1.6	1.6	1.6
Deposits in Broad Money (Billions of sum) 1/	87,092	116,598	146,879	166,478	195,818	235,466	282,390	333,360	392,736	462,382
Growth Rates										
Broad money	17.7	29.7	30.2	12.2	16.1	18.8	18.5	16.6	16.4	16.3
Net foreign assets	23.0	-3.3	0.2	-0.7	-11.9	-7.6	-10.4	-5.6	-8.7	-1.8
Net domestic assets	26.6	-24.7	-33.2	-28.5	-107.2	1428.1	112.0	47.0	38.5	26.9
Domestic bank credit to government	23.7	0.0	6.2	-3.1	4.3	11.1	2.5	4.5	0.3	2.3
Domestic credit to rest of economy	34.4	18.4	21.4	23.2	16.7	18.9	16.3	14.1	13.2	13.0
Domestic credit to the private sector	39.8	22.4	23.8	27.1	17.6	20.2	17.5	15.2	14.3	14.0
Memorandum Items										
Velocity (in levels) 2/	5.4	5.1	4.7	5.0	5.1	5.1	5.0	4.9	4.8	4.7
Ratio of currency outside banks to deposits (in percent)	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Ratio of currency outside banks to broad money (in percent)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit to the economy (percent of GDP)	46.3	45.0	45.0	46.6	45.7	45.8	45.9	45.9	45.9	45.9
Credit to the private sector (percent of GDP)	35.5	35.6	36.3	38.8	38.4	38.9	39.3	39.7	40.1	40.5

Sources: Uzbekistan authorities and IMF staff estimates and projections.

1/ Includes Securities

2/ Velocity is calculated using nominal GDP over end of period money supply.

Table 8. Uzbekistan: Sustainable Development Goals, 2000–Latest

	2000	2005	2010	2015	2020	Latest
Zero Hunger						
Prevalence of undernourishment (percent of population)	16.0	15.0	10.3	2.9	2.5	2.5
Good Health and Well-Being						
Maternal mortality ratio (modeled estimate, per 100,000 live births)	41.0	38.0	31.0	31.0	30.0	...
Mortality rate, under-5 (per 1,000 live births)	62.0	47.0	33.3	19.2	14.7	14.1
Incidence of tuberculosis (per 100,000 people)	99.0	120.0	97.0	79.0	66.0	83.0
Immunization, measles (percent of children ages 12-23 months)	99.0	99.0	98.0	99.0	99.0	99.0
Quality Education						
Primary completion rate, total (percent of relevant age group)	96.0	97.0	92.0	96.1	101.9	97.7
Lower secondary completion rate, total (percent of relevant age group)	...	93.0	94.0	92.6	95.4	97.6
Literacy rate, adult total (percent of people ages 15 and above)	99.0	...	...	100.0	...	100.0
Gender Equality						
School enrollment, primary (gross), gender parity index (GPI)	1.0	1.0	1.0	1.0	1.0	1.0
School enrollment, secondary (gross), gender parity index (GPI)	1.0	1.0	1.0	1.0	1.0	1.0
School enrollment, tertiary (gross), gender parity index (GPI)	0.8	0.7	0.7	0.6	0.9	0.9
Proportion of seats held by women in national parliaments (percent)	7.2	17.5	22.0	16.0	32.0	33.3
Clean Water and Sanitation						
People using at least basic drinking water services (percent of population)	84.8	91.6	96.1	94.0	96.0	96.6
People using at least basic sanitation services (percent of population)	92.7	95.7	98.5	95.4	96.1	96.3
Affordable and Clean Energy						
Access to electricity (percent of population)	99.6	99.8	99.7	99.9	100.0	99.9
Renewable electricity output (percent of total electricity output)	13.0	12.5	17.5	20.7	...	...
Decent Work and Economic Growth						
Employment in agriculture (percent of total employment) (modeled ILO estimate)	39.0	34.0	27.0	27.5	26.9	25.9
Wage and salaried workers, total (percent of total employment) (modeled ILO estimate)	53.0	52.0	57.0	51.4	53.4	53.8
Industry, Innovation, and Infrastructure						
CO2 emissions (metric tons per capita)	4.9	4.4	4.3	3.2	3.4	...
Researchers in R&D (per million people)	662.0	633.0	545.0	501.2	426.8	525.3
Sustainable Cities and Communities						
PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)	31.9	31.5	32.1	35.5	...	34.8
Responsible Consumption and Production						
Total natural resources rents (percent of GDP)	18.0	23.2	17.0	7.3	9.1	20.5
Life on Land						
Forest area (percent of land area)	7.0	7.4	7.9	8.1	8.4	8.4
Technology						
Individuals using the Internet (percent of population)	0.5	3.3	15.9	42.8	71.1	76.6

Source: The World Bank

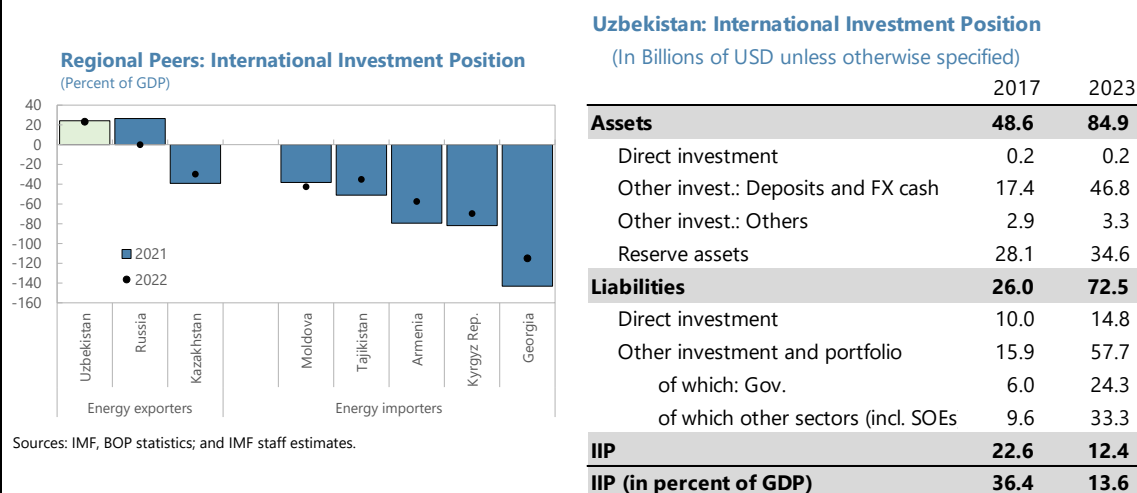
Annex I. External Sector Assessment

Overall Assessment: Uzbekistan's external position in 2023 is assessed to be weaker than the level implied by medium-term fundamentals and desirable policies. The current account (CA) deficit widened from 3.5 percent of GDP in 2022 to 8.6 percent of GDP in 2023, reflecting a reversal of the 2022 remittance surge, an unplanned fiscal expansion, an investment acceleration, including mining sector capacity expansion projects (which will allow mining exports to expand starting in 2026), temporary increases in some imports (airplanes, buses and cars, and gasoline), higher net interest payments on foreign debt, and repatriation of earnings by foreign companies partly offset by a large increase in gold exports (well above the production level). Over the medium term, the CA deficit is projected to return to the current account norm, about 5 percent of GDP. The country's external risks remain high due to geopolitical fragmentation risks, but the sizable foreign exchange (FX) reserves, the significant IFI and bilateral official funding, and the long maturity of external debt mitigate external stability risks. Moreover, Uzbekistan's high gold exports tend to provide a hedge against potential declines in other commodity prices.

Potential Policy Responses: The planned fiscal consolidation, the relatively tight monetary policy, the tightening of macroprudential measures, and the reversal of the temporary import increases will help contain demand and reduce imports, while continued structural reforms and high investment levels will help boost supply and sustain robust increases in exports. More exchange rate flexibility would help absorb shocks, facilitate external adjustment, and safeguard FX reserves.

Foreign Assets and Liabilities: Position and Trajectory

Background. From 2017 to 2023, Uzbekistan's international investment position (IIP) in percent of GDP declined considerably (by 22.8 percentage points) as external borrowing by the government, state-owned enterprises (SOEs), and state-owned banks expanded, including to finance sizable investment growth. Nevertheless, Uzbekistan's IIP was stronger than most of its regional peers in 2022 and is characterized by large foreign reserves, FX cash held by the public, moderate external debt, and small FDI liabilities.



Uzbekistan: International Investment Position

(In Billions of USD unless otherwise specified)

	2017	2023
Assets	48.6	84.9
Direct investment	0.2	0.2
Other invest.: Deposits and FX cash	17.4	46.8
Other invest.: Others	2.9	3.3
Reserve assets	28.1	34.6
Liabilities	26.0	72.5
Direct investment	10.0	14.8
Other investment and portfolio	15.9	57.7
of which: Gov.	6.0	24.3
of which other sectors (incl. SOEs)	9.6	33.3
IIP	22.6	12.4
IIP (in percent of GDP)	36.4	13.6

Sources: Country authorities; and IMF estimates.

The external balance sheet is partially insulated from global financial market volatility. This is because foreign assets mainly represent FX reserves and private FX cash holdings while liabilities are largely multilateral and bilateral loans with concessional and semi-concessional rates and long maturities.

Assessment. Uzbekistan's external balance sheet offers significant protection against external shocks, with assets and liabilities mostly shielded from fluctuations in global financial markets. Liabilities carry limited rollover risk in the short term, and assets are primarily invested in safe instruments. However, the rapid growth of external borrowing (including by state-owned banks and enterprises) poses medium-term risks.

2023 (% GDP)	NIIP: 13.6	Gross Assets: 93.4	Res. Assets: 38	Gross Liab.: 79.8	Debt Liab.: 61.3
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Current Account

Background. Significant structural reforms, including liberalization of the foreign exchange market and the removal of trade restrictions, increased investments, and the adverse effects of the COVID-19 pandemic shock on exports led to a shift in the current account (CA) balance from an average surplus of 3.9 percent of GDP over 2000-2017 to an average deficit of 6.1 percent of GDP over 2018-23. This shift to relatively high CA deficits has been a common feature of transitions from planned to market-based economies like Uzbekistan. A sizable surge in remittance inflows following the start of Russia's war in Ukraine helped reduce the CA deficit to 3.5 percent of GDP in 2022. Despite temporarily high levels of gold exports (130 tons) last year—exceeding the gold production level (105.6 tons) by about 1.7 percent of GDP—the CA deficit widened to 8.6 percent of GDP in 2023 because of a reversal in remittances to the pre-2022 trend, an unplanned fiscal expansion, an investment surge, including sizable lumpy mining sector capacity expansion projects,¹ temporary increases in some imports (about 1.1 percent of GDP),² higher debt interest payments, and repatriation of earnings by foreign companies. Over the medium term, the CA deficit is expected to stabilize at about 5 percent of GDP.

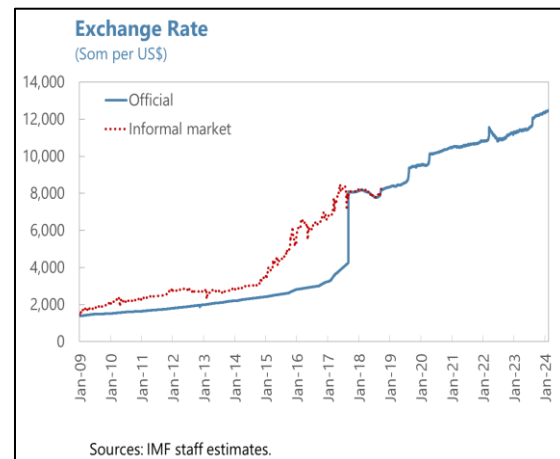
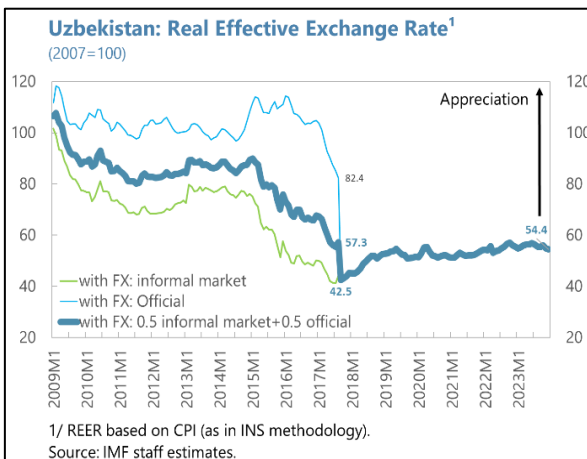
Assessment. Staff estimates the 2023 CA norm at -4.6 percent of GDP (table), reflecting Uzbekistan's labor productivity gap relative to the rest of the world—which requires increased investment to boost capital per worker and, thereby, investment levels that surpass domestic savings—and its favorable demographics. After accounting for cyclicity, the deviation of gold exports from production (1.7 percent of GDP), the temporary increases in imports (1.1 percent of GDP), and the lumpy mining sector capacity expansion projects (1.3 percent of GDP) which will allow mining exports to increase, staff estimates the 2023 adjusted CA balance at -8.0 percent of GDP. Thus, the overall CA gap is -

Uzbekistan: EBA-lite Model Results, 2023		
	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-8.6	
Cyclical contributions (from model) (-)	0.2	
Additional temporary/statistical factors (-) 2/	1.7	
Additional temporary/statistical factors (-) 3/	-2.4	
Adjusted CA	-8.0	
CA Norm (from model) 4/	-4.6	
Adjusted CA Norm	-4.6	
CA Gap	-3.4	12.9
o/w Relative policy gap	0.8	
Elasticity	-0.2	
REER Gap (in percent)	16.8	-63.0
1/ Based on the EBA-lite 3.0 methodology		
2/ Additional adjustment to account for the deviation of gold exports from the production level (1.74 percent of GDP).		
3/ Additional adjustment to account for (1) temporary increases in imports of airplanes, electric buses, passenger cars, and gasoline (1.1 percent of GDP); and (2) investments by two mining companies to boost their exports (1.25 percent of GDP, assuming 75 percent import component).		
4/ Cyclically adjusted, including multilateral consistency adjustments.		

3.4 percent of GDP, pointing to an external position in 2023 weaker than the level implied by fundamentals and desirable policy settings. The policy gap is estimated at 0.8 percent of GDP, mainly explained by lower health spending relative to the rest of the world (with a contribution of 1.5 percent of GDP), which leaves a non-policy gap of 4.2 percent of GDP to explain. Staff is of the view that this figure reflects higher uncertainty around the econometric estimates and does not capture fully some Uzbekistan specificities and structural challenges related to the country’s transition to a market economy, including large investment needs, which are financed by FDI, IFIs, official bilateral loans, and long-term private debt. A significant share of the surging investment is for projects that will increase Uzbekistan’s future exports.

Real Exchange Rate

Background. On September 5, 2017, Uzbekistan unified its official and parallel exchange rates and liberalized access to foreign exchange. This led to a nominal exchange rate depreciation of the official rate from 4,250 to 8,100 sum per dollar. Since then, the nominal exchange rate has shown limited daily volatility, with gradual depreciations in response to external shocks affecting regional trading partners’ currencies. The average annual nominal depreciation had remained less than 10 percent during 2022–23, while the real effective exchange rate has been relatively stable since mid-2018. According to the Uzbek authorities, the de jure exchange arrangement is floating, while the de facto regime is classified as a crawl-like arrangement under the IMF Annual Report on Exchange Arrangements and Exchange Restrictions methodology given that the nominal exchange rate path seems highly predictable and that the nominal exchange rate shows only minimal day-to-day volatility.



Assessment. Staff is of the view that the real exchange rate is stronger than implied by fundamentals and desired policies by more than 10 percentage points (sum was overvalued). This assessment is based on the EBA-CA approach. The EBA-IREER results are opposite to those of the EBA-CA approach. Staff believes the EBA-CA approach gives more reliable results than the EBA-IREER approach because the EBA-IREER results depend on the historical trend of the real exchange rate, but the sharp structural break in 2017 complicates the assessment and makes it less informative for Uzbekistan.

Capital and Financial Accounts: Flows and Policy Measures

Background. Financial flows are increasing to cover the higher current account deficits. Loans and FDI represent the main inflows. During 2022–23, net loans averaged about 5.9 percentage points of GDP, net FDI inflows were about 2.8 percentage points of GDP, and portfolio flows (bonds) were about ½ percentage points of GDP. Since 2018, the government and SOEs—including state-owned banks—have significantly increased external borrowing, predominantly long-term. While official borrowing at concessional and semi-concessional rates dominates external borrowing, Uzbekistan also borrows at market terms. For example, the government placed Eurobonds in 2023, including the first “green” sovereign Eurobond worth 4.25 trillion UZS, which were heavily oversubscribed. In addition, state-owned banks have increased borrowing from international commercial banks, official development banks, and IFIs, which increased the banking sector’s external debt from 11.2 to 13.8 percent of GDP between 2021 and 2023. Spreads on Uzbekistan’s Eurobonds declined from about 500 bps in early 2022 (at the start of Russia’s war in Ukraine) to an average of 264 bps in 2023 and have fluctuated around that level so far in 2024. In the near and medium term, FDI inflows and long-term private sector borrowing are expected to increase while official external borrowing is expected to moderate.

