



**MINISTRY OF FINANCE OF THE
REPUBLIC OF UZBEKISTAN**

The state debt of the Republic of Uzbekistan

For the 3rd quarter of 2022



**Ministry of Finance of the
Republic of Uzbekistan**

I. STATE DEBT DYNAMICS

1.1. State Debt Profile

As of October 1, 2022, **outstanding state debt** amounted to **\$26.2bn** (*including state external debt - \$23.16bn, state domestic debt - \$3.07bn*) or **34.1% of GDP**.

In particular, the ratio of state debt to GDP decreased from 39.0% at the beginning of 2021 (38.0% at the end of 2021) to **34.1%** as of October 1, 2022.

According to the *International Monetary Fund's* report on the country's economy, the state debt of the Republic of Uzbekistan is currently considered "**moderate**".

Table 1. State debt

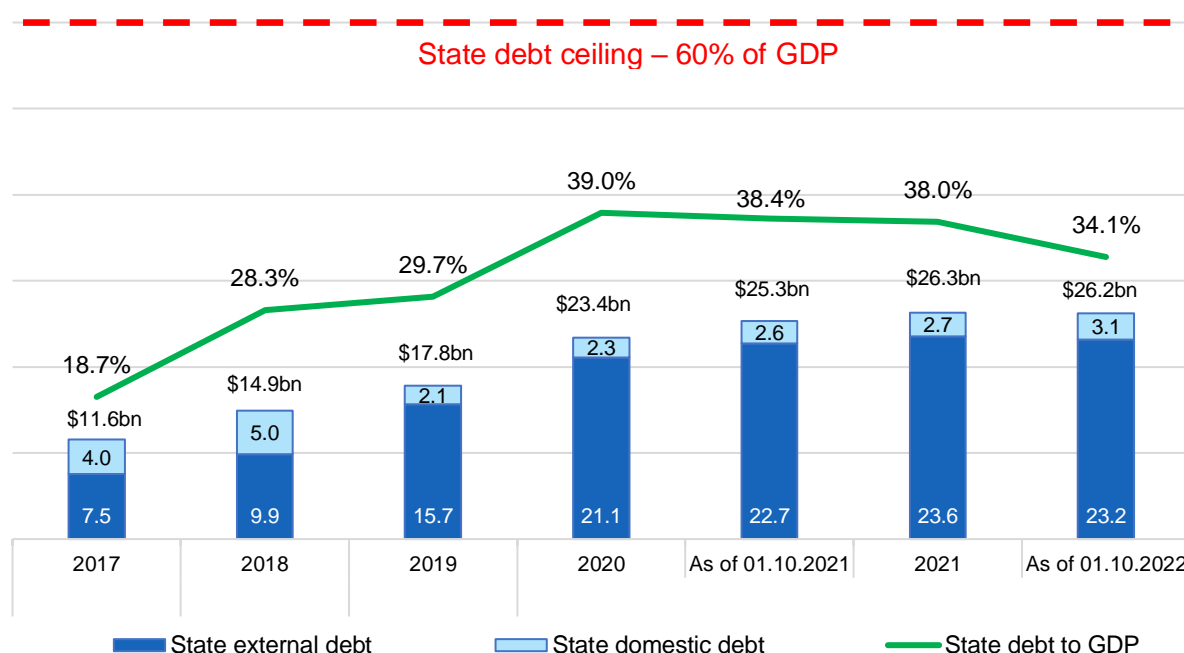
bn USD equivalent.

State external debt	23,2
<i>% of GDP</i>	<i>30,1%</i>
Outstanding debt attracted on behalf of the Republic of Uzbekistan	17,0
Outstanding debt attracted under state guarantee	6,2
State domestic debt¹	3,1
<i>% of GDP</i>	<i>4,0%</i>
Outstanding debt from government securities issued on behalf of the Republic of Uzbekistan (<i>tn soums</i>)	9,3
Outstanding debt guaranteed by the state and repaid from the state budget on domestic obligations	2,2
State debt, total	26,2
<i>% of GDP</i>	<i>34,1%</i>

As a result of measures taken to maintain state debt at a sustainable level and effective management of state debt, as well as high growth rates of the national economy, **the ratio of state debt to GDP has stabilized** in 2021.

¹ The outstanding domestic debt includes outstanding government securities, state-guaranteed domestic debt and domestic obligations repayable from the state budget

Figure 1. Dynamics of the state debt of the Republic of Uzbekistan²



In particular:

- In the 3rd quarter of 2022, the real GDP growth rate was 5.8%;
- From the beginning of 2022, outstanding state external debt (*USD equivalent*) decreased by 1.7%, mainly due to the disbursements resulted in financing of the state budget deficit and the implementation of investment projects with the principal repayments in the amount of **\$823mn**;
- As a result of state debt portfolio diversification, during the third quarter of 2022, changes in the exchange rates of the state external debt portfolio (*Japanese yen, SDR, Euro, Korean won and Chinese yuan*) led to a decrease in outstanding state debt.

The measures taken in recent years to maintain and manage state debt effectively are now giving the results.

In particular:

- From 2020, the practice of legally **limiting the annual borrowing on state external debt** was introduced.

In accordance with the Law “**On State Budget for 2020**”, annual borrowing limit on state external debt was set at **\$5.5bn**;

² State debt statistics are based on data provided by international financial institutions and commercial banks

At the end of 2020, the volume of external debt attracted on behalf of the Republic of Uzbekistan and under state guarantees amounted to \$5.35bn.

From 2021, the **State debt ceiling** and **annual limit on newly signed agreements** on behalf of the Republic of Uzbekistan and under its guarantee was set with the Law “On State Budget for 2021”. In particular:

The amount of state debt attracted on behalf of the Republic of Uzbekistan and under state guarantee should not exceed **60%** of the annual forecast of GDP;

The annual limit on newly signed **domestic and external loan agreements** on behalf of the Republic of Uzbekistan and under state guarantee for 2021 was set in the net amount of **\$5.5bn** (*including government securities – 5tn soums*).

As a result, in 2021, the volume of newly signed state external loan agreements amounted to \$4.9bn. The net volume of government securities issued to finance the State budget amounted to 4.1tn.soums.

In accordance with the Law of the Republic of Uzbekistan "On the State budget for 2022", limited volume of new annual loan agreements on attracting **external debt** on behalf of the Republic of Uzbekistan and under state guarantee for 2022 is set at **\$4.5bn**;

At the same time, there is also a limit on the net size of government securities issued on behalf of the Republic of Uzbekistan. In particular, during the past 9 months, the volume of newly signed state external debt agreements amounted to \$2.1bn. The net volume of government securities issued for financing the State budget amounted to 6.7tn soums.

