



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

The state debt of the Republic of Uzbekistan

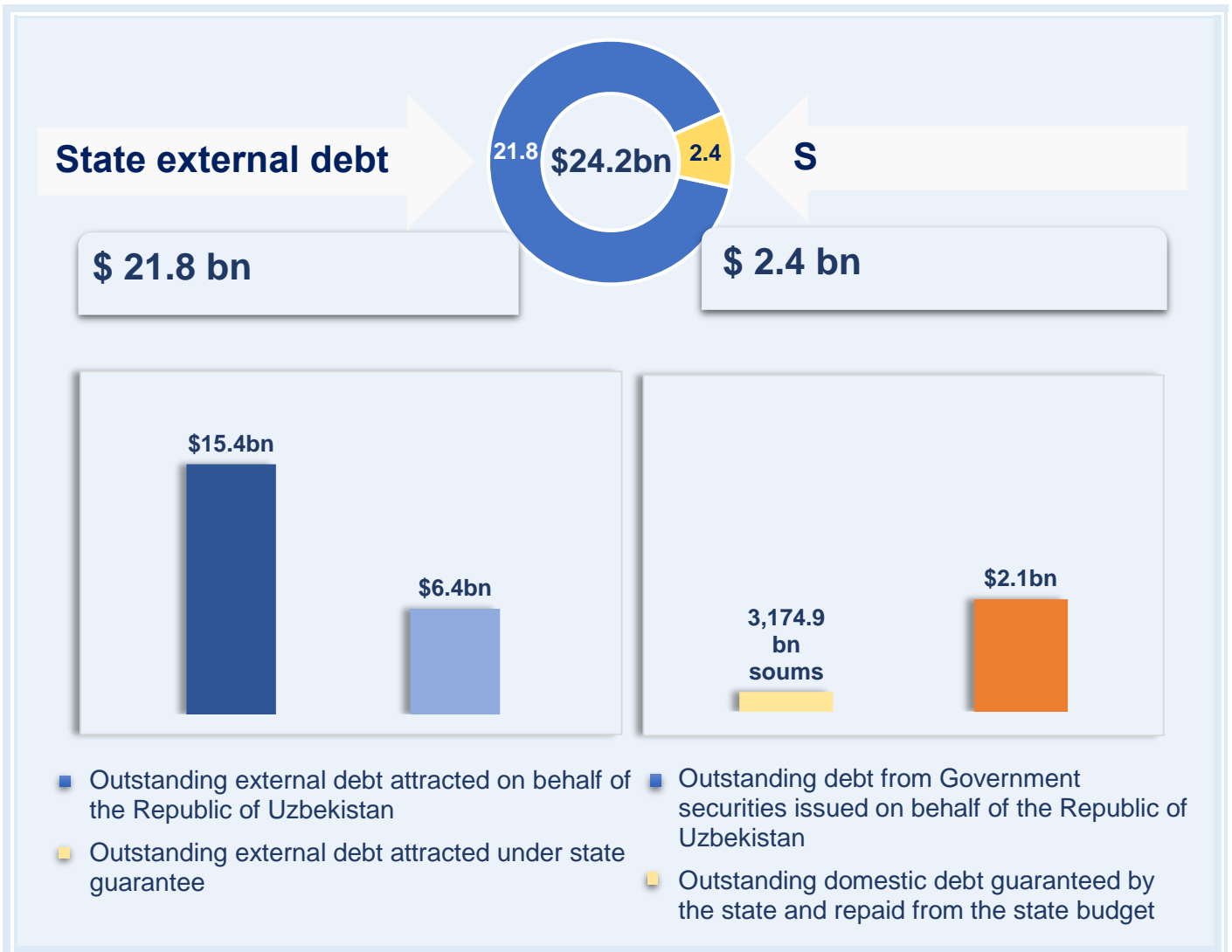
1st half of 2021



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

I. STATE DEBT DYNAMICS

1.1. The State Debt Profile



Outstanding state debt of the Republic of Uzbekistan increased by \$858.6mn or 3.7% compared to the beginning of the year and on July 1, 2021, it amounted to **\$24.2bn** equivalent or **38.5% of GDP**. In particular:

Outstanding state external debt amounted to **\$21.8bn** or 34.7% of GDP;

Outstanding state domestic debt¹ amounted to **\$2.4bn** or 3.8% of GDP.

¹ The outstanding state domestic debt reflects the outstanding debt from government securities, debt guaranteed by the state and repaid from the state budget on domestic obligations.

The increase in outstanding state debt by **\$858.6mn** is mainly due to the disbursement of borrowed funds on behalf of the Republic of Uzbekistan and under state guarantee from external and domestic sources to finance investment projects and the state budget deficit, repayment of principal on debt obligations and changes in exchange rates in the state debt portfolio. As a result:

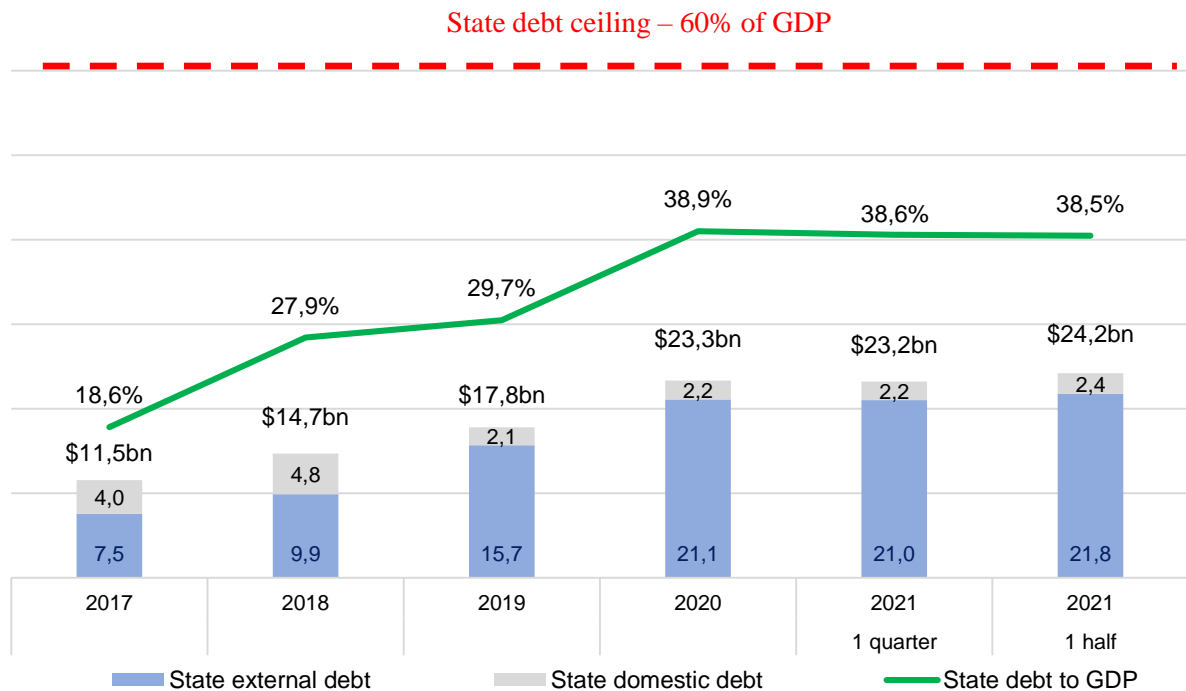
- Outstanding external debt attracted on behalf of the Republic of Uzbekistan increased by **\$363.4mn**;
- Outstanding external debt attracted under state guarantee increased by **\$319.1mn**;
- Outstanding debt guaranteed by the state and repaid from the state budget on domestic obligations increased by **\$250.8mn**;
- As a result of the issuance of government securities on behalf of the Republic of Uzbekistan in the amount of **2,240.9bn soums** and the repayment of the government securities in the amount of **3,020.0bn soums**, the outstanding debt on the government securities decreased by **779.1bn soums**;
- The Japanese yen, a currency that makes up **11.7%** of the state external debt portfolio, depreciated by **6.8%** against the US dollar in January-June 2021.

It should be noted that the downward trend in state debt to GDP in the first quarter of this year was observed in the second quarter as well. In particular, according to the updated data of the State Statistics Committee of the Republic of Uzbekistan, the ratio of state debt to GDP at the beginning of 2021 amounted to **38.9%**, **38.6%** in the first quarter and **38.5%** in the first half. (Figure 1).

The formation of this trend is mainly explained by the growth of the economy in the country, the revision of GDP by the State Statistics Committee, along with prudential measures taken in recent years to keep state debt safe and manage it effectively. In particular:

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

(bn US dollars)



- In the first half of this year, the growth rate of outstanding state debt was 3.7%, the real growth rate of GDP in the corresponding period - 6.2% (nominal growth rate in US dollars - 11.4%);
- The fiscal rule that the amount of state debt should not exceed 60% of GDP was legally established;
- The practice of legally setting annual limits on the volume of new borrowings on behalf of the Republic of Uzbekistan or under state guarantee has been introduced since 2020. In particular:

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

According to the Law “On State Budget for 2021”, the annual limit on newly signed agreements on behalf of the Republic of Uzbekistan and under its guarantee was set in the net amount of \$5.5bn.;

- The State Statistics Committee reviewed the gross domestic product indicators for 2010-2020 as part of improving the practice of assessing national accounts statistics indicators, including the structural components of GDP in accordance with international standards. (Table 1).

² State debt statistics are constantly being improved based on data provided by International financial institutions and commercial banks.