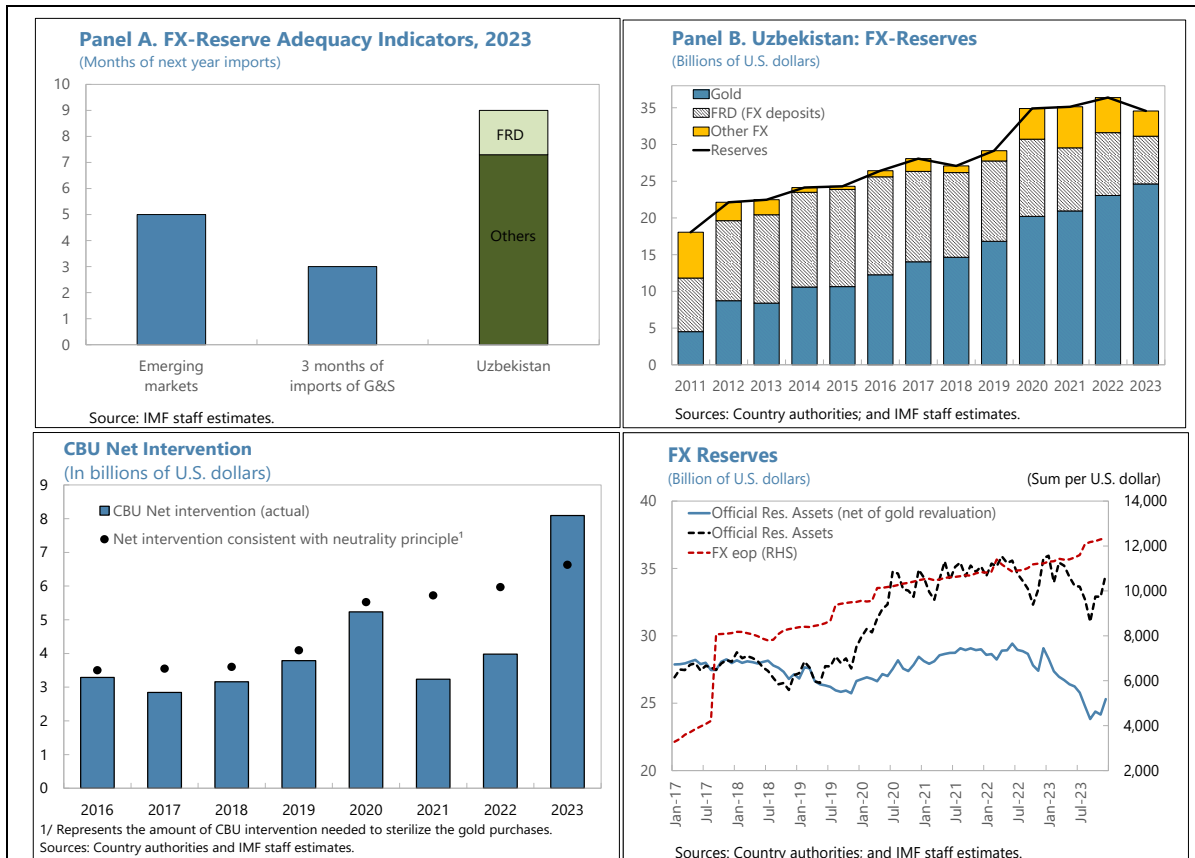
Assessment. The government will continue to fund itself primarily from multilateral institutions and official sources but will also likely tap the sovereign bond market to maintain a stable presence, given its goal to increasingly finance itself from markets over time. Since external borrowing has been increasing fast—notably by banks and SOEs—increased vigilance is needed to mitigate risks effectively.

FX Intervention and Reserves Level

Background. Uzbekistan’s FX reserves are large by all metrics. At \$34.6 billion at end-2023, they were equivalent to about 38 percent of GDP or more than nine months of (next year’s) imports of goods and services. These reserves considerably exceed the IMF’s ARA reserve adequacy metric for emerging markets or developing countries. As a commodity exporter, Uzbekistan is at risk of shocks arising from declines in its main exports and the impact of gold price declines on its FX reserves, given that 70 percent are gold. However, these risks are partially mitigated since the price of gold, Uzbekistan’s primary export, tends to provide a hedge against declines in other commodity prices in periods of increased global uncertainty and/or recession. As the price of gold increases in such episodes, the FX-reserve revaluation provides additional capacity to face shocks.

Calculation ARA Metric 2023

	(In USD Billions)	Weights	
		Fixed FX	Floating FX
Reserves (end 2023)	34.6		
of which UFRD (end 2023)	6.5		
of which other (end 2023)	28.1		
Nominal GDP (2023)	90.9		
Exports of G&S (2023)	25.0	10.0%	5.0%
Imports of G&S (2023)	42.1		
ST Debt (proxied with 2024 amortiza	8.0	30.0%	30.0%
Broad Money (2023)	17.2	10.0%	5.0%
Other Portfolio Liabilities (2023)	49.5	20.0%	15.0%
Metric UZB (In USD Billions)		16.5	12.0
<i>(In percent of ARA metric)</i>			
Uzbekistan Reserves		209%	289%
Uzbekistan Reserves excl FRD		170%	235%



In its interventions, the CBU had broadly adhered to the so-called neutrality principle, whereby the CBU sells FX to counterbalance liquidity generated from its gold purchases. Such adherence has meant that exchange rate trends are primarily determined by market demand and supply (within a given year). But there was a departure from this policy during 2022–23. Specifically, the CBU sold much less FX during 2022, a year marked by exceptionally high remittance inflows, and increased sales when remittances reverted to the pre-war trend. In addition, there was a notable decline in the deposits of the Fund for Reconstruction and Development (FRD) with the central bank in 2023. As a result, reserves net of gold revaluation, which had been broadly stable until 2022, fell in 2023.

Assessment. Uzbekistan’s international reserve coverage exceeds adequacy metrics: at end-2023, reserves were about 209 percent of the ARA metric for fixed exchange rate regimes. Even excluding FRD deposits, this ratio would be 170 percent of the ARA metric (for fixed exchange rate regimes), still well above the recommended 100-150 percent range. The CBU’s neutral intervention policy is appropriate. While departures can be justified in exceptional circumstances (e.g., unusually large capital/income flows), as a general rule, the CBU should allow more flexibility in the exchange rate to absorb shocks.

1/ The total value of the capacity expansion projects at the Almalik and Navoi mines, spanning several years, are about \$5 billion and \$2 billion, respectively. These projects are expected to significantly increase Uzbekistan’s gold and copper exports starting in 2026.

2/ The entry of new private companies in the air transportation sector, the adoption of green urban transportation standards, a temporary reduction in import tariffs for small cars, a broadening of the right to import vehicles for commercial purposes beyond official dealers (that was revoked in 2024), and a harsh winter led to a temporary surge in imports of airplanes, electric buses, cars, and gasoline, respectively.

Annex II. Risk Assessment Matrix¹

Risk	Description of Potential Shock	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
External Risks and Spillovers				
Intensification of Regional Conflicts	Escalation of Russia's war in Ukraine could disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High Short to Medium-Term	High An intensification of Russia's war in Ukraine could have a significant impact on trade, remittances, capital flows, migrant flows, and gold prices. While most of these effects benefited Uzbekistan at least temporarily after Russia's war in Ukraine broke out in 2022 (surging remittances, migrant flows, capital flows, and gold prices but with a negative impact on trade due to disruption of trade routes), it is not clear whether the effects of any further intensification of the conflict will continue to be favorable overall.	In the event of such shock, allow the exchange rate to adjust to cushion the shock and address any potential disorderly market conditions in the FX market, as needed. Should the shock lead to inflationary pressures, tighten monetary policy to avoid adverse impacts on core inflation. Given the existence of fiscal space, use fiscal policy to smooth output fluctuations viewed as temporary: Save any windfalls (e.g., from higher gold prices) if the shock is favorable to the economy overall or provide targeted support to the most affected economic sectors and vulnerable groups if it has an adverse effect instead. Deploy a tailored policy response that ensures macro-financial stability should the overall shock impact be more mixed. Further intensify efforts to open alternative trade routes.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risk	Description of Potential Shock	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
Commodity price volatility	A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility.	High Short to Medium-Term	Medium Uzbekistan's economy is sensitive to changes in the prices of gold (exports, FX reserves), copper (exports), oil (imports), and natural gas (imports). Adverse commodity price movements could worsen the trade balance, fiscal revenues, and contribute to uncertainty which would dampen investment.	Allow the exchange rate to adjust and act as an absorber to a commodity price shock. Meanwhile, address any potential disorderly conditions in the FX market, as needed. Given fiscal space, fiscal policy can support the economy, if necessary and if the shock is viewed as temporary, potentially helped by higher gold prices should this materialize as a result of the shock. Continue with trade openness and structural reforms to promote export diversification and improve competitiveness.
Abrupt global slowdown	Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	Medium Short Term	Medium Capital flows may slow, leading to an improvement in the trade balance, despite a possible adverse impact on exports given that China is a key trading partner. Growth would slow and fiscal revenues would be negatively affected, and more so if gold prices also decline.	Allow the exchange rate to act as a shock absorber and address any disorderly FX market conditions, as needed. Given the temporary nature of the shock and the availability of fiscal space, use fiscal policy to cushion the economy with targeted support to the most impacted groups and the vulnerable.
Domestic Risks				
Weakening of bank balance sheets	With rapid credit growth and still significant policy lending, returns on lending and bank	Medium Short Term	High Growth of credit to the economy remains buoyant, especially due to very rapid	Continue to improve banks' corporate governance. Continue to improve bank supervision, crisis preparedness, and emergency liquidity

Risk	Description of Potential Shock	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
	profits decline while non-performing loans (NPLs) rise. Bank balance sheets weaken, credit availability diminishes and the cost of borrowing increases. The authorities need to provide more capital to banks.	Medium Medium Term	consumer loan growth (car, mortgage, microcredit) with insufficient attention to borrower repayment capacity risking an increase in NPLs and a decline in the capital adequacy of the state banks that dominate the system. The need to provide capital to state owned banks to prevent a reduction in the availability of credit would worsen government finances.	framework. Continue to reduce the share of policy loans so that banks finance projects with the highest returns. Accelerate privatization of state banks with the assistance of IFIs to the extent possible to increase the commercial orientation of the system. Establish sound levels of provisioning. Further develop macro-prudential policy tools to protect against potential systemic risks driven by rapid credit growth.
Increased Ad Hoc State Intervention	State intervention increases, preventing market forces from allocating resources more efficiently. Reliance on ad-hoc measures on specific issues, results in less coherent and certain policy making and special treatment of certain groups or industries with unintended consequences.	Medium Short to Medium Term	High An increase in uncertainty regarding economic policies and lack of a level playing field deters investment. While having a small impact in the short term, the accumulation over time of ad hoc measures could significantly lower GDP growth.	Focus on comprehensive approaches that do not single out particular groups or industries and that increase and improve the role of market forces in allocating resources. Have ministries develop and implement policies after appropriate consultation and analysis of implications.
Reform Fatigue	Lack of implementation capacity, disappointment, or impatience with reforms results in frustration and	Low Short Term Medium	High Structural reform is becoming more challenging as the needed reforms become more complex requiring careful	Reiterate the government's commitment and communicate that reforms are needed to address current shortcomings (e.g., misallocation of resources, lack of sufficient investment in

Risk	Description of Potential Shock	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
	counter-productive ad-hoc state interventions increase.	Medium Term	preparation, proper sequencing, and time to bear fruit. This increases the risk of reform fatigue. If reform fatigue materializes and a slowdown in reforms occurs, this could result in lower investment and productivity and slower growth. Impatience and frustration with results could lead to increased ad-hoc state interventions (see above) magnifying the negative impacts.	health, education, and infrastructure.) Focus on the highest priority reforms including price liberalization, reforming and privatizing state enterprises, increasing the commercial orientation of the banking system, and improving governance and the business environment more broadly.
Inability to consolidate as planned.	Public debt has risen rapidly since 2017 and stood at about 36 percent of GDP at end-2023. Inability to consolidate may result in higher-than-expected external borrowing leading to further increases in the debt ratio instead of the projected declines.	Medium Medium-Term	Medium Higher debt service could squeeze out investment and/or social spending. Alternatively, concerns about the debt trajectory could lead to higher financing costs.	Implement the planned fiscal consolidation reducing the fiscal deficit to 3 percent of GDP with continued implementation of the new public debt law which caps commitments of new debt, and limits public debt to 60 percent of GDP while requiring corrective action at 50 percent.
Materialization of contingent liabilities from State owned Enterprises and PPPs	State enterprises remain unprofitable or must provide public services below cost. PPPs continue to be signed at a rapid clip without	Medium Medium-Term	Medium Taking on state enterprise debt or having to face unexpected budget shocks from PPPs would increase the	Continue restructuring and privatizing state enterprises, reduce policy lending, and enforce budget constraints. Have the government take over public services provided by SOEs and increase their

Risk	Description of Potential Shock	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
	carefully considering the fiscal risks they create. The government needs to take over debt service and/or face unexpected budget shocks from PPPs.		fiscal deficit and raise the debt to GDP ratio. This could squeeze out other needed spending or raise borrowing costs.	commercial orientation. Take stock of the medium-term fiscal implications of the exiting PPP portfolio and use the authority to set a cap on PPPs in the public debt law.

Annex III. Lessons from the Privatization of Ipoteka Bank

1. Ipoteka bank (IB) was established in 2005 after the merger of two state-owned banks.

The bank's primary business was mortgage lending and was the fourth largest bank by assets in 2017. Like other state banks, IB was also involved in policy lending on behalf of the government, notably to support the fishing industry.

2. The privatization process of IB started in 2017, with the signing of an institutional transformation program with the International Financial Corporation (IFC) (see timeline below).

As part of the program, the IFC assisted the government in preparing the bank for sale and privatizing it. In December 2022, IB was sold to the Hungarian banking group OTP in two phases. OTP would acquire a 75 percent stake in a first phase and then acquire the remaining shares in a second phase if the ongoing transformation of the bank reaches a successful conclusion. The first phase was completed in June 2023 with OTP acquiring a 75 percent stake in IB and the second phase is expected to be completed by 2026.

3. The case of IB highlights key steps to transform a state-owned bank and attract investor interest that can offer valuable insights for the privatization of other state-owned banks. The steps are:

- Undertake an in-depth and independent analysis of the financial situation and viability of the business model. This helps identify existing weaknesses and prepare a clear reform strategy to address them.
- Clean up the balance sheet. Eliminating preferential lending assets from the balance sheet was necessary to make IB more attractive to potential investors.
- Divest non-core activities. A Cabinet of Ministers' decree mandated the divestment of IB's involvement in fish industry-related businesses, activities that were not aligned with IB banking functions and undermined profitability.
- Reform corporate governance to limit political interference. A Cabinet of Ministers' decree mandating the inclusion of independent members on the Supervisory Board of IB was a crucial step in ensuring IB's operations are governed by financial considerations.
- Eliminate any state financial support. This removes conflicting mandates and fosters autonomy allowing the bank to focus on profitability, innovation, and customer satisfaction.

4. The case of IB also illustrates the positive role relevant IFIs can play in the privatization process. IFC's role in the privatization of IB illustrates how IFIs can be a source of useful analysis and help attract potential investors by giving a positive signal about the transformation and privatization process.

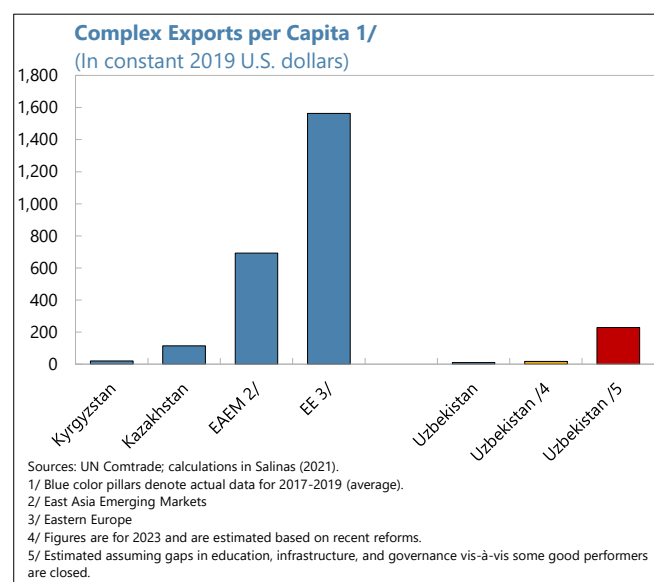
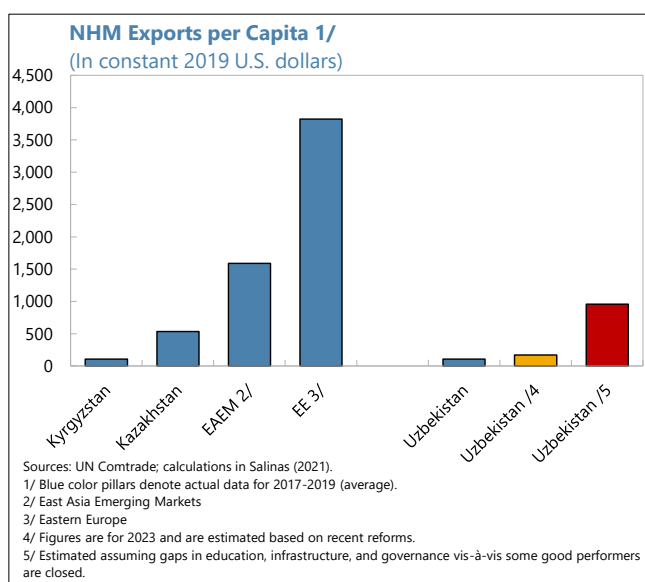
Timeline	Action
2016	Negotiations started with the IFC on establishing a partnership for the transformation of IB
2017	An agreement on an institutional transformation program of IB was signed with the IFC.
2019	IFC lent IB 35 million US dollars, convertible to bank shares contingent on successful transformation leading to privatization and improvements in corporate governance and operating activities.
2019	The Cabinet of Ministers adopted a decree on transformation and privatization of IB with the help of IFC. The decree detailed the commitments by the authorities stipulated in the loan.
2020	The Banking Reform Strategy was adopted with the support of the World Bank. The strategy encompasses the approach for IB and includes broader financial services reform plans.
2020	The IFC and the government issued a joint statement confirming commitment to transformation and privatization.
2021	IB adopted a new development strategy and corporate governance with an updated organizational structure and business model.
Sep-21	OTP signed a non-binding memorandum with the Ministry of Finance to purchase the majority of IB shares.
Apr-22	OTP asked for the postponement of the deal amid the start of Russia's war in Ukraine.
Nov-22	OTP resumes the process of acquiring IB with news suggesting an imminent announcement.
Dec-22	A Sale and Purchase Agreement is signed between the Government and OTP to complete the deal.
Jun-23	The first phase is completed with OTP's acquisition of a 75 percent stake in IB.