- Since 2021, the practice of issuing state guarantees for domestic liabilities was stopped and state-owned enterprises and banks, in accordance with the transformation process, are being transferred to finance their projects through attracting funds in world financial markets **without state guarantees**.

In particular, state-owned enterprises and banks have received international credit ratings in order to ensure the transparency of their financial statements in accordance with international standards and requirements, in cooperation with international rating agencies Fitch, S&P and Moody's. As a result, JSCB "Uzpromstroybank", JSC "The National Bank for Foreign Economic Activity of the Republic of Uzbekistan", JSCMB "Ipoteka-Bank", JSC "UzAuto Motors" and JSC "Uzbekneftegaz" raised funds from the international capital markets through the issuance of Eurobonds totaling about **\$2bn** in 2019-2021.

- The draft Law of the Republic of Uzbekistan “**On State Debt**” was approved by Oliy Majlis Senate.

Figure 2. Volume of external loan agreements signed on behalf of the Republic of Uzbekistan and under the state guarantee
(As of 01.10.2022)

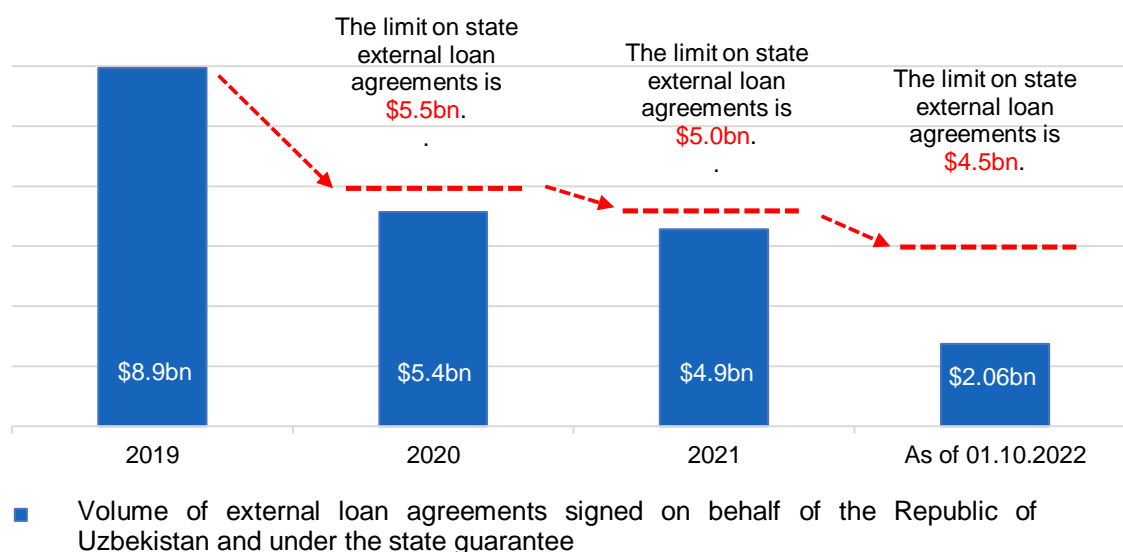
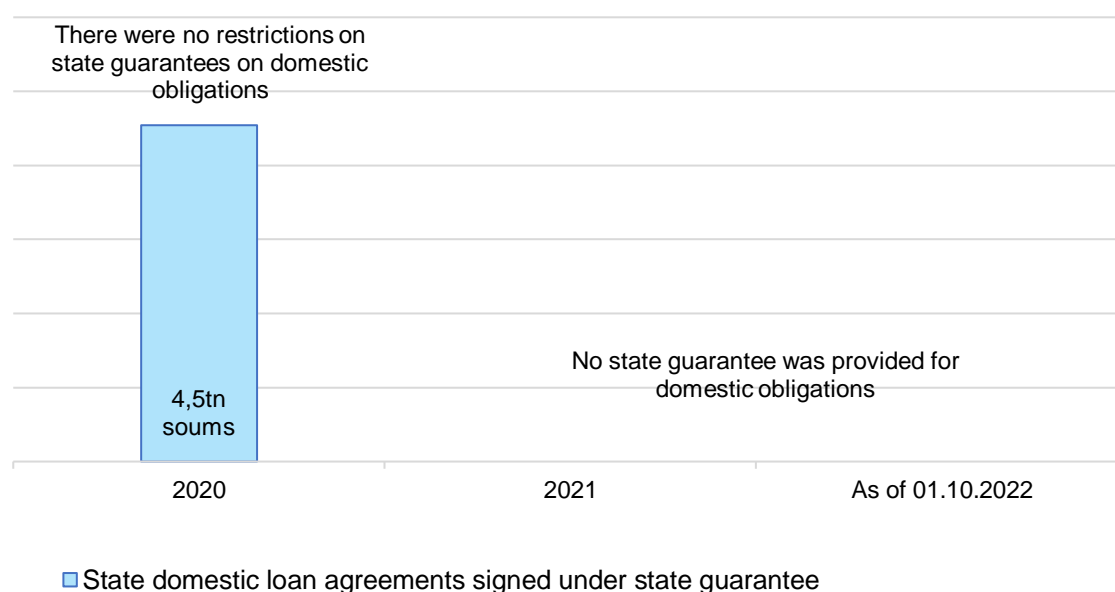


Figure 3. Volume of state domestic loan agreements signed under state guarantee



- In order to diversify the state debt portfolio and reduce currency risk, the practice of issuing international bonds in local currency was introduced to gradually reduce the share of state debt in foreign currency. In particular, as sovereign Eurobonds in local currency totaling 4.5tn soums were placed in London Stock Exchange during 2020-2021, the share of local currency in sovereign Eurobonds will be increased based on market conditions in the medium term;

As a result of the works carried out to develop the domestic financial market, the volume of placement of government securities increased from **597bn** soums in 2018 to **4.9tn** soums in 2021 (*in the 9 months of 2022 - 8,4tn soums*) and the maturity of government securities was extended to 10 years.

Inflation-linked government securities were placed in the amount of **111bn** soums with a coupon payment equal to the “consumer price index (CPI) + 6%”, and the first benchmark for inflation-linked government securities was created.

- In order to automate the accounting and reporting of state debt and increase the transparency of debt statistics, the following work is being done:

information on state external debt is automated through Debt Management and Financial Analysis System (*DMFAS-6 software package*);

a quarterly debt bulletin (*in Uzbek and English*) and a special monthly newsletter for foreign investors (*in English*) are regularly published on the website of the Ministry of Finance and sent to foreign investors respectively;

1.2. Loan agreements signed on behalf of the Republic of Uzbekistan and under state guarantee

In accordance with of the Law of the Republic of Uzbekistan №73 "On the State Budget of the Republic of Uzbekistan for 2022", the annual limit on newly signed external loan agreements on behalf of the Republic of Uzbekistan (*Government of the Republic of Uzbekistan*) and under state guarantee for 2022 is set at \$4.5bn.