Figure 2. Limits on loan agreements signed on behalf of the Republic of Uzbekistan and under state guarantee³

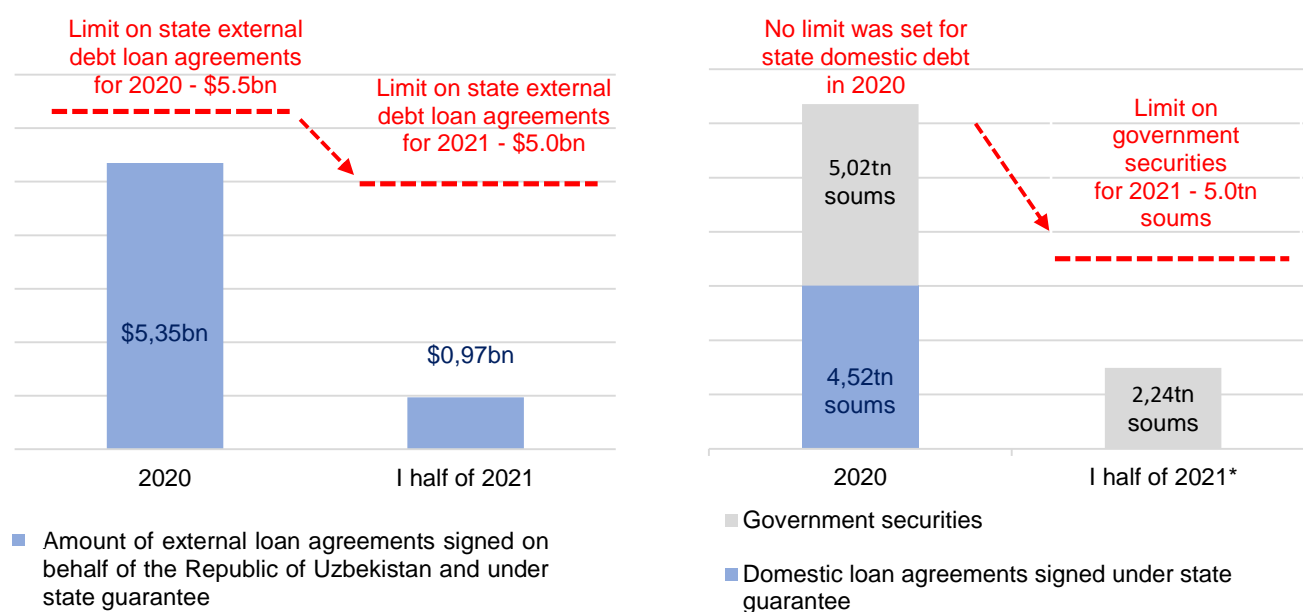


Table 1. Indicators of the GDP⁴

bn soums

Years	Nominal GDP		
	Before revision	After revision	Difference
2010	74 042,0	78 936,6	4 894,6
2011	96 949,6	103 232,6	6 283,0
2012	120 242,0	127 590,2	7 348,2
2013	144 548,3	153 311,3	8 763,1
2014	177 153,9	186 829,5	9 675,6
2015	210 183,1	221 350,9	11 167,8
2016	242 495,5	255 421,9	12 926,3
2017	302 536,8	317 476,4	14 939,6
2018	406 648,5	424 728,7	18 080,2
2019	510 117,2	529 391,4	19 274,2
2020	580 203,2	602 551,4	22 348,2

Source: State Committee on Statistics of the Republic of Uzbekistan, <https://stat.uz>

³ In the first half of 2021, state guarantees of the Republic of Uzbekistan for domestic obligations were not provided.

⁴ <https://stat.uz/en/press-center/news-of-committee/9691-attention-to-users-of-national-accounts-statistics-data>

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

According to the article 10 of Law on State Budget of the Republic of Uzbekistan for 2021, in 2021 the annual limit on newly signed agreements on behalf of the Republic of Uzbekistan and under its guarantee is set in the amount of \$5.5bn, of which - to finance the state budget deficit - \$2.2bn (including domestic debt - 5tn soums), to finance investment projects - \$3.3bn.

As of July 1, 2021, 8 state external loan agreements totaling **\$972mn** were signed on behalf of the Republic of Uzbekistan (*Appendix 2*). Of which:

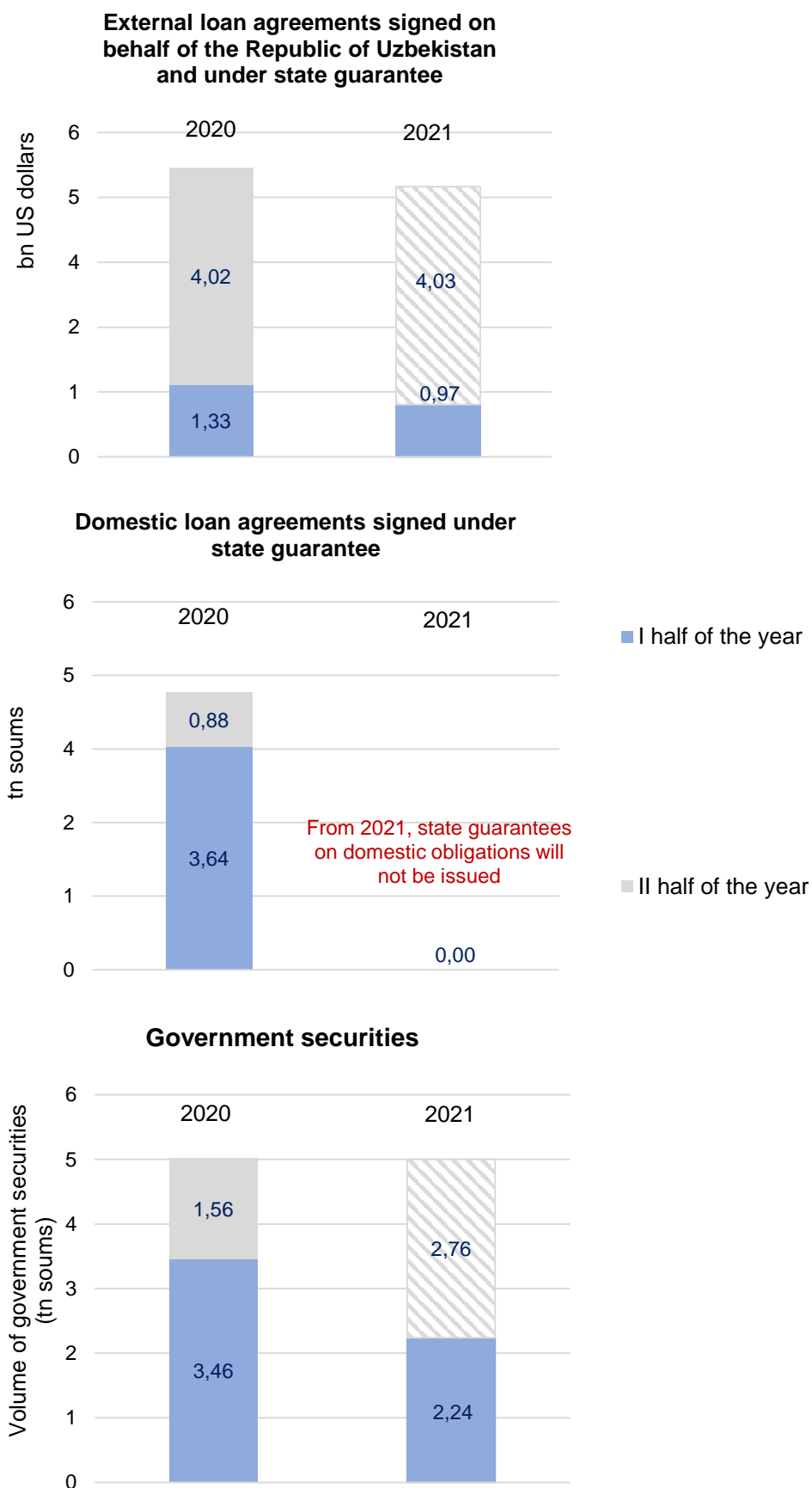
- the amount of loan agreements to finance state budget deficit – **\$330mn**;
- the amount of loan agreements to finance healthcare, supply of drinking water and canalization, livestock, chemical industry development and other crucial social and strategically important projects – **\$642.0mn**.

These funds were attracted through long-term (*up to 40 years*) concessional loans from reputable international financial institutions (*World Bank, European Bank for Reconstruction and Development, French Development Agency*) and foreign government financial institutions (*Japan International Cooperation Agency, Eximbank of Korea*) (*Appendix 2*).

In the first half of 2021, state guarantee of the Republic of Uzbekistan was not provided.

During January-June of 2021, government securities on behalf of the Republic of Uzbekistan totaling 2.24tn soums were placed through 31 electronic auctions.

Figure 3. Loan agreements signed on behalf of the Republic of Uzbekistan and under state guarantee



II. THE STRUCTURE OF THE STATE DEBT AND THE DISTRIBUTION OF OUTSTANDING DEBT AMONG DIFFERENT SECTORS

2.1. State domestic debt⁵

Outstanding state domestic debt increased by \$176.1mn or 7.9% and as of July 1, 2021, it amounted to **\$2.4bn** or **3.8%** of GDP.

In particular:

- government securities – **3.2tn** soums (**~\$0.3bn**);
- Debt guaranteed by the state and repaid from the budget on domestic obligations – **\$2.1bn**.

2.1.1. Government securities

In the first half of 2021, government securities totaling **2,240.9bn** soums were issued on behalf of the Republic of Uzbekistan through 31 electronic auctions in accordance with the schedule of auctions of government securities. Of which:

Government securities with maturity of up to 1 year – 1,685.4bn soums;

Government securities with maturity of 1-5 years – 555.5bn soums.

The yield on government securities issued is formed within the framework of the Central Bank's policy rate and consumer price index (inflation) (Figure 4).

It should be noted that as part of measures to develop the government securities market, for the first time 5-year government securities in the amount of 100bn soums were issued on April 27, 2021 by creating benchmark with the average weighted yield of 12.65%. The number of applications received by dealers for the purchase of government securities exceeded the offer by 1.7 times.

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 national 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 public 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.

For information: "The Roadmap on implementation of the capital market development program for 2021-2022" approved by the Presidential Resolution "On

⁵ The outstanding state domestic debt reflects the outstanding debt from government securities, debt guaranteed by the state and repaid from the state budget on domestic obligations.

measures to further develop the capital market" dated April 13, 2021 No. 6207 envisages the implementation of a number of measures to develop the government securities market.

Within the framework of cooperation between the Ministry of Finance and the US Treasury on the development of the government securities market, technical assistance to the Ministry of Finance is provided by advisers of the US Treasury.

In the first half of 2021, government securities with the maturity of up to 1 year in the amount of **1,320.0bn** soums, 1 year in the amount of **1,500.0bn** soums and 2 year in the amount of **200.0bn** soums were repaid. As of July 1, 2021, the outstanding government securities amounted to **3,174.9bn** soums.