Annex IV. External Competitiveness and Export Diversification¹

1. A country's economic growth prospects and resilience are positively correlated with the sophistication and complexity of its exports (Hidalgo and Hausmann, 2009) and their diversification (Haddad and others, 2013). Fostering exports with such characteristics is particularly pertinent for many commodity-export-dependent developing nations, as doing so would reduce their exposure to volatile international prices and markets. Nurturing labor-intensive complex exports may also improve labor market outcomes and socioeconomic conditions.

2. In this context, Uzbekistan exhibits relatively low levels of per capita exports of non-hydrocarbon and non-mining (NHM) products, complex goods,² and services. Notably, Uzbekistan's per capita exports of NHM products and complex goods are significantly below the averages for Eastern Europe and East Asia Emerging Markets. And while exports of services have increased sizably since 2017, they remained low relative to these comparators.

3. Our analysis underpinned by a gravity trade model³ suggests that Uzbekistan can boost such exports by reducing trade barriers (import tariffs),⁴ enhancing governance, and investing in infrastructure, education, and skills development. It shows that while Uzbekistan being a landlocked country and distant from large markets are key contributing factors to its low per



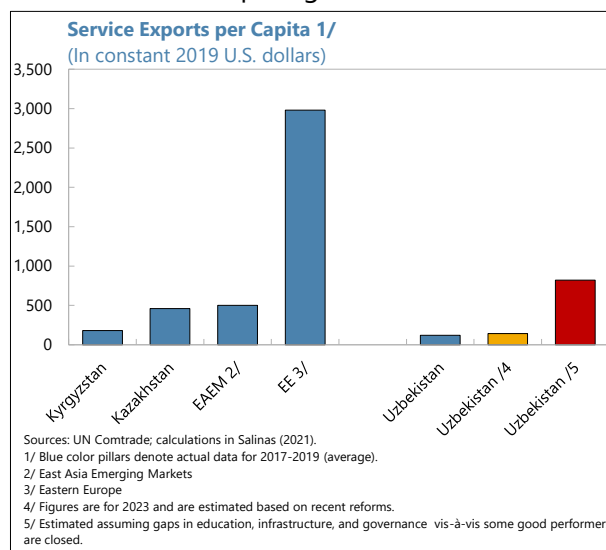
¹ Prepared by Etibar Jafarov and Gonzalo Salinas.

² We define complex exports using the Product Complexity Index (PCI) developed by Hidalgo and Hausmann (2009), which assesses the diversity and sophistication of the knowledge needed to manufacture a product. For example, products with the highest PCI value such as electronics and chemicals are the most complex products that only a few countries can produce. Products with the lowest PCI value are the least complex ones that nearly all countries can produce, including raw materials and simple agricultural products. For details, see <https://atlas.cid.harvard.edu/rankings/product>

³ See Jafarov, Etibar and Gonzalo Salinas, 2024, "External Competitiveness and Export Diversification in the CCA Region", IMF Working Paper, forthcoming.

⁴ No comprehensive data on non-tariff trade barriers are available for all countries in this study.

capita NHM, complex, and services exports, relatively lower levels of governance, skill, and infrastructure and higher tariff levels than in emerging market economies in Eastern Europe and East Asia are also important hindering factors. Accordingly, we estimate that improved education attainment to the level of Ukraine, governance matching Cabo Verde’s standards, and infrastructure comparable to Indonesia’s⁵ could result in a substantial increase in Uzbekistan’s per capita NHM, complex, and services exports (as shown in the text charts when comparing the red and blue bars for Uzbekistan). The landlockedness factor accounts for much of the remaining gap between Uzbekistan’s NHM and complex exports per capita and those of East Asia Emerging Markets (EAEM) and Eastern European (EE) countries. Services are less affected by landlockedness and long distances to large markets, and hence, fostering exports in this sector can help Uzbekistan overcome its geographical disadvantage. While Uzbekistan’s significant reforms in recent years (2020-2023), including reductions in import tariffs, have increased its export potential (as indicated by the yellow bar in the text charts), there is room for much more increases.



⁵ These three countries were selected because they have a GDP per capita similar to Uzbekistan's, while they outperform in education, governance, and infrastructure, respectively (given their GDP per capita). Uzbekistan can realistically replicate these countries' success in these areas.

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Annex V. Implementation of 2022 Article IV Recommendations

Recommendations	Current Status
Fiscal policy	
Budget Policy	
<p>Near term: <i>Slow the pace of fiscal consolidation to provide additional targeted support to households. Contain the consolidated budget deficit (national definition) to 4 percent of GDP in 2022 instead of the 3 percent of GDP originally planned.</i></p>	<p>The authorities slowed the path of fiscal consolidation and met their revised 4 percent of GDP consolidated budget deficit target in 2022.</p>
<p>Medium term: <i>Continue fiscal consolidation to ensure fiscal sustainability and achieve the sustainable development goals (SDGs). Limit consolidated budget deficits (national definition) to 3 percent of GDP in 2023 and the years ahead.</i></p>	<p>Due to additional wage hikes as well as higher social benefits, energy subsidies, and policy lending, the consolidated budget deficit was 5.5% in 2023 compared to a 3% target. The government appropriately aims to reduce the consolidated deficit to 4 percent of GDP in 2024 and 3 percent in 2025.</p> <p>Continued efforts are needed to improve budget planning to facilitate better outcomes with fewer resources and to minimize deviations from fiscal targets</p>
Revenue Administration	
<p><i>Adopt a Medium-Term Revenue Strategy to improve revenue collection by eliminating exemptions and further improvements in tax and customs administration, notably to improve compliance.</i></p>	<p>The authorities are working on the Medium-Term revenue strategy. In 2023, some VAT exemptions were abolished and there are strong efforts to automate tax and customs administration to improve compliance. There is, however, still room to eliminate exemptions and implement measures to strengthen tax administration in line with the recent TADAT assessment.</p>
Public Financial Management	
<p>Budget Framework: <i>Adopt a Medium-Term Fiscal Framework to help improve the efficiency of public spending by streamlining public administration and improving health and education efficiency.</i></p>	<p>This work is in progress but has experienced challenges. The Fiscal Strategy Paper linking the medium-term fiscal framework (MTFF) with the budget was not prepared in 2023 to guide budget preparation and expenditure ceilings. The budget has an insufficient medium-term orientation and is mainly an annual document. The authorities are working on updating their PFM strategy,</p>

Recommendations	Current Status
	increasing the focus on core budgeting to address these challenges.
<p>Fiscal Rules: <i>Adopt a comprehensive set of fiscal rules which will limit PPG debt to 60 percent of GDP and require the government to tighten policies if debt reaches 50 percent of GDP, with additional fiscal rules in the Budget Code to limit annual budget deficits, new guarantees, and commitments under PPPs.</i></p>	In May 2023, the government adopted a new public debt law establishing a 60 percent PPG debt ceiling with an obligation to take measures to avoid breach when debt reaches 50 percent of GDP. The law also gave authority to the MOEF to establish ceilings on new guarantees and commitments under PPPs. The addition of new fiscal rules in the budget code to limit annual budget deficits remains outstanding.
<p>Public Investment management (PIM): <i>Improve public investment management by creating a unified selection process and establishing a single project pipeline, while improving project monitoring and evaluation.</i></p>	Two separate decrees adopted in 2023 created a methodology for determining maintenance of assets and ex-post evaluation of projects. However, the PIM system remains fragmented along institutional responsibilities and sources of financing and there is no unique project pipeline that includes PPPs and externally financed projects.
<p>Fiscal Risks <i>Contain fiscal risks from PPPs. In particular, quantitative limits on PPP commitments need to be developed and the role of the finance ministry in assessing and approving PPPs needs to be strengthened.</i></p>	In addition to the previously mentioned new public debt law, the government adopted a decree on the management of fiscal liabilities of the State in PPP Projects in 2023. The procedure to assess and monitor fiscal risks from PPP projects and the methodology for setting quantitative limits on PPP commitments are being worked on.
Fiscal Transparency	
<p>Fiscal reporting: <i>Align fiscal accounts further with international standards by excluding lending-related transactions from revenues and expenditures, while an improved economic classification would help with analysis and planning.</i></p>	While the coverage of the consolidated budget was broadened, full adoption of the GFSM2014 is lagging. GFS statistics production stopped in 2023 due to capacity constraints. Further efforts are needed to improve reconciliation between the fiscal deficit that arises from subtracting expenditure from revenue and financing transactions which lead to statistical discrepancies. Moreover, procedures for cross-checking fiscal statistics with other statistical datasets remain to be established.
Monetary and Exchange Rate Policies	
Monetary policy:	After raising its policy rate from 14 to 17 percent, the CBU lowered the rate to 14% in March 2023 gradually due to

Recommendations	Current Status
<i>Monetary policy should remain focused on reducing inflation</i>	subsiding of inflation and external risks. The CBU has been maintaining an elevated real policy rate since then to reduce inflation.
<p>Exchange rate policy: <i>Continue to allow exchange rate flexibility and let the exchange rate act as a shock absorber. CBUs intervention should remain in line with the neutrality principle, whereby purchases of domestically produced gold are offset by sales of foreign exchange within a given year. Additional intervention may be needed to smooth excess volatility.</i></p>	<p>In 2023, the nominal USD/UZS rate was allowed to depreciate as illustrated by nearly 10% depreciation. Out of this total depreciation, 4.2% was due to the depreciation of trading partners currencies in August. In addition, the central bank engaged in additional intervention than what the neutrality principle would have implied and sold additional dollars to smooth the impact of excess volatility from remittances and capital flows on the exchange rate market related to Russia's war in Ukraine. Further steps were taken to liberalize the capital account as foreign investors have been authorized to buy domestic government bonds.</p>
<p>Central bank operations: <i>CBU's governance could be improved in line with the latest safeguards assessment. This can be done by strengthening its independent oversight, collegial decision-making, personal autonomy safeguards, and internal controls. Other key functions, including foreign reserves management and internal audit, also need to be improved further.</i></p>	<p>To strengthen its governance and transparency, the CBU established an investment Committee and approved its charter and guidelines. The CBU also created a relevant department to establish risk-based internal audit. IFRS implementation is advancing with plans to publish the 2023 audited financial statements this year.</p>
Financial Sector Policies	
<p>Financial stability: <i>Continue to closely monitor banks' liquidity and capital positions, including through updated stress tests, and stand ready to provide liquidity support to viable banks when needed.</i></p>	<p>The CBU continues to closely monitor banks' health, including by conducting stress tests. In October 2022, the CBU closed two small private banks without spillovers to the rest of the banking system. The closures were due to insufficient reserves, losses exceeding 50 percent of regulatory capital, not following regulators instructions, and breaches of consumer rights.</p> <p>A semi-annual Financial Stability Report was launched in the second half of 2022 which includes stress tests. The banking sector is resilient based on published data, but further progress is needed to address vulnerabilities and prepare for possible future economic and financial shocks.</p>
<p>Supervision: <i>Further strengthen CBU's supervisory capacity. This can be done by</i></p>	<p>The authorities are working to implement these recommendations. They have requested an FSAP which</p>

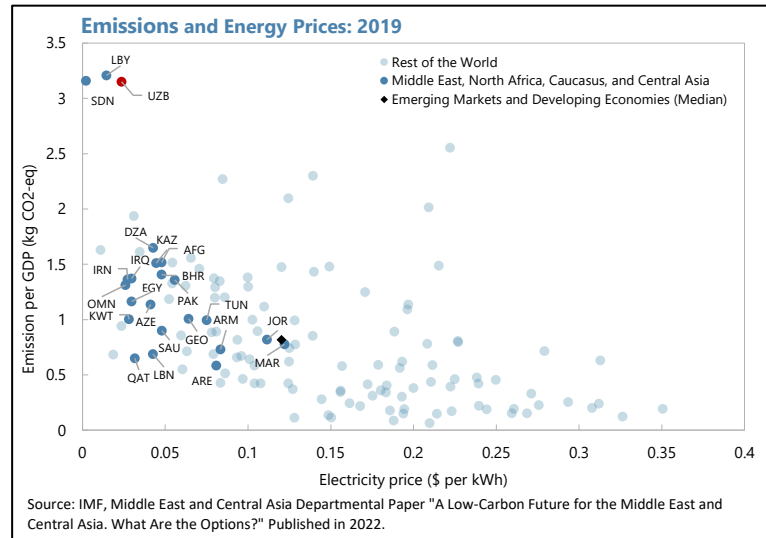
Recommendations	Current Status
implementing a risk-based supervision framework, conducting detailed asset quality reviews, and strengthening capacity to assess banks' capital requirements based on individual risk profiles. Moreover, asset classification needs to be improved in line with international best practices.	will help further assess supervisory capacity and organize capacity development to improve it, implement a risk-based supervision framework, assess banks' capital requirements based on individual risk profiles, and align asset classification with international best practices.
<p>Macroprudential policy <i>Develop a macroprudential policy framework and strengthen the resolution framework by adopting a new bank resolution law and amendments to the deposit insurance law.</i></p>	The macroprudential policy framework was implemented in early 2023 and macro-prudential measures were implemented in August 2023 and January 2024 to reduce asset quality risks from rapid credit growth (see main text). A new bank resolution law and amendments to the deposit insurance law have been prepared but have not been adopted yet.
<p>Preferential loans: <i>Reduce preferential loan programs further and replace them interest rate subsidies for critical activities.</i></p>	While some interest rate subsidies were implemented and preferential rate-based lending continued to decline as a share of total banks' credit portfolio, it still accounted for about 29 percent of the bank's credit portfolio and 13 percent of GDP at end 2023. While interest rates on certain preferential lending programs have been increased to the level of policy rate plus 4 percentage points, they still remain below market interest rates.
<p>Privatization of State banks: <i>Implement a reduction of the role of state banks to 40 percent of bank assets in 2025 in line with the banking sector strategy to increase deposit mobilization and finance growth.</i></p>	While one large state-owned bank was privatized in 2023 (Ipoteka bank), the financial sector remains dominated by state-owned banks (10 of 35 banks), accounting for 68 percent of banks' assets. The government is planning to privatize other 2 large banks by 2025. Improvements in the state-owned banks' governance are ongoing, but further progress to curb their dominant position is needed to improve competition, financial intermediation, and access to financial services.
Structural Reforms	
<p>Pace of structural reforms: <i>Accelerate the pace of structural reforms given a large reform agenda, and a rapidly growing labor force which requires strong job creation.</i></p>	The government has improved the transparency of public procurement, strengthened reporting and management of SOEs, and privatized a major bank. The authorities are continuing market-oriented structural reforms at a steady pace, but as initial reforms are completed, reforms are becoming more challenging.

Recommendations	Current Status
<p>State footprint in the economy. <i>Reduce the role of the state in the economy to create an environment conducive to private sector job creation, by further opening up markets and enhancing competition, while improving governance and the rule of law. Adopt several new laws to facilitate this process (i.e., privatization, state ownership, competition), transition away from frequent decrees towards a market-oriented framework, and continue efforts to accelerate WTO accession negotiations and certification processes</i></p>	<p>Several Laws were enacted in 2023 and early 2024: the law on privatization of state property, the law on state property management, and the law on competition. In particular:</p> <p>The law on privatization of state property enhances the powers of the State Asset Management Agency, which is responsible for developing privatization programs for medium sized and small SOEs, broadens the range of sale methods, and modernizes procedures to align them with international standards.</p> <p>The law on state property management clarifies the responsibilities of national and local authorities related to state property management to improve its effectiveness.</p> <p>The law on competition includes provisions for prevention of monopolistic activity and unfair competition. In particular, it defines what a dominant market position is, it specifies when preliminary consent for certain transactions that raise competition concerns is needed, it sets out antimonopoly compliance requirements, and it imposes financial sanctions for non-compliance. The law also sets up the competition promotion and consumer protection agency. The agency is tasked with ensuring a competitive environment and identifying and eliminating unfair competition practices.</p> <p>World Trade Organization (WTO) accession negotiations intensified with the appointment of a chief negotiator. Furthermore, Uzbekistan recently concluded bilateral negotiations with 11 countries.</p>
<p>Energy Tariffs: <i>Bring energy tariffs to cost recovery levels and ultimately to market levels, while establishing an independent energy regulator.</i></p>	<p>Energy tariff increases (i.e., electricity and gas) were implemented for legal entities in October 2023 and in May 2024 for households. Additional energy tariff increases were approved for both legal entities and households and will be implemented in 2025. While these increases represent a major step towards cost recovery, tariffs still remain below cost recovery levels. An electricity sector independent regulator was created but the legislative framework is still being worked on. An independent regulator for the natural gas sector is still under discussion.</p>

Annex VI. Uzbekistan's Climate Challenges^{1,2}

1. Uzbekistan is a small contributor to global carbon dioxide emissions—a mere 0.3 percent—but is one of the most energy-intensive economies in the world. Uzbekistan's

emission per capita is slightly above the median for emerging and developing economies. Yet, its emission per unit of output (GDP) is notably large, the third highest in the region covering the Middle East, North Africa, the Caucasus, and Central Asia. In 2019, the energy sector accounted for 74 percent of Uzbekistan's greenhouse gas emissions, and the agriculture sector 19 percent. Emissions from fossil fuel combustion and fugitive emissions make up 80 percent and 20 percent of the energy sector's emissions, respectively.