During the first 9 months of 2022, 16 external loan agreements totaling **\$2 058.9mn** were signed on behalf of the Republic of Uzbekistan (*Appendix 2*).

These funds are provided by leading international financial institutions (*World Bank, European Bank for Reconstruction and Development, French Development Agency, Asian Development Bank and Asian Infrastructure Investment Bank*) to finance energy, clean drinking water and sanitation, road development, railways and other important social and strategic projects through long-term concessional loans.

In 2021 and in the first 9 months of 2022, the state guarantee of the Republic of Uzbekistan on domestic obligations was not provided.

During January-September of 2022, government securities on behalf of the Republic of Uzbekistan totaling 8.4tn soums were placed through 59 electronic auctions. Of which, net volume of government securities issued to finance state budget deficit amounted to 6 719bn soums.

II. STRUCTURE OF STATE DEBT AND DISTRIBUTION BY SECTORS

2.1. State domestic debt³

During the first 9 months of 2022, outstanding state domestic debt increased by **\$336.2mn** and as of October 1, 2022, it amounted to **\$3,1bn** (as of January 1, 2022, it amounted to \$2 729.1mn) or **4.0%** of GDP.

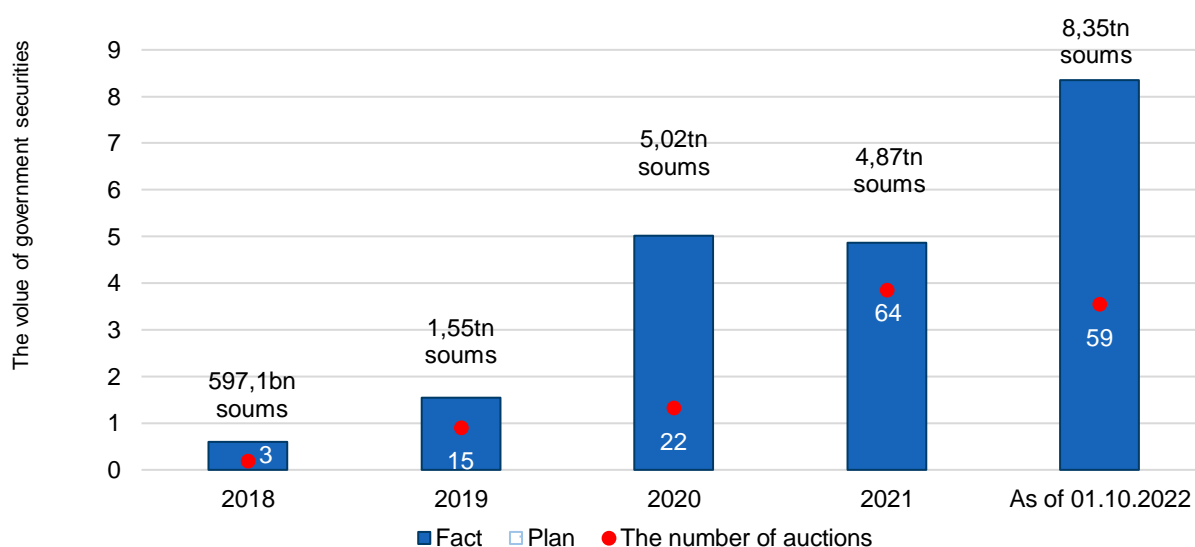
In particular:

- Government securities – **9.3tn** soums;
- Debt guaranteed by the state and repaid from the budget on domestic obligations – **\$2.2bn**.

2.1.1. Government securities

During the first 9 months of 2022, government securities worth **8.4tn** soums (of which, net issued amount– 6 719bn soums) were issued on behalf of the Republic of Uzbekistan through 59 electronic auctions in accordance with the schedule of auctions of government securities. Of which:

Figure 4. Placed government securities during 2018 – first 9 months of 2022
(as of 01.10.2022)



Government securities with maturity of 6 months – 3 024bn soums;

Government securities with maturity of 1-3 years – 4 619bn soums;

Government securities with maturity of 5-10 years – 710.0bn soums.

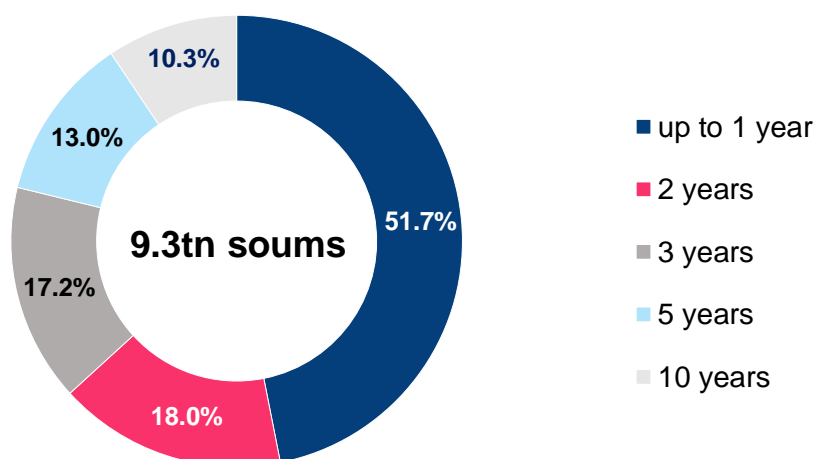
³ The outstanding domestic debt includes outstanding government securities, state-guaranteed domestic debt and domestic obligations repayable from the state budget.

The issuance of medium and long-term government securities serves as a benchmark for raising funds through the issuance of low-risk instruments in the local currency, diversifies financial instruments and creates a basis for attracting new participants in the financial market (*insurance companies, etc.*).

It should be noted that in order to diversify the state debt portfolio and reduce currency risks, the Ministry of Finance is increasing the volume of government securities and taking systematic measures to develop domestic financial markets.

In the first 9 months of 2022, government securities with the maturity of 6 months in the amount of 1 977.2bn soums and 1-3 year in the amount of 1 840.2bn soums were repaid. As a result, as of October 1, 2022, the outstanding government securities amounted to 9.3tn soums.

Figure 5. Structure of domestic government securities by maturities.
(as of 01.10.2022)



Measures taken to develop the government securities market:

As part of measures to develop the government securities market, on January 25, 2022, **10-year** government securities worth **10bn soums** with an annual **coupon payments** of **15%** were issued;

On July 26 of this year, government securities with a total volume of 200.0bn soums with a maturity of 5 years and a total volume of 100.0bn soums with a maturity of 10 years were placed. The annual interest coupon payments of these government securities are 17.5% and 18% respectively.

On July 19, 2022, for the first time, 111bn soums of inflation-linked government securities with a coupon payment equal to "**consumer price index (CPI) + 6%**" with a maturity of 2 years were placed, and the first benchmark for inflation-linked government securities was created.