Figure 4. Placed government securities during 2018-2021
(As of 01.07.2021)

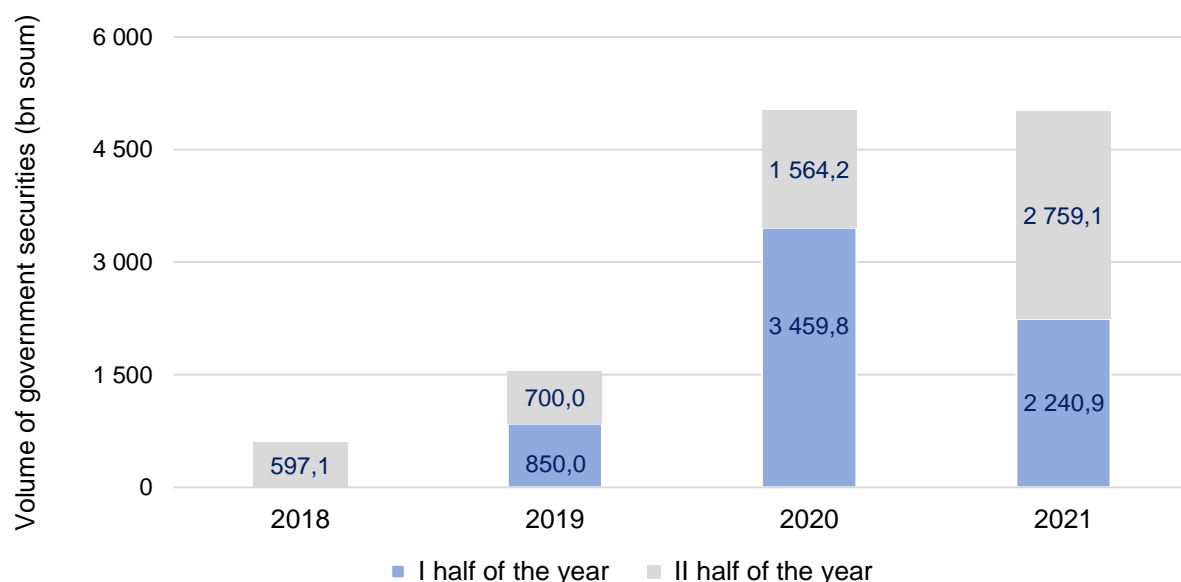


Figure 5. Yields of government securities issued in the first half of 2021

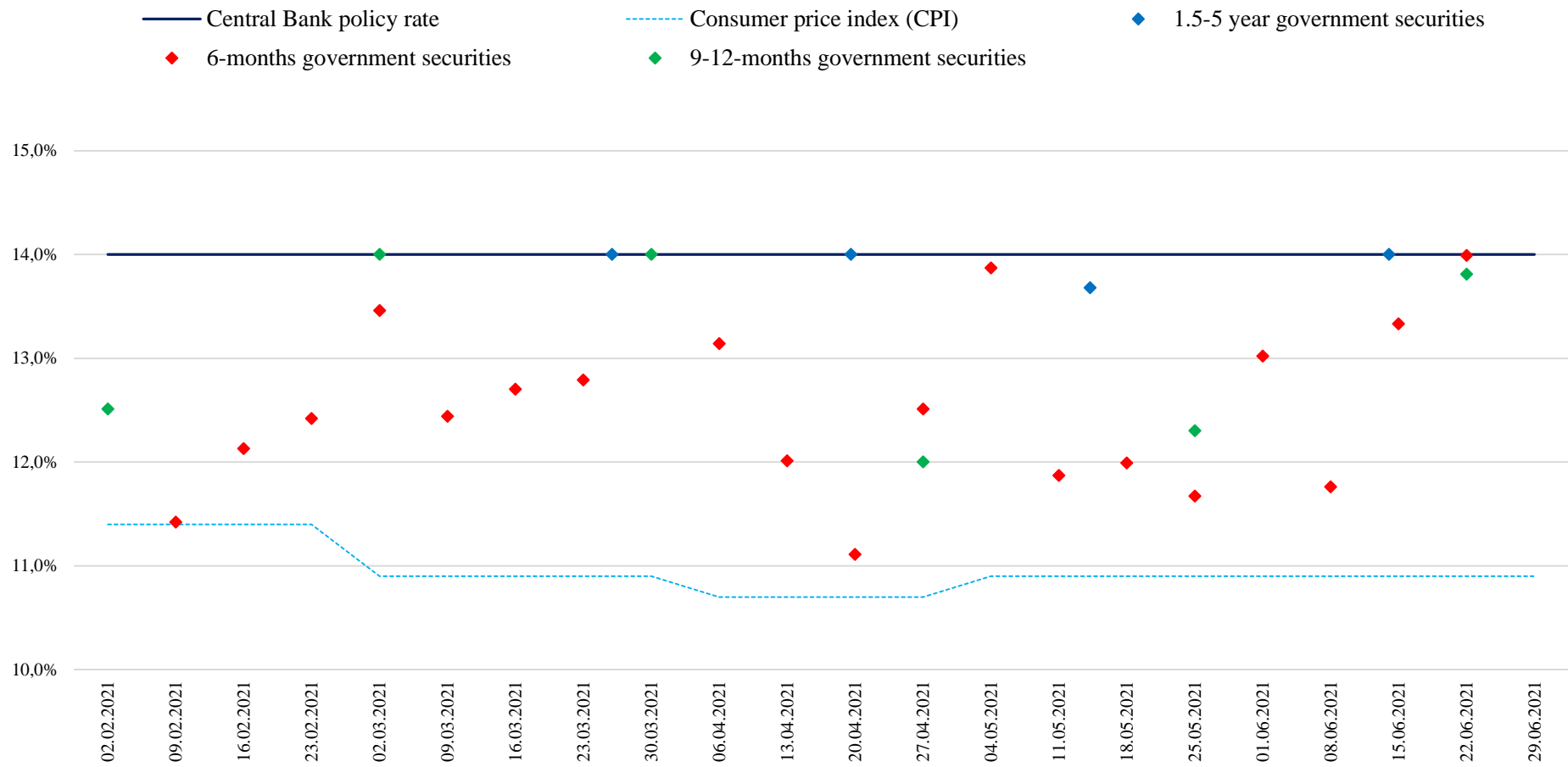


Figure 6. Structure of government securities by maturity
(as of 01.07.2021)

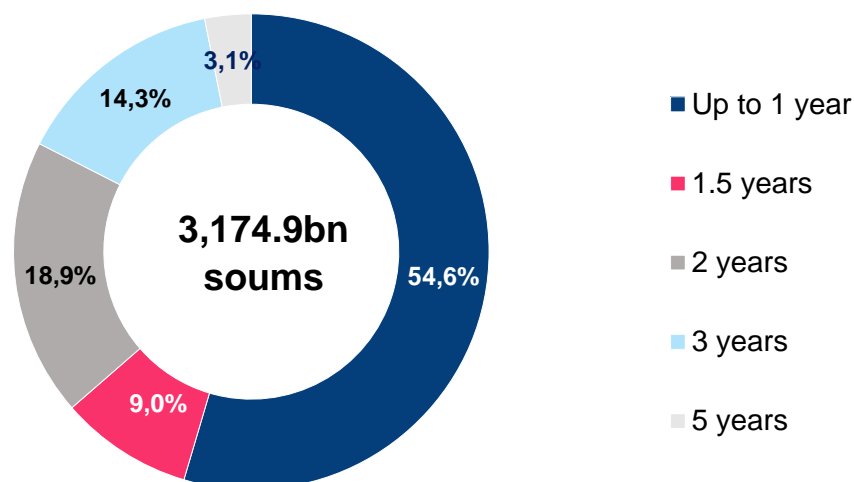
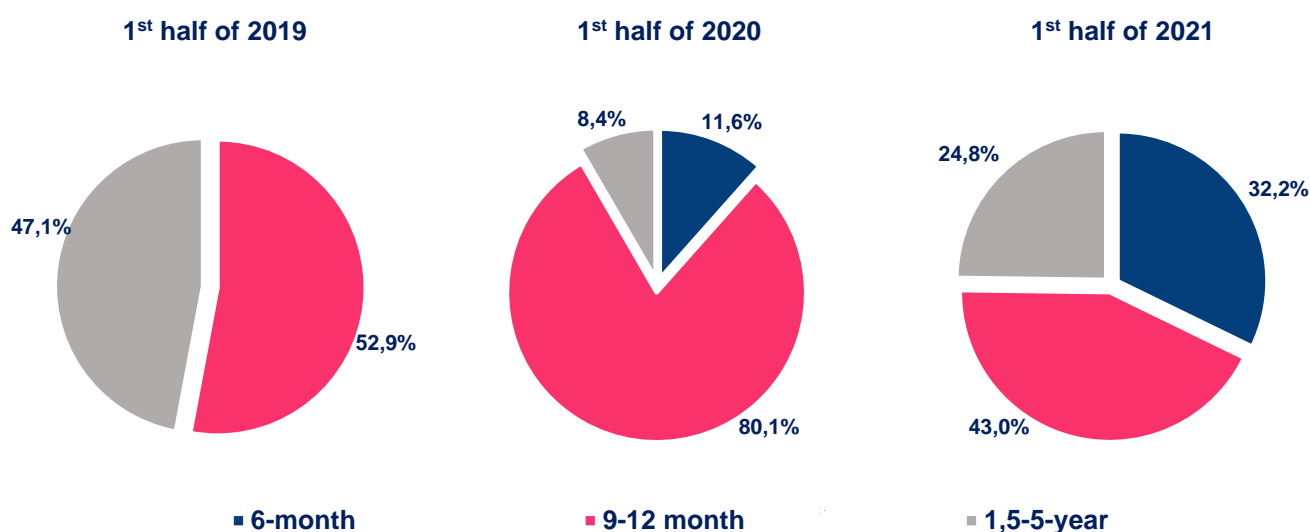


Figure 7. Government securities placed in 2018-2021 by maturity



Measures taken to develop the Government securities market:

Starting from this year, the practice of pre-announcement of auction calendar of government securities has been introduced in order to **build skills** in capital market participants (Appendix 3);

The practice of interest payments of government securities in **every six months** has been introduced in accordance with international standards;

The opportunity to implement formulas used by the International Association of Capital Markets (ICMA) for calculation of profitability and interest rates in the government securities market is introduced

On April 27 this year, for the first time, a **5-year** government securities auction was held and bonds worth **100 bn** soums were placed in full at a yield rate of 12.65%.

Decree of the President of the Republic of Uzbekistan No. PD-6207 provides for the implementation of a number of measures to **develop the government securities market**:

creating opportunities for residents and non-residents of the Republic of Uzbekistan to purchase government securities, as well as the introduction of the market-maker institution;

taking measures to introduce a primary dealer institution based on international experience and expand the investor base.

transferring of settlements on the results of the auction of Government securities to the international standard "T + 1" or "T + 2";

prompt posting of auction results and other information on government securities on the websites of the Ministry of Finance and UZCE (Uzbek Republican Currency Exchange) in order to ensure transparency;

establishing the issuance of government securities for targeted financing of infrastructure development.

