



STATE DEBT MANAGEMENT STRATEGY FOR 2026-2028

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I. Introduction

The State Debt Management Strategy for 2026-2028 was developed in accordance with Article 9 of the Law of the Republic of Uzbekistan № LRU-836 "On State debt".

The State Debt Management Strategy is a document that sets out the main directions of state debt management, consistent with its principles and objectives.

The strategy was developed based on the macroeconomic development of the republic, the Fiscal Strategy for 2026-2028, the parameters of the approved State Budget for 2026, the debt dynamics, and forecasts of external and internal factors. The strategy is reviewed annually and updated throughout the year based on macroeconomic indicators and forecasts.

This strategy was developed based on the IMF and World bank recommendations and their methodology to ensure transparency in state debt management and raise awareness of this issue among creditors, investors, rating agencies, and the public.

In accordance with the Law "On State debt" the Ministry of Economy and Finance is the authorized body for state debt management and borrows funds on behalf of the Republic of Uzbekistan and under state guarantees in accordance with relevant regulatory legal acts adopted by the President of the Republic of Uzbekistan or the Cabinet of Ministers.

According to the "Uzbekistan - 2030" strategy, Uzbekistan is expected to join the group of upper-middle-income countries by 2030. Strong economic growth and rising average per capita income, resulting in increased government financing needs require the diversification of domestic and external financing sources, alongside concessional loans from international financial institutions. At the same time, uncertainties in global financial markets and evolving interest rate dynamics underscore the importance of developing the government treasury securities market.

In accordance with the Law "On State debt" the main principles of state debt management include:

Strict control over the volume of government borrowings, the targeted and effective use of government borrowings, risks that threaten macroeconomic stability in government debt management;

State debt shall have priority and equal status, and the principal, interest and other payments shall be secured by the revenues of the Consolidated Budget of the Republic of Uzbekistan;

Expenses related to servicing the state debt and fulfilling the state guarantee are considered priority expenditures of the State Budget of the Republic of Uzbekistan and shall be met in a timely and full manner;

Borrowers that initiate the implementation of projects financed through government borrowing are responsible for ensuring the effectiveness of such projects;

Publication in the mass media and submission to the chambers of the Oliy Majlis of the Republic of Uzbekistan of information on state debt management.

The State Debt Management Strategy was developed with the aim of achieving the following objectives:

maintaining state debt at a sustainable level;

ensuring the financing of the State Budget of the Republic of Uzbekistan in the medium term, as well as financing projects implemented through government borrowings, at the optimal level of costs and risks;

extension of the average time to maturity, as well as diversification of state debt by currencies and sources;

expansion of the practice of government borrowing in the local currency;

prevention, elimination or reduction of risks associated with the servicing of state debt.

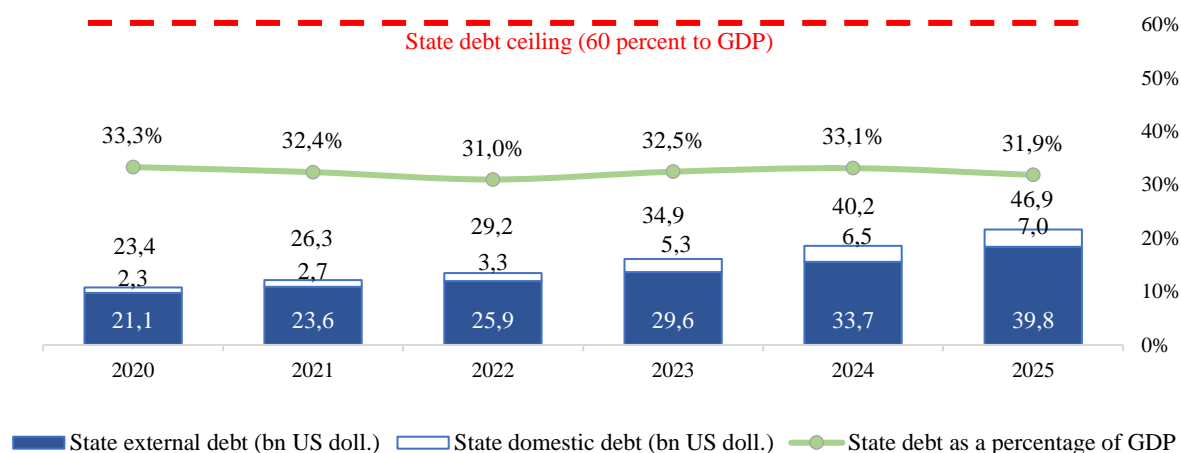
Based on a multi-scenario analysis, the strategy that enables the achievement of the above-mentioned objectives is reflected in the limits on government borrowing from domestic and external sources set out in the Law “On the State Budget for 2026,” as well as in the annual borrowing plan.

