

*June, 2020*

# NEWSLETTER № 12

Ministry of Finance of the Republic of Uzbekistan



Ministry of Finance  
of the Republic of Uzbekistan

# 1. Key developments

- ❖ According to the World Bank report published in June, Uzbekistan remains the only country in Europe and Central Asia region whose economy will continue to grow. **Real GDP growth is forecast to be at 1.5% in 2020 and 6.6% in 2021;**
- ❖ The President has approved further measures to support population and business during the coronavirus pandemic, by providing **tax exemptions and deferrals, tax cuts, loans for construction and reconstruction of individual houses** as well as **compensation for covering interest expenses;** *(page 3)*
- ❖ **The Republican Council for International Ratings and Indices** was established to improve investment attractiveness and strengthen the image of our country in the international arena, introduce new mechanisms for working with ratings and indices in across government organisations; *(page 3)*
- ❖ In ADB approves **U.S.\$ 500m** to Uzbekistan aimed at mitigating the negative impact of COVID-19 pandemic on the economy;
- ❖ The International Finance Corporation (IFC) provides a mortgage loan to Ipoteka bank in Uzbek soum equivalent to **U.S.\$ 35m** to support bank privatisation and increase lending to SMEs in Uzbekistan;
- ❖ S&P Global Ratings confirmed the sovereign rating of Uzbekistan at "**BB-**" but changed its outlook to "negative"; *(page 12)*
- ❖ **Customs administration** will be reformed by simplifying customs procedures;
- ❖ On June 13, 2020, the first session of the **Discussion Club** was held on the topic "External Debt: Discussion and Analysis";
- ❖ Central Bank of Uzbekistan has kept refinancing rate unchanged at **15% per annum;**
- ❖ **Anti-Corruption Agency** was established to strengthen the fight against corruption. The new Agency is responsible for systematic analysis of issues causing corruption and promoting pragmatic measures to stop corrupt activities.

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### Economic Statistics

- ❖ Inflation rate in June, 2020 was at **14.2 % (yoy)**;
- ❖ As of June 1, 2020, international reserves reached **U.S.\$ 32.0 bn**;
- ❖ In Jan-May 2020, the total foreign trade turnover amounted to **U.S.\$ 13.0 bn**;
- ❖ The volume of market services provided in Jan-May 2020 reached to **UZS 80.3 trn** (~U.S.\$ 8.3 bn);
- ❖ The volume of industrial production in Jan-May 2020 reached to **UZS 131.9 trn** (~U.S.\$ 13.6 bn);
- ❖ As of April 1, 2020, total PPG debt amounted to **U.S.\$ 18.2 bn (31.3% of GDP)**, of which, external PPG - **U.S.\$ 16.1 bn (27.7% of GDP)** and domestic PPG - **U.S.\$ 2.1 bn (3.6% of GDP)**;
- ❖ As of June 1, the prices of 5-year and 10-year sovereign international bonds have risen to **106.3%** and **109.1%**, relative to the nominal value, and the yields were **2.95%** and **4.12%**;
- ❖ The current account deficit of the balance of payment for 1Q2020 amounted to **U.S.\$ 812m** narrowing the deficit in comparison to the 1Q2019 figures (U.S.\$ 1.0 bn).

Nº	Statistics at glance	As of June 1, 2019	As of June 1, 2020
1	Inflation, % (yoy) *	13.6	14.2
2	Industry statistics, UZS trn	120.7	131.9
3	Service statistics, UZS trn	68.6	80.3
4	Construction works, UZS trn	27.0	31.6
5	Official Reserve Assets, U.S.\$ bn	26.5	32.0
6	External PPG debt, U.S.\$ bn **	11.7	16.1
7	Domestic PPG debt, U.S.\$ bn **	5.3	2.1
8	Broad money, UZS trn	87.5	99.2

\* As of July 1, 2019 and July 1, 2020

\*\* As of April 1, 2019 and April 1, 2020

Eurobond	Price	Yield
5-year tranche	106.283%	2.950%
10-year tranche	109.117%	4.118%

### Exchange rates as of July 1, 2020

<b>USD/UZS</b> = 10 173.38	<b>+0.62</b>	↗
<b>RUB/UZS</b> = 145.97	<b>-0.42</b>	↘
<b>EUR/UZS</b> = 11 411.48	<b>+43.42</b>	↗
<b>GBP/UZS</b> = 12 546.83	<b>-22.63</b>	↘
<b>CNY/UZS</b> = 1 437.53	<b>-1.19</b>	↘
<b>CHF/UZS</b> = 10 732.55	<b>+50.24</b>	↗

Note 1: Average official exchange rate for January-March 2020, USD/UZS = 9 530

Note 2: Average official exchange rate for January-May 2020, USD/UZS = 9 724

Source: Central Bank of the Republic of Uzbekistan

18 May 2020

**Presidential Decree №5996 «On further measures to support the population and business during the coronavirus pandemic» was adopted**

- ❖ **Property tax and land tax** are exempted for the period from June 1 to September 1, 2020 for:
  - ✓ small business entities;
  - ✓ markets and shopping malls, cinemas, catering, public transport, sports and fitness facilities, as well as legal entities engaged in the transportation of passengers, the provision of household services, the provision of rental premises, including for banquets.
- ❖ Additional state support in the form of **write-offs** are provided for:
  - ✓ property tax and land tax payable for April and May 2020, for which interest-free deferral was provided in accordance with the PD#5969 and PD#5978;
  - ✓ penalties and fines for land tax and property tax, as of May 15, 2020, formed on January 1, 2020.
- ❖ Business entities are provided **deferral of payment of VAT** up to 120 days, when importing goods (works, services);
- ❖ **Social tax rate** reduced from 12% to 1% between May 1 and July 1, 2020 for micro-firms and small enterprises (except manufacturers of excisable goods, state enterprises, legal entities with more than 50% state share in authorised capital)
- ❖ **Credits for construction and reconstruction of individual houses** at the expense of MoF resources are to be implemented as an experiment;
- ❖ State Fund for the Support of Entrepreneurship is to allocate **compensation for covering interest expenses** for some loans taking into account the requirements of the Fund Regulation.

02 June 2020

**Presidential Decree №6003 «On improving the position of the Republic of Uzbekistan in international ratings and indices, as well as on introducing a new mechanism for systematic work with them in government bodies and organizations» was adopted**

- ❖ **Republican Council for International Ratings and Indices** is to be established. Main tasks:
  - ✓ conducting a systematic analysis of the level of socio-economic and political-legal development of the country;
  - ✓ promotion of initiatives to improve the system of state power and management, democratisation of society, implementation of reforms in the field of state and social construction;
  - ✓ a comprehensive assessment of normative legal acts and their projects aimed at regulating various spheres of life of the state and society;
- ❖ Ministry of Finance and Ministry of Justice are assigned as the working bodies of the Republican Council for International Ratings and Indices;
- ❖ Sovereign Credit Ratings, Doing Business Index, Worldwide Governance Indicators, E-Government Survey, Corruption Perception Index, Logistics Performance Index, Statistical Capacity Indicators of the World Bank, Economic Freedom Index, OECD Country risk classification, Human Development Index, Rule of law, World Justice Project, Democracy Index and World Press Freedom Index are approved as **Key performance indicators (KPI)**;
- ❖ Unified portal of "The Republic of Uzbekistan in International Ratings" is to be established on the Internet by October 1, 2020.