2.2. State external debt

In the first half of 2021, the State external debt of Uzbekistan increased to **\$682.5mn** or 3.2 percent of GDP compared to the beginning of the year and as of July 1, 2021 amounted to **\$21.8bn** or **34.7 percent** of GDP. Of which:

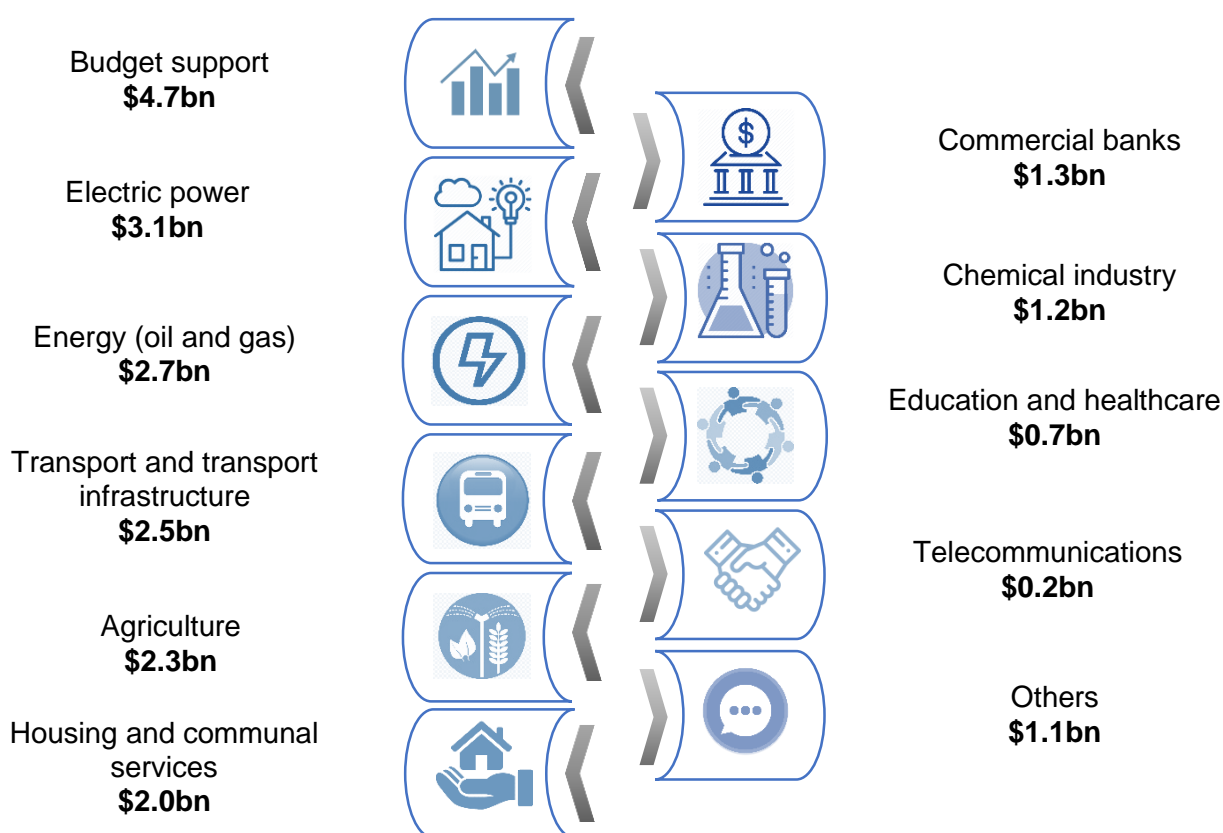
External debt borrowed on behalf of the Republic of Uzbekistan - **\$15.4bn** or 71.0% of the total State external debt;

External debt borrowed under the guarantee of the Republic of Uzbekistan - **6.4bn** or 29.0% of the total State external debt.

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

As of the end of the first half of 2021, 21.6% of the State external debt or **\$4.7bn** were directed to support the state budget, 14.1 % or **\$3.1bn** - to the electricity sector, 12.5% or **\$2.7bn** - to the energy sector, 11.6% or **\$2.5bn** - to transport and transport infrastructure, 9.2% or **\$2.0bn** - to the housing and communal services.

Figure 8. Distribution of State external debt by sectors of the economy
(as of 01.07.2021)



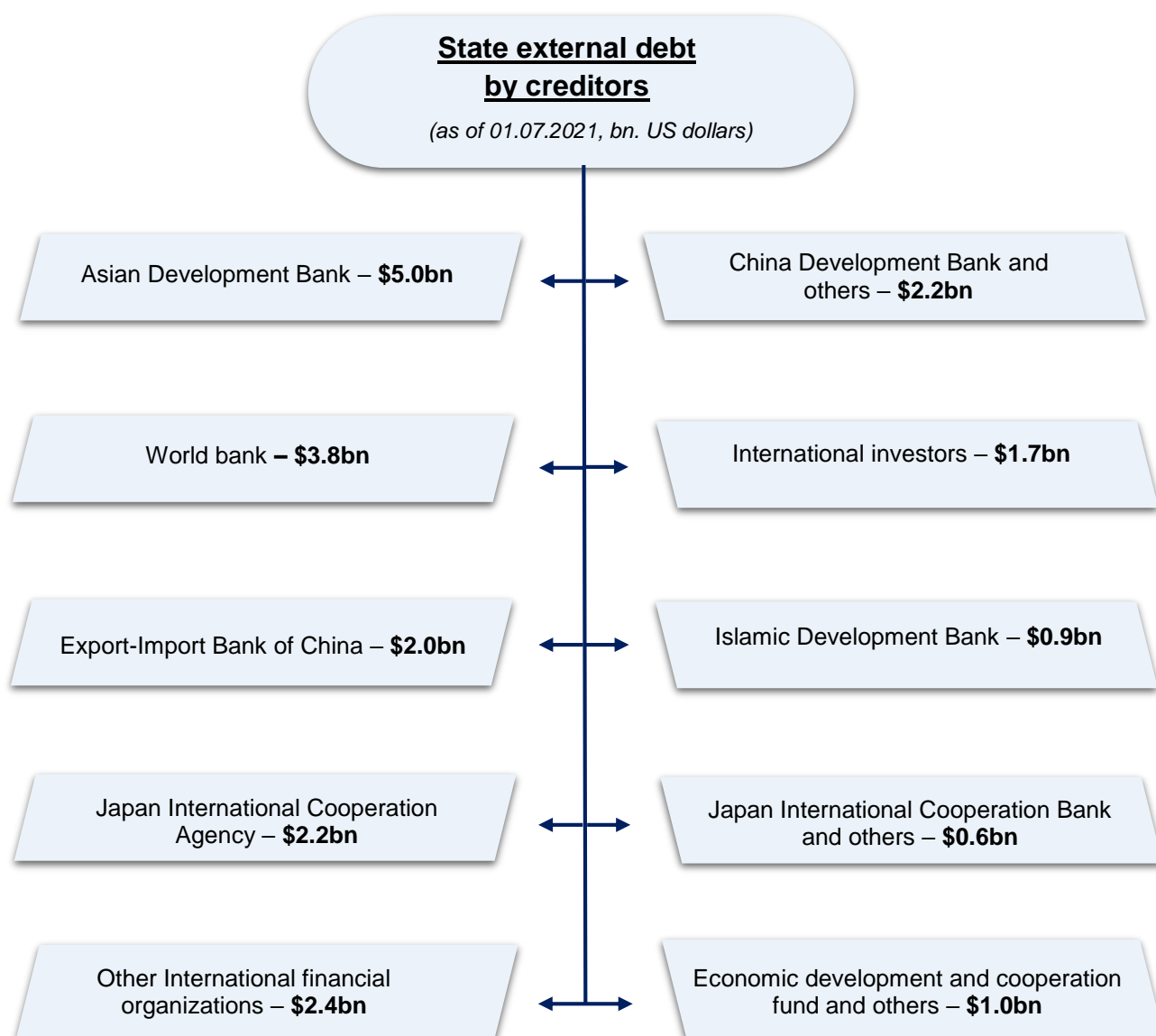
A high proportion of the debt portfolio is contracted for longer maturities with concessional interest rates. The Republic of Uzbekistan follows a conservative approach and principles of risk management in borrowing from international financial institutions and foreign government financial institutions.

2.2.2. Distribution of the State external debt among creditors

The outstanding external debt of Uzbekistan borrowed from international financial institutions amounted to **10.2bn soums**. These loans were provided at long-term and concessional interest rates.

Among IFIs, the significant amount of the State external debt was borrowed from the Asian Development Bank (**\$5.0bn**), the World Bank (**\$3.8bn**) and the Islamic Development Bank (**\$0.9bn**).

Figure 9. Distribution of State external debt by creditors



It should be noted that the diversification of sources of State external debt is ensured, with foreign government financial institutions accounting for 45.1% of state external debt.

The main creditors of the Republic of Uzbekistan are the Eximbank of China, the State Development Bank of China, the Japan International Cooperation Agency and foreign government financial institutions of other countries.