II. CURRENT STATUS OF STATE DEBT¹

2.1. Dynamics and structure of state debt

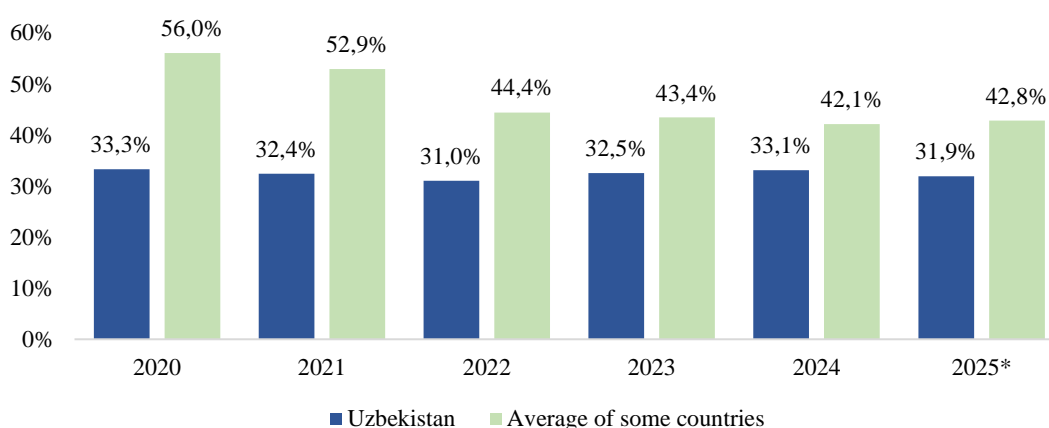
As of January 1, 2026, the volume of state debt amounted to 46.9 billion US dollars (including state external debt - 39.8 billion US dollars, state domestic debt - 7.0 billion US dollars), or 31.9 percent of gross domestic product (GDP).

Figure 1. State debt dynamics of Uzbekistan²



According to international standards, Uzbekistan's government debt remains at a moderate level. In particular, IMF's June 2025 report³, evaluating the macroeconomic situation and debt levels of countries, notes that the risks related to Uzbekistan's government debt are low.

Figure 2. The dynamics of state debt in selected countries⁴



¹ The analysis in the Strategy is based on data as of October 1, 2025. At the same time, data available as of January 1, 2026, were used in the comparative analysis.

² The government debt-to-GDP ratios are based on the official data of the National Statistics Committee as of December 1, 2025.

³ The average values of Armenia (BB-), Albania (BB), Turkiye (BB-), Georgia (BB), Brazil (BB), Azerbaijan (BBB-), Kazakhstan (BBB-), and Kyrgyzstan (B+) based on IMF data.

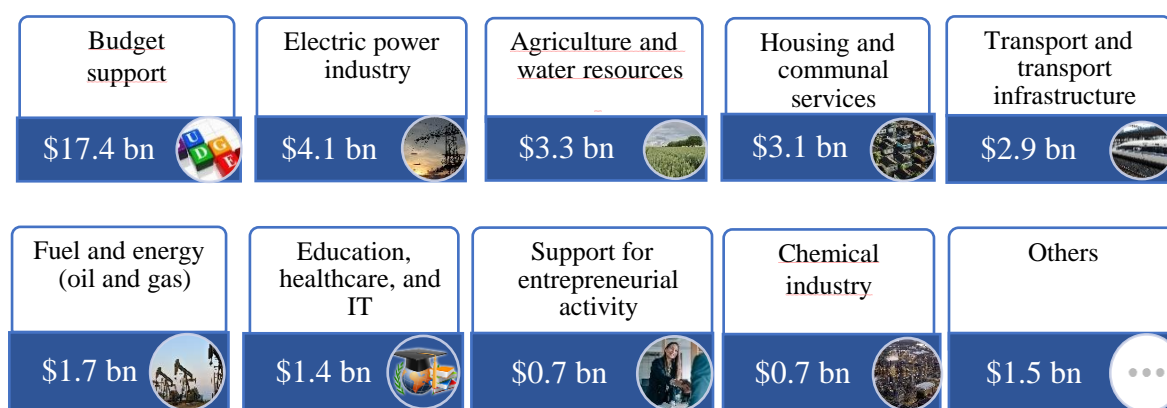
* For other countries, the IMF's 2025 expectations were used.