During the II International Economic forum held in Samarkand on November 3-4, 2022, the Ministry of Finance, the Central Bank and 9 commercial banks (*National Bank of Uzbekistan, Ipoteka Bank, Xalq Bank, Sanoat Kurilish Bank, Qishloq Kurilish Bank, Asaka Bank, Asia Alliance Bank, Ipak Yuli Bank, Turon Bank*) signed a "Primary Dealership" contract based on international standards.

In particular, at the next electronic auction, held on November 29 of this year at the Republic of Uzbekistan currency exchange (*UZCE*), government securities with a total volume of 200.0bn soums with a maturity of 2 years and a total volume of 360.0bn soums with a maturity of 6 months were placed among **primary dealers**.

The resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated February 21, 2022, №82 was adopted to make amendments to the resolution dated December 14, 2018, №1016 "On measures to organize the issuance of state treasury obligations and bonds of the Republic of Uzbekistan".

In accordance with this resolution, government securities can be purchased by **residents** (including **individuals**) and **non-residents** of the Republic of Uzbekistan.

On November 1, 2022, for the first time at the auctions of the Republic of Uzbekistan Currency Exchange (UZCE), a foreign investor (European Bank for Reconstruction and Development) signed a contract for the purchase of government securities at the dealership of JSC "Asaka Bank".

- the formulas used by the International International Capital Markets Association (**ICMA**) can be used to calculate profitability and interest;

- the results of the auction will be calculated on the basis of international standards **T + 0**, **T + 1** and **T + 2**;

- it will become possible to issue government securities by issuing international identification codes (**ISIN**);

- the interest on government securities is paid **every six months** in accordance with international standards;

- **information** on transactions in the government securities market (*auction announcements, auction results and information necessary for investors*) will be regularly published on the official **websites** of the Ministry of Finance, the Central Bank and the *UZCE (Uzbek Republican Currency Exchange)*.

The reforms will help bring the government securities market in line with international standards, manage it effectively and attract international investors to the domestic financial market.

2.2. State external debt

In the first 9 months of 2022, the outstanding state external debt of Uzbekistan **decreased** by **\$410.9mn** compared to the beginning of the year and as of October 1, 2022 amounted to **\$23.2bn** or **30.1%** of GDP. Of which:

External debt borrowed on behalf of the Republic of Uzbekistan - **\$17.0bn** or 73.4% of the total State external debt;

External debt borrowed under the guarantee of the Republic of Uzbekistan - **\$6.2bn** or 26.6% of the State external debt.

2.2.1. Distribution of State external debt by sectors of the economy

As of the end of the 3rd quarter of 2022, 28.4% of the State external debt or **\$6.6 bn** were directed to support the State budget, 12.6% or **\$2.9bn** - to the energy sector, 11.5% or **\$2.7bn** - to the electricity sector, 10.4% or **\$2.4bn** - to transport and transport infrastructure, 10.6% or **\$2.5bn** - to agriculture, 9.5% or **\$2.2bn** - to the housing and communal services.

Table 2. Distribution of State external debt by sectors of the economy
(as of 01.10.2022)

Sector	bn USD equivalent	
	Amount	
Budget support	6.6	
Energy (oil and gas)	2.9	
Electric power	2.7	
Agriculture and water resources	2.5	
Transport and transport infrastructure	2.4	
Housing and communal services	2.2	
Chemical industry	1.0	
Support for entrepreneurship and industrial production	0.95	
Education and healthcare	0.8	
Telecommunications	0.2	
Others	0.94	

2.2.2. Distribution of State external debt by creditors

The outstanding state external debt of Uzbekistan borrowed from international financial institutions (*IFIs*) amounted to **\$11.3bn** or **48.7%** of the state external debt, these loans were provided at long-term and concessional interest rates.

The significant amount of the state external debt was borrowed from the Asian Development Bank (**\$5.4bn**), the World Bank (**\$4.4bn**) and the Islamic Development Bank (**\$0.9bn**).

It should be noted that the diversification of sources of state external debt is ensured, with foreign government financial institutions accounting for **\$9.3bn** or **40.1%** of state external debt.

The main creditors of the Republic of Uzbekistan are the Eximbank of China, China Development Bank, the Japan International Cooperation Agency and foreign government financial institutions of other countries and borrowed funds are mainly to finance various investment programs under state guarantees.

Expenses on indebtedness to creditors are covered by the funds received by state-owned enterprises as a result of financing investment projects.

Table 3. Distribution of State external debt by creditors
(as of 01.10.2022)

<i>bn USD equivalent</i>	
Financial institution	Amount
Asian Development Bank	5.4
World bank	4.4
International investors	2.6
China Development Bank and others	2.1
Japan International Cooperation Agency	1.7
Export-Import Bank of China	1.9
Economic development and cooperation fund and others	1.0
Islamic Development Bank	0.9
Japan International Cooperation Bank	0.4
Other International financial organizations	2.8

2.2.3. Currency composition of State external debt

74.8% of the State external debt of Uzbekistan is denominated in US dollars, 8.2% - in Japanese yen, 7.7% - in SDR (*special borrowing rights*), 4.7% - in Euro, 1.8% - in Soums and 2.8% - in other currencies.

Table 4. Currency structure of State external debt
(as of 01.10.2022)

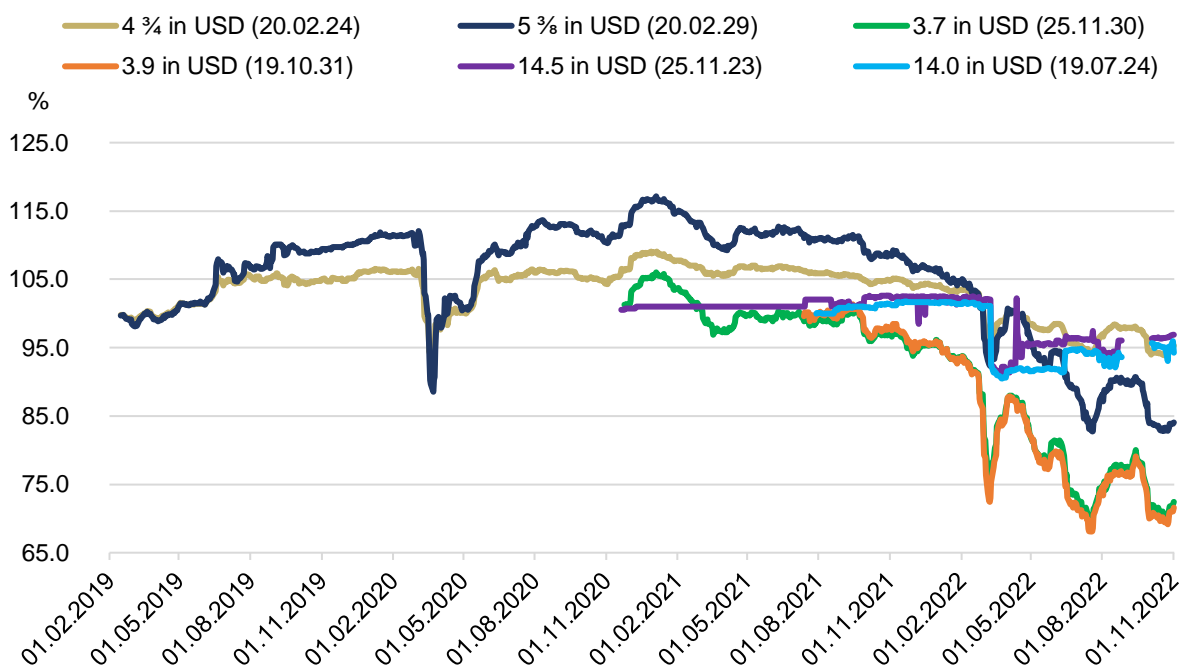
Currency	%
US dollars	74.8%
Japanese yen	8.2%
SDR	7.7%
Euro	4.7%
Uzbek soum	1.8%
Chinese yuan	0.9%
Korean won	0.7%
Saudi riyal	0.6%
Kuwaiti dinar	0.4%
Islam dinar	0.1%
UAE dirham	0.03%