**Presidential Decree №6013 «On additional measures to improve the anti-corruption system in the Republic of Uzbekistan» was adopted**

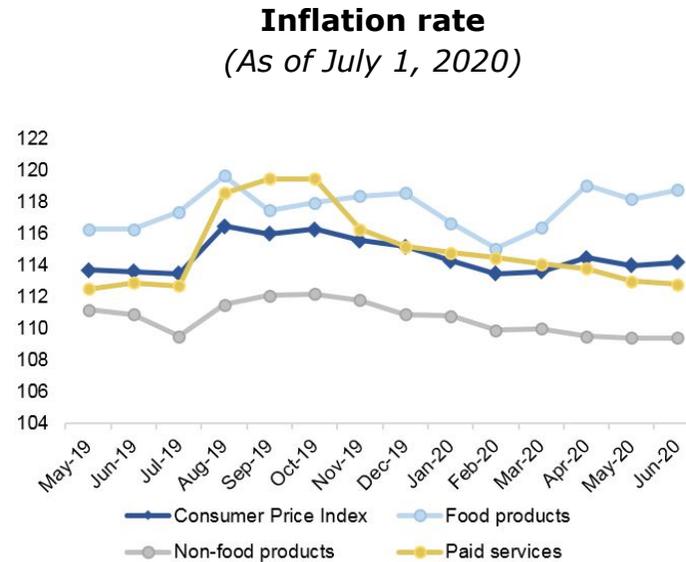
- ❖ **Anti-Corruption Agency** is to be established that is considered as specially authorised state body responsible for **the formation and implementation of public policy in the field of preventing and combating corruption**, ensuring effective interaction between state bodies, the media, civil society institutions and other representatives of non-governmental sectors, as well as international cooperation in this field. The Agency carries out its activities on the basis of **legality, objectivity, accountability, openness** and **transparency** principles and **accountable to the President of the Republic of Uzbekistan**;
- ❖ Main tasks and activities of the Agency:
  - ✓ providing a systematic analysis of the state of the corruption;
  - ✓ formation and implementation of public policy in the field of preventing and combating corruption;
  - ✓ formation of intolerance in society to the manifestations of corruption;
  - ✓ organisation of implementation and effective functioning of "compliance-control" and other international compliance control instruments;
  - ✓ ensuring the effectiveness of anti-corruption expertise legal acts and their projects;
  - ✓ organisation of implementation and effective functioning state income and property declaration systems employees;
  - ✓ taking effective measures to promote implementation of "integrity vaccines";
  - ✓ analysis of the effectiveness of anti-corruption in the field of public procurement and usage of budget funds, loans of international organisations and foreign states, the sale of state assets as well as developing proposals for its improvement;
  - ✓ development of international standards in the field of preventing and combating corruption and increasing country's position in international ratings;
- ❖ The Agency is to prepare annual **National Anti-Corruption Report the Republic of Uzbekistan**.

## 4. Macroeconomic Environment

### Inflation rate

In annual terms (compared to June 2019), the average increase in prices for goods and services amounted to **14.2%**.

In June 2020, the decrease in average level of prices for the month amounted to 0.2 p.p. Non-food products added 0.2 p.p. and services 0.1 p.p. to the monthly consolidated indicator. Due to the massive saturation of the market with fruits and vegetables led to lower prices in food products group and decreased consolidated CPI by 0.5 p.p.

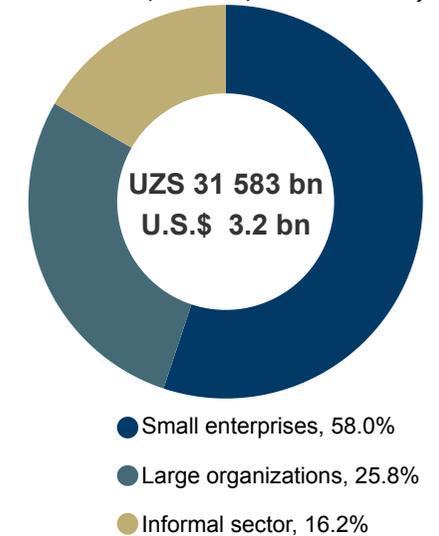


### Construction statistics

In **January - May 2020**, the volume of construction work in country amounted to **UZS 31 582.6 bn**.

As of June 1, 2020, the number of enterprises and organizations in the construction sector amounted to **38.3 thousand units** and, compared with the same period last year, it increased by 6.5 thousand units.

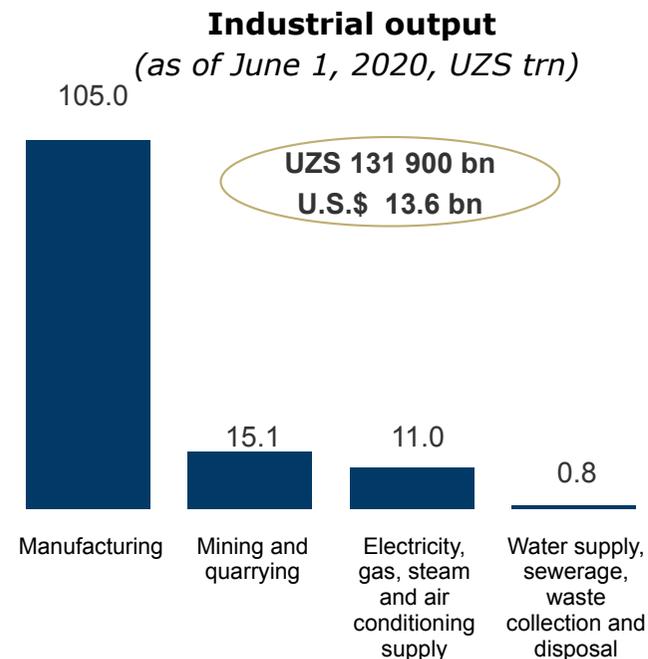
### Construction works (as of June 1, 2020, % in total)



### Industry statistics

In **January - May 2020**, the volume of the industrial products constituted **UZS 131.9 trn**, the index of physical volume of industrial production compared to the same period 2019 was 97.8%.

In the structure of production, the largest share falls on manufacturing enterprises (79.6%).