The stability of the state debt-to-GDP ratio is maintained by the following key factors:

a) As part of the consistent reforms implemented in the republic, active external borrowing was utilized to create the necessary infrastructure for economic development, expand and modernize production capacities, and increase their competitiveness, which, alongside projects aimed at improving the population's living conditions (*drinking water, stable electricity, housing, education, and healthcare*), laid the groundwork for high GDP growth rates (Figure 3).

In 2020-2025, real GDP growth averaged 6.1 percent per year, and in 2025, real economic growth was 7.7 percent. The GDP volume increased from 70.1 billion US dollars in 2020 to 147.1 billion US dollars by 2025.

Figure 3. State external debt by sector
(As of October 1, 2025)



b) Recognizing that maintaining state debt at a safe level is a key factor in ensuring macroeconomic stability, fiscal rules – specifically annual limits for newly attracted state external debt (and, since 2021, state domestic debt) – have been established by law since 2020. Furthermore, the Law of the Republic of Uzbekistan "On State Debt", which came into force in 2023, firmly established a permanent fiscal rule: the maximum amount of state debt shall not exceed 60 percent of GDP, and if state debt reaches 50 percent of GDP, measures must be taken to reduce it.

While the annual limit for attracting state external debt in 2025 is set at \$5.5 billion (\$3 billion to cover the budget deficit and \$2.5 billion for investment projects), the limit for 2026 has been approved at a reduced amount of \$5 billion (\$2.5 billion for the budget deficit and \$2.5 billion for investment projects).

c) Starting from 2021, measures are being taken to transition projects of state-owned enterprises and banks to independent financing without state guarantees.

For example, by the end of 2025, 15 state-owned enterprises obtained international credit ratings, and 8 state-owned enterprises (Uzbekneftegaz, Uzavtomotors, Navoi MMC, Navoiuran) and commercial banks (SQB, National Bank, Agrobank, Ipoteka Bank) issued international

bonds totaling the equivalent of 8.1 billion US dollars and attracted commercial loans without state guarantee.

State borrowing may be carried out in the form of the issuance and placement of state securities on behalf of the Republic of Uzbekistan, borrowing on behalf of the Republic of Uzbekistan through loans and credit lines, and borrowing under state guarantees.

As of October 1, 2025, the State debt includes:

- Loans and credit lines obtained on behalf of the Republic of Uzbekistan constitute 64.5% of the state debt portfolio (of which 45.1% are loans from international financial institutions, 13.4% are from foreign government financial organizations, and 6.0% are domestic loans and others).

- Funds attracted under state guarantee - 13.4 percent;

- Government securities comprised 22.1 percent, consisting of sovereign international bonds (13.3 percent) and Government treasury securities (8.8 percent).

Attracting long-term concessional loans from international financial institutions and foreign governmental financial organizations to cover the financing needs of investment projects and the budget deficit makes it possible to optimize the state debt structure and maintain cost and risk indicators at a manageable level.

In addition, sovereign international bonds and Government treasury securities are being issued regularly to diversify financing sources, gradually reduce currency and refinancing risks without sharply increasing the debt burden, and create a favorable benchmark for Uzbekistan's issuers in global financial markets.

Figure 4. State debt by instrument
(As of October 1, 2025)

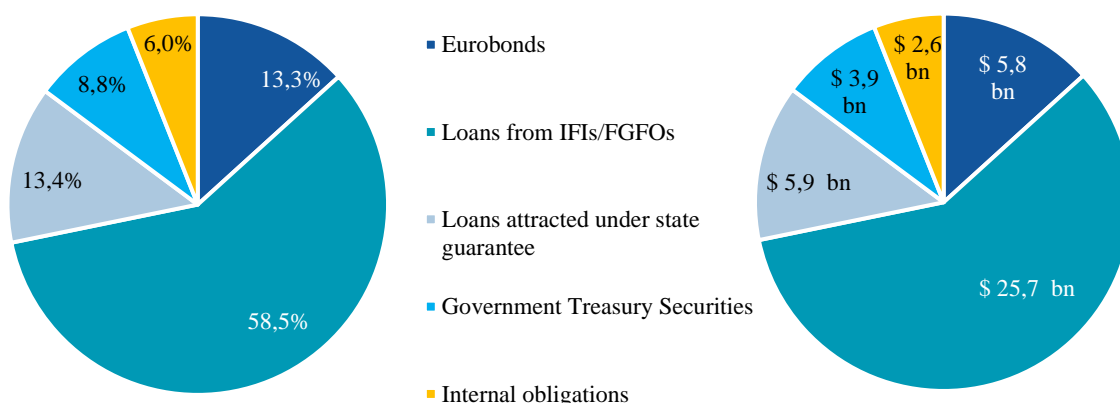


Table 1. State external debt by creditor
(As of October 1, 2025)