2.2.4. Sovereign Eurobonds

The placement of sovereign Eurobonds of Uzbekistan in international financial markets, in particular in local currency is of strategic importance for the country.

The prices and yields of sovereign Eurobonds placed in international financial markets are given below.

Figure 6. Secondary market trade (the price) of sovereign Eurobonds



As of November 1, 2022, the prices⁴ of sovereign Eurobonds are given below:

In USD:

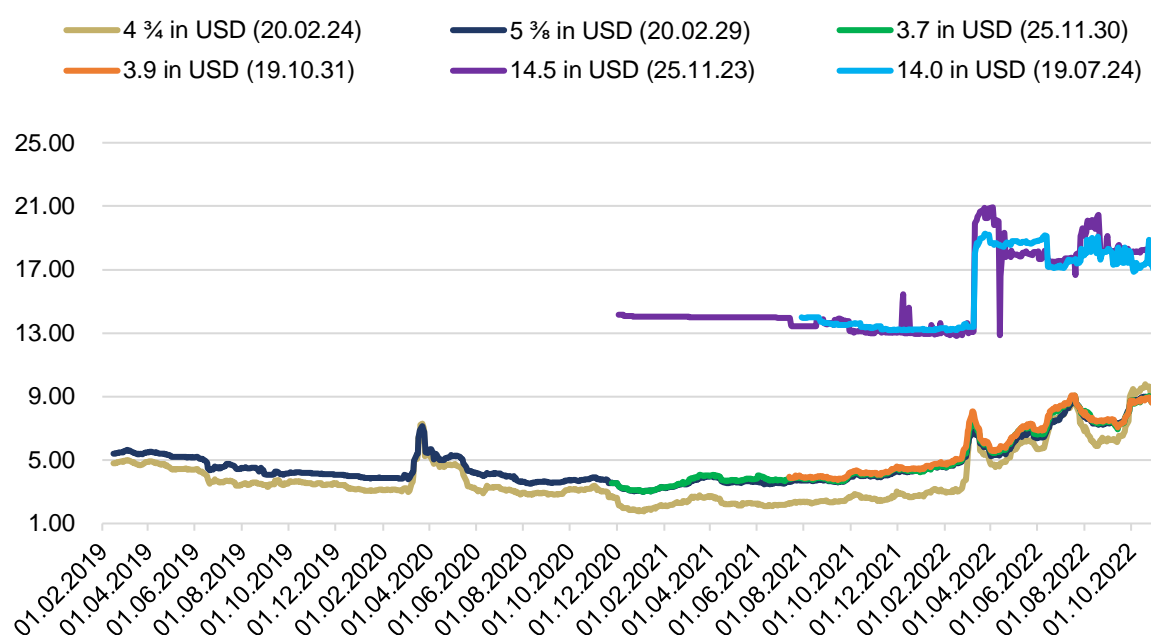
- Maturity 20/02/2024: 95.32%;
- Maturity 20/02/2029: 84.05%;
- Maturity 25/11/2030: 72.43%;
- Maturity 19/10/2031: 71.55%.

In local currency:

- Maturity 25/11/2023: 96.86%;
- Maturity 19/07/2024: 94.29%.

⁴ Source: Bloomberg

Figure 7. The yield of sovereign Eurobonds



As of November 1, 2022, the yields⁴ of sovereign Eurobonds are given below:

In USD:

- Maturity 20/02/2024: 8.63%;
- Maturity 20/02/2029: 8.72%;
- Maturity 25/11/2030: 8.49%;
- Maturity 19/10/2031: 8.50%.

In local currency:

- Maturity 25/11/2023: 17.81%;
- Maturity 19/07/2024: 17.97%.

At the same time, the placement of sovereign Eurobonds of the Republic of Uzbekistan, especially in the local currency in international financial markets serves following:

- demonstrating in detail the **economic potential** of our country to international investors, creating an opportunity for foreign investors to **accurately assess the sovereign risk** of investing in the country;
- secondary market quotations of sovereign Eurobonds serve as a **barometer of sustainable economic policy**;
- serves to **diversify** sources of external financing;

- created a "**benchmark**" for large state-owned enterprises and banks of the country allowing them to finance large investment projects and develop entrepreneurship.

International bonds in local currency

- On November 19, 2020, international sovereign bonds of the Republic of Uzbekistan in the amount of **2tn soums** in the local currency were placed on the international market for the first time. The impact of the projects financed by this transaction on the "Sustainable Development Goals" (SDGs) set by the UN was highly evaluated by the JP Morgan Development Finance Institution and the transaction received the status of "**development financing bond**".

- On July 12, 2021, for the first time, international sovereign bonds in local currency in the amount of **2.5tn soums** aimed at achieving the "**Sustainable Development Goals**" (SDGs) of the Republic of Uzbekistan were placed on the international financial market. This transaction is the first SDG bonds issued by a CIS country.

- **The SDG bond program** of the Republic of Uzbekistan was developed in cooperation with the United Nations Development Program and the investment bank "Citigroup Global Markets Limited" in order to properly direct the funds received from international bonds in local currency to finance the SDG of Uzbekistan developed with the UN.

- This Program has been developed in accordance with the **Green Bond Principles**, the **Social Bond Principles** and the **Sustainability Bond Guidelines**, published by the **International Association of Capital Markets (ICMA)** in June 2021.