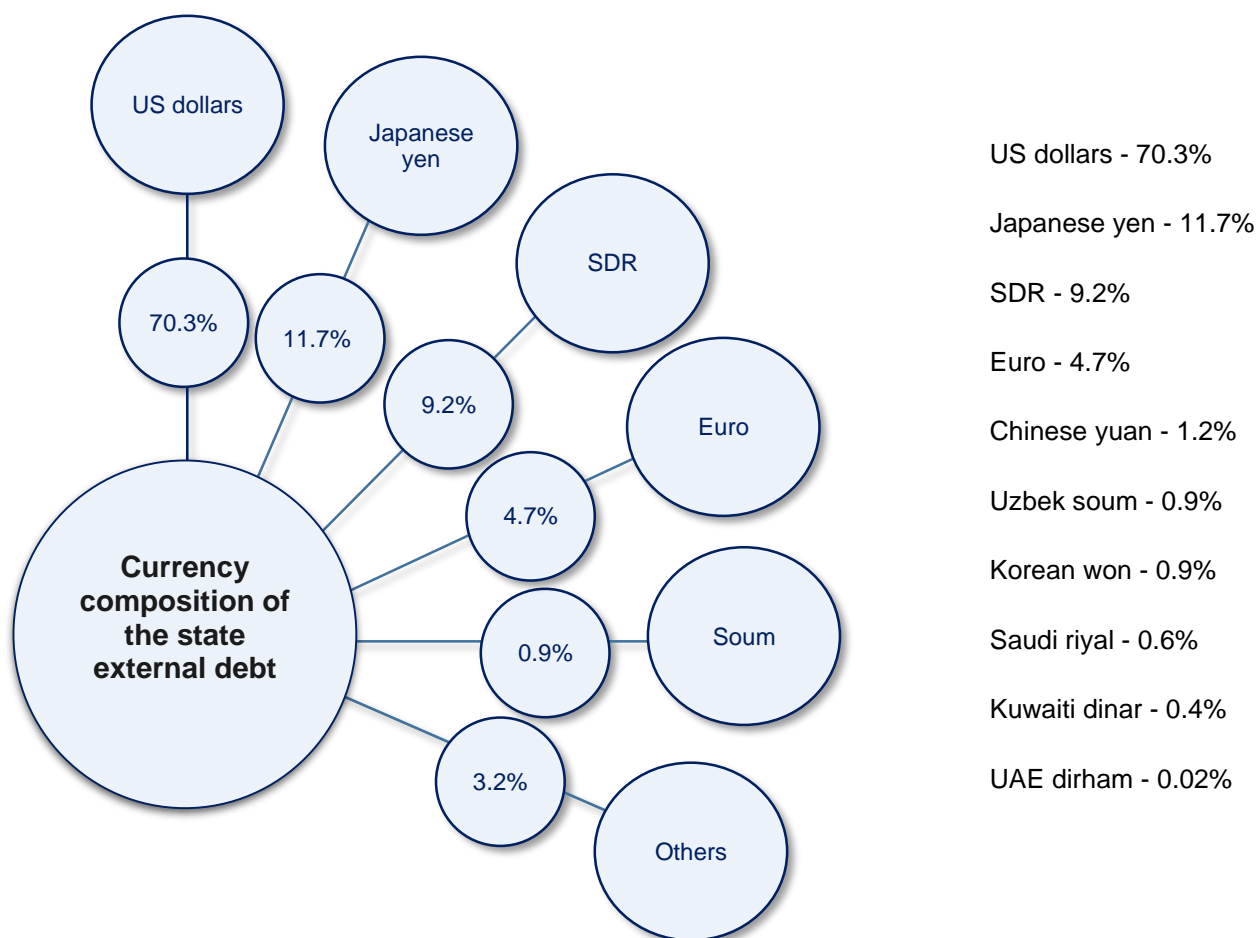
Expenses on indebtedness to creditors are covered by the funds received by state-owned enterprises as a result of financing investment projects.

2.2.3. Currency composition of State external debt

70.3% of the State external debt of Uzbekistan is denominated in US dollars, 11.7% - in Japanese yen, 9.2% - in SDR (special borrowing rights), 4.7% - in Euro, 0.9% - in Soums and 3.2% - in other currencies.

Figure 10. Currency structure of State external debt

(as of 01.07.2021)



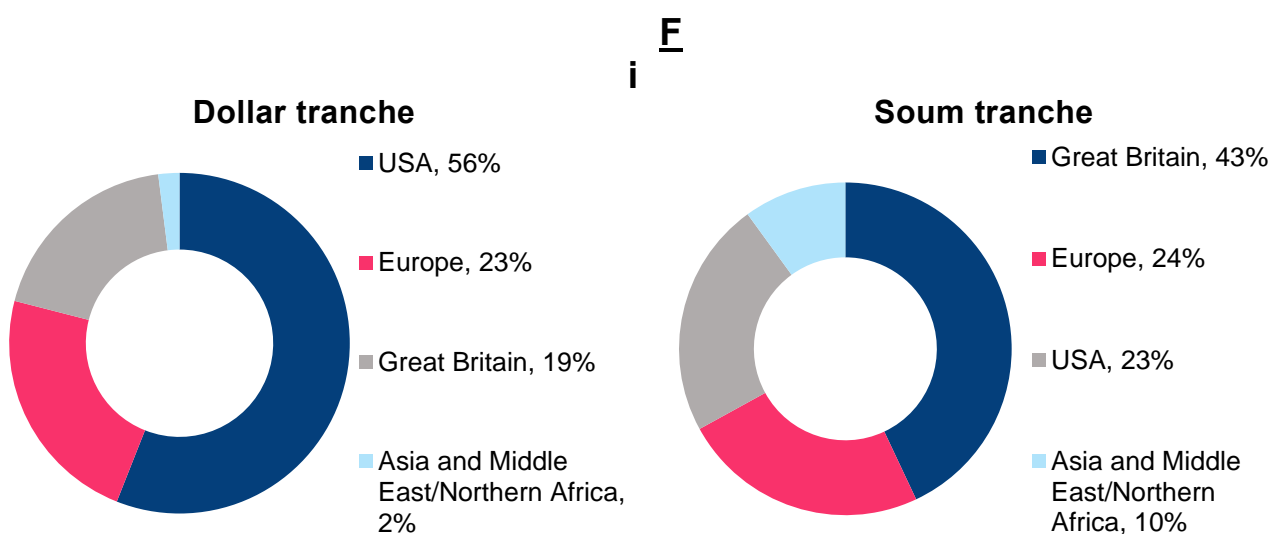
2.2.4. Sovereign Eurobonds

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

- demonstrating in detail **the economic potential** of the 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;
- It has served as a **benchmark** for commercial banks and organizations of the republic, providing them with the opportunity to finance large investment projects and develop entrepreneurship.

It should be noted that on July 12, 2021, the next sovereign Eurobonds in two tranches: dollar denominated 10-year bonds in the amount **\$635mn** – at an interest rate of **3.9%** and soum denominated 3-year bonds in the amount of **2.5tn soums** were at an interest rate of **14.0%** placed in international financial markets.

The transaction was made to cover the state budget deficit, from which the proceeds from the placement of bonds in the national currency will be directed to development projects in Uzbekistan to achieve the UN Sustainable Development Goals.



Placement by investor type

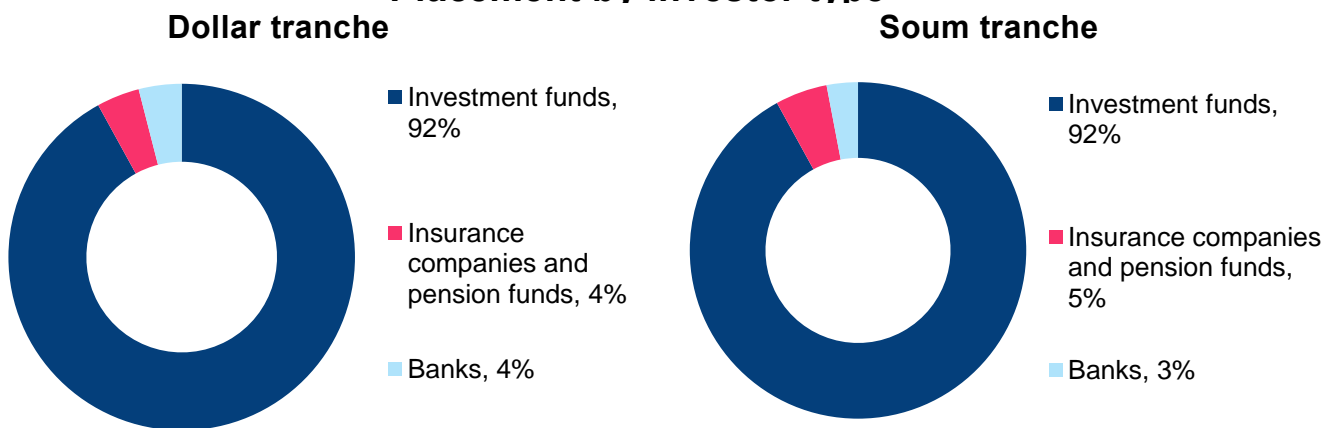
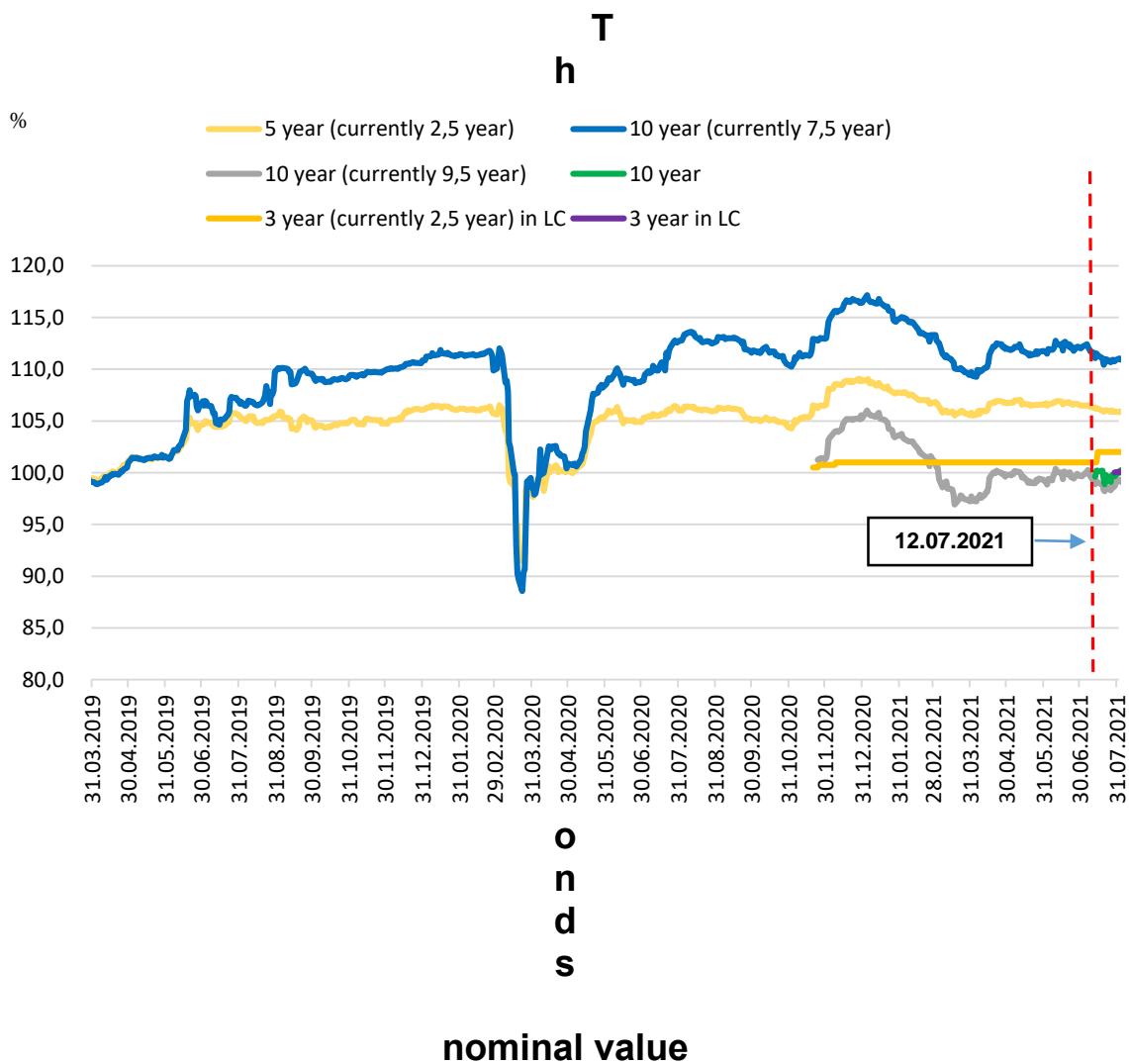
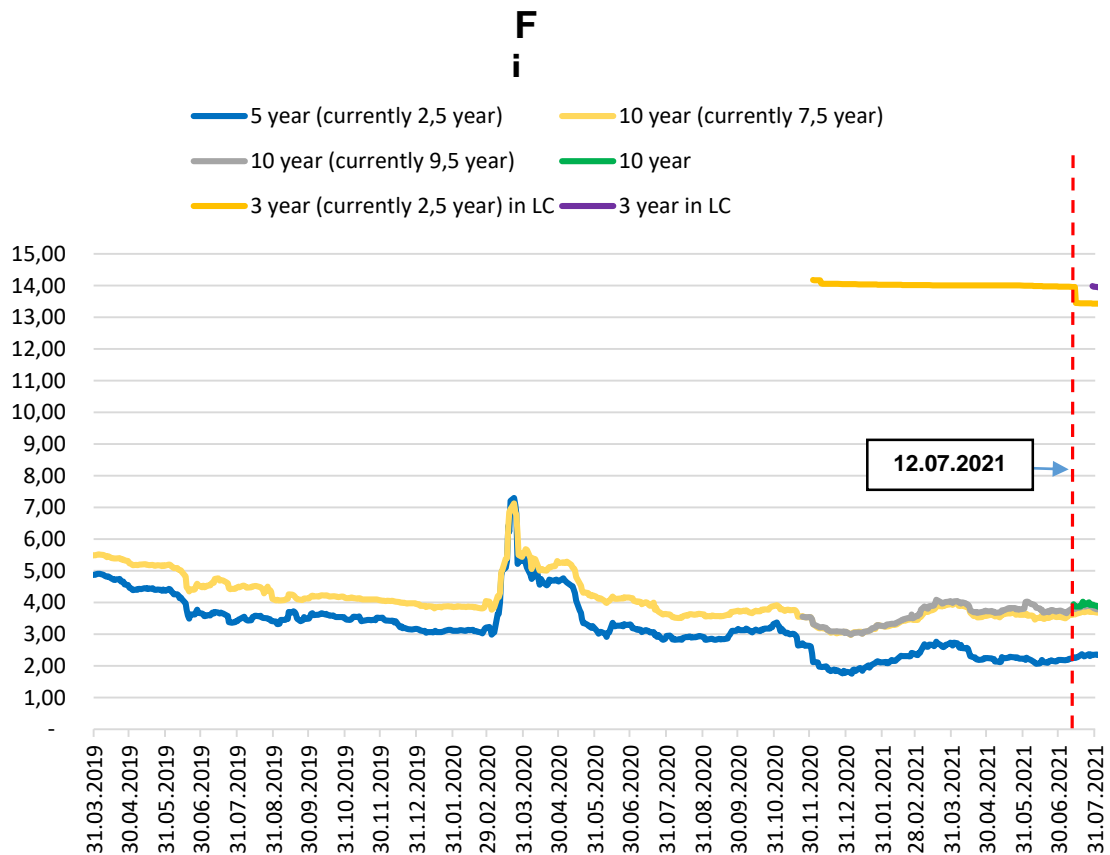