2. Uzbekistan already faces profound challenges from climate and environmental factors.

The environmental devastation caused by the drying Aral Sea, once the world's fourth-largest lake, presents significant development challenges in large parts of the country. Droughts, extreme heat, rainfall volatility, and dust storms increasingly impact the population and the economy. Areas downstream of the Amu Darya basin in Uzbekistan experience water stress and land degradation, witnessing significant out-migration. Air pollution is escalating, posing environmental and health threats. The yearly financial toll from PM2.5 pollution,³ which is particularly burdensome for women and children, could be as high as 6.5 percent of GDP.

3. Uzbekistan's susceptibility to climate effects will increase, with projected temperature increases of 1.2°C-1.9°C this century.⁴ Vulnerable regions like the northwestern Aral Sea region and southeastern provinces are at risk of glacier melts, water shortages, and mudslides. By 2050, migration hotspots are expected in the Ferghana Valley and southern irrigated lands due to reduced water and crop yields. Without adaptation, rising temperatures would reduce productivity

¹ Prepared by Etibar Jafarov.

² This annex draws heavily on the World Bank Country Climate and Development Report (CCDR), published in November 2023.

³ PM2.5 refers to fine particles of 1.5 microns or less in width that damage the respiratory system. Among the different types of air pollutants, PM2.5 kills the most people worldwide.

⁴ The estimates are based on two scenarios, "wet-warm" and "dry-hot," using fourteen underlying climate scenarios (relative to a no-climate impact assumption). The two composite scenarios average the three driest and hottest outcomes and the three wettest and warmest (less hot) outcomes.

significantly, particularly in agriculture, while water-related illnesses and declining livestock productivity would exacerbate food security issues. World Bank analysis carried out in its Country Climate and Development Report for Uzbekistan in 2023, henceforth CCDR, indicates that climate change could shrink the economy by 10 percent by 2050 compared to a scenario without climate damage. Rapid urbanization and population growth further compound climate-related challenges.

4. Uzbekistan has made emission reduction pledges and adaptation commitments. In 2018, it officially endorsed the Paris Agreement and submitted Nationally Determined Contributions (NDC), committing to reduce greenhouse gas (GHG) emissions per unit of GDP by 10 percent by 2030, compared to the 2010 baseline. In 2021, Uzbekistan bolstered its commitment by increasing its GHG reduction target to 35 percent (by 2030). The country also pledged to reduce methane emissions by 30 percent by 2030 and adopted a Program and a Plan of Action for Transitioning to a Green Economy and Ensuring Green Growth by 2030 (Presidential Decree No. PP-436 of December 2, 2022), focusing on expanding renewable energy capacity and reducing energy consumption (per unit of production). The NDCs' adaptation goals aim to enhance infrastructure and ecosystem resilience, safeguard biodiversity, and mitigate the impacts of the Aral Sea basin's degradation.

5. Uzbekistan has implemented and is planning specific measures to meet climate commitments. Recent steps include raising energy prices for legal entities in October 2023, which will promote resource efficiency, launching a digital platform for obtaining solar panels and solar water heaters, and initiating the iCRAFT project (with support from the World Bank), which aims to reduce greenhouse gas emissions through carbon emission reduction credits for sale on international carbon markets. Plans are underway to raise energy prices for individuals in May 2024 and achieve the full cost recovery in 2026, further improving energy resource efficiency. Uzbekistan is also planning measures to increase water efficiency (e.g., through using water-saving technologies such as drip irrigation, construction and re-construction of irrigation networks, and digitalization of irrigation networks), diversify crops (by introducing drought-resistant crops), reforest degraded land, improve waste management, and develop early warning systems for hydro-meteorological hazards.

6. Uzbekistan can benefit from more climate actions. The CCDR's key macro critical messages include the following:

- **Energy pricing is a key policy lever for a green transition.** It is critical for Uzbekistan to complete energy sector subsidy reform by adhering to the commitments it made on tariff reform for electricity and gas to achieve cost recovery by 2026. Uzbekistan may want to consider developing market-based incentives to decarbonize, such as a carbon tax.⁵
- **Protecting the vulnerable must be an integral part of energy price policies.** Tariff increases and a carbon tax introduction would raise expenses for essentials, requiring assistance to the

⁵ A carbon tax would help with i) shifting away from carbon-intensive products by increasing their cost, ii) incentivizing investments in green technologies by increasing their returns, and iii) generating revenue to address fiscal constraints. While this may temporarily reduce economic growth as the economy adjusts to new relative prices, the efficiency gains from modern, low-carbon infrastructure and opportunities in green markets are expected to enhance long-term growth prospects.

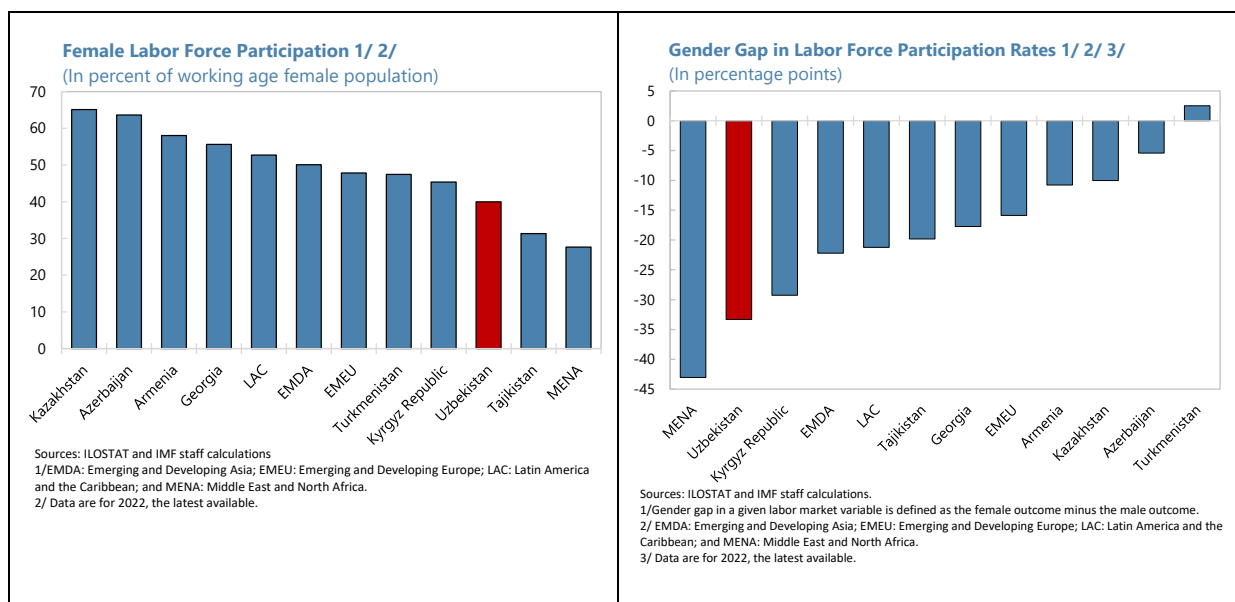
vulnerable segments of the population. Fiscal savings from subsidy reform and carbon pricing can be used for targeted support. Social protection would also need to be strengthened to help the poor cope with transition costs.

- **By pursuing carbon neutrality, Uzbekistan can strengthen energy security and achieve \$66 bn of avoided gas imports.** A green transition led by behavioral change and targeted policies and investments will promote more efficient energy use and support energy security by reducing the reliance of the economy on imported natural gas, lowering the need for net energy import dependency to 8 percent by 2060 compared to a do-nothing scenario where energy import dependence could reach 66 percent by 2060. With natural gas running out, the energy system in Uzbekistan is at a crossroads. Uzbekistan's gas-dependent economy is gradually running out of domestic gas, with the gap between domestic production and peak gas demand increasing every year.
- **There is a need to invest in clean technologies and business models.** Investment returns are expected to offset their costs. In this context, important measures include decommissioning inefficient gas plants, electrification of transportation, and widespread use of green hydrogen.
- **Uzbekistan's emerging private sector is central to a green transition and growth, requiring essential reforms to ensure market competitiveness.** There is potential for significant private sector funding for the green transition, highlighting the important role of the Central Bank's oversight of green lending, government-backed green finance incentives, and climate-related disaster insurance. The transition not only promises job creation but also positions Uzbekistan to capitalize on growing green markets, particularly in machinery and electronics, with a potential \$2 billion in green exports. Skill development through education will be key for people to benefit from the green transition. Foundational skills, especially in STEM and vocational training for green sector jobs, need to be enhanced.
- **Public expenditure management needs to improve to create fiscal space for financing necessary climate-related actions.** To adapt to the adverse impacts of climate change, Uzbekistan would need additional investment of US\$46.7 billion over 2023-2060 (in present value terms) in a wet-warm scenario and US\$59.8 billion in a more severe dry-hot scenario. Some of this will need to be financed from public sources, but funding just one-third from such sources would strain public finances under current trends. Thus, Uzbekistan needs to improve expenditure management and enhance spending efficiency to free up fiscal space to finance some of the costs of the green transition.

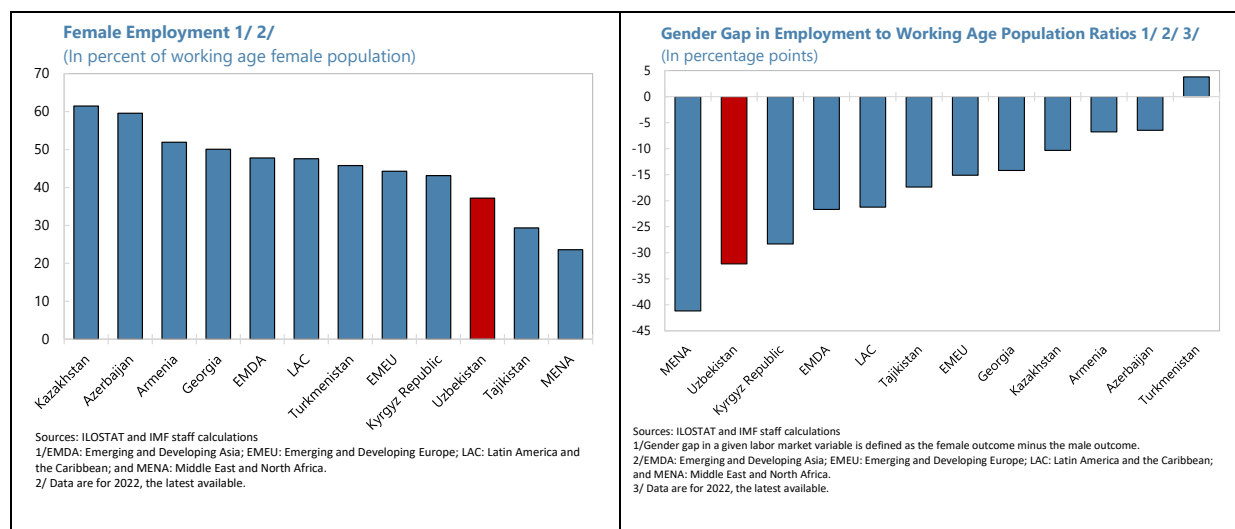
Annex VII. Reducing Gender Gaps in Uzbekistan¹

1. Uzbekistan has made significant strides in empowering women in recent years. It has strengthened the legal support system for women, including by integrating gender principles in the new Labor Code, abolishing restrictions on the use of women's labor in certain sectors, passing legislation to criminalize gender-based domestic violence, imposing stricter penalties for sexual harassment, and implementing ILO and UN conventions on women's rights. Uzbekistan prohibits gender-based wage discrimination, has started supporting women's education by providing non-interest loans and financing graduate studies, and has notably increased female representation in parliament in recent years. It has also made significant progress on childcare provision, with kindergarten enrollment rates surging from 27.7 percent in 2017 to 67.2 percent in 2022 although childcare for younger children is lagging. Notably, Uzbekistan approved a strategy for Gender Equality by 2030 that aims to boost women's participation in all spheres of life.

2. Nonetheless, gender imbalances remain a challenge in Uzbekistan's labor markets. The labor force participation rate for women is low by global standards and is 32 percentage points lower than that for men. This gap is almost twice the average gap in Emerging Europe, one and a half times the average gap in Emerging and Developing Asia and Latin America and the Caribbean, and much higher than in most Central Asian and Caucasus countries. Large gender gaps in employment are also evident and mirror those in participation.



¹ Prepared by Etibar Jafarov.



3. Closing gender gaps in labor force participation rates alone could lead to a sizable boost to GDP, as in doing so, countries would not only augment their labor input but also better optimize talent utilization, resulting in increased productivity.² Reducing labor force participation gender gaps in line with the average decrease observed in the 5 percent of countries with the largest gender gap reductions during 2014-2019 would increase GDP by 7.7 percent, on average across countries (IMF, 2024). Evidence from some 128 emerging and developing economies suggests that fully closing participation gaps could yield GDP gains of up to 23 percent, on average (Ostry and others, 2018). Moreover, if men and women had equal job opportunities, overall income in Central Asia countries could rise by at least 27 percent, and if women’s incomes were to be raised to men’s levels, over 700,000 people in Uzbekistan could be lifted out of poverty (World Bank, 2023).

4. Uzbekistan can boost female labor participation and employment potential. Reforms to maternity leave benefits, utilization of paternity leave, and the provision of affordable high-quality childcare, particularly for children up to 3-year-old, would incentivize more women to join the workforce. Improving infrastructure, especially in rural areas, can facilitate access to job opportunities. Additionally, fostering female entrepreneurship and creating a conducive business environment, including through improving access to finance, can spur women’s participation and employment. Addressing the prevalence of the informal economy, which disproportionately affects women, including by simplifying regulations, cutting red tape, and providing relevant training can further encourage the transition of more workers, particularly women, into the formal sector, enhancing employment quality. The government should abolish the list of professions deemed unsuitable for women. At the same time, investing in education and skills development is crucial to equip women with the necessary qualifications for employment. Specifically, closing gender gaps in tertiary education, especially in the fields of science, technology, engineering, and mathematics (STEM),³ can significantly improve the employability of future female workers.

² IMF (2024), Ashraf and others (2022), Ostry and others (2018), Petersson and others (2017), Hsieh and others (2019).

³ While women in Uzbekistan have good access to education overall, they are underrepresented in tertiary education, particularly in STEM fields, limiting their participation in high-growth sectors. For example, there are only 84 women for every 100 men in higher education institutions and 63 women for every 100 men enrolled in research topics. Women accounted for only 21 percent of science, technology, engineering, and mathematics graduates in 2019.