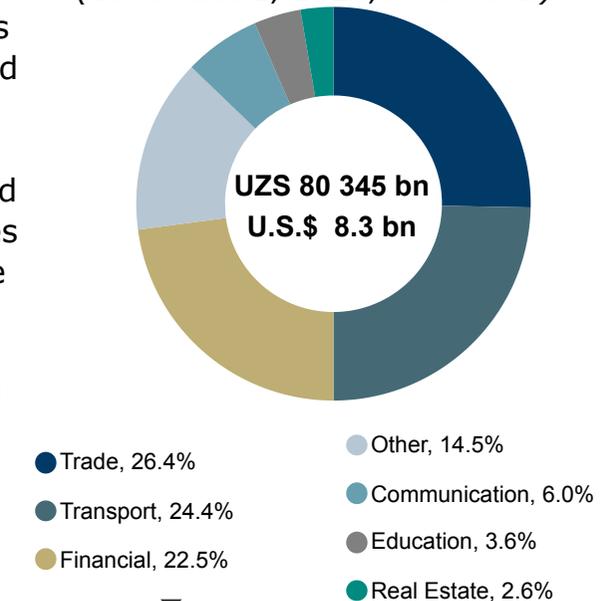


### Service statistics

The volume of market services provided in **January-May 2020** reached **UZS 80 345.0 bn**.

The number of enterprises operating in service sector constituted **279 886 units**. The share of enterprises and organisations engaged in the service sector reached 65.7%, industry - 17.3%, construction - 9.0%, and 8.0% in agriculture, forestry and fisheries.

### Services statistics (as of June 1, 2020, % in total)



### Balance of payments statistics

Descriptor	U.S.\$, m			
	2018	2019	1Q2019	1Q2020
I. Current account	-3,593.7	-3,227.8	-1,049.9	-812.2
II. Capital account	143.0	254.0	135.1	0.2
III. Financial account	-1,411.3	-7,857.0	-2,206.1	-719.7
IV. Net errors and omissions	475.7	-3,476.5	-516.4	93.0
Reserves and related items	-1,563.7	1406.6	775.0	0.7

### Balance of payment statistics

The current account deficit of the balance of payment for 1Q2020 amounted to U.S.\$ 812 m (U.S.\$ 1.0 bn for 1Q2019). At the same time, current account deficit narrowed in comparison with 1Q2019 figures, which is explained by a proportional decrease in imports and exports in the growth of cross-border money transfers.

At the same time, the negative balance of the trade balance and international services (U.S.\$ 2.0 bn) was partially offset by the positive balance of primary and secondary income (U.S.\$ 1.2 bn).

For the 1Q2020, the foreign trade turnover in the trade in goods (including gold and adjustments) amounted to U.S.\$ 7.0 bn ( U.S.\$ 7.8 bn for 1Q2019). At the same time, export and import volumes are U.S.\$ 2.7 bn and U.S.\$ 4.3 bn, respectively.

The negative balance on international trade in services was reduced by 17% compared to 1Q2019 and amounted to U.S.\$ 459.1 m. At the same time, transport and travel services continue to prevail in the structure of export and import of services.

The positive balance on the account of primary income for 1Q2020 was equal to U.S.\$ 207.8 m (U.S.\$ 338.2 mn for 1Q2019). The reduction in the balance of primary income is associated with a decrease in the number of short-term employees and the increase in the accrued income of non-residents on external loans and investments.

Secondary income surplus reached U.S. \$ 1.0 bn (U.S.\$ 862.7 m for 1Q2019).

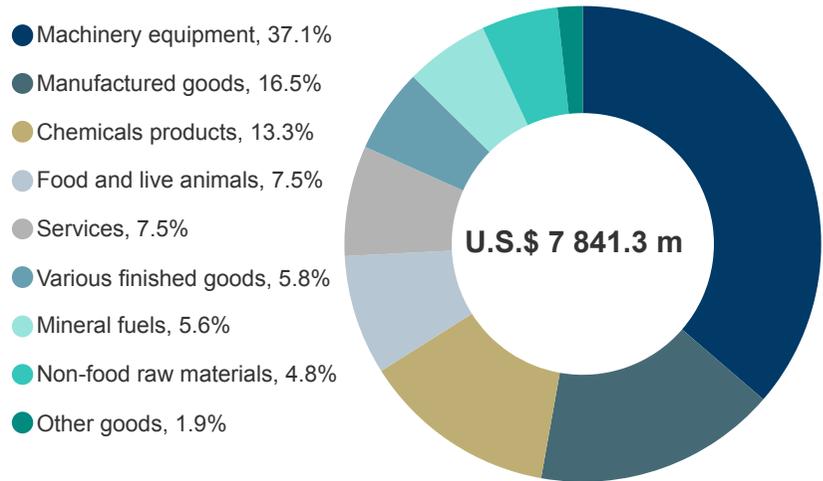
The positive balance of the account of operations with capital in 1Q2020 was U.S.\$ 150 thousand.

At the same time, the negative balance of the financial account amounted to U.S.\$ 719 m due to the growth of financial obligations of residents (U.S.\$ 1.5 bn), as well as the acquisition of financial assets by residents (U.S.\$ 794 m).

The net inflow of foreign direct investments during 1Q2020 amounted to U.S.\$ 262m. The attraction of foreign direct investment in the country was partially offset by an increase in the volume of repatriation on investments made under production sharing agreements (PSA).

# 6. Foreign Trade Turnover

**Structure of Imports**  
(January - May, 2020)

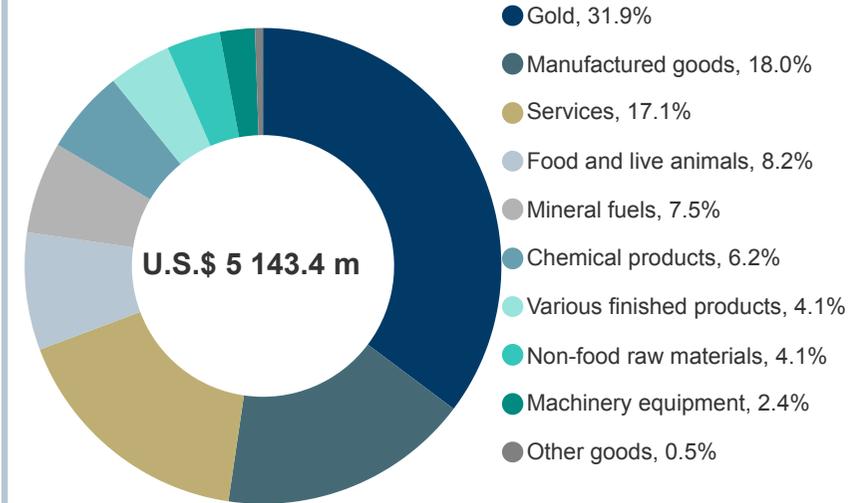


In **January-May 2020** Uzbekistan conducted trade relations with more than 150 countries of the world. The foreign trade turnover constituted **U.S.\$ 12,984.7 m**. The share of neighboring countries in the total volume of foreign trade constituted more than one thirds (35.4%). Passive balance of foreign trade in the amount of U.S.\$ 2,697.9 m was recorded.

