



WORLD BANK GROUP

# HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

## UZBEKISTAN

### Medium-Term Debt Management Strategy and Annual Borrowing Plan

**March 2025**

**Prepared By**

Marie Kim (Lead IMF), Lilia Razlog (Co-lead, World Bank), Juan Carlos Vilanova (IMF External Expert), and Juan Lorenzo Maldonado (World Bank Consultant)

**Monetary and Capital Markets Department  
World Bank Group**

**High-Level Summary Technical Assistance Report**  
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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

**ABSTRACT:** At the request of the authorities, a joint World Bank-IMF technical assistance (TA) mission visited Tashkent, Uzbekistan during October 9–20, 2023 to help the authorities in developing a medium-term debt management strategy (MTDS), designing an Annual Borrowing Plan (ABP), and to train the authorities on the use of the Medium-term Debt Management Strategy Analytical tool (MTDS AT) and ABP AT. The mission presented its main findings and recommendations to the authorities and left a draft report at the end of the mission.

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P.O. Box 92780, Washington, DC 20090, U.S.A.  
T. +(1) 202.623.7430 • F. +(1) 202.623.7201  
publications@IMF.org  
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## Background

**At the request of the Ministry of Finance, a joint World Bank-IMF technical assistance (TA) mission visited Tashkent, Uzbekistan during October 9–20, 2023 to help the authorities develop a Medium-term Debt Management Strategy (MTDS) and an Annual Borrowing Plan (ABP).** The mission provided training to staff from the Debt Management Office (DMO) on the use of the Medium-term Debt Management Strategy analytical tool (MTDS AT) and the ABP AT.

**A shift towards market-financing has brought a set of challenges, necessitating an effective debt management strategy (DMS).** Uzbekistan is expected to graduate from lower -middle income status in coming years, and as a consequence, the country is likely to lose access to concessional financing. To establish market presence, the authorities have begun accessing market-financing, including the issuance of Eurobonds.

**A new Public Debt Law requires the submission of a MTDS to the Cabinet by June each year.** The authorities adopted a fiscal rule and public debt law to ensure fiscal sustainability and improve public debt management. The law mandates the DMO staff to produce a DMS for medium-term to help monitor costs and risks of the debt portfolio.

## Summary of Findings

**Since the last MTDS exercise in 2019, the authorities have made a concerted effort to develop the local-currency bond market.** Although still at a nascent level, the domestic government securities market has rapidly expanded from 1 percent in 2018 to 34 percent of domestic debt in 2023. Commercial banks have been the primary buyers of the government bonds, and they prefer instruments with short-term maturities. The authorities expect that the new capital market decree will help diversify the investor base by attracting foreign investors and help lengthen the maturity profile of public debt.

**Despite moderate levels, Uzbekistan’s debt portfolio is subject to exchange rate risk.<sup>1</sup>** With an expansion of the local-currency bond market, the share of foreign currency denominated debt to total debt improved somewhat. However, the share of foreign currency denominated debt remains high (93.1 percent of public debt, end-2023), and local currency depreciation carries a significant risk.

**Short-term domestic debt does not have much impact on refinancing and interest rate risks.** T-bills represent only about 2 percent of total debt as of June-2023, and large borrowing from the official creditors offset increasing refinancing and interest rate risks from domestic bonds.<sup>2</sup> At the same time, the issuance of Eurobonds over the years has lowered the average time to maturity (ATM) from 11.4 years in 2018 to 9.8 years as of end-2022.

## Summary of Recommendations

**The authorities should try to maximize external borrowing in concessional term.** Multilateral and bilateral loans carry FX risk, but this is largely compensated for by lower costs and lower refinancing and interest-rate risk. While issuance of Eurobonds helps Uzbekistan gain market presence and diversify its

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<sup>1</sup> As of end-2023, public debt-to GDP stands at around 34.4 percent of GDP.

<sup>2</sup> Eurobond borrowing accounts for 9.7 percent of the total debt (end-2023), while domestic loans comprise the remainder.

investor base, the issuances should proceed at a measured pace taking account the higher FX exposure and rollover risk generated by the payment concentration.

**The authorities are committed to the local-currency bond market development.** Deepening the local-currency bond market can offer sustainable public financing while minimizing exchange rate risks. Demand for government securities is concentrated in short maturities, and a thin secondary market hampers instruments diversification to lengthen the maturity profile of government debt. Based on the 2022 LCBM diagnostic mission, a follow-up TA focusing on primary dealers and secondary market development took place in September 2024.

**Based on the chosen DMS, the authorities should prepare an Annual Borrowing Plan (ABP).** The ABP turns the general direction provided by the MTDS into a plan. Following the ABP, the authorities should resume regular auctions in line with the auction calendar, which would reduce uncertainty and improve credibility of the government. In the long run, the publication of ABP will play a central role in steering debt management activities, while improving transparency and predictability.

**Deepen the investor relation function.** As part of the roadmap to deepen the local currency bond market, the authorities could resume regular meetings with investors. At the same time, improved information access to the key information, including macroeconomic indicators and debt statistics, will help facilitate investors in obtaining all pertinent information needed for investing in government securities.

**Comprehensive debt data reporting enhances debt transparency.** The authorities should prepare and produce an annual report that contains information on the country's debt management strategy, cost-risk performance of the portfolio, and borrowing plan.

**Following technical assistance in public debt management would be advised on request.**