External loans	Amount	Share
World Bank	\$8,0 bn	22%
Asian Development Bank	\$7,5 bn	20%
International investors	\$5,8 bn	16%
Chinese financial institutions	\$3,8 bn	10%
Japanese financial institutions	\$3,1 bn	8%
Asian Infrastructure Investment Bank	\$1,7 bn	5%
French financial institutions	\$1,2 bn	3%
Islamic Development Bank	\$932 bn	3%
Others	\$4,7 bn	13%
Total	\$36,7 bn	100%

2.2. Cost and risk indicators of the state debt portfolio

Within the framework of the state debt management strategy, the following cost and risk indicators of the state debt portfolio were analyzed:

expenditure indicators (*debt burden*);

refinancing risks;

interest rate risks;

exchange rate risks.

2.2.1. Cost indicators of the state debt portfolio

Expenditure indicators of the state debt portfolio reflect the debt burden. In particular, the ratio of state debt interest expenses to GDP as of October 1, 2025, was 1.0%.

The cost indicators of the state debt portfolio reflect its total debt burden, including the load on the budget, and show the acceptability level of interest expenses.

Table 2. Dynamics of the ratio of interest expenses on state debt to GDP of some countries ⁵

Countries	Rating	2025*
Armenia	BB-	3,20%
Albania	BB	2,43%
Turkiye	BB-	3,85%
Georgia	BB	1,51%
Brazil	BB	6,98%
Mongolia	BB-	1,40%
Kazakhstan	BBB-	2,43%
Kyrgyzstan	B+	1,57%
Uzbekistan	BB	1,00%

* Uzbekistan's indicators are presented as of October 1, 2025. For other countries, expectations from the international rating agency S&P for the end of 2025 were used..

Although the ratio of interest expenses on the state debt of the Republic of Uzbekistan to GDP is growing, the debt burden remains lower than in other countries (Table 2). This is explained by the establishment of limits for attracting new state debt, the strategy applied in selecting preferential and commercial financing sources, and the following factors:

- As a result of the sharp increase in interest rates in global financial markets starting from 2022 (with the LIBOR/SOFR rate rising from 0.1% to 5.4%, see Figure 5), and the corresponding increase in interest rates on government securities in the domestic financial market, the weighted average interest rate on state debt stood at 4.9 percent as of October 1, 2025 (Table 3);

- Although the state debt volume increased from \$23.4 billion to \$46.9 billion between 2020 and 2025, the GDP volume, in turn, grew from \$70.1 billion to \$147.1 billion over the same period. In other words, a sharp increase in the debt burden was prevented by ensuring GDP growth was proportional to the amount of state debt attracted.