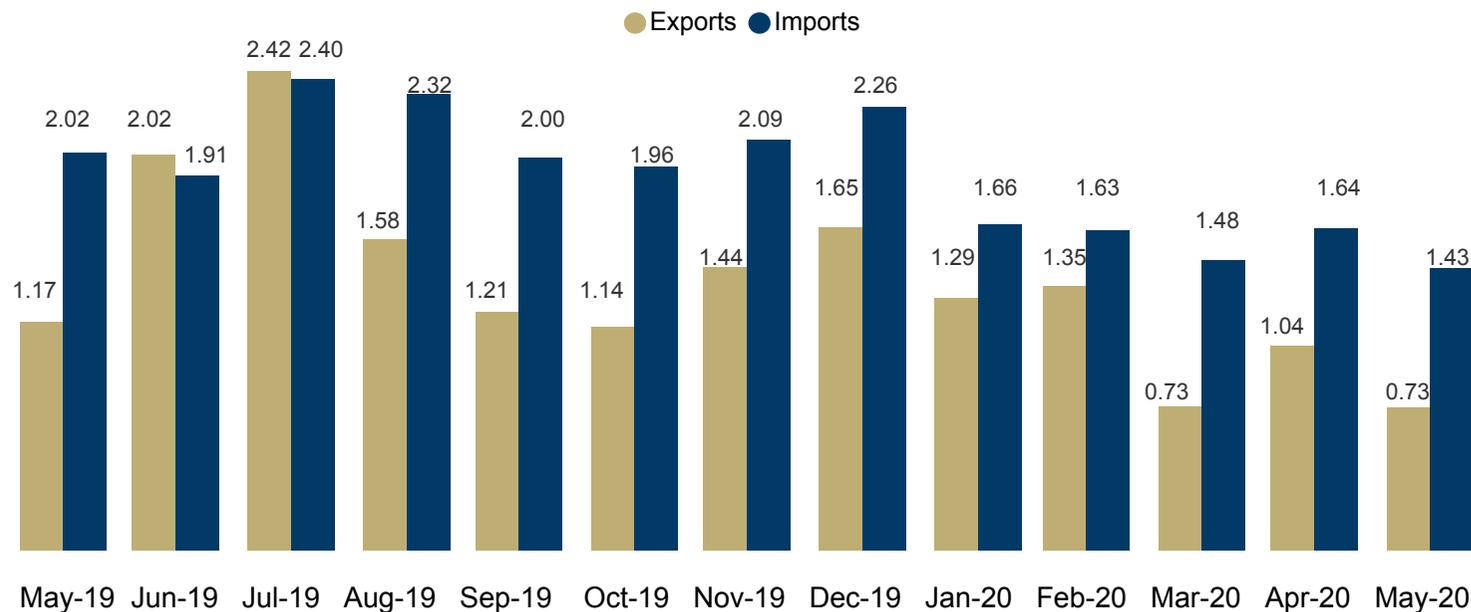
Exports reached **U.S.\$ 5,143.4 m**, the total number of exporting entities amounted to 4,131 units, and this ensured that the volume of exports excluding special exports was brought up to U.S.\$ 3,501.6 m.

Imports amounted to **U.S.\$ 7,841.3 m**, the main share of which is occupied by machinery and transport equipment (37.1%), industrial goods (16.5%), as well as services (7.5%).

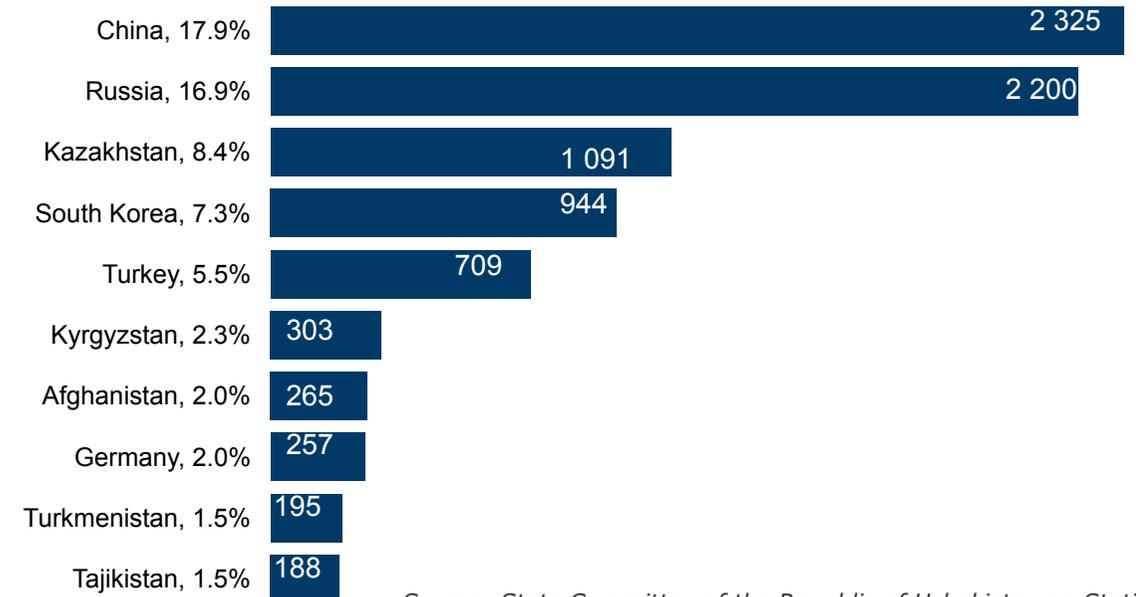
**Structure of Exports**  
(January - May, 2020)