Figure 13. Secondary market trade (the price) of sovereign Eurobonds





In particular, the yield on sovereign Eurobonds as of August 20, 2021 is as follows⁶:

In USD:

- 2.5 year: 2.37% (maturity at 20/02/2024);
- 7.5 year: 3.75% (maturity at 20/02/2029);
- 9.5 year: 3.91% (maturity at 25/11/2030);
- 10 year: 3.98% (maturity at 19/10/2031).

In local currency:

- 2.5 year: 13.92% (maturity at 25/11/2023);
- 3 year: 13.99% (maturity at 19/07/2024).

The importance of sovereign Eurobonds in local currency

The debut placement of sovereign Eurobonds in the **local currency** will create a "**benchmark**" for large state-owned enterprises and banks of the country to place their bonds in the local currency in world financial markets.

⁶ Source: Bloomberg

❖ Eurobonds at the amount of 2.5tn soums placed on 12 July of this year were issued under the SDG bond program of the Republic of Uzbekistan and designed to finance the Sustainable Development Goals (SDGs) of Uzbekistan.

❖ 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.

❖ The program also provides for the preparation and publication of reports on **“Allocation of Funds”** and **“Impact of Projects on Sustainable Development Goals in Uzbekistan”**.

The “Allocation of Funds” report contains information on the distribution of proceeds from the placement of SDG bonds to selected projects based on established criteria and is approved by an independent entity.

The Report on “the Impact of Projects on Sustainable Development Goals in Uzbekistan” provides information on the impact of projects on the ecological and environmental protection, infrastructure and socio-economic development of the country and is published annually until the bonds are redeemed.

❖ The issuance of Eurobonds in the local currency will serve to reduce currency risks and create opportunities for local issuers, including commercial banks, to place international bonds, as well as attract international investors to the domestic financial market, including government securities.

❖ “Ipoteka-bank” JSCB on April 16 of this year placed 3 year Eurobonds worth **785mn soums** (equivalent to \$75mn) in the international capital markets in the local currency on a closed subscription basis at a coupon rate of 16% per annum (16.5% effective).

❖ This transaction serves to reduce the risks of dollarization and currency, as well as to ensure the established standards for long-term liquidity in the local currency.

2.2.5. State debt service

At the end of the first half of 2021, the total State debt service expenses (from the State budget and SOEs' own resources) amounted to **\$1.1bn**. Of which:

State external debt - \$569.4mn:

principal repayments - **\$343.7mn**;

interest payments - **\$225.7mn**;

State domestic debt - \$551.0mn:

principal repayments - **\$472.0mn**;

interest payments - **\$79.0mn**.

During this period, the State external debt service repaid from the State budget amounted to **\$212.5mn**. Of which:

principal repayments - **\$131.9mn**;

interest payments - **\$80.6mn**.

At the same time, the State domestic debt service repaid from the State budget amounted to **\$333.1mn**.

Expenditures on servicing government securities amounted to **3,215.1bn soums**.

principal repayments – 3,020.0bn soums;

interest payments - 195.1bn soums.

Figure 15. State external debt service⁷

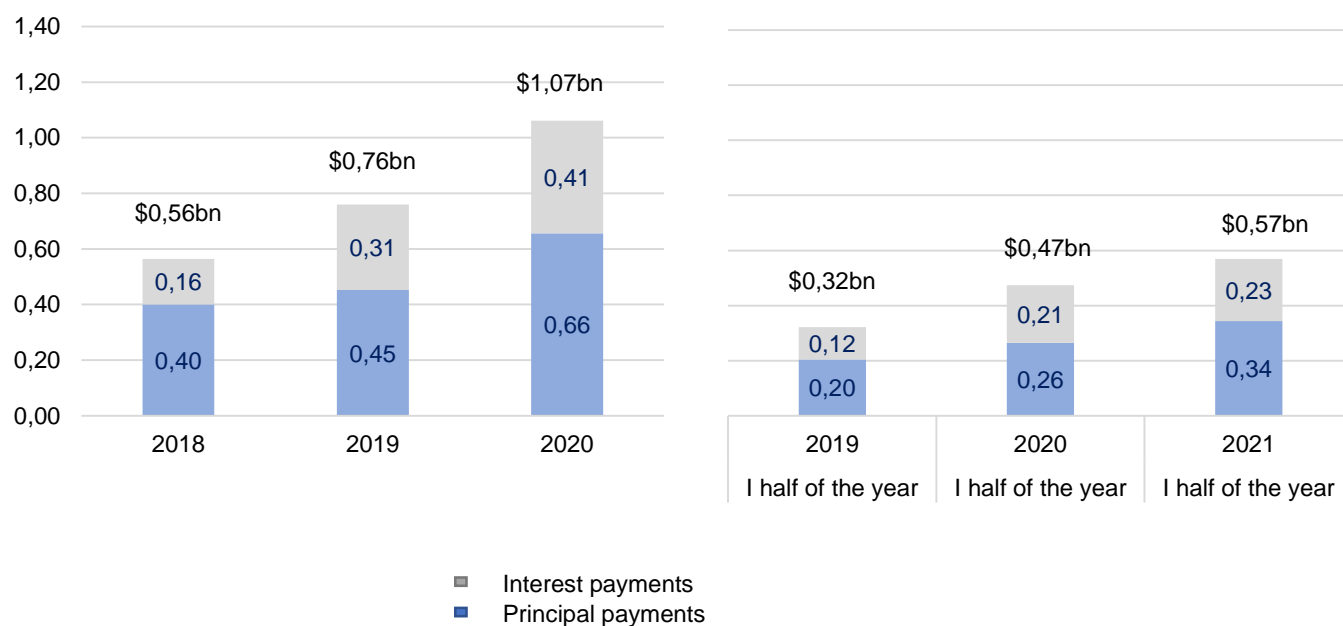
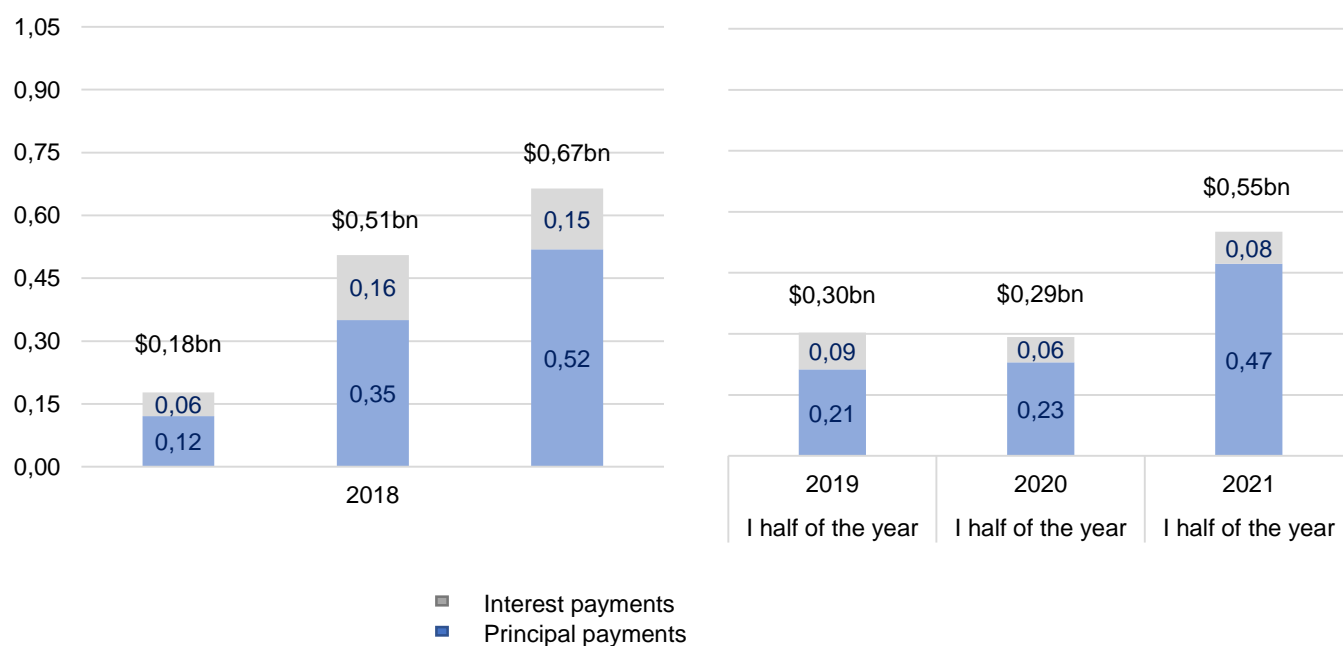