⁵ Data from the international rating agency "S&P" as of December 11, 2025

Figure 5. 6-month SOFR and LIBOR dynamics⁶

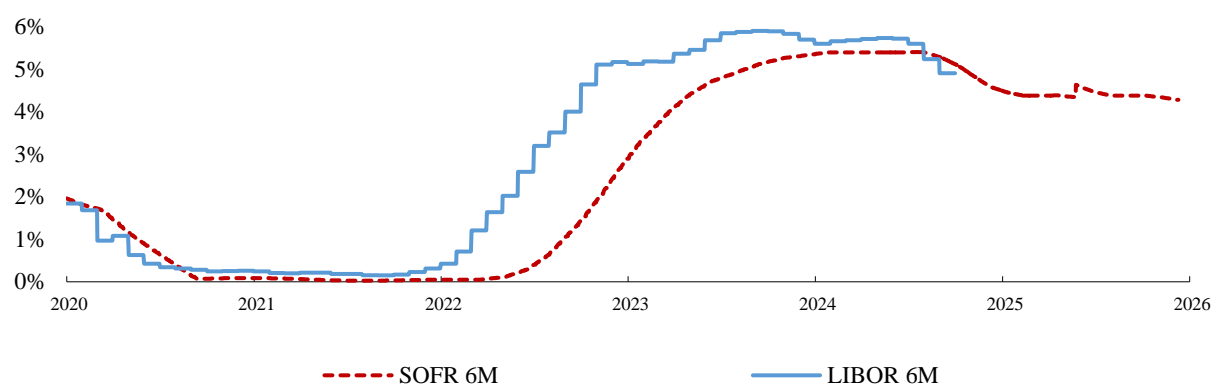


Table 3. Dynamics of cost and risk indicators of the state debt portfolio

Cost and risk indicators		As of October 1, 2025
State debt to GDP ratio		29,9%
Cost indicators	Interest payments as percent of GDP	1,0%
	Weighted average interest rate on state external debt	4,4%
	Weighted average interest rate on state domestic debt	7,5%
	Weighted average interest rate on state debt	4,9%
Refinancing risk	ATM External Portfolio (<i>years</i>)	9,0
	ATM Domestic Portfolio (<i>years</i>)	2,2
	ATM Total Portfolio (<i>years</i>)	7,9
	Debt maturing in 1yr (<i>percent of total</i>)	7,5%
Interest rate risk	Fixed rate debt (<i>percent of total</i>)	63,2%
	Variable rate debt (<i>percent of total</i>)	36,8%
FX risk	FX debt as percent of total	87,5%

⁶ <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>

2.2.2. Refinancing risk

The longer weighted average time to maturity for the state debt of the Republic of Uzbekistan compared to other countries (*Table 4*) is due to the fact that the majority of loans attracted for financing (82.0%) are long-term concessional loans..

The weighted average time to maturity of the state debt indicates the average number of years over which the total debt in the portfolio will be repaid. A longer maturity period reduces the annual cost of principal repayment and increases the ability to raise funds for refinancing.

At the same time, over the past five years, a reduction in borrowing terms (by 7.9 years) has been observed in developing countries, including Uzbekistan, due to rising interest rates in the global economy (average 6-month SOFR: 0.59 percent in 2020 and 5.35 percent in 2024).

Table 4. Dynamics of average time to maturity for some selected countries (years)⁷

Countries	Rating	As of October 1, 2025
Armenia	BB-	6.9
Turkiye	BB-	4.2
Georgia	BB	7.5
Brazil	BB	5.96
Mongolia	BB-	7.6
Uzbekistan	BB	7.9

The following factors also influenced the decrease in the average time to maturity of the state debt:

- The weighted average time to maturity of the state external debt was 9 years. This was due to the 12-15 year term of concessional loans from certain international financial institutions and foreign government financial organizations, as well as the start of repayments on long-term loans taken in previous years;

- To diversify funding sources and update the benchmark for Uzbek issuers, sovereign international bonds with a total value of USD 5.6 billion equivalent were issued in U.S. dollars, euros, and the national currency with maturities of 3-10 years between 2020 and 2025;

- In order to reduce currency risks and expand opportunities for financing from domestic sources, the volume and maturity of government treasury securities were gradually increased against a backdrop of declining interest rates. Specifically, while the share of short-term (up to 1 year) securities accounted for 90% (4.5 trillion soums) of the

⁷ Data from the Ministry of Finance of the countries

total 5 trillion soums in bonds issued in 2020, it decreased to 31% (10.7 trillion soums) of the total 34.1 trillion soums in bonds issued in 2025.

Accordingly, the share of state debt maturing within one year, as a percentage of total state debt, increased from 2.1% in 2020 to 7.5% as of October 1, 2025.

According to the state debt repayment schedule, principal payments due between 2025 and 2030 constitute 55.0% of the state debt portfolio as of October 1, 2025. This includes:

external loans for investment projects and to finance the budget deficit – 30.5% of the debt portfolio;

sovereign international bonds – 9.3% of the debt portfolio;

government treasury securities – 8.6% of the debt portfolio;

loans from domestic sources – 6.6% of the debt portfolio.

2.2.3. Exchange rate risk

Risks associated with exchange rate fluctuations are assessed through the share denominated in foreign currency within the state debt portfolio.

Risks associated with exchange rate fluctuations arise through the negative or positive impact of exchange rate fluctuations on the volume of state debt and its servicing costs. In particular, the devaluation of the national currency against foreign currency may increase the volume of state debt and the costs of its servicing.

To mitigate currency risks, the volume of debt raised in the national currency from domestic and external sources was gradually increased between 2020 and 2025. As a result, the share of national currency debt within the total state debt grew from 5.9% in 2020 to 12.5% as of October 1, 2025.

Specifically, the net volume of government treasury securities issued to finance the budget deficit was raised from 3.4 trillion soums in 2020 to 30 trillion soums in 2025. Consequently, the total value of government treasury securities in circulation reached 49.9 trillion soums in 2025. Additionally, the value of sovereign international bonds issued in the national currency during the 2020-2025 period amounted to 17.8 trillion soums.