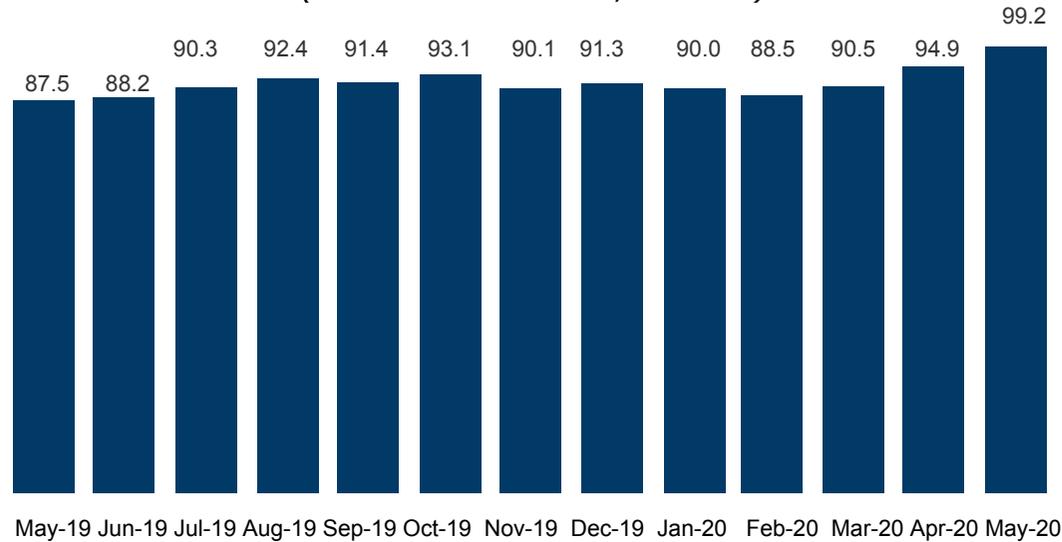
**Imports and Exports of goods and services**  
(U.S.\$ bn)



**Top 10 countries in foreign trade with Uzbekistan**  
(as of June 1, 2020, U.S.\$ m, % share in total FTT)



Source: State Committee of the Republic of Uzbekistan on Statistics

**Broad Money (M2)***(to the end of month, UZ\$ trn)***Broad Money (M2)**

As of June 1, 2020, broad money constituted **UZ\$ 99 192 bn** (U.S.\$10.2 bn), while the growth rate equaled **13.4%** compared to the same period of last year. The volume of money supply in national currency constituted UZ\$ 69 006 bn, of which cash in circulation and transferable deposits in national currency UZ\$ 28 179 bn and UZ\$ 19 331 bn, other deposits in national currency UZ\$ 21 495 bn.

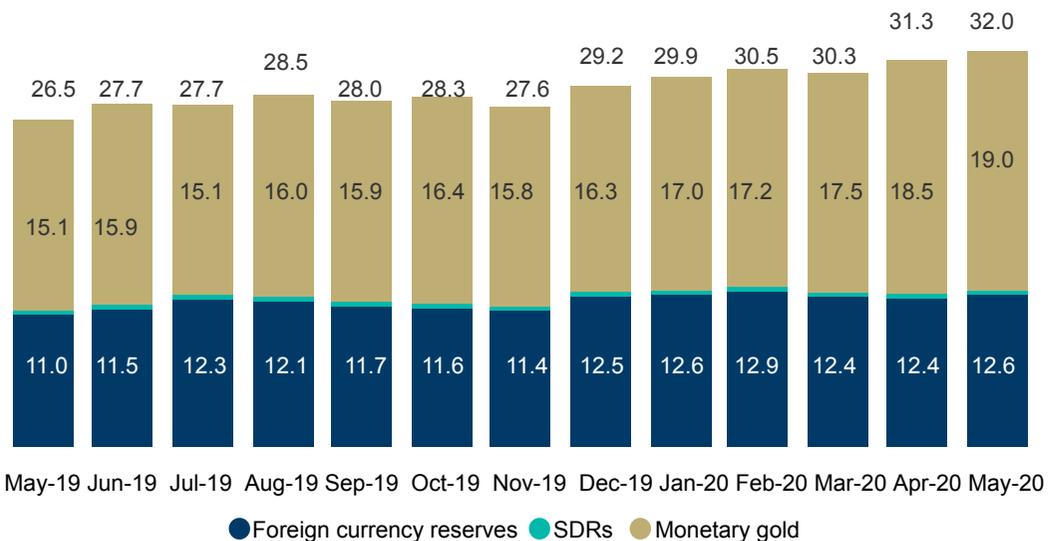
As of June 1, 2020, foreign currency deposits in national currency equivalent reached to UZ\$ 30 186 bn.

**Liquidity in the banking system**

Indicator name	January 1, 2020	June 1, 2020
Highly liquid assets (bn UZ\$)	30 874	32 269
Immediate liquidity ratio (minimum: 10%)	47.8%	52.0%
Liquidity coverage ratio (minimum: 100%)	208.5%	210.9%
Net stable funding ratio (minimum: 100%)	112.8%	107.6%
Ratio of highly liquid assets to total assets (in %)	11.3%	10.4%

**Banking system stability indicators**

Indicators	2019	01.06.20
Regulatory Tier 1 capital to RWA	19.57%	18.17%
Regulatory Tier 1 capital	43 659	47 981
Risk weighted assets	223 041	264 031
Liquid assets to total assets	13.89%	13.67%
Liquid assets	37 887	42 342
Total assets	272 727	309 727
Capital to total assets	19.24%	18.11%
Capital at the end of period	52 467	54 848
Total assets	272 727	309 727
NPL to total gross loans	1.48%	2.25%
Non-performing loans	3 169	5 474
Total gross loans	214 344	243 033

**Official Reserve Assets***(as of June 1, 2020, U.S.\$ bn)***Official Reserve Assets**

As of June 1, 2020, official reserve assets constituted **U.S.\$ 31 991m** with the growth rate of **20.7%** in comparison to the same period of last year.

An increase in official reserve assets was mostly related with an increase in gold prices.

UZ\$ bn

Note: Average official exchange rate for January-May 2020, USD/UZ\$ = 9 724.

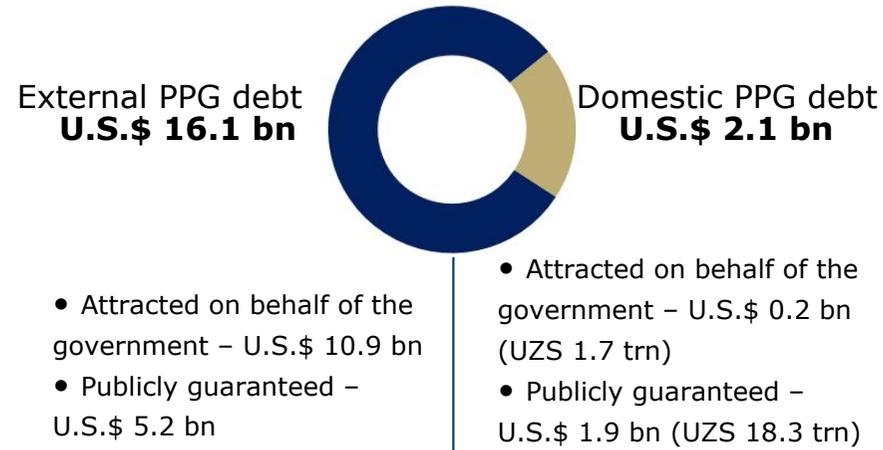
Source: Central Bank of the Republic of Uzbekistan