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Annex VIII. Capacity Development Strategy

<p>Overall CD Strategy</p>	<p>Overview: Uzbekistan is a large recipient of CD. For FY24, 25 CD projects have been planned at a cost of US\$ 3.5 million. Assistance is being provided by FAD, ICD, LEG, MCM, and STA. Uzbekistan is an intensive surveillance country. In 2017, the country began an ambitious reform agenda, and the authorities' engagement is high. IMF CD is designed to support Uzbekistan's transformation from a state-led to a market-oriented economy, including by adopting international best practices. The authorities' ownership of reforms has driven engagement on IMF CD.</p> <p>Challenges: The authorities have limited capacity to absorb CD assistance and progress has slowed in some areas (e.g., budget preparation, government finance statistics (GFS), bank restructuring) in part due to high staff turnover. The authorities are still reforming the structure of government, sometimes resorting to ad hoc intervention. Coordination among the large number of CD providers is an area for improvement.</p>
<p>Background</p>	
<p>Recent CD Engagement</p>	<p>FAD provided CD on tax policy (strategy, tax policy unit, micro-simulation models, VAT & excises, property, natural resources, and international taxes); tax administration (structure of the state tax committee, large taxpayer office, auditing, and tax compliance); and public financial management (fiscal accounts, budget preparation, fiscal strategy and rules, public investment management, and fiscal risks). A tax administration LTX in the state tax committee and a PFM LTX in the Ministry of Economy and Finance (MEF) support the implementation of FAD's CD advice.</p> <p>ICD and JVI, in coordination with FAD, provided customized training on macro-forecasting to an inter-ministerial group led by the MEF that develops government macro forecasts.</p> <p>LEG provided HQ-based assistance on improving governance, including asset declarations for civil servants, and combating corruption. LEG participated remotely in the 2022 Article IV consultation and in person in the 2024 consultation.</p> <p>MCM provided CD on monetary and FX operations; central bank accounting, communications, and internal risk management; emergency liquidity assistance; debt management; macroprudential policy; and stress testing. A resident expert supports the central bank's financial stability department. Financial sector technical assistance has been provided under the TA Roadmap laid out by a Financial Sector Stability Review (December 2020).</p> <p>STA provided CD on a variety of statistics: balance of payments, monetary and financial, GFS, public debt, national accounts, and prices (export, CPI, PPI, & real estate). Uzbekistan is also receiving CD with the goal of joining the SDDS.</p>

	CCAMTAC boosted CD to Uzbekistan, supporting missions on GFS, PFM, macro forecasting, national accounts, and reserve requirements.
Effectiveness (Strong)	Due to the authorities' strong ownership and the provision of substantial IMF CD, Uzbekistan has made significant progress. With help from FAD, the government has steadily improved fiscal accounts and transparency, created a debt management office, and made progress on fiscal forecasting, fiscal rules, and fiscal risk analysis. Additional progress is needed on budget preparation and execution, public investment, public expenditure rationalization, debt management, PPPs (including management of associated fiscal risks), and GFS statistics (including achieving sustained reporting and broadening coverage to SOEs). With help from LEG and MCM, central bank, banking, and debt management laws have been passed that form a solid basis for inflation targeting, improving banks' health, and strengthening debt management. Ongoing assistance from ICD/JVI has helped to improve macro-forecasting capabilities and inter-agency coordination. Data quality and timeliness have greatly improved thanks to STA's CD.
Traction (5 out of 5)	The authorities have been highly cooperative and engaged. Reasons for delayed implementation (e.g., energy tariff reform, GFS reporting interruption) include political economy considerations, lack of capacity, premature implementation of reforms, and high staff turnover. Frequent and deep engagement by the country team and CD departments has improved focus and traction.
Implementation	
Near-Term TA Priorities	<p>FAD:(i) PFM (budgeting, expenditure control, fiscal risks); (ii) expenditure rationalization (including the public wage bill) (iii) revenue and customs administration (audit plan preparation and execution, risk-based audit selection, customs administration diagnostics); and (iv) tax policy (CIT, PIT, Excises). Facilitate tax policy CD implementation with a workshop for the new tax policy authorities, summarizing past tax policy CD advice and taking stock of implementation.</p> <p>ICD: Inter-agency macro & macro-fiscal forecasting.</p> <p>MCM: (i) Stress testing, systemic risk analysis, and bank restructuring; (ii) financial system regulation & supervision including loan classification; (iii) macroprudential policy (with help from the LTX); (iv) FX market policy and operations; and (v) securities depository and repo market development.</p> <p>STA: (i) Restarting GFS reporting; (ii) improving general government statistics to integrate accounts of the development fund and budgetary organizations and adhere to international standards by separating out asset/liability transactions; and (iii) expanding GFS coverage to large SOEs and those that pose high fiscal risks.</p>

	Delivery of these near-term TA priorities should be paced considering the authorities' ability to absorb and implement the TA and be as "hands on" as possible given the extensive diagnostic TA already provided in many of these areas.
Medium-Term TA Priorities	FAD: Civil service reform, pension reform, further social safety net reform, and public investment management. MCM: Local debt markets development. STA: Continued enhancements to balance of payments, national accounts, and price statistics which have improved substantially thanks to CD. Completion of SDDS subscription.
Training	Continue to nominate key CBU and government officials for relevant courses in all areas at the JVI, in Washington, and/or online. Continue to support JVI customized training on macro-forecasting.
Authorities' Views	The authorities appreciate the IMF's substantial CD, which has increased the traction of IMF policy advice. They are interested in broadening CD to civil service reform and public investment management.
Key Partners	Engagement between the authorities, functional departments, and MCD is intensive. Coordination with other IFIs (ADB, EBRD, World Bank, and bilateral partners) is good in some areas (notably fiscal) but could be improved in others to optimize the use of CD resources and ensure the consistency of policy advice. Engagement has improved with the recent stationing of a Resident Representative in Tashkent and the start of CCAMTAC's operations.
Strengthening Implementation	The country team and CD departments will continue frequent and strong engagement with the authorities, each other, and other CD providers.
Outreach	Some areas of CD could benefit from further outreach, such as outreach on the budget with the Chamber of Accounts and Parliament; on tax policy, tax administration, and customs administration with the chamber of commerce; and on energy reforms with state enterprises. It may be helpful to explain Fund advice to parts of the government that are not direct counterparts and disseminate CD reports more widely to the extent the authorities authorize their public dissemination.

Key CD priorities for the next three years: List top 3 TA priorities (in order of priority) from the list above (within or across CD departments) and describe main objectives.

Workstream	FY24-26
<p>Priority 1: Strengthen Fiscal and Financial stability frameworks and institutions</p>	<p>The government needs to improve budget management, expenditure control, fiscal reporting (i.e., GFS reporting with expanded coverage to SOEs), fiscal strategy, and management of fiscal risks, especially those arising from SOEs and PPPs. The central bank needs to develop its systemic risk management tools to better monitor risks in the financial system and stand ready to reduce them as needed, especially in the context of rapid credit growth in recent years and as state banks are reformed and/or privatized.</p>
<p>Priority 2: Assist in the implementation of specific fiscal reforms to support the authorities' consolidation plans.</p>	<p>The government needs to review the design of the CIT and PIT and improve tax and customs administration to broaden the tax base and facilitate fiscal consolidation. Risk-based taxpayer audits should be undertaken to increase the probability of detecting underreporting and evasion and impose penalties for non-compliance with tax obligations. This should go hand in hand with improvement in tax services to facilitate voluntary compliance with tax obligations. There is also a need to rationalize current spending to achieve the authorities' consolidation goals and improve the efficiency of public investment to boost its growth impact and further the achievement of the SDGs over time.</p>
<p>Priority 3: Continue strengthening the preparation and dissemination of economic statistics in line with international standards</p>	<p>Improvements in price statistics should continue and progress with government finance statistics discussed above would facilitate further improvements of national accounts and balance of payment statistics to be able to meet SDDS standards. IFRS should be implemented in all SOEs to facilitate privatization.</p>

Annex IX. Data Issues

Table 1. Uzbekistan: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	B		
Granularity 3/	B		C	B	A		
			A		B		
Consistency			C	B			B
Frequency and Timeliness	B	A	B	A	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p>Rationale for the assessment. Uzbekistan's official statistics are broadly adequate for surveillance. Major progress has been achieved in all sectors in recent years. Fiscal statistics are published based on national presentations and the government is working to produce data according to standard Government Financial Statistics (GFS). Uzbekistan has participated in the e-GDDS since 2018 and aims to subscribe to the SDDS in the near future.</p>							
<p>Changes since the last Article IV Consultation. In 2023, the State Committee for Statistics was brought under the Office of the President and charged with improving economic statistics including participation in the IMF's Special Data Dissemination Standard (SDDS). The Committee has streamlined almost all statistical data collection forms and compiled discrete quarterly GDP statistics. Estimates of the non-observed economy have been compiled using the labor input method. The Statistics Committee has conducted sector-specific surveys to improve the estimates. The Ministry of Finance and Economy (MoEF) has broadened coverage of the budget to include other accounts of budgetary organizations. The Central Bank of Uzbekistan (CBU) is enhancing the direct investment and goods trade data based on improved data sources and alternative datasets.</p>							
<p>Corrective actions and capacity development priorities. Government statistics could be improved to bring them more in line with international standards, particularly with regard to expenditure classification and GFS reporting. There also remains a significant discrepancy between the financing of the budget based on above-the-line and below-the-line data. National accounts data would be improved by distinguishing public and private investment. External sector data are adequate but the sizeable errors and omissions should be addressed. Adjustments should also be made in personal transfer data for 2022 and 2023. In addition, the authorities should fully compile the reserves adequacy template which is needed for subscription to the SDDS. Lastly, Uzbekistan should consider participating in the coordinated direct investment and the coordinated portfolio investment surveys.</p>							
<p>Use of data and/or estimates different from official statistics in the Article IV consultation. Staff use official statistics for all sectors. Staff adjusts government budget statistics for policy lending and privatization to bring them in line with GFS.</p>							

Table 2. Uzbekistan: Data Standards Initiatives

Uzbekistan participates in the Enhanced General Data Dissemination System (e-GDDS) and has published the data on its National Summary Data Page since May 2018.

Table 3. Uzbekistan: Table of Common Indicators required for Surveillance

As of May 7, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Uzbekistan ⁸	Expected Timeliness ^{6,7}	Uzbekistan ⁸
Exchange Rates	May 06, 2024	May 07, 2024	D	D	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Apr 2024	May 2024	M	M	M	M	1M	1M
Reserve/Base Money	Apr 2024	May 2024	Q	Q	M	M	2M	2M
Broad Money	Apr 2024	May 2024	Q	Q	M	M	1Q	1Q
Central Bank Balance Sheet	Apr 2024	May 2024	Q	Q	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	Apr 2024	May 2024	Q	Q	M	M	1Q	1Q
Interest Rates ²	May 06, 2024	May 07, 2024	D	D	M	M	...	2M
Consumer Price Index	Mar 2024	Apr 2024	M	M	M	M	2M	10D
Revenue, Expenditure, Balance and Composition of Financing ³ –General Government ⁴	Mar 2023	May 2024	Q	Q	A	Q	3Q	40D
Revenue, Expenditure, Balance and Composition of Financing ³ –Central Government	Mar 2023	May 2024	Q	Q	Q	Q	1Q	1Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec 2023	Apr 2024	Q	Q	Q	Q	2Q	2Q
External Current Account Balance	Dec 2023	Mar 2024	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Mar 2024	Apr 2024	Q	Q	M	M	12W	20D
GDP/GNP	Dec 2023	Mar 2024	Q	Q	Q	...	1Q	...
Gross External Debt	Dec 2023	Mar 2024	Q	Q	Q	Q	2Q	2Q
International Investment Position	Dec 2023	Mar 2024	Q	Q	A	Q	3Q	1Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



REPUBLIC OF UZBEKISTAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

May 28, 2024

Prepared By

The Middle East and Central Asia Department

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FUND RELATIONS

(As of April 30, 2024)

The latest data may be found by going to the [IMF Members' Financial Data by Country](#) website and choosing Uzbekistan and the date.

Membership Status:

Date of membership: September 21, 1992
Status: Article VIII

General Resources Account:	SDR Million	Percent of Quota
Quota:	551.20	100.00
IMF Holdings of Currency	665.92	120.81
Reserve Tranche Position	0.01	0.00

SDR Department:	SDR Million	Percent of Quota
Net Cumulative Allocation	791.09	100.00
Holdings	419.58	53.04

Outstanding Purchases and Loans:

Emergency Assistance (RFI) ¹	114.72	20.81
RCF Loans	92.05	16.70

¹Emergency Assistance may include ENDA, EPCA, and RFI.

Latest Financial Commitments:

Arrangements:	Date of	Expiration	Amount	Amount
Type	Arrangement	Date	Approved	Drawn
			(SDR Million)	(SDR Million)
Stand-By	Dec 18, 1995	Mar 17, 1997	124.70	65.45

Outright Loans:	Date of	Date	Amount	Amount
Type	Commitment	Drawn/Expired	Approved	Drawn
			(SDR Million)	(SDR Million)
RFI	May 18, 2020	May 20, 2020	183.55	183.55
RCF	May 18, 2020	May 20, 2020	92.05	92.05

Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e., Board approval date.

Projected Payments to Fund ²

(SDR Million; based on existing use of resources and present holdings of SDRs):

	2024	2025	2026	2027	2028
Principal	68.83	55.09	18.41	18.41	18.41
Charges/Interest	15.12	16.32	15.26	15.26	15.27
Total	83.95	71.41	33.67	33.67	33.68

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:	Not Applicable
Implementation of Multilateral Debt Relief Initiative (MDRI):	Not Applicable
Implementation of Catastrophe Containment and Relief (CCR):	Not Applicable

Exchange Rate Arrangements

Uzbekistan accepted the obligations of Article VIII Sections 2(a), 3, and 4 of the Fund’s Articles of Agreement and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and of multiple currency practices.

According to the authorities, the de jure exchange rate arrangement is floating. The exchange rate is determined based on foreign currency supply and demand on Uzbekistan’s currency exchange. The Central Bank of the Republic of Uzbekistan (CBU) has a priority right to directly buy gold produced in Uzbekistan, acting as supplier in the foreign exchange market in amounts equivalent to the value of gold purchased from producers. The CBU also intervenes in the foreign exchange market to smooth out undue short-term volatility. Foreign exchange sales by the CBU in the foreign exchange market are not directed at affecting the fundamental trend of the exchange rate and are driven by the aim of sterilizing additional liquidity from the CBU purchases of gold. The exchange rate of the sum to the US dollar is used as an operational benchmark, as most trading operations are carried out in US dollars. Under the IMF’s classification system, the de facto exchange rate arrangement is classified as crawl-like given a predictable nominal exchange rate path with minimal day-to-day volatility.

Article IV Consultation

The Republic of Uzbekistan is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation was concluded on June 15, 2022.

Resident Representative

The IMF has had a resident representative in Uzbekistan since December 2020. Previously, a resident representative office was open in Tashkent from September 1993 to April 2011.

RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

As of May 7, 2024

Asian Development Bank:

- Country page: <https://www.adb.org/countries/uzbekistan/main>
- ADB project operations: <https://www.adb.org/projects/country/uzbekistan>

European Bank for Reconstruction and Development:

- Country page: <https://www.ebrd.com/uzbekistan.html>
- EBRD's lending portfolio: <https://www.ebrd.com/work-with-us/project-finance/project-summary-documents.html?c38=on&keywordSearch=>

World Bank Group:

- Country page: <https://www.worldbank.org/en/country/uzbekistan>
- Overview of World Bank project list: https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&countrycode_exact=UZ&os=0



REPUBLIC OF UZBEKISTAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS

May 29, 2024

Approved By
Thanos Arvanitis and Jarkko Turunen
(IMF) and **Asad Alam and Manuela**
Francisco (IDA)

Prepared by the International Monetary Fund and the International Development Association.

Risk of External Debt Distress	Low
Overall Risk of Debt Distress	Low
Granularity in the Risk Rating	Not Applicable
Application in Judgement	No

Staff assesses Uzbekistan's risk of external debt distress as low¹ and debt carrying capacity as strong.² Under the baseline scenario, public and publicly guaranteed (PPG) external debt and total external debt gradually fall from their levels of 34 and 60 percent of GDP, respectively, in 2023.³ PPG external debt path is modestly lower than in the [previous DSA of June 2022](#), largely due to higher projected GDP growth. The total external debt-to-GDP ratio is modestly higher, mainly due to a higher initial total external debt ratio.

Under stress scenarios, all indicators for PPG external debt would remain below relevant thresholds, although the debt service-to-exports ratio would approach, but not exceed, its threshold under a combination shock. The probability that risks will materialize is about the same as in the 2022 DSA. The risks of commodity price volatility and global or regional

¹ This DSA was prepared jointly by IMF and World Bank staff and is based on the Joint Bank-Fund Low-Income Country Debt Sustainability Analysis (LIC-DSA) methodology.

² Uzbekistan's Composite Indicator score is 3.24 based on data from the [April 2024 World Economic Outlook](#) and 2022 [Country Policy and Institutional Assessment](#), corresponding to a strong debt carrying capacity.

³ Due to a difference in the calculation method, the external debt to GDP ratios in this DSA differ marginally from the ratios calculated by Uzbekistan's authorities and by the IMF in the Staff Report for the 2024 Article IV Consultation. In this DSA, the PPG external debt-to-GDP ratio is computed by dividing the debt stock in domestic currency by GDP in domestic currency (i.e., PPG external debt is converted from US dollars to domestic currency using the end of period exchange rate). The private external debt-to-GDP ratio is computed by dividing the debt stock in US dollars by GDP in US dollars (i.e., GDP is converted from local currency to US dollars using the annual average exchange rate). In Table 1 of the Staff Report, the ratios of PPG and private external debt to GDP are both computed in local currency. The difference between the average and end of period exchange rates causes a small difference in debt-to-GDP ratios computed in local currency and US dollars.

instability remain elevated, while the risks of a global growth slowdown or miscalibration of monetary policy have receded. Risks are mitigated by Uzbekistan's substantial foreign exchange reserves, the large share of official borrowing, and prudent government policies. Foreign exchange reserves stood at 9 months of imports, 38 percent of GDP at end-2023, and substantially above the IMF's reserve adequacy metric⁴. Rollover risk is low as PPG external borrowing is mostly multilateral and bilateral borrowing at long maturities and relatively low interest rates. The government has implemented limits on new commitments of PPG external debt in the annual budget law and a limit on total PPG debt to 60 percent of GDP in the 2023 public debt law. The public debt law also authorizes the introduction of a ceiling on PPP related guarantees.

The IMF and World Bank encourage Uzbekistan's authorities to continue carefully managing fiscal balances and public and external borrowing. Continued improvements in budgeting and public investment management would strengthen Uzbekistan's fiscal management. The authorities are also encouraged to implement additional limits on contingent liabilities that could arise from non-guaranteed debt of state-owned enterprises (SOEs) or PPPs.

⁴ See the External Sustainability Assessment Annex of the Republic of Uzbekistan—Staff Report for the 2024 Article IV Consultation

PUBLIC DEBT COVERAGE

1. Public debt coverage is broad (Text Table 1). Public debt coverage used in this analysis is appropriate and comprises public and publicly guaranteed (PPG) debt of the central, regional, and local governments; extra-budgetary funds (including the pension fund); and state enterprises. At end-2023, total PPG debt amounted to 36.3 percent of GDP, of which public debt was 29.8 percent of GDP and publicly guaranteed debt was 6.6 percent of GDP. PPG debt excludes non-guaranteed debt of state enterprises and debt of PPPs. Non-guaranteed debt of state enterprises was estimated at 25.6 percent of GDP at the end of 2023, of which non-guaranteed debt of state banks was estimated at 9.5 percent of GDP, and that of non-financial public corporations (NFPCs) was estimated at 16.1 percent of GDP. PPG debt does not include PPP related guarantees. The nominal value of PPPs outstanding was estimated at about 20 percent of GDP at end-2023. The government does not have outstanding debt to the central bank. External debt is based on residency.