Furthermore, by implementing a strategy aimed at diversifying the state debt portfolio and reducing dependence on any single foreign currency, the composition of the state debt as of October 1, 2025, was as follows: 62.9% in US dollars, 8.4% in euros, 6.4% in Japanese yen, 4.8% in SDR, 2.8% in Chinese yuan, and 2.3% in other currencies.

Figure 6. Dynamics of the currency structure of state debt
(As of October 1, 2025)

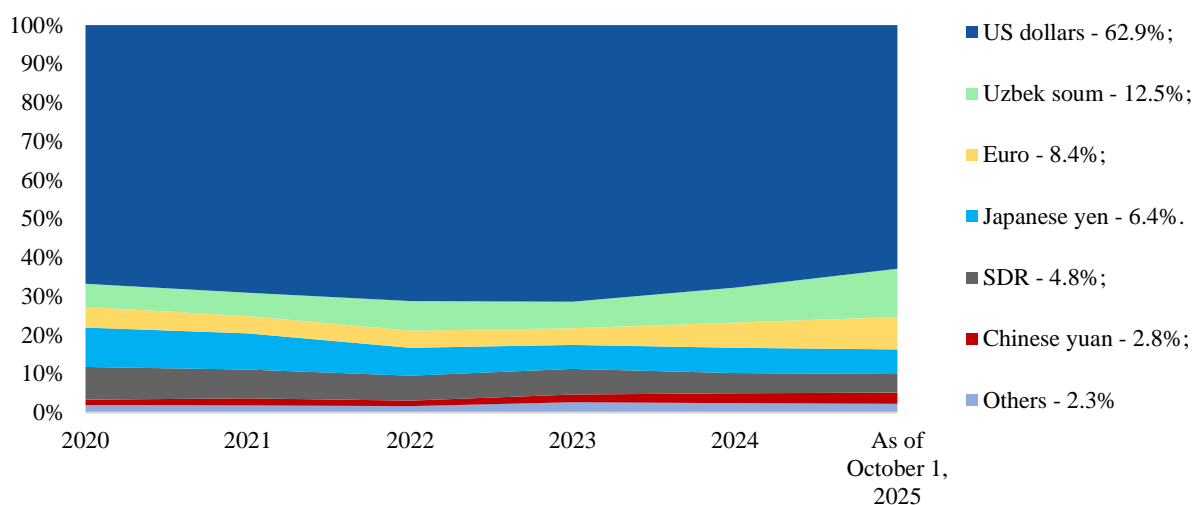
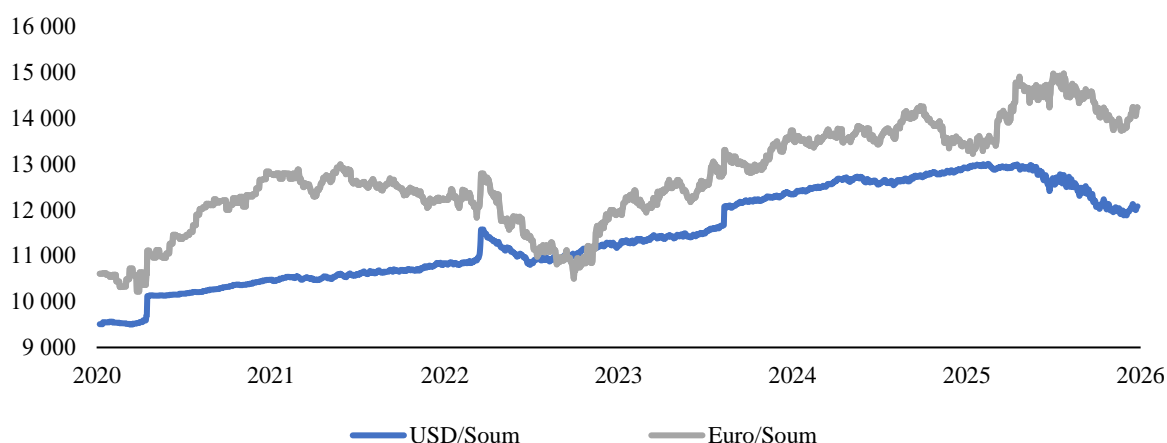


Figure 7. Exchange rate of the Uzbek soum against the euro and the US dollar
(2020-2025 years)



Fluctuations in foreign exchange rates require a more cautious approach to managing currency risks and increased attention to attracting debt in the national currency (Fig. 7).

2.2.4. Interest rate risk

Risks associated with changes in interest rates are assessed by the share of state debt raised at a fixed interest rate in the total state debt and the average time to refixing of the state debt portfolio.