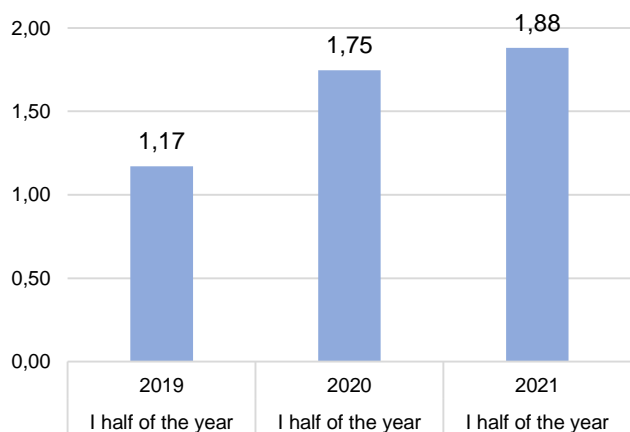
Figure 16. State domestic debt service⁷



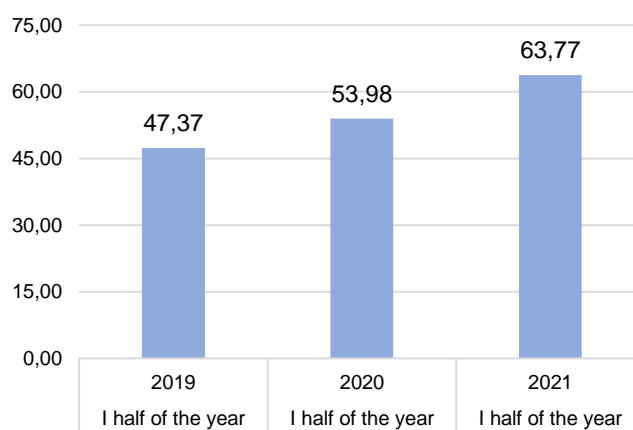
⁷ State debt service includes principal and interest payments.

Figure 17. Main indicators of the state external debt⁸

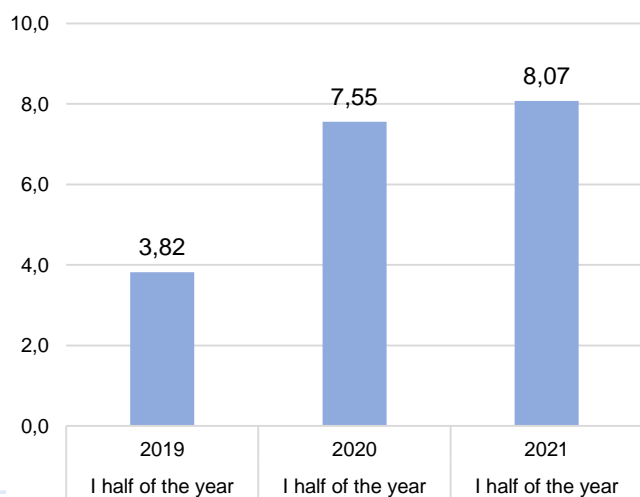
**Ratio of total debt service to GDP
(in percent)¹**



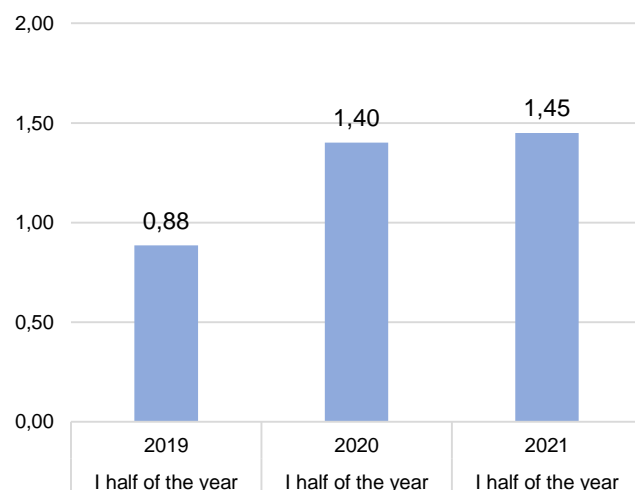
**Ratio of state external debt to
international reserves of Uzbekistan
(in percent)**



**Ratio of total debt service to exports
(in percent)**



**Ratio of debt service paid by the state
budget to consolidated budget
revenues
(in percent)¹**



⁸ State external debt service includes principal and interest payments.

III. MEASURES FOR EFFECTIVE STATE DEBT MANAGEMENT AND INCREASING TRANSPARENCY

The following work is being done to effectively manage State debt:

❖ **The medium-term debt management strategy** is updated annually based on the parameters of macroeconomic development of the republic and the state budget;

❖ Since 2020, **the practice of limiting annual borrowing** on state external debt with legislation was introduced;

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

❖ At the end of 2020, the volume of external debt attracted on behalf of the Republic of Uzbekistan and under state guarantees amounted to \$5.4bn. In particular:

- to budget support and non-project activities - **\$2.5bn**;

- to finance investment projects – **\$2.9bn**.

As of July 1, 2021, the amount of external debt attracted on behalf of the Republic of Uzbekistan amounted to **\$972.0mn**. In particular:

- to budget support – \$330.0mn;

- to finance investment projects – \$642.0mn.

State external guarantee was not provided for this period.

❖ **The State debt ceiling** (60% of GDP) and annual limit (\$5.5bn., of which State domestic debt – 5tn. soums) 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”;

❖ **Debt sustainability analysis has been conducted** jointly with the International Monetary Fund since 2020 and first time was reflected in the budget for 2021;

❖ Based on the recommendations of international experts, the first draft of the **Law “On State Debt”** was developed;

❖ From 2021, investment projects of legal entities (except for social facilities and infrastructure projects) with a state share of 50% or more in the charter capital (capital) are **transferred to market financing without state guarantees**;

❖ From 2021, the issue of **state guarantees on domestic obligations has been suspended**;

❖ The data on State external debt was automated in **Debt Management and Financial Analysis System** (DMFAS-6 software package);

❖ **In order to increase the transparency of State debt statistics**, a quarterly debt bulletin (in Uzbek and English) and a special monthly newsletter for foreign investors (in English) are regularly established on the website of the Ministry of Finance;

❖ Diversification of the State debt portfolio and reduction of currency risk is one of the priorities in effective debt management:

the volume of placement of **government securities** has increased almost **14 times**. In particular, in 2018, the Ministry of Finance placed a total of 597.1bn soums. In 2019, the amount of government securities issued amounted to 1,550tn soums, in 2020 - **5tn soums**, and in the first half of 2021 - **2.2tn soums**;

In 2021, in order to diversify the State debt portfolio, reduce the refinancing risk and form the yield curve, **for the first time 5-year government securities** worth 100 bn soums were issued;

From February 2021, the Ministry of Finance has launched the practice of publishing the auction calendar on government securities on the official website of the ministry;

As a total of 4.5tn soums of soum denominated Eurobonds were placed in London Exchange during 2020-2021, it is planned to increase the share of Eurobonds in local currency by 40% during 2022-2023;

Measures to improve the infrastructure for the development of the government securities market and the formation of an accounting system in line with international standards were approved with the Decree of the President of Uzbekistan "On measures to further develop the capital market" (PD-6207 dated April 13, 2021).

IV. SOVEREIGN CREDIT RATING POSITION OF UZBEKISTAN

4.1. Cooperation with “Fitch Ratings”

On 9 April 2021, “Fitch Ratings” published its latest report on Uzbekistan. According to the report, the sovereign credit rating of Uzbekistan **remained at "BB"** (with a Stable Outlook).

According to the agency, the main factors that could, individually or collectively, **lead to positive rating action/upgrade are:**

- Maintaining high economic growth, for example, through the implementation of structural reforms, that reduces the gap vs. peers in GDP per capita, without creating macro-economic imbalances;
- 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, for example, though sustained high commodity export prices and windfall revenues.

The main factors that could, individually or collectively, **lead to negative rating action/downgrade:**

- Greater deterioration in the medium-term outlook for public finances, for example, due to weak growth, a marked worsening in the government debt-to-GDP or the erosion of the sovereign fiscal buffers;
- Rapid weakening of external finances, for example, through a sustained widening of the current account deficit derived from rapid credit expansion, a significant decline in FX reserves or rapid increase in external liabilities.

4.2. Cooperation with S&P Global Ratings

On June 4, 2021, the international agency S&P Global Ratings published its next report on the sovereign credit rating of the Republic of Uzbekistan. According to which, Uzbekistan's sovereign credit rating was maintained at "BB-" and the **rating outlook was raised from "negative" to "stable"**.