# 8. Borrowing Statistics

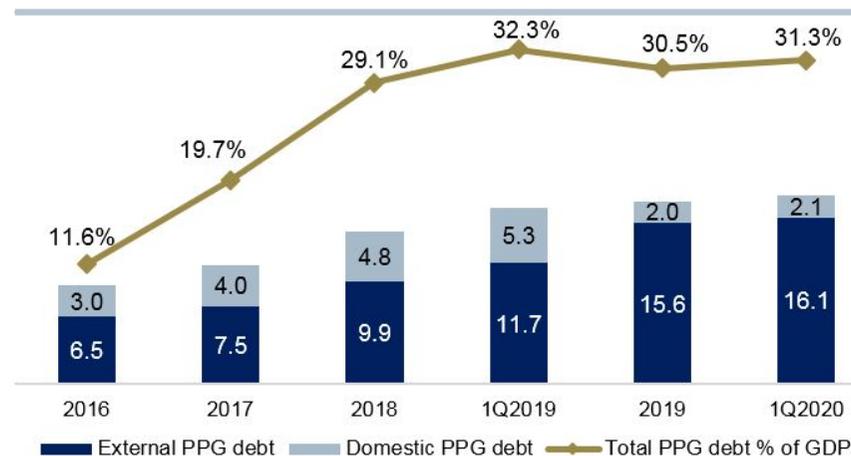
## Sources of financing of external PPG debt (as of April 1, 2020)

	Asian Development Bank - U.S.\$ 3.9 bn
	The Export-Import Bank of China - U.S.\$ 3.6 bn
	The World Bank - U.S.\$ 2.7 bn
	Japan International Cooperation Agency - U.S.\$ 2.0 bn
	Islamic Development Bank - U.S.\$ 0.8 bn
	Other IFIs and foreign government financial organisations - U.S.\$ 2.1 bn
	Sovereign Eurobonds - U.S.\$ 1.0 bn
<b>Total external PPG debt - U.S. \$ 16.1 bn</b>	

## Total PPG debt - U.S.\$ 18.2 bn (31.3% of GDP) (as of April 1, 2020)



New concessional loans were granted by IFI's to mitigate the impacts of Covid-19 on Uzbekistan's economy. To be more precise, in May IMF's Board of Directors approved loan worth U.S.\$ 375 m for 10 years. Similarly, ADB's Board approved concessional loan amounting to U.S.\$ 500 m for 15 years with 3 years of grace period.



## Use of proceeds of external PPG debt (as of April 1, 2020)

	Energy - U.S.\$ 4.8 bn
	Transportation - U.S.\$ 2.1 bn
	Agriculture - U.S.\$ 1.8 bn
	Housing & communal services - U.S.\$ 1.8 bn
	Budget support - U.S.\$ 1.8 bn
	Sovereign Eurobonds & commercial banks - U.S.\$ 1.3 bn
	Chemistry - U.S.\$ 0.9 bn
	Education & healthcare - U.S.\$ 0.6 bn
	Telecommunication - U.S.\$ 0.2 bn
	Others - U.S.\$ 0.8 bn
<b>Total external PPG debt - U.S. \$ 16.1 bn</b>	

Note: Average official exchange rate for January-March 2020, USD/UZS = 9 530

Source: Ministry of Finance of the Republic of Uzbekistan

### Domestic Treasury Securities

Ministry of Finance had an outstanding treasury bills and bonds amounting **UZS 4 159.8 bn** as of June 1, 2020 at various rates and tenors. Secondary market trades in government bonds and bills are gradually rising depending on fluctuations in the banking system's liquidity. In long term, Ministry of Finance aims at remaining committed to the development of the domestic government debt market, continuous diversification of debt instruments in terms of both tenor and tranche amount and, gradually widening investor base by working in collaboration with the CBU.