The average time to refixing of the state debt portfolio indicates the average number of years over which the portfolio's interest rates are fully repriced. A higher share of fixed-rate debt in the portfolio extends this refixing period, which in turn reduces risks associated with interest rate changes and simplifies forecasting future interest expenses.

Additionally, in a high-interest rate environment, temporarily increasing the volume of variable-rate debt creates an opportunity to avoid committing to long-term, high-interest rate repayment obligations.

The share of fixed-rate state debt in the Republic of Uzbekistan's total state debt portfolio was 63.2 percent as of October 1, 2025, which is explained by the following:

- The share of government treasury securities (GTS) issued at fixed interest rates in the total state debt increased from 1.6 percent in 2020 to 8.8 percent by October 1, 2025. In this context, to prevent a sharp rise in refinancing risks, the average time to maturity of GTS at the time of issuance was extended from 11 months to 2.4 years (Table 5). The share of fixed-rate debt is also relatively high in other countries that issue GTS in their national currency (Table 6).

At the same time, as part of measures to prevent maintaining relatively high nominal interest rates over the long term, importance was given to issuing mainly short- and medium-term GTS. Concurrently, as a result of implementing measures to develop domestic financial markets, the volume of medium- and long-term GTS was gradually increased against the backdrop of a downward trend in interest rates (for details, p. 16).

Table 5. Dynamics of the average time to maturity of government treasury securities

	2020	2021	2022	2023	2024	2025
Average time to maturity (years)	0,9	1,2	1,5	0,8	1,6	2,4

- Beginning in 2022, due to rising interest rates in the global economy and to prevent a sharp increase in refinancing risks, the maturity of sovereign international bonds issued at fixed interest rates was limited to no more than 7 years. Additionally, as a result of partially attracting long-term concessional external debt, the share of fixed-rate debt in the state external debt portfolio reached 47 percent as of October 1, 2025.

Table 6. Share of loans with a fixed interest rate

№	Countries	As of October 1, 2025
1	Armenia	86,2%
2	Albania	85,8%
3	Turkiye	66,2%
4	Georgia	63,4%
5	Mongolia	84,6%
6	Uzbekistan	63,2%

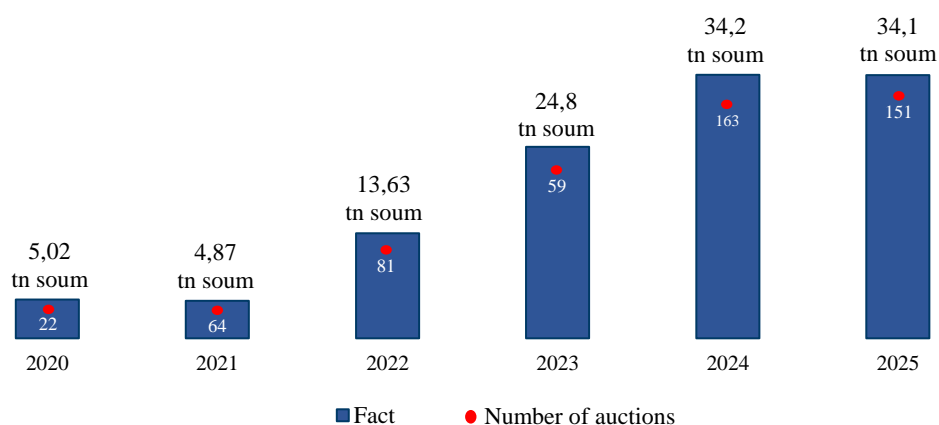
Source: Ministry of Finance data of countries

3. Government treasury securities market

In recent years, the issuance volume of government treasury securities has been significantly increased to diversify the financing sources for the state budget deficit and the state debt portfolio, as well as to mitigate currency risk.