- The main goal of the SDG bond program is to lay the groundwork for the issuance of SDG bonds in the current and future years and to assess the impact of borrowing on **transparency, accountability** and development, while ensuring that Uzbekistan achieves the 2030 Sustainable Development Goals.

- For the first time, the Ministry of Finance of the Republic of Uzbekistan and the United Nations Development Program (UNDP) have published a report on **Impact and allocation report on SDG-linked Eurobonds** in local currency.

- The Ministry of Finance of the Republic of Uzbekistan, together with experts from the UN Development Program, prepared the report "**Distribution of Funds**" and "**The Impact of Projects on the SDG**" on the SDG bonds placed in July 2021 in the local currency. Also, an **independent conclusion** (Review Report) of the company "**Sustainalytics UK Limited**" was received that these reports were prepared based on the criteria established in the SDG bond program.

2.2.5. State debt service

During the first 9 months of 2022, **the total state debt service expenses** (*from the state budget – \$825,0mn and SOEs' own resources – \$997,2mn*) amounted to **\$1 822.2mn**. Of which:

State external debt service – \$1 212.5mn:

principal repayments – **\$822.6mn**;

interest payments – **\$389.8mn**;

State domestic debt service – \$609.7mn:

principal repayments – **\$508.8mn**;

interest payments – **\$101.0mn**.

During this period, the State debt service repaid from the **State budget** amounted to **\$825.0mn**. Of which:

State external debt service – \$405.2mn:

principal repayments – **\$244.8mn**;

interest payments – **\$160.4mn**.

State domestic debt service – 4.6tn soums (*\$419.8mn equivalent*), of which debt service to government securities – 4.0tn soums:

principal repayments – **4.3tn soums**;

interest payments – **350.8bn soums**.

Figure 8. State external debt service⁵

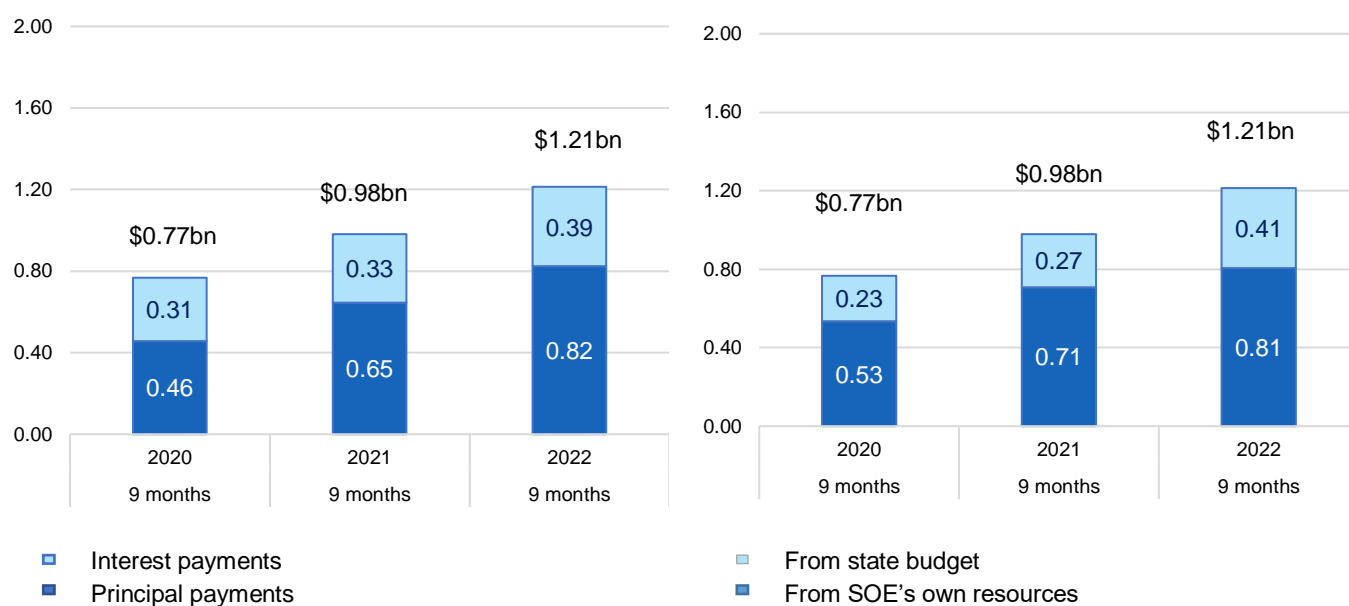
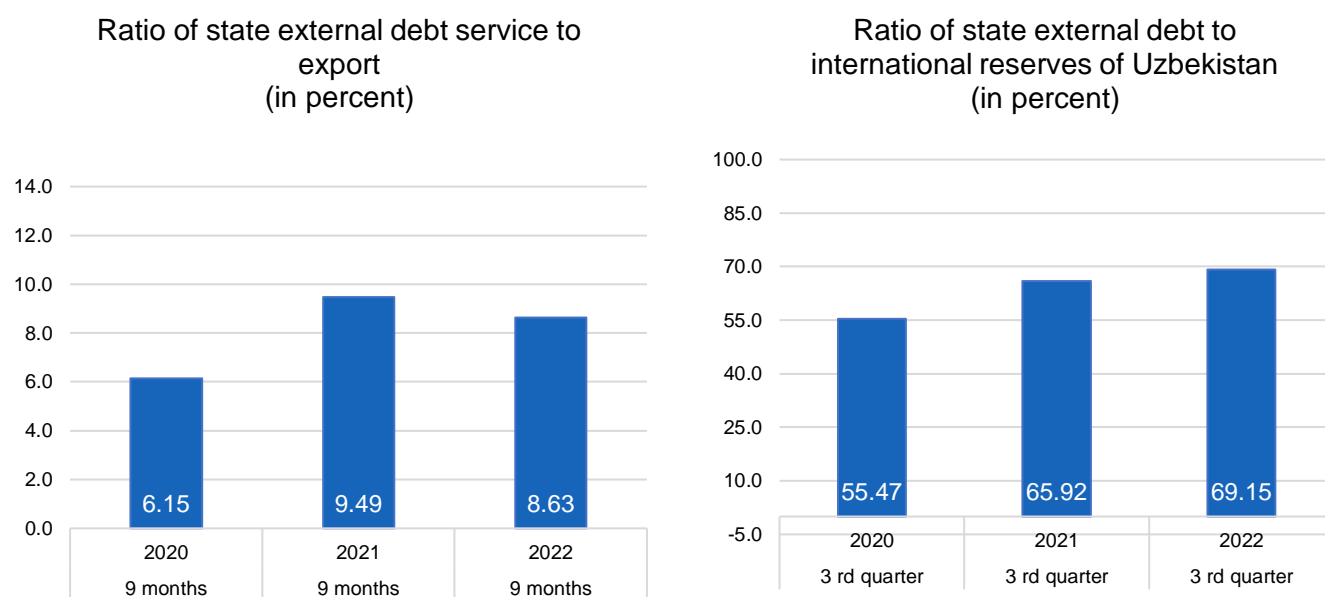


Figure 9. Main indicators of State external debt⁵



⁵ State external debt service (from state budget and from SOE's own resources) includes the principal and interest payments.