Since June 2020, S&P has downgraded the credit ratings of 21 countries and downgraded the outlook on 13 countries, including Uzbekistan, to "negative".

This decision was explained by the relatively rapid growth of Uzbekistan's external debt over the past two years. Also, it was stated that if the country's external debt growth does not stabilize over the next 12 months, Uzbekistan's credit rating could be downgraded.

Officials of the Ministry of Finance, the Central Bank and the Ministry of Economic Development and Poverty Reduction provided information on the macroeconomic situation in the country and the ongoing reforms at the conference calls held on 10-11 May of this year.

Following these conference calls, a meeting of the credit committee of the rating agency S&P was held, which decided to increase the rating of the Republic of Uzbekistan from **"negative" to "stable"** for the following reasons.

1. According to S&P, Uzbekistan was one of the few countries in the world to achieve economic growth (1.6%) in 2020.

According to the agency, the main reason for economic growth was the functioning of the agricultural and industrial sectors, the implementation of major infrastructure and investment projects, as well as the rapid measures taken by the Government to stimulate the economy, despite the restrictions associated with COVID-19.

The Uzbek economy is projected to grow by 4.8% in 2021, with the services sector expected to be the main driver of growth.

2. According to the report, near-term fiscal and external risks have decreased and external debt growth will moderate in the forecasted period.

In particular, the government has introduced into budget law a debt ceiling of 60% to GDP for total government debt and an annual signing limit in the amount of \$5 billion for government external borrowing. Also, more stringent rules around project selection were introduced into national legislation. These were positively assessed by agency.

The Agency also noted that since 2017, the Government has significantly accelerated its goals of reform and economic modernization.

The Agency is confident that these reforms will improve the production efficiency of the economy and the institutional capacity of the Government.

3. Uzbekistan's fiscal position has improved in 2020-2021 compared to S&P's expectations. It was noted that Uzbekistan's fiscal position outperformed agency's expectations as the government controlled COVID-19-related expenditure increases and high gold prices supported tax revenue. The 2020 deficit of 4.5% of GDP was also lower than the government originally expected.

As a result, the government was able to accumulate and save some external budget-support borrowings, increasing its year-end asset position. This supported agency's measure of the government's net debt to GDP ratio.

According to the report, while the risks associated with COVID-19 remain high, economic growth in Uzbekistan is expected to accelerate this year

4. According to the report, Uzbekistan's external balance sheet performance was ended better than expected in 2020. According to the agency, at the end of 2020, liquid public and financial sector assets exceeded gross external debt.

5. A number of reforms in recent years being implemented and initiated by the Government, including measures to increase judicial independence, lift restrictions on free expression and accountability to citizens, fight corruption, improve economic data transparency, trade and exchange rate liberalization, and reform and privatize state-owned enterprises **has been recognized by the agency.**

It was noted that reducing the state's participation in the economy and improving the flow of direct investment remains one of the main goals of the Government.

The agency's report lists the factors that have a positive and negative impact on Uzbekistan's rating. According to the report, if Uzbekistan's economic reforms and increased integration with the global economy result in stronger economic growth potential and improving fiscal and external metrics, **the credit rating can be raised.**

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

- if Uzbekistan's fiscal and external reserves **decline rapidly or significantly compared to the Agency's expectations;**

- if there is a high accumulation of debt-creating flows and external asset drawdowns.as a result of insufficient inflow of foreign direct investment;
- if the level of **dollarization** in the economy increases significantly;
- if observed weakness in key state-owned enterprises (SOEs), leading to the realization of contingent liabilities on the government's balance sheet.

Appendices

Appendix 1

The State debt dynamics of the Republic of Uzbekistan

bn US dollar equivalent

	as at 01.01.2020	as at 01.01.2021	as at 01.04.2021	as at 01.07.2021*
<u>State external debt</u>	<u>15,7</u>	<u>21,1</u>	<u>21,0</u>	<u>21,8</u>
<i>% to GDP</i>	26,2%	35,2%	35,0%	34,7%
<u>State domestic debt</u>	<u>2,1</u>	<u>2,2</u>	<u>2,2</u>	<u>2,4</u>
<i>% to GDP</i>	3,5%	3,7%	3,6%	3,8%
<u>State debt, total</u>	<u>17,8</u>	<u>23,3</u>	<u>23,2</u>	<u>24,2</u>
<i>% to GDP</i>	29,7%	38,9%	38,6%	38,5%

*Preliminary estimates

State external loan agreements signed in January-June of 2021⁹

No	International financial institutions	Project name	Loan amount	Loan interest rate	Maturity	Initiators, project executing agency
1	Export-Import Bank of Korea	Building a modern multidisciplinary medical center for adults	\$124.0mn	0.15% (in Korean won)	40 years (10 year grace period)	Ministry of Healthcare of the Republic of Uzbekistan
2	Export-Import Bank of Korea	The establishment of the Center for Chemical Technology - an institute of scientific research and design	\$40.0mn	0.15% (in Korean won)	40 years (10 year grace period)	Uzkimyosanoat JSC
3	Japan International Cooperation Agency (JICA)	"Emergency measures against the COVID-19 pandemic in Uzbekistan" and "Development Policy Support"	15.0bn yen	0.01% (in Japanese yen)	15 years (4 year grace period)	Ministry of Finance of the Republic of Uzbekistan
4	Japan International Cooperation Agency (JICA)	"Emergency measures against the COVID-19 pandemic in Uzbekistan" and "Development Policy Support"	\$195.0mn	LIBOR 6 month + annual 1.1%	15 years (4 year grace period)	Ministry of Finance of the Republic of Uzbekistan
6	World bank	Modernization of the national innovation system of Uzbekistan	\$50.0mn	1.25% (in USD) + basis adjustment	30 years (5 year grace period)	Ministry of Innovative Development of the Republic of Uzbekistan
5	World bank	Water services and institutional support	\$49.0mn \$190.0mn	1.25% (in USD) + basis adjustment LIBOR 6 month + variable spread	30 years (5 year grace period)	"Uzsuvtaminot" JSC

⁹ Only the disbursed amount of these loan agreements is accounted as State debt.

6	World bank	Modernization of the national innovation system of Uzbekistan	\$50.0mn	1.25% (in USD) + basis adjustment	30 years (5 year grace period)	Ministry of Innovative Development of the Republic of Uzbekistan
7	European Bank for Reconstruction and Development	Improvement of drinking water supply in Chust, Pop and Namangan districts of Namangan region and construction of sewerage systems in Chust and Mingbulak districts	\$70.0mn	LIBOR 6 month + annual 1.0%	18 year (5 year grace period)	Uzsuvtaminot" JSC
8	French Development Agency	Sustainable development of the livestock sector	100.0mn euro	Eurobor 6 month + annual 1.0%	15 year (4 year grace period)	State Committee of Veterinary and Livestock Development

List of financial protocols signed in 2021 to finance investment projects with international financial institutions and foreign government financial institutions on behalf of the Republic of Uzbekistan and under the State Guarantee of the Republic of Uzbekistan

No	International financial institutions	Project name	Loan amount	Maturity	Initiators, project executing agency
1	Treasury of France	Construction of Beldersoy-Chimgan-Nanay international general seasonal resort	47.9mn euro	10 year (2,5 year grace period)	SUE "Beldirsoy-Chimgan-Nanay" International Seasonal Resort Construction and Operation Project Office
2	Treasury of France	Modernization of Tashkent city water supply system	119.6mn euro	10 year (3 year grace period)	"Tashkent city water supply" LLC

Auction calendar of government securities

Type of government securities	Day the auction will be held	Date the auction will be held	Repayment date of government securities
July, 2021			
6 month, discounted	Tuesday	06.07.2021	04.01.2022
6 month, discounted	Tuesday	13.07.2021	11.01.2022
6 month, discounted	Tuesday	20.07.2021	18.01.2022
12 month, discounted	Tuesday	20.07.2021	19.07.2022
6 month, discounted	Tuesday	27.07.2021	25.01.2022
5-year, coupon	Tuesday	27.07.2021	30.07.2026
August, 2021			
6 month, discounted	Tuesday	03.08.2021	01.02.2022
6 month, discounted	Tuesday	10.08.2021	08.02.2022
6 month, discounted	Tuesday	17.08.2021	15.02.2022
12 month, discounted	Tuesday	17.08.2021	16.08.2022
6 month, discounted	Tuesday	24.08.2021	22.02.2022
6 month, discounted	Tuesday	31.08.2021	01.03.2022
2-year, coupon	Tuesday	31.08.2021	31.08.2023
September, 2021			
6 month, discounted	Tuesday	07.09.2021	08.03.2022
6 month, discounted	Tuesday	14.09.2021	15.03.2022
12 month, discounted	Tuesday	14.09.2021	13.09.2022
6 month, discounted	Tuesday	21.09.2021	22.03.2022
6 month, discounted	Tuesday	28.09.2021	29.03.2022
3-year, coupon	Tuesday	28.09.2021	29.09.2024

Type of government securities	Day the auction will be held	Date the auction will be held	Repayment date of government securities
October, 2021			
6 month, discounted	Tuesday	05.10.2021	05.04.2022
6 month, discounted	Tuesday	12.10.2021	12.04.2022
12 month, discounted	Tuesday	12.10.2021	11.10.2022
6 month, discounted	Tuesday	19.10.2021	19.04.2022
6 month, discounted	Tuesday	26.10.2021	26.04.2022
5-year, coupon	Tuesday	26.10.2021	29.10.2026
November, 2021			
6 month, discounted	Tuesday	02.11.2021	03.05.2022
6 month, discounted	Tuesday	09.11.2021	10.05.2022
12 month, discounted	Tuesday	09.11.2021	08.11.2022
6 month, discounted	Tuesday	16.11.2021	17.05.2022
6 month, discounted	Tuesday	23.11.2021	24.05.2022
6 month, discounted	Tuesday	30.11.2021	31.05.2022
2 year, coupon	Tuesday	30.11.2021	30.11.2023
December, 2021			
6 month, discounted	Tuesday	07.12.2021	07.06.2022
12 month, discounted	Tuesday	07.12.2021	06.12.2022
6 month, discounted	Tuesday	14.12.2021	14.06.2022
6 month, discounted	Tuesday	21.12.2021	21.06.2022
6 month, discounted	Tuesday	28.12.2021	28.06.2022
3 year, coupon	Tuesday	28.12.2021	29.12.2024

- 1) *The volume of government securities issuance will be announced by the day the auction is held;*
- 2) *Issuer has the right to make adjustment and additions to this schedule.*



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