Text Table 1. Uzbekistan: Coverage of Public Sector Debt

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	X
3 Other elements in the general government	X
4 o/w: Social security fund	X
5 o/w: Extra budgetary funds (EBFs)	X
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

2. Contingency stress tests are based on standard parameters except for non-guaranteed SOE debt (Text Table 2). As non-guaranteed SOE debt is substantial, the shock is assumed to be 35 percent of the outstanding stock rather than the standard shock of 2 percent of GDP. Standard shocks are used for default of PPPs (35 percent of the outstanding stock) and the financial market (5 percent of GDP).

Text Table 2. Uzbekistan: Magnitude of Contingent Liability Stress Test

1	The country's coverage of public debt	The general government, central bank, government-guaranteed debt			
		Default	Used for the analysis	Reasons for deviations from the default settings	
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	8.8	Non-guaranteed SoE debt stock (25% of GDP) * shock (35%)
4	PPP	35	percent of PPP stock	7.0	Nominal value of PPPs (20% of GDP) * shock (35%)
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			20.8	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

DEBT BACKGROUND

3. Uzbekistan’s public and external debt rose rapidly prior to 2020 but has remained stable since then (see Table 2). Total PPG debt doubled to 19 percent of GDP in 2017 as the exchange rate depreciated as the authorities began economic reforms. It increased to 37 percent of GDP at end-2020, primarily as the government borrowed from multilateral and bilateral creditors and guaranteed bilateral loans to finance its reform efforts. At the end of 2023, total PPG debt was 36.3 percent of GDP (US\$ 31.4 billion). Of this amount, PPG external debt was 34.3 percent of GDP (US\$ 29.6 billion), up 2 percentage points of GDP from a year earlier. The main contribution to the increase was the rise in the primary fiscal deficit by 1.3 percentage points of GDP compared to 2022. In 2023, Uzbekistan issued Eurobonds with nominal values of USD 660 million and UZS 4.25 trillion (about USD 350 million). Government domestic debt has grown rapidly in recent years as the government seeks to develop the local debt market. It reached 2.1 percent of GDP at end-2023, up from 0.6 percent of GDP at end-2021 and 1.5 percent of GDP at end-2022, but still only represents 6 percent of total PPG debt. Total external debt (the sum of PPG debt, non-guaranteed SOE debt, and private external debt) was 60.0 percent of GDP (US\$ 53 billion) at end-2023, up 5.7 percentage points of GDP from a year earlier.

4. The composition of external debt reduces Uzbekistan’s exposure to shocks (Text Table 3). Uzbekistan primarily borrows from official creditors at long maturities.

- **Type of Creditor:** As of end-2023, multilateral creditors provided just over half of Uzbekistan’s total PPG debt financing, while bilateral creditors provided almost a third, commercial creditors provided 12 percent, and domestic residents provided 6 percent. Among multilateral institutions, the Asian Development Bank and World Bank are the largest creditors. Among bilateral donors, China and Japan are the largest creditors. Most commercial debt is in the form of Eurobonds.
- **Public and Guaranteed:** Of total PPG debt, about three-quarters is public external debt, 18 percent is publicly guaranteed external debt, and 6 percent is public domestic debt. Of public domestic debt, about one-third has a maturity of less than a year, while about two-thirds has a maturity of 1–5 years. Interest rates on domestic debt are generally 18–19 percent, compared to the central bank’s policy rate of 14 percent, and consumer inflation at about 9 percent at end-2023.
- **Use of Debt:** Of total PPG debt outstanding, more than 40 percent has been used for budget financing. The remaining portion has been used for project financing, which went primarily to the energy, agriculture, transportation, and housing.

Text Table 3. Uzbekistan: Total Public and Publicly Guaranteed Debt Stock
As of December 2023

	USD Blns	% of GDP	% of Total
By Creditor Type	\$31.4	36.3%	100%
External	\$29.6	34.3%	94%
Multilateral	\$16.6	19.2%	53%
Bilateral	\$9.3	10.7%	30%
Commercial	\$3.7	4.3%	12%
Domestic	\$1.8	2.1%	6%
Domestic (in UZS trillions)	21.9		
By Public & Guaranteed	\$31.4	36.3%	100%
Public	\$25.7	29.7%	82%
External	\$23.9	27.7%	76%
Domestic	\$1.8	2.1%	6%
Publicly Guaranteed	\$5.7	6.6%	18%
By Use	\$31.4	36.3%	100%
Budget financing	\$13.4	15.5%	43%
Project financing	\$18.0	20.8%	57%
Energy	\$5.8	6.7%	18%
Agriculture	\$2.8	3.2%	9%
Transportation	\$2.8	3.2%	9%
Housing	\$2.6	3.0%	8%
Other	\$4.1	4.7%	13%

Sources: Authorities' data and IMF and World Bank staff estimates.

RECENT DEVELOPMENTS AND UNDERLYING ASSUMPTIONS

A. Assumptions for the Macroeconomic Forecast

5. Since the June 2022 DSA, macroeconomic conditions have improved as the COVID pandemic subsided, but risks from volatile commodity prices and regional conflicts remain elevated.⁵ In particular:

- **Growth:** In 2023, real GDP growth remained robust, rising to 6.0 percent from 5.7 percent in 2022. Growth of agriculture increased to 4.1 percent, manufacturing to 6.7 percent, and wholesale trade to 9.9 percent. Information and communication, trade, tourism, and accommodation services increased strongly, which was partially offset by a deceleration of growth of transportation to 8.0 percent and other services to 4.5 percent. Growth was also boosted by a 1.3 percentage points of GDP expansion of the primary fiscal deficit in 2023 compared to 2022.

Over the medium term⁶, staff projects Uzbekistan real growth rate will average 5.5 percent, up 0.5 percentage points from the 2022 DSA. Significant ongoing investments in the mining sector

⁵ For additional detail, see Republic of Uzbekistan: 2024 Article IV Consultation-Press Release and Staff Report.

⁶ The medium term is the five-year projection period, 2024-2029 for this DSA and 2022-2027 for the 2022 DSA.

and continuing strong demand for housing led to upward revisions in projected growth rates for mining and construction.

- **Inflation:** In 2023, annual average consumer price inflation fell to 10 percent from 11.4 percent in 2022. In 2024, inflation is expected increase to 11.5 percent due to increases in administered energy prices. The medium-term projection reflects a slower decline of inflation, which was boosted by higher commodity prices in 2022. Nonetheless, the authorities are expected to maintain a relatively tight monetary policy that will help bring inflation gradually down to the authorities' 5 percent inflation target.
- **Fiscal outlook:** Uzbekistan's primary deficit increased from 3.5 percent of GDP in 2022 to 4.8 percent of GDP in 2023, reflecting lower than expected revenues, particularly corporate and value added taxes, and higher expenditure on energy subsidies, wages, and social benefits.

Over the medium term, Uzbekistan's fiscal deficit is projected to decline, with the primary deficit falling to 2.0 percent of GDP in 2029. Overall revenues are expected to rise, particularly from corporate and individual income taxes, the value added tax, and improvements in revenue administration. Primary expenditures are expected to decline, particularly due to a decline in energy subsidies.

- **External outlook:** In 2023, the non-interest current account fell to a deficit of 6.2 percent of GDP compared to a deficit of 1.9 percent of GDP in 2022. This was primarily due to a strong increase in fixed investment in 2023 that led to a surge in imports of machinery and equipment, a return of remittances to the pre-2022 trend, and an increase in repatriation of earnings by foreign-owned enterprises.

Over the medium term, staff expects the non-interest current account deficit to fall to 2.6 percent of GDP in 2029, somewhat lower than projected in the previous DSA.

- **Financing Strategy:** From 2019 to 2023, Uzbekistan's overall fiscal deficit averaged 4.7 percent of GDP. Deficits have primarily been financed with external borrowing. As of end-2023, the outstanding stock of multilateral debt stood at 19.2 percent of GDP, bilateral debt stood at 10.7 percent of GDP, commercial borrowing (primarily Eurobonds) 4.3 percent of GDP, and domestic bills and bonds at a modest 2.1 percent of GDP. The government has obtained additional financing from privatization proceeds and occasionally from Uzbekistan's Fund for Reconstruction and Development. In some years, total financing exceeded the fiscal deficit leading to accumulation of government deposits at commercial banks.

Over the medium term, financing needs are expected to decline as the government reduces in the fiscal deficit towards its goal of 3 percent of GDP. **External financing** is expected to continue to provide about three-quarters of total financing. Most external debt disbursements are expected to be multilateral, but about one third are assumed to come from net issuance of Eurobonds. The share from net issuance of Eurobonds, however, will ultimately depend on market conditions. **Domestic financing** will come primarily from net issuance of domestic bonds and privatization receipts (each expected to average about 0.5 percent of GDP over the medium term), with some drawdown of government deposits.

Text Table 4. Uzbekistan: Comparison of Key Macroeconomic Assumptions
(Percent of GDP unless otherwise indicated)

DSA Vintage:	Actual	June 2022 Art IV		Current	
Key macroeconomic variables (annual averages)	2019-23	2022-27	2028-42	2024-29	2030-44
		(percent change)			
Real GDP growth	5.4	5.0	5.1	5.5	5.5
GDP deflator (UZS)	12.8	8.8	5.6	9.6	7.0
Nominal GDP (UZS)	26.6	14.2	11.0	12.2	12.9
Exports of goods & services (USD)	10.1	14.1	7.7	10.5	10.0
		(percent of GDP)			
Fiscal balance					
Revenues & grants	27.6	27.9	28.7	29.8	32.3
Primary expenditure (including policy lending)	32.0	31.1	31.0	31.8	33.7
Primary deficit (incl policy lending)	4.3	3.2	2.3	2.0	1.4
		(percent of GDP)			
External balance					
Non-interest current account deficit	4.4	4.6	3.3	3.3	2.3
Current account deficit	5.9	6.2	5.0	6.0	5.0

Source: Authorities' data and IMF and World Bank staff estimates.

A. Realism Tools

6. The realism tools show that Uzbekistan's debt has increased more rapidly than for other low-income countries.

- **Forecast errors.** Over the last 5 years, the cumulative increase in Uzbekistan's PPG debt was 17 percent of GDP (about the 75th percentile for low-income countries) and the increase in external debt was 15 percent of GDP (about the 65th percentile) (see Figure 3). For **PPG debt**, most of the unexpected change in debt came from larger than expected primary fiscal deficits. For **external debt**, the largest, unexpected change came from the residual (SOE borrowing).

Both PPG and total external debt are projected to decline significantly over the next 5 years. For PPG debt this reflects lower projected primary deficits. For external debt, higher than projected direct investment inflows largely account for the improvement.

- **Fiscal adjustment.** The realism tools (Figure 4) suggest that the projected fiscal adjustment over the next three years is high (around the 80 percentile) relative to historical adjustments by low-income countries. However, research on fiscal adjustment (Balasundharam and others (2023) on a broader sample of countries indicates that fiscal consolidations of 1-2 percentage points of GDP per year over two to three years are relatively common.⁷ Staff believes this projection is reasonable given the quality of the measures underlying the adjustment, conservative revenue assumptions, improvements in budgeting, and the government's strong commitment to reducing the fiscal deficit.

⁷ See Balasundharam et al (2023). [Fiscal Consolidation: Taking Stock of Success Factors, Impact, and Design](#). IMF Working Paper.

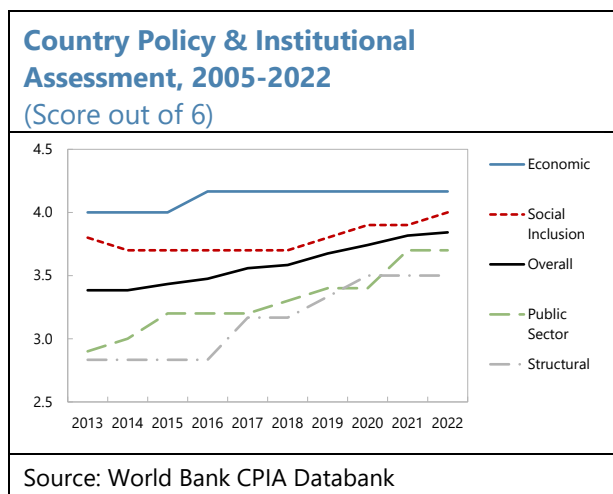
- **Investment and growth.** Over 2021-2023, government investment declined modestly to 8.7 percent of GDP, as the government implemented measures to constrain fiscal deficits.

Over the medium term, staff projects government investment will remain about 6½ percent of GDP while private investment rises by 8 percentage points to 38 percent of GDP in 2029.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

7. Uzbekistan’s debt-carrying capacity is assessed as strong.

The IMF-World Bank Composite Indicator (CI) score for Uzbekistan is 3.24, up from 3.19 in 2022.⁸ The strong CI score reflects high international reserves and a good Country Policy and Institutional Assessment (CPIA) rating. Uzbekistan’s reserves are equivalent to 9 months of prospective imports of goods and services. Its overall CPIA score has risen steadily in recent years, driven by improvements on measures of the social inclusion, public sector management, and structural policies (see Text Figure).



Text Table 5. Uzbekistan: Calculation of the Composite Index of Debt Carrying Capacity

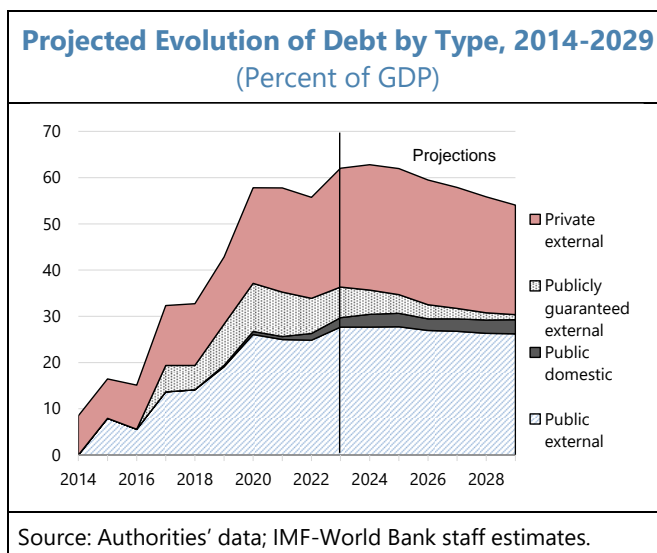
Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	3.8	1.46	45%
Real growth rate (in percent)	2.72	5.4	0.15	5%
Import coverage of reserves (in percent)	4.05	56.1	2.27	70%
Import coverage of reserves ² (in percent)	-3.99	31.5	-1.26	-39%
Remittances (in percent)	2.02	11.3	0.23	7%
World economic growth (in percent)	13.52	2.9	0.39	12%
CI Score			3.24	100%
CI rating			Strong	

CI scores are used to classify a country’s debt carrying capacity. Countries with CI scores below the 25th percentile (2.69) are classified as weak. Countries with CI scores above the 75th percentile (3.05) are classified as strong. Countries with CI scores in between are classified as medium.

⁸ Based on the April 2024 World Economic Outlook and 2022 Country Policy and Institutional Assessment.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

8. Staff assesses Uzbekistan’s risk of external debt distress as low. PPG and total external debt are projected to remain at about the same levels in 2024 as in 2023. Over the medium term, PPG external debt is projected to fall from 34 percent of GDP at end-2023 to 27 percent of GDP at end-2029. Including private external debt and non-guaranteed debt of state enterprises, total external debt is projected to fall from 60 percent of GDP at end-2023 to 51 percent of GDP at end-2029 (see Table 1). All indicators—PV of debt to GDP, PV of debt to exports, debt service to exports, and debt service to revenues—remain well below indicative thresholds under the baseline scenario.



9. The vulnerability of PPG external debt under stress scenarios depends on the type of shock (see Figure 1 and Table 3). The PV of debt-to-GDP and debt service-to-exports ratios would be most impacted by a combination shock (to real growth, the fiscal deficit, exports, transfers and FDI flows, and the exchange rate). Under this shock, the debt service-to-exports ratio would approach, but remain below, the indicative threshold of 21 percent of GDP around the year 2031 and remain elevated thereafter. The PV of debt-to-exports ratio would be most impacted by a shock to exports while the debt service-to-revenue ratio would be most impacted by a depreciation. Under the market financing risk scenario, debt indicators would rise slightly above the baseline but remain well below indicative thresholds (see Tables 3 and 4). To mitigate these risks, the government should carefully monitor new borrowing so that debt service remains sustainable. For all other shocks, indicators remain well below thresholds. The maximum projected gross financing need during 2024-2026 is 7 percent of GDP, below the benchmark of 14 percent of GDP. Recent spreads on Uzbekistan’s USD Eurobonds have been about 300 basis points, well below the DSA benchmark of 570 bps (Figure 5).

10. Private external debt and non-guaranteed debt of SOEs are expected to be subject to similar shocks.⁹ A shock to exports would likely worsen indicators for SOEs (e.g., debt service-to-exports). To manage these risks, the government has categorized SOEs according to risk, with SOEs in higher risk categories requiring permission to borrow. The government has also capped

⁹ Non-guaranteed debt of SOEs is classified as private debt.

government guarantees to state enterprises and continues to develop a framework to limit risks from contingent liabilities from SOEs and PPPs.