III. SOVEREIGN CREDIT RATING POSITION OF THE REPUBLIC OF UZBEKISTAN

3.1. Cooperation with Fitch Ratings

On September 9, 2022, Fitch Ratings published its next report on Uzbekistan. According to the report, the sovereign credit rating of Uzbekistan **remained unchanged at "BB-" (stable outlook)**.

According to the report, Uzbekistan's ratings balance **robust external** and **fiscal buffers**, **low government debt** and a record of **high growth** relative to 'BB' rated peers against high commodity dependence, high inflation and structural weaknesses in terms of low GDP per capita and weak institutional and governance levels relative to peers.

It is noted that **Uzbekistan** was able to withstand the initial impact of the geopolitical situation, and the country's economy continues to **show resilience against external shocks**.

In particular, as a result of favorable export prices, supportive fiscal policy, significant increase in remittances and stabilization of the exchange rate, the **economy of the republic** achieved **5.4% growth** in the first half of this year. For this reason, the agency increased the expectation of the real economic growth rate of Uzbekistan in 2022 from **3.1%** to **5.1%**.

At the same time, the economy of Uzbekistan is expected to grow by **4.7%** in 2023 **due to the weakening of global growth**. Moreover, in 2024 real growth is projected to reach **5.5%** as a result of gradual **fiscal consolidation** and reforms that will positively affect agriculture, construction, and industrial production.

In the report, the **current account deficit** is expected to decrease to **2.1%** of GDP in 2022. This expectation is explained by the growth of gold and non-gold exports and a significant increase in remittances.

According to the agency's forecast, international reserves will remain at a stable level in the coming years (*in 2023-2024 - an average of \$33.5bn*). The inflation rate will **average 11.7%** in 2022 and will decrease to 9.2% by 2024.

According to Fitch's forecast, the consolidated budget deficit will reach 4.8% of GDP in 2022 and decrease to 4.1% in 2023 including social spending and investment. It is noted that government debt is projected to increase to 37.3% of GDP in 2022, well below the 55% 'BB' median forecast.

Also, the draft law "On State Debt", approved by the parliament, introduces a 60%-of-GDP state debt ceiling, annual borrowing limits and the requirement to undertake corrective measures if debt rises above 50% of GDP.

In Fitch's view, the credibility of these policy anchors will depend on their capacity to sustainably slow the pace of debt growth, manage the risk of contingent

liabilities and preserve the relative strength of government fiscal buffers, a key supportive factor for the rating.

As noted in report, commitment to reform remains strong despite a more challenging external environment.

Factors that could, individually or collectively, **lead to positive rating action/upgrade:**

- achieving **high economic growth** while ensuring macroeconomic stability and **reducing the gap between GDP per capita and countries with a “BB” rating;**

- significant improvement of governance standards including rule of law, voice and accountability, regulatory quality and control of corruption;

- significant strengthening of the sovereign's fiscal and external balance sheets.

Factors that could, individually or collectively, lead to **negative rating action/downgrade:**

- Weakening of external finances, for example through a sustained widening of the current account deficit derived from a permanent **decline in remittances** or **increase in trade deficit**, resulting in a significant decline in FX reserves or rapid increase in external liabilities.

- **A marked rise in the government debt-to-GDP ratio** or **the erosion of the sovereign fiscal buffers**, for example due to **an extended period of low growth** or crystallisation of contingent liabilities.

3.2. Cooperation with S&P Global Ratings

On December 2, 2022, **S&P** published its next report on the sovereign credit rating of the Republic of Uzbekistan. According to the report, the rating of the Republic of Uzbekistan remained unchanged at "**BB-**" (**stable outlook**).

The agency reviews Uzbekistan's sovereign credit rating twice a year. During the assessment process, the macroeconomic situation in the republic and the implemented reforms will be discussed in detail with relevant ministries and agencies.

It should be noted that since the beginning of 2022, the rating or rating outlook of 22 countries has been lowered by the agency.

According to the report, the stable outlook reflects agency's expectation that Uzbekistan's comparatively strong fiscal and external stock positions should help its economy withstand additional possible negative impact of external shocks and weak global growth over the next 12 months.

According to the agency's estimates, **government liquid assets** were 17% of GDP and **usable international reserves** were 32.6% of GDP.

At the same time, **ratings** on Uzbekistan **are supported by the economy's net external creditor position** and the government's moderate net debt burden.

Uzbekistan's ratings are constrained by GDP per capita, monetary policy flexibility, level of accountability and checks and balances between institutions.

The report notes that Uzbekistan's economy has withstood the effects of external shocks better than the agency had expected.

In particular, the economic growth of Uzbekistan is bolstered by higher remittances inflows, exports and government spending. Therefore, the agency raised its economic growth forecast for 2022 from 3.5% to **5.8%**.

According to the agency's expectations, fiscal consolidation will be achieved during the forecast period through reduced capital expenditure, targeted social spending and electricity tariff reform, and improved tax collection.

It is noted in the report that ongoing investment programs and **reform of state-owned enterprises**, including **private sector development** and **an improved business environment**, would help support economic growth.

S&P noted **Uzbekistan has made strong progress on its reform and economic modernization agenda**.

In particular, the reforms carried out by the government - strengthening the **independence of the judiciary**, ease restrictions on **free expression**, increasing **accountability**, **fighting corruption**, **openness of economic information**, **trade and exchange rate liberalization**, **reform of state-owned enterprises** and plans for **privatization** were specially recognized.

It was mentioned in the report that the state debt is going to stabilize in the medium term and low cost of state debt due to the fact that it mainly consists of concessional loans

At the same time, it was noted that Uzbekistan's monetary policy effectiveness has been on an improving trend in recent years and one of the most significant reforms in that regard was **the liberalization of the exchange rate regime**.

According to the report of S&P, Uzbekistan's economic reforms and increased integration with the global economy resulting in stronger economic growth potential and broader diversification of export receipts and fiscal revenue can be a **factor in raising the credit rating of the country**.

The following factors were noted as factors **lowering the credit rating of the country**:

- if Uzbekistan's **fiscal and external reserves positions weaken** compared to the agency's expectations due to **fall in trade and remittances** in 2022;
- if public and financial sector external debt continues to rise at a fast pace, in contrast to agency's current expectation of the increase moderating;
- if the **contingent liabilities of the state** are materialized as a result of the weakening of the financial performance of key state-owned enterprises.