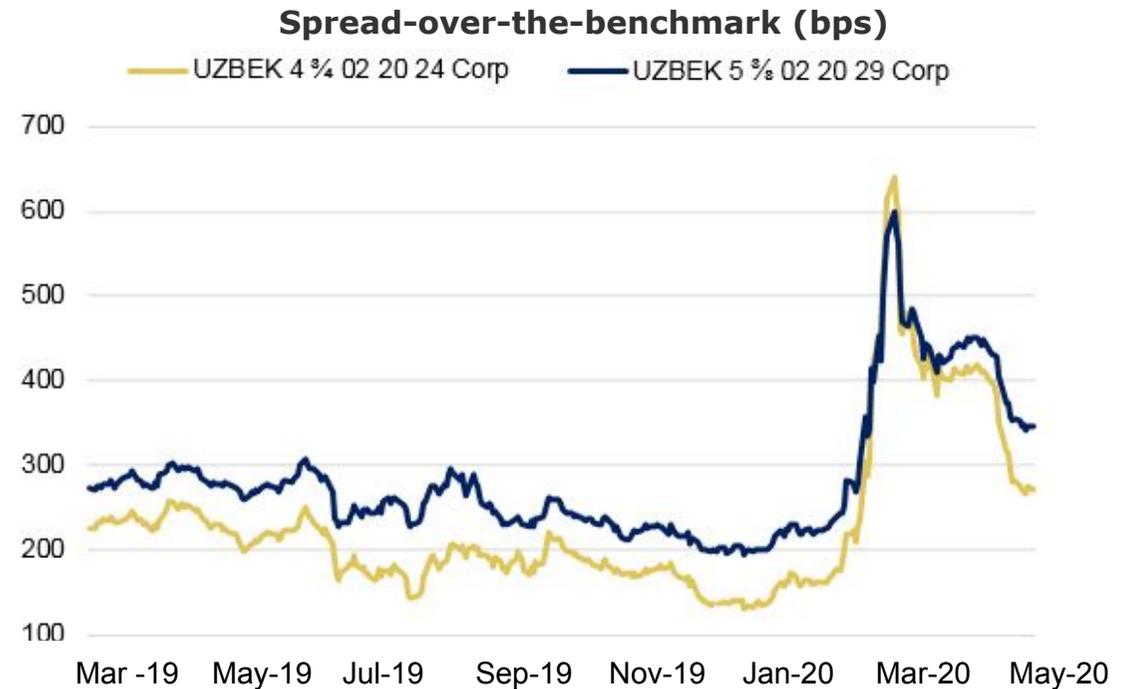
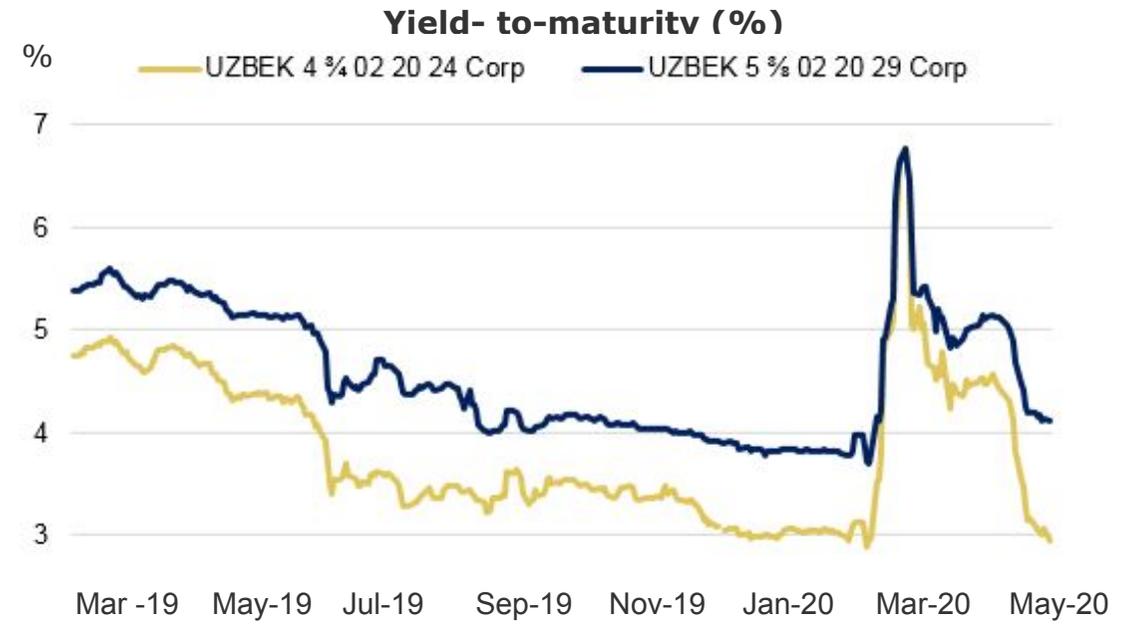
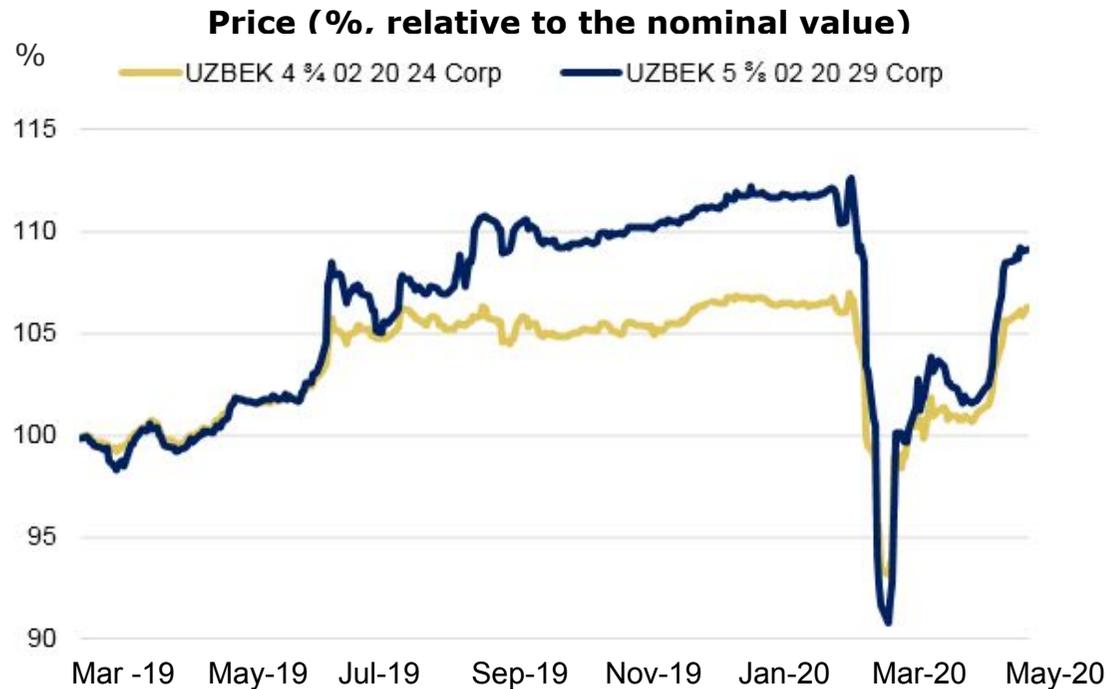
Nº	Date of auction	Maturity date	Fixed coupon rate	Amount, (thousand)	Orderbook, (UZS bn)	Total nominal value of securities placed issued, (UZS bn)	Weighted average annual yield	Total nominal value of securities placed to auction, (UZS bn)
1	12/28/2018	12/24/2021	16%	200.0	216.5	204.9	14.87%	200.0
2	5/22/2019	11/18/2020	15%	100.0	283.4	106.5	10.04%	100.0
3	6/4/2019	12/1/2020	15%	100.0	231.4	106.8	9.82%	100.0
4	6/12/2019	6/9/2021	15%	100.0	315.0	110.3	8.93%	100.0
5	6/19/2019	6/16/2021	15%	100.0	479.0	112.6	7.73%	100.0
6	7/5/2019	7/1/2022	15%	100.0	375.0	111.2	10.11%	100.0
7	7/12/2019	7/8/2022	15%	100.0	176.3	110.5	10.41%	100.0
8	1/17/2020	1/16/2021	16%	200.0	628.0	205.3	12.98%	200.0
9	1/20/2020	10/19/2020	zero-coupon	300.0	368.0	271.2	14.18%	300.0
10	1/20/2020	1/17/2022	16%	200.0	453.2	203.5	14.87%	200.0
11	4/6/2020	4/6/2021	16%	750.0	770.0	750.2	15.97%	750.0
12	4/9/2020	4/9/2021	16%	250.0	360.0	250.1	15.95%	250.0
13	4/10/2020	4/10/2021	16%	300.0	310.0	300.1	15.97%	300.0
14	4/13/2020	10/11/2021	16%	150.0	89.8	89.8	15.97%	89.8
15	5/6/2020	5/6/2021	15%	500.0	550.0	500.4	14.91%	500.0
16	5/8/2020	8/7/2020	zero-coupon	100.0	241.0	96.5	14.39%	100.0
17	5/11/2020	9/8/2020	zero-coupon	100.0	141.0	95.5	14.39%	100.0
18	5/14/2020	9/21/2020	zero-coupon	100.0	241.5	95.1	14.61%	100.0
19	5/28/2020	5/28/2021	15%	470.0	570.0	470.3	14.93%	470.0

<b>Total as of 01.06.2020</b>		<b>4 220.0</b>	<b>6 799.1</b>	<b>4 190.8</b>		<b>4 159.8</b>
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# 9. Sovereign Eurobonds