OVERALL RISK OF PUBLIC DEBT DISTRESS

11. Staff assesses Uzbekistan’s overall risk of public debt distress as low. Total PPG debt is projected to gradually decline from 36 percent of GDP at end-2023 to 30 percent of GDP by 2029. PPG debt is projected to remain stable around 30 percent of GDP thereafter (see Table 2). The ratio of PPG external debt to GDP is projected to fall somewhat over the medium term as growth in official lending lags growth of Uzbekistan’s USD GDP. Public domestic debt is projected to make up a larger share of total PPG debt as the government continues to develop the domestic market for government securities, rising from 2.1 percent of GDP in 2023 to 3.1 percent in 2029 and 6.4 percent of GDP in the long-term. Nonetheless, multilateral and official bilateral creditors will continue to provide most financing over the medium term.

12. Stress tests suggest Uzbekistan’s PPG debt ratios are robust to most shocks but sensitive to the realization of contingent liabilities (see Figure 2 and Table 4). The realization of 35 percent of contingent liabilities combined with a 5 percent market shock would cause the PV of PPG debt to peak at almost 60 percent of GDP in 2025-2026 before falling. Realization of these shocks would also significantly impact debt-to-revenues and debt service-to-revenue ratios. However, even under these scenarios, the PV of debt-to-GDP ratio would remain significantly below the benchmark of 70 percent of GDP.

13. The government has implemented limits on fiscal deficits and PPG debt to mitigate risks. The government aims to limit budget deficits to three percent of GDP over the medium term. They also set an annual cap on total PPG borrowing to prevent a buildup in PPG debt. A public debt law was enacted in 2023 limits overall PPG debt to 60 percent of GDP and requires the government to make proposals to reduce debt if PPG debt reaches 50 percent of GDP. Under the debt law, the government also has the authority to introduce a ceiling on contingent liabilities arising from PPPs.

RISK RATING AND VULNERABILITIES

14. Uzbekistan is at low risk of external and public debt distress. Uzbekistan’s economy is reforming. Additional investment is needed to finance structural changes and modernize the economy. Financing to support these efforts has contributed to a significant rise in PPG and external debt in recent years. However, Uzbekistan’s current level of PPG external debt (34 percent of GDP) is moderate and is projected to decline over the medium term. Uzbekistan has relatively high international reserves and most debt is provided by official lenders at long maturities and low interest rates. These factors mitigate the risk of debt distress.

15. The government is addressing the most significant risks by implementing annual limits on fiscal deficits and new borrowing. The DSA suggests the most significant risks could arise from realization of contingent liabilities or lower exports. However, even under these scenarios, debt

indicators would remain below DSA thresholds. To address these risks, the government employs caps on the annual fiscal deficit and on new external and domestic borrowing. It has also enacted a debt law that limits PPG debt to 60 percent of GDP. The government should continue to carefully manage external and domestic borrowing. It should also consider using its authority to impose a ceiling on contingent liabilities from PPPs and take further actions to reduce the risk of possible contingent liabilities arising from state owned enterprises.

Authorities' Views

The authorities broadly agreed with staff's analysis. They emphasized their commitment to maintaining a moderate debt level. They noted that the government's goal of reducing and maintaining the medium-term fiscal deficit at 3 percent of GDP would put PPG external borrowing on a downward path as a share of GDP. Moreover, the public debt law and annual limits on PPG debt commitments had been successful in moderating PPG debt and would continue to do so in the future. Additional privatization and plans to phase out state debt guarantees would reduce the stock of SOE debt. And while the stock of public-private partnerships (PPPs) has risen rapidly in recent years, these projects will help address Uzbekistan's development needs. In accordance with the public debt law, the authorities are considering how best to address potential contingent liabilities arising from PPPs.

Table 1. Uzbekistan: External Debt Sustainability Framework, Baseline Scenario, 2021-2044
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	57.1	54.3	60.0	60.1	59.1	57.0	55.2	53.0	51.0	50.5	50.4	38.7	53.5
	34.6	32.4	34.3	33.0	31.8	30.0	29.0	27.9	27.3	26.0	24.1	22.9	28.3
4.4													
Change in external debt	0.0	-2.8	5.7	0.1	-1.0	-2.1	-1.8	-2.2	-1.9	0.0	0.1		
Identified net debt-creating flows	-3.9	-7.8	0.4	1.5	0.7	-0.7	-1.2	-1.6	-1.7	-1.4	-1.4	-0.9	-0.9
Non-interest current account deficit	5.7	1.9	6.2	4.3	4.0	3.4	2.9	2.7	2.6	2.3	2.3	2.0	2.8
Deficit in balance of goods and services	16.5	18.0	18.8	18.3	16.9	15.2	13.8	12.7	11.8	10.1	10.1	11.9	12.8
Exports	23.6	25.8	27.6	27.1	26.8	27.1	27.4	27.2	27.0	28.6	28.6		
Imports	40.1	43.9	46.3	45.4	43.7	42.4	41.2	39.9	38.7	38.7	38.7		
Net current transfers (negative = inflow)	-9.0	-13.4	-11.0	-11.2	-10.7	-10.0	-9.4	-8.9	-8.3	-5.7	-2.3	-7.8	-8.5
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	-1.2	-0.8	-0.3		
Other current account flows (negative = net inflow)	-1.8	-2.7	-1.6	-2.9	-2.3	-1.8	-1.5	-1.1	-0.9	-2.1	-5.5	-2.2	-1.5
Net FDI (negative = inflow)	-3.3	-3.2	-2.4	-3.2	-3.5	-4.0	-3.9	-4.0	-3.9	-3.9	-3.9	-2.4	-3.8
Endogenous debt dynamics 2/	-6.4	-6.5	-3.4	0.4	0.2	-0.2	-0.3	-0.4	-0.4	0.2	0.1		
Contribution from nominal interest rate	1.3	1.6	2.4	3.4	3.1	2.7	2.5	2.4	2.2	2.7	2.7		
Contribution from real GDP growth	-3.7	-2.8	-2.9	-3.0	-2.9	-2.9	-2.8	-2.7	-2.6	-2.5	-2.5		
Contribution from price and exchange rate changes	-4.0	-5.4	-2.9	...	...	...	...	...	...	...	...
Residual 3/	3.9	5.0	5.3	-1.4	-1.7	-1.3	-0.5	-0.6	-0.3	1.5	1.5	5.5	0.1
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	39.1	37.4	35.4	33.1	31.8	30.2	29.2	25.3	22.0		
PV of PPG external debt-to-exports ratio	...	...	141.9	137.8	132.1	121.9	116.1	111.2	108.3	88.6	77.1		
PPG debt service-to-exports ratio	8.0	8.0	9.9	14.8	11.9	13.7	10.4	13.0	10.7	9.8	10.3		
PPG debt service-to-revenue ratio	7.3	6.7	9.4	13.8	11.0	12.5	9.4	11.7	9.6	8.9	8.7		
Gross external financing need (Million of U.S. dollars)	8,967	7,670	13,354	13,551	13,367	12,844	12,039	13,727	14,090	26,245	71,115		
Key macroeconomic assumptions													
Real GDP growth (in percent)	7.4	5.7	6.0	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
GDP deflator in US dollar terms (change in percent)	7.6	10.4	5.6	3.8	6.4	5.3	5.0	5.2	5.0	3.9	3.9	-2.4	4.5
Effective interest rate (percent) 4/	2.7	3.3	5.0	6.1	5.8	5.2	4.9	4.8	4.7	5.9	5.8	3.0	5.6
Growth of exports of G&S (US dollar terms, in percent)	13.1	27.5	19.5	7.7	10.8	12.5	11.7	10.1	10.0	9.6	9.6	7.3	10.7
Growth of imports of G&S (US dollar terms, in percent)	23.4	27.5	18.2	7.3	8.0	7.7	7.6	7.6	7.6	9.6	9.6	10.6	8.5
Grant element of new public sector borrowing (in percent)	...	...	...	16.1	16.9	14.7	14.7	12.8	13.0	11.8	7.4	...	13.6
Government revenues (excluding grants, in percent of GDP)	25.9	30.8	29.2	29.2	29.2	29.7	30.1	30.2	30.2	31.5	34.0	26.3	30.4
Aid flows (in Million of US dollars) 5/	0.0	0.0	0.0	559.2	462.0	559.2	479.0	511.0	560.3	755.0	1232.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.3	...	0.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	16.1	16.9	14.7	14.7	12.8	13.0	11.8	7.4	...	13.6
Nominal GDP (Million of US dollars)	69,601	81,167	90,882	99,406	111,547	123,939	137,273	152,301	168,705	266,761	666,979		
Nominal dollar GDP growth	15.6	16.6	12.0	9.4	12.2	11.1	10.8	10.9	10.8	9.6	9.6	3.2	10.3
Memorandum items:													
PV of external debt 7/	...	...	64.8	64.5	62.7	60.1	58.0	55.3	52.9	49.8	48.3		
In percent of exports	...	...	235.1	237.8	234.0	221.4	211.8	203.5	196.3	174.2	168.8		
Total external debt service-to-exports ratio	44.2	41.6	39.6	46.3	42.9	40.3	35.4	37.6	35.8	40.2	42.8		
PV of PPG external debt (in Million of US dollars)	...	...	35,535	37,175	39,472	40,988	43,635	45,984	49,263	67,581	147,036		
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	1.8	2.3	1.4	2.1	1.7	2.2	1.9	2.0	2.0		
Non-interest current account deficit that stabilizes debt ratio	5.8	4.7	0.5	4.2	5.0	5.5	4.7	5.0	4.6	2.2	2.3		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g) + \alpha(1+r)] / (1+g+p+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, p = growth rate of GDP deflator in U.S. dollar terms, α = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

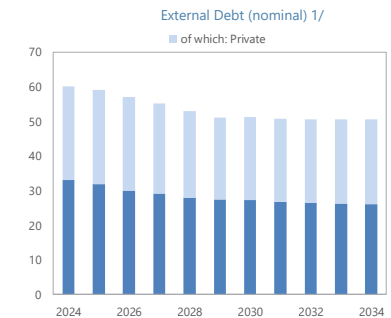
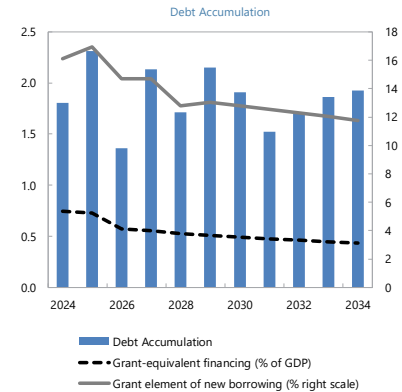


Figure 1. Uzbekistan: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2024-2034



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	4.4%	4.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	4	4

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

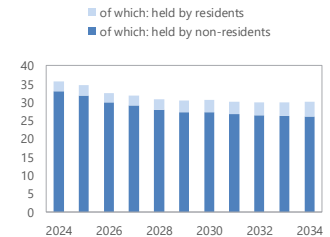
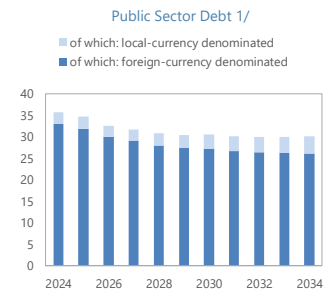
1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Table 2. Uzbekistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021-2044
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	35.3	33.9	36.3	35.7	34.7	32.5	31.7	30.8	30.4	30.0	30.5	23.4	31.5
of which: external debt	34.6	32.4	34.3	33.0	31.8	30.0	29.0	27.9	27.3	26.0	24.1	22.9	28.3
Change in public sector debt	-1.9	-1.4	2.4	-0.6	-1.0	-2.2	-0.8	-0.9	-0.4	0.1	0.1		
Identified debt-creating flows	0.1	-1.4	2.8	1.0	0.3	0.5	0.6	0.7	0.8	0.7	0.0	1.5	0.7
Primary deficit	5.7	3.5	4.8	2.8	1.8	1.8	1.9	1.9	2.0	1.6	0.9	2.5	1.9
Revenue and grants	25.9	30.8	29.2	29.2	29.2	29.7	30.1	30.2	30.2	31.5	34.0	26.3	30.4
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	31.7	34.3	33.9	31.9	31.0	31.6	32.0	32.1	32.2	33.2	34.9	28.9	32.3
Automatic debt dynamics	-5.1	-4.4	-1.4	-1.0	-0.8	-0.7	-0.7	-0.7	-0.7	-0.5	-0.5		
Contribution from interest rate/growth differential	-3.5	-3.3	-1.9	-1.0	-0.8	-0.7	-0.7	-0.7	-0.7	-0.5	-0.5		
of which: contribution from average real interest rate	-1.0	-1.4	0.1	0.9	1.1	1.1	1.0	0.9	0.9	1.1	1.1		
of which: contribution from real GDP growth	-2.6	-1.9	-1.9	-1.9	-1.9	-1.8	-1.7	-1.7	-1.6	-1.6	-1.6		
Contribution from real exchange rate depreciation	-1.6	-1.1	0.5	...	...	...	...	...	...	...	...
Other identified debt-creating flows	-0.5	-0.6	-0.5	-0.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.4	-0.3	-0.2	-0.5
Privatization receipts (negative)	-0.5	-0.6	-0.5	-0.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.4	-0.3		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-2.0	0.1	-0.4	-1.7	-1.3	-2.7	-1.4	-1.6	-1.2	-0.7	0.0	1.5	-1.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	43.2	41.3	39.2	36.2	34.8	33.4	32.5	29.7	28.7		
PV of public debt-to-revenue and grants ratio	...	...	147.9	141.7	134.2	121.8	115.6	110.6	107.6	94.1	84.5		
Debt service-to-revenue and grants ratio 3/	7.3	6.7	14.9	17.7	15.8	18.9	15.0	17.1	15.7	16.3	19.9		
Gross financing need 4/	7.1	5.0	8.6	7.1	5.7	6.8	5.9	6.6	6.2	6.4	7.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	7.4	5.7	6.0	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
Average nominal interest rate on external debt (in percent)	1.9	2.6	3.9	5.1	5.1	4.9	4.7	4.6	4.4	5.4	5.0	2.3	5.1
Average real interest rate on domestic debt (in percent)	-11.9	-13.0	-2.8	-2.4	2.7	7.5	8.5	8.5	7.8	6.5	6.5	-11.2	6.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.7	-3.5	1.5	...	...	...	...	...	...	...	...	10.0	...
Inflation rate (GDP deflator, in percent)	13.5	14.9	12.2	12.7	12.6	10.1	8.1	7.3	7.0	7.0	7.0	14.9	8.4
Growth of real primary spending (deflated by GDP deflator, in percent)	15.2	14.5	4.9	-0.8	2.4	7.4	7.0	5.8	5.8	6.0	6.0	8.8	5.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	7.6	4.9	2.3	3.4	2.8	4.0	2.7	2.8	2.4	1.6	0.8	5.0	2.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The general government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

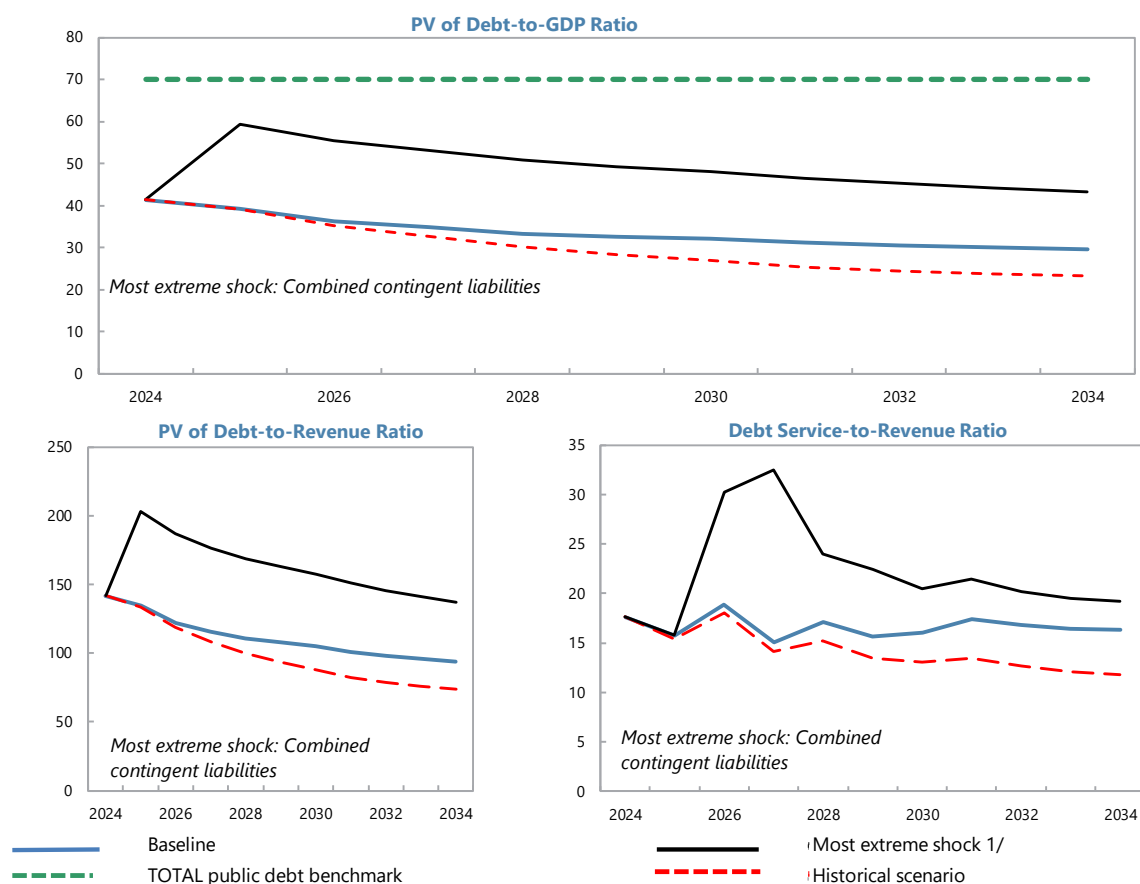
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (i.e., a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 2. Uzbekistan: Indicators of Public Debt Under Alternative Scenarios, 2024-2034


Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	66%	66%
Domestic medium and long-term	23%	23%
Domestic short-term	10%	10%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.4%	4.4%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	7.0%	7.0%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	7.0%	7.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Uzbekistan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024-2034
(In percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to GDP Ratio											
Baseline	37	35	33	32	30	29	28	27	26	26	25
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	37	37	38	39	40	42	44	46	47	49	51
B. Bound Tests											
B1. Real GDP growth	37	36	35	33	32	31	30	29	28	27	27
B2. Primary balance	37	37	38	37	36	35	34	32	31	30	30
B3. Exports	37	39	44	42	40	38	37	35	33	32	30
B4. Other flows 3/	37	43	48	46	44	42	40	38	36	34	32
B5. Depreciation	37	44	36	35	33	32	32	31	30	30	29
B6. Combination of B1-B5	37	46	49	47	44	43	41	38	36	35	33
C. Tailored Tests											
C1. Combined contingent liabilities	37	49	47	48	46	45	44	42	41	39	38
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	37	39	37	35	34	33	32	30	29	29	28
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Exports Ratio											
Baseline	138	132	122	116	111	108	102	95	93	90	89
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	138	140	139	143	149	157	159	160	166	171	177
B. Bound Tests											
B1. Real GDP growth	138	132	122	116	111	108	102	95	93	90	89
B2. Primary balance	138	139	141	136	132	128	121	113	109	106	104
B3. Exports	138	168	213	202	193	187	175	161	153	146	141
B4. Other flows 3/	138	161	177	168	160	155	144	131	124	118	113
B5. Depreciation	138	132	108	103	99	96	91	86	84	83	82
B6. Combination of B1-B5	138	183	171	204	195	189	175	160	152	145	138
C. Tailored Tests											
C1. Combined contingent liabilities	138	181	174	175	170	166	157	147	142	138	134
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	138	132	122	117	112	109	103	95	92	90	88
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt Service-to-Exports Ratio											
Baseline	15	12	14	10	13	11	11	12	11	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	15	13	16	13	17	16	17	19	19	19	19
B. Bound Tests											
B1. Real GDP growth	15	12	14	10	13	11	11	12	11	10	10
B2. Primary balance	15	12	14	12	14	12	12	13	13	12	11
B3. Exports	15	14	19	16	19	16	17	20	18	17	16
B4. Other flows 3/	15	12	15	13	15	13	14	16	15	14	13
B5. Depreciation	15	12	14	10	12	10	10	11	10	9	9
B6. Combination of B1-B5	15	13	19	16	19	16	18	20	18	17	16
C. Tailored Tests											
C1. Combined contingent liabilities	15	12	16	13	15	13	13	14	13	12	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	15	12	14	11	14	11	12	14	11	9	8
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt Service-to-Revenue Ratio											
Baseline	14	11	12	9	12	10	10	11	10	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	14	12	14	12	16	14	15	18	17	17	18
B. Bound Tests											
B1. Real GDP growth	14	11	13	10	12	10	10	11	10	10	9
B2. Primary balance	14	11	13	10	13	11	11	12	12	11	10
B3. Exports	14	11	13	11	13	11	12	14	13	12	11
B4. Other flows 3/	14	11	14	11	14	11	13	15	14	13	12
B5. Depreciation	14	14	16	11	14	11	12	12	11	10	10
B6. Combination of B1-B5	14	11	14	12	14	12	14	15	14	13	12
C. Tailored Tests											
C1. Combined contingent liabilities	14	11	14	11	14	12	12	13	12	11	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	14	11	13	10	13	9	11	13	10	8	8
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Uzbekistan: Sensitivity Analysis for Key Indicators of Public Debt, 2024-2034

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	41	39	36	35	33	33	32	31	30	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	41	39	35	33	30	28	27	25	24	24	23
B. Bound Tests											
B1. Real GDP growth	41	41	40	40	40	40	41	41	41	42	43
B2. Primary balance	41	42	43	41	40	38	38	37	36	35	34
B3. Exports	41	43	46	44	42	41	40	38	37	35	34
B4. Other flows 3/	41	47	51	49	47	45	44	42	40	38	37
B5. Depreciation	41	46	41	37	33	30	27	24	22	20	18
B6. Combination of B1-B5	41	40	39	37	35	34	33	32	31	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	41	59	56	53	51	49	48	47	45	44	43
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	41	39	36	35	34	33	32	31	30	30	30
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	142	134	122	116	111	108	105	101	98	96	94
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	142	134	119	109	100	93	88	83	79	76	74
B. Bound Tests											
B1. Real GDP growth	142	140	135	132	131	132	133	133	133	134	135
B2. Primary balance	142	144	145	137	131	127	123	119	115	112	109
B3. Exports	142	146	155	147	140	135	130	124	118	113	109
B4. Other flows 3/	142	161	173	163	155	150	143	135	128	122	116
B5. Depreciation	142	158	136	121	109	99	89	79	71	63	56
B6. Combination of B1-B5	142	136	132	124	118	113	109	103	99	95	92
C. Tailored Tests											
C1. Combined contingent liabilities	142	203	187	177	169	163	157	151	146	141	137
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	142	134	122	116	111	108	105	101	98	96	94
Debt Service-to-Revenue Ratio											
Baseline	18	16	19	15	17	16	16	17	17	16	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	18	15	18	14	15	13	13	13	13	12	12
B. Bound Tests											
B1. Real GDP growth	18	16	20	17	20	19	20	22	22	22	22
B2. Primary balance	18	16	21	20	21	18	19	20	19	19	19
B3. Exports	18	16	19	16	18	17	18	20	19	19	18
B4. Other flows 3/	18	16	20	17	19	17	19	22	21	20	20
B5. Depreciation	18	16	21	16	18	17	17	18	17	16	15
B6. Combination of B1-B5	18	15	20	17	19	17	17	18	17	17	17
C. Tailored Tests											
C1. Combined contingent liabilities	18	16	30	32	24	22	20	21	20	20	19
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	18	16	19	16	18	15	17	19	17	15	15

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 3. Uzbekistan: Drivers of Debt Dynamics – Baseline Scenario

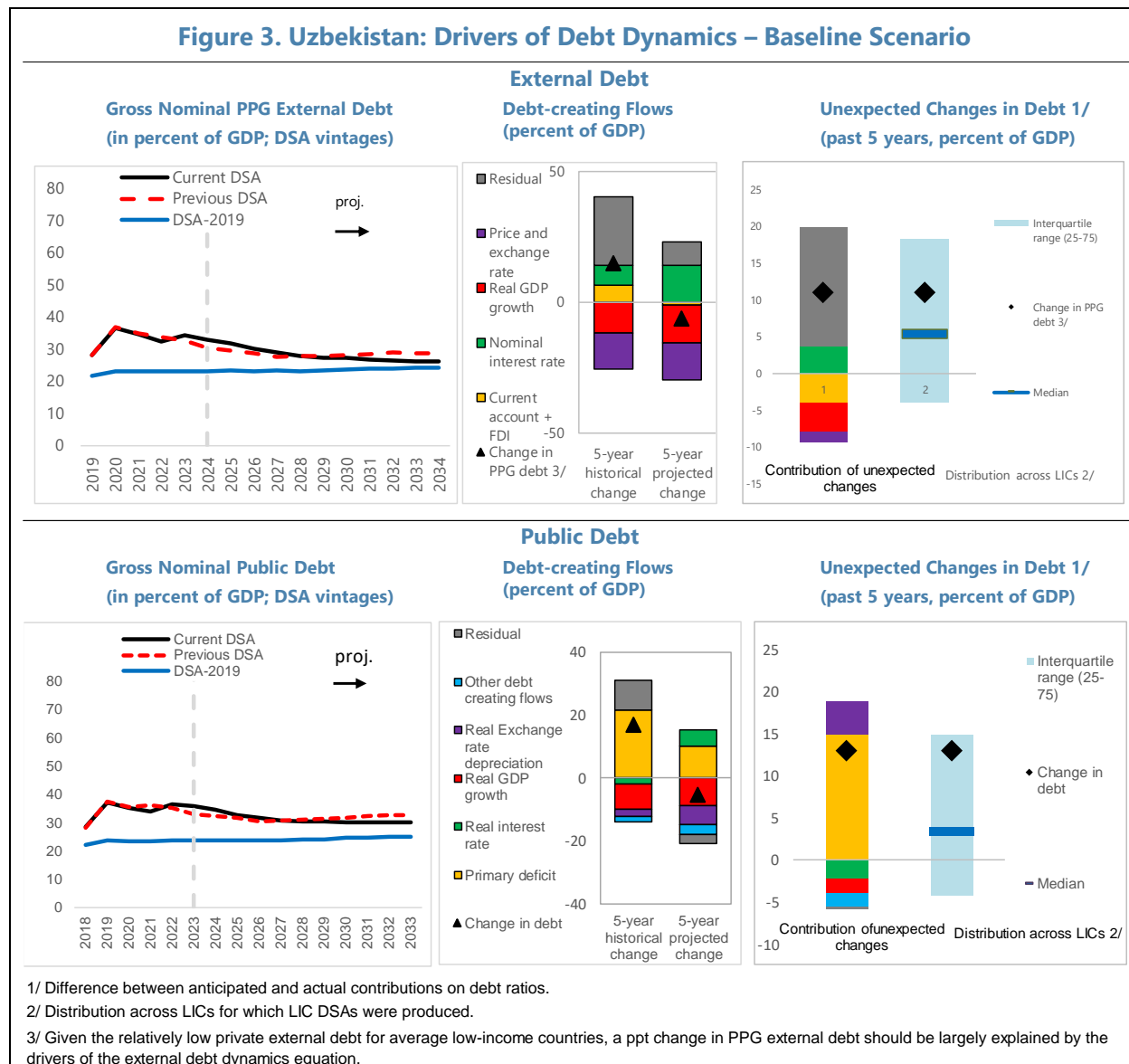
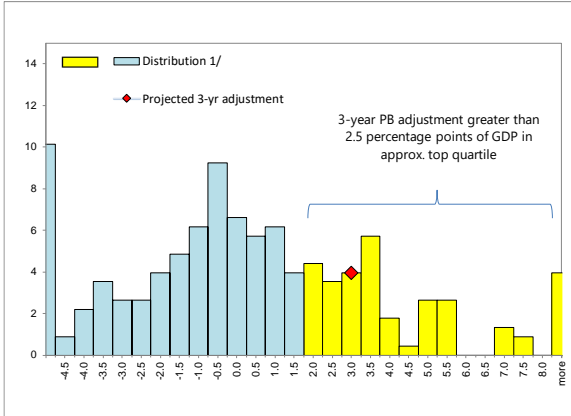


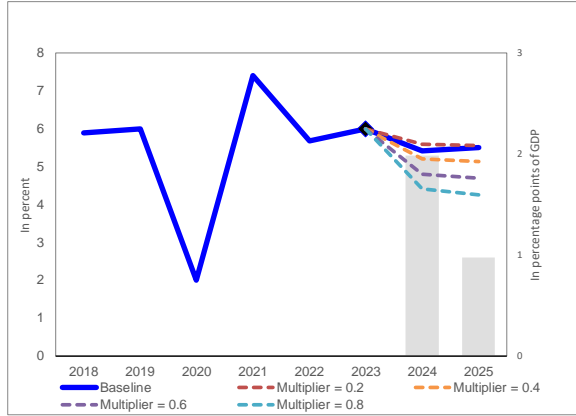
Figure 4. Uzbekistan: Realism Tools

**3-Year Adjustment in Primary Balance
(Percentage points of GDP)**



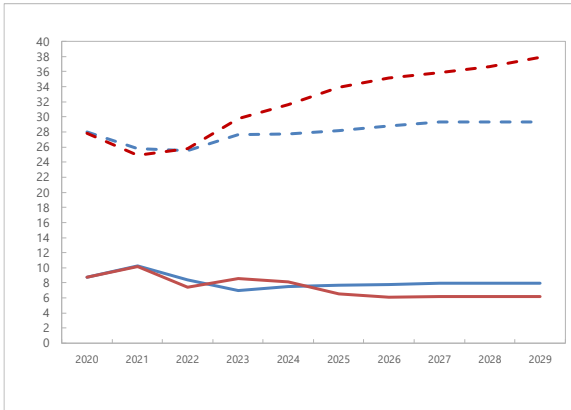
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



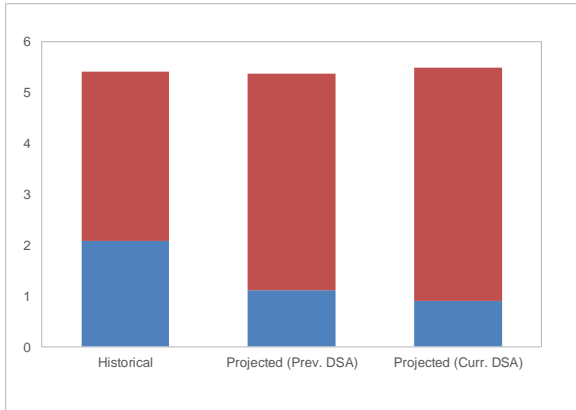
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates
(percent of GDP)**



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
 - - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Curr. DSA

**Contribution to Real GDP Growth
(percent, 5-year average)**



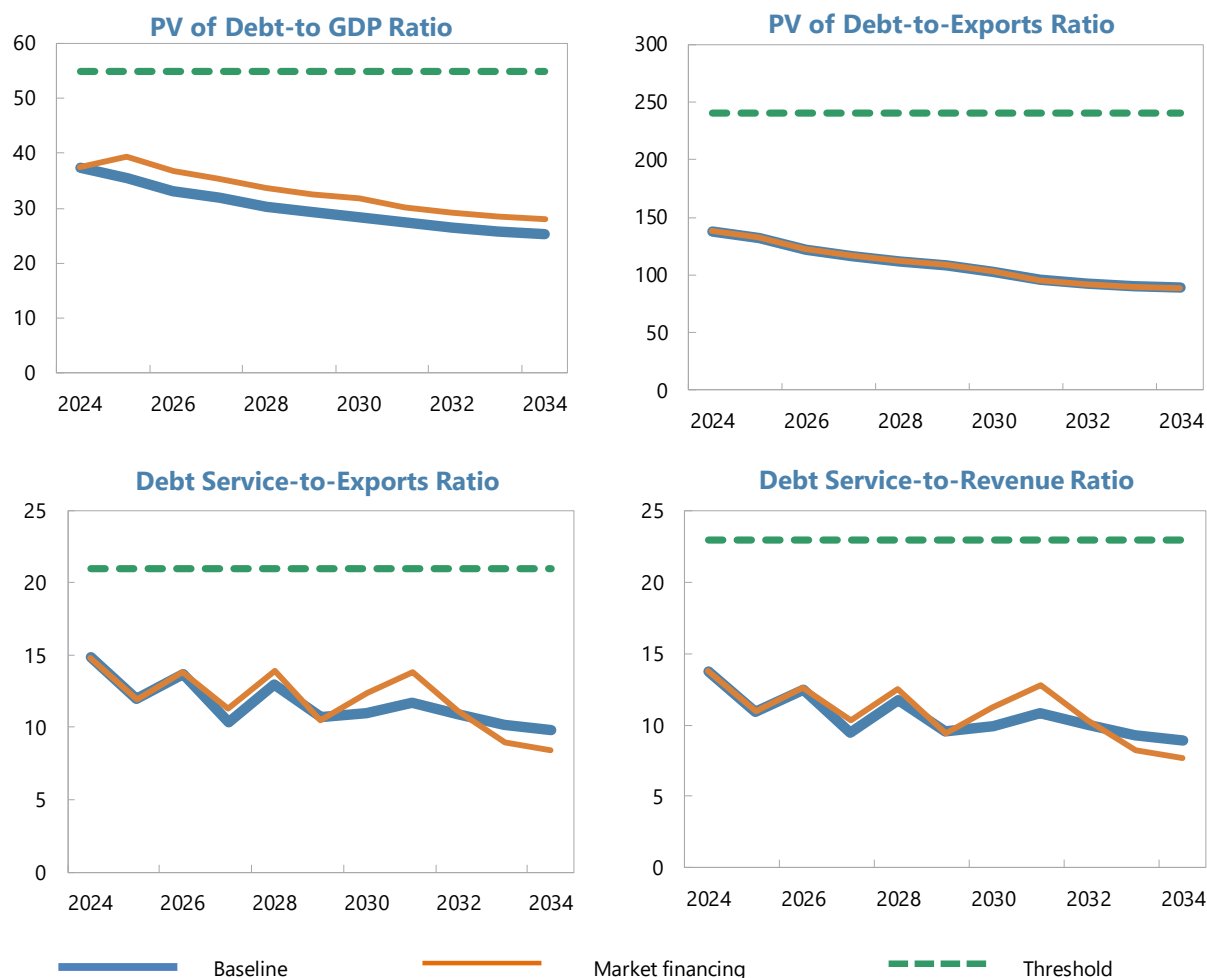
■ Contribution of other factors
 ■ Contribution of government capital

Figure 5. Uzbekistan: Market – Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	7	260
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.