Appendices

Appendix 1

The State debt dynamics of the Republic of Uzbekistan

bn USD equivalent

	2017	2018	2019	2020	2021	2022 3 rd quarter*
<u>State debt, total</u>	<u>11.5</u>	<u>14.9</u>	<u>17.8</u>	<u>23.4</u>	<u>26.3</u>	<u>26.2</u>
<i>% to GDP</i>	18.7%	28.3%	29.7%	39.0%	38.0%	34.1%
<u>State external debt</u>	<u>7.6</u>	<u>9.9</u>	<u>15.7</u>	<u>21.1</u>	<u>23.6</u>	<u>23.2</u>
<i>% to GDP</i>	12.2%	18.8%	26.2%	35.2%	34.0%	30.1%
<u>State domestic debt</u>	<u>4.0</u>	<u>5.0</u>	<u>2.1</u>	<u>2.3</u>	<u>2.7</u>	<u>3.1</u>
<i>% to GDP</i>	6.5%	9.5%	3.5%	3.8%	4.0%	4.0%

*Preliminary estimates

Currency composition of state debt
(as of 01.10.2022)

No	Currency	Share (%)
1	US dollars	70.7%
2	Uzbek soum	7.5%
3	Japanese yen	7.3%
4	SDR	6.8%
5	Euro	4.4%
6	Chinese yuan	1.5%
7	Korean won	0.6%
8	Saudi riyal	0.5%
9	Kuwaiti dinar	0.4%
10	Russian ruble	0.2%
11	Islamic dinar	0.1%
12	UAE dirham	0.02%
Total		100.00%

State external loan agreements signed in January-September of 2022⁶

(as of 01.10.2022)

Nº	International financial institutions	Project name	Loan amount	Loan interest rate	Maturity	Initiators, project executing agency
1	OPEC Fund for International Development	Accelerating Uzbekistan's transition program	\$100,0 mn	6 month SOFR + 2.30%	20 year (5 year grace period)	Ministry of Finance
2	French Development Agency	Transitioning to Green Economy	150,0 mn euro	6 month Euribor + 0.90%	20 year (6 year grace period)	Ministry of Finance
3	French Development Agency	"Construction of sewage systems in Karmana district of Navoi region" and "Reconstruction and construction of sewage systems in Shahrisabz city and Kitob district center of Kashkadarya region"	24,7 mn euro	6 month Euribor + 0,90%	20 year (6 year grace period)	JSC "Uzsuvta'minot"
			80,3 mn euro	6 month Euribor + 0,90%	20 year (6 year grace period)	
4	European Bank for Reconstruction and Development	Construction and reclamation of solid waste landfills in the Republic of Karakalpakstan	\$70,0 mn	6 month SOFR + 0,41%+1,0%	18 year (5 year grace period)	The State Committee of Ecology
5	European Bank for Reconstruction and Development	Construction and reclamation of solid waste landfills in Khorezm region	\$50,0 mn	6 month SOFR + 0,41%+1,0%	18 year (5 year grace period)	The State Committee of Ecology
6	World bank	Transformation of the power sector and sustainable electricity transmission	\$380,0 mn	1.25% + basis adjustment	30 year (5 year grace period)	Ministry of Energy
			\$43,0 mn	6 month SOFR + 1.05%	40 year (10 year grace period)	

⁶ The disbursed part of these loan agreements is accounted for as state debt.

7	Asian Infrastructure Investment Bank	Electrification of 465 km of the Bukhara-Miskin-Urgench-Khiva railway	\$108,0 mn	6 month SOFR + variable spread	25 year (5 year grace period)	“Uzrailways” JSC
8	Asian development bank	Development of national highways	\$273,85 mn	SOFR + annual 0,5%	24 year (4 year grace period)	The Committee for Roads
9	World bank	Tax Administration Reform Project	\$60,0 mn	1.25% + basis adjustment	30 year (5 year grace period)	State Tax Committee
10	World bank	Second Rural Enterprise Development Project	\$180,0 mn	6 month SOFR + variable spread	25 year (5 year grace period)	Ministry of Economic Development and Poverty Reduction
			\$20,0 mn	1.25% + basis adjustment	30 year (5 year grace period)	
11	World bank	Strengthening the Statistical System of Uzbekistan Project	\$50,0 mn	1.25% + basis adjustment	30 year (5 year grace period)	State Statistics Committee
12	KfW	Modernization of regional multidisciplinary medical centers (4th phase)	10,3 mn euro	2.0%	30 year (10 year grace period)	Ministry of Health
13	KfW	Support digital healthcare reforms	45,0 mn euro	6 month Euribor + 0.6%	12 year (5 year grace period)	Ministry of Health
14	Japan International Cooperation Agency	Development of the added value chain in the fruit and vegetable sector (Phase 2)	\$200,0 mn	6 month SOFR + 1.25%	15 year (5 year grace period)	International Center for Strategic Development and Research in the Sphere of Food and Agriculture

15	World bank	Comprehensive development of medium-sized cities (phase 2)	\$100,0 mn	1.25% + basis adjustment	30 year (5 year <i>grace period</i>)	Ministry of Investments and Foreign Trade
16	Asian Infrastructure Investment Bank	Comprehensive development of medium-sized cities (phase 2)	\$100,0 mn	6 month SOFR + fixed spread	30 year (5 year <i>grace period</i>)	Ministry of Investments and Foreign Trade

State external debt service*mn USD equivalent*

	2020 9 months	2021 9 months	2022 9 months
Total	<u>766,8</u>	<u>979,8</u>	<u>1 212,5</u>
1. Principal payments	458,2	645,5	822,6
2. Interest payments	308,6	334,2	389,8
Total	<u>766,8</u>	<u>979,8</u>	<u>1 212,5</u>
1. From SOE's own resources	533,6	709,0	997,2
2. From state budget	233,2	270,8	405,3

Corporate Eurobonds placed by state-owned enterprises and banks in financial markets

№	Issuer	Amount	Maturity	Coupon rate	Placement date
1	JSCB “Uzpromstroybank”	\$300mn.	5 year	5,75%	02.12.2019
2	JSC "The National Bank for Foreign Economic Activity of the Republic of Uzbekistan"	\$300mn.	5 year	4,85%	14.10.2020
3	JSC "Ipoteka Bank"	\$300mn.	5 year	5,50%	19.11.2020
4		785bn soums (~\$75mn)	3 year	16,00%	16.04.2021
5	JSC "UzAuto Motors"	\$300mn.	5 year	4,85%	04.05.2021
6	JSC "Uzbekneftegaz"	\$700mn.	7 year	4,75%	16.11.2021



**Ministry of Finance of the
Republic of Uzbekistan**

Tel.:
239-10-58
239-14-60

<http://mf.uz>
t.me/minfinuzb
e-mail: info@mf.uz