Issue Date	Issuer	M's	S&P	Fitch	Currency	Coupon(%)	Volume(m)	Maturity
20 Feb 2019	Uzbekistan	-	BB-	BB-	USD	4.75	500	20 Feb 2024
20 Feb 2019	Uzbekistan	-	BB-	BB-	USD	5.375	500	20 Feb 2029

At the end of March, due to the decline in Emerging Market flows, while volatility and uncertainty around the extent and impact of COVID-19 pandemic has continued to negatively impact markets, the prices of 5-year and 10-year sovereign international bonds of the Republic of Uzbekistan in the secondary market have declined to 93.1% and 90.8%, relative to the nominal value, and the yields were 6.78% and 6.77%, respectively. However, **ongoing reforms as well as undertaken liberalisations** in the country are being positively received by the international investors (community). As of June 1, the prices of 5-year and 10-year sovereign international bonds of the Republic of Uzbekistan in the secondary market have risen to **106.3%** and **109.1%**, relative to the nominal value, and the yields were 2.95% and 4.12%.



5 June 2020

## S&P Global

### S&P Global Ratings confirmed the sovereign rating of Uzbekistan at BB - but changed its outlook

According to the report, the agency maintained the sovereign rating of Uzbekistan at "BB-", paying particular attention to the following:

- The government has advanced in implementing comprehensive reforms and modernising the economy
- The country is successful in implementing institutional reforms. In particular, it was noted that the Doing Business, Perception of Corruption indices, as well as the World Bank's management indices improved significantly;
- There has been a decrease in dollarisation in the banking system, which, combined with measures aimed at reducing the segmentation of the credit market, will help the Central Bank switch to inflation targeting and increase the effectiveness of monetary policy;
- The tax base has expanded and tax collection has improved, as well as increased fiscal transparency in the country;
- The reform of enterprises with a state share and an increase in direct investment remain the priority tasks of the government.

At the same time, the forecast on the rating of the republic was changed from "stable" to "negative".

The "negative" forecast is due to the negative impact of the coronavirus pandemic on the country's economy and a significant increase in Uzbekistan's state external debt over the past 12 months as a result of borrowing funds to finance investment projects.

At the same time, S&P Global Ratings acknowledges that despite the high growth rate of public external debt, the risks associated with public debt are still low.

The Agency noted the following factors that will have a positive impact on the international sovereign rating of our country in the future:

- Slowdown of external debt growth in the medium term;
- Improving the potential and sustainability of the growth of the economy of Uzbekistan as a result

of integration into the global economy and the reform of enterprises with a state share;

- Diversification of revenues of the State budget and export structure.

At the same time, according to "S&P Global Ratings", the following factors are listed as factors that negatively affect the international sovereign rating of the republic:

- Faster growth in external debt and a significant deterioration in the fiscal balance as a result of an increase in the debt burden until 2023;
- An increase in government obligations as a result of the deterioration of state-owned enterprises;
- A significant increase in the level of dollarisation in the economy.

Nº	Countries	Moody's	Moody's Outlook	S&P	S&P Outlook	Fitch	Fitch Outlook
1	Uzbekistan	B+	STA	BB-	NEG	BB-	STA
2	Georgia	Ba2	STA	BB	STA	BB	NEG
3	Bahrain	B2	STA	B+	STA	BB-	STA
4	Bangladesh	Ba3	STA	BB-	STA	BB-	STA
5	Bolivia	B1	NEG	B+	STA	B+	NEG
6	Brazil	Ba2	STA	BB-	STA	BB-	NEG
7	Turkey	B1	NEG	B+	STA	BB-	STA
8	Armenia	Ba3	STA	-	-	BB-	NEG
9	Dominican Republic	Ba3	STA	BB-	NEG	BB-	NEG



16 May 2020

### Quote by World Bank Country Manager for Uzbekistan

Since 2017, the Government has been implementing bold reforms to build a sustainable market-based economy. In the banking system, the legislation has been reformed, and the Government has decided to halt the directed-lending practices and introduce market-based principles.

The recently adopted Strategy for Reforming the Banking System of Uzbekistan in 2020-2025 is a significant step forward to building a stable, effective, and modern banking system. It aims at the improvement of micro and macro-prudential oversight of the financial sector, the privatization and restructuring of state-owned banks, the development of the ecosystem of non-bank financial providers, and the adoption of a comprehensive strategy to foster financial inclusion. These measures would make the banking and financial sector more stable, effective, transparent, and client-oriented.

The COVID-19 pandemic may slow down the implementation of the Strategy. However, the Strategy puts the reforms in the right direction and will transform local banks into a critical driver of Uzbekistan's economic growth.

The World Bank has been pleased to support the Central Bank and the Ministry of Finance in drafting the Strategy, using our knowledge and analysis of international best practices. And it will continue to assist the implementation of the Strategy, for example, the preparation of relevant legislative acts such as the Draft Law on Non-Bank Financial Intermediaries and the Draft Law on Bank Resolution. Another area of support will be the restructuring and the privatisation of state-owned banks through open and transparent international tenders to attract financially sound, experienced, and reputable strategic investors.

Finally, support will continue for the improvement of banking system oversight and for the development of a National Financial Inclusion Strategy to expand the access of citizens and SMEs to banking and financial services.

Hideki Mori, World Bank Country Manager for Uzbekistan



20 May 2020

### IMF chief sends letter to the President of Uzbekistan

In the current unprecedented circumstances where the COVID-19 pandemic has affected the global community, I want to express my sympathy to the people of Uzbekistan for the hardship and suffering it is causing in your country. Your administration's rapid policy response to contain the spread of the virus, and the increased spending on healthcare and support for households and firms will help mitigate the impact of the crisis. I am very pleased that the IMF's Executive Board this week approved Uzbekistan's request for emergency financial support, which, together with assistance from the World Bank and the Asian Development Bank, will help cover the financing needs that have arisen from the crisis.

I am encouraged, however, that you are not losing sight of the medium-term goal of transforming Uzbekistan into a dynamic and open market economy. During the last three years, under your leadership, Uzbekistan has launched unprecedented reforms, covering a wide range of issues, including price, exchange rate, and trade liberalization, as well as reforms to strengthen public finances and public financial management, the financial sector, and the business environment. These reforms will help Uzbekistan further integrate into the regional and global economy, and achieve stronger, sustainable, and inclusive growth.

While implementing reforms is challenging in the current environment, I have full confidence in your determination to continue on the road that you and your administration have embarked upon to transform the economy. In this regard, I want to assure you that, building on the increased levels of cooperation between Uzbekistan and the IMF of the last few years, we stand ready to continue to support Uzbekistan with policy advice, technical assistance, and training, as well as further financial support as needed.

Kristalina Georgieva, IMF Managing Director



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