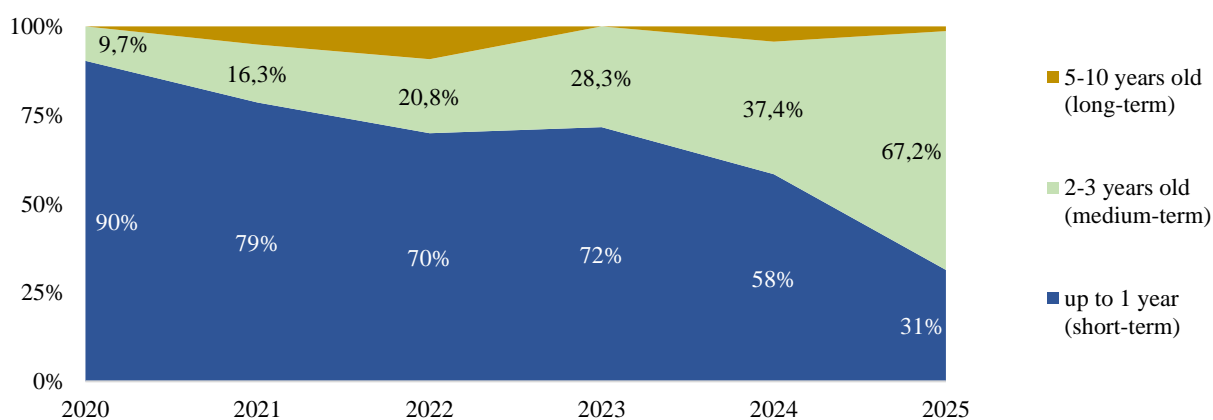
Specifically, while government treasury securities with a net volume of 3.4 trillion soums were placed through 22 auctions in 2020, government treasury securities with a net volume of 30 trillion soums were issued through 121 auctions in 2025 (Figure 8).

Figure 8. Total volume of issued government treasury securities in 2020-2025



In order to extend the average time to maturity of state debt and form a yield curve for government securities, the issuance volume of medium-term government securities was gradually increased from 2020-2025 (from 10% to 67%). Specifically, in 2025, government securities with a maturity of 3 years or more accounted for 69% of the total issued government securities (Figure 9).

Figure 9. Share of issued government treasury securities by instrument for 2020-2025



At the same time, as a result of measures taken to develop the government treasury securities market based on recommendations of the International Monetary Fund and the

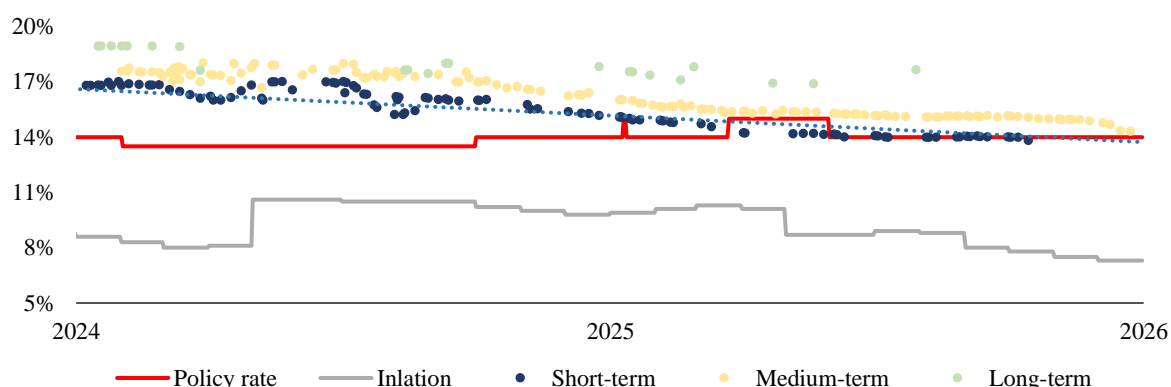
World Bank within the primary dealership system, a significant reduction in interest rates was achieved.

Specifically, the weighted average yield on 1-year government treasury securities was observed to decrease from 16.3% in 2024 to 14.4% in 2025 (-1.9%), and the yield on 3-year government treasury securities decreased from 17.3% to 15.3% (-2%) (Table 7).

Table 7. Dynamics of the average annual yield of government treasury securities

GTS	2020	2021	2022	2023	2024	2025
1-year	14,7%	13,4%	16,8%	17,1%	16,3%	14,4%
2-year	14,6%	13,4%	17,1%	17,7%	17,4%	-
3-year	-	14,0%	19,3%	-	17,3%	15,3%
5-year	-	13,5%	17,6%	-	18,5%	17,2%
10-year	-	-	18,1%	-	18,0%	17,7%

Figure 10. Yield on government treasury securities issued in 2024-2025



As a result of the steady increase in the placement volume of government treasury securities, the outstanding GTS reached 49.9 trillion soums in 2025. Approximately 55% of the outstanding GTS consist of 3-year tenor instruments. (12.9% in 2024).

Some measures implemented to develop the government treasury securities market:

- the practice of issuing government treasury bonds through the assignment of international identification codes and issuing benchmark bonds within a single identification code (ISIN) has been introduced;
- as part of the development of the government treasury securities market, technical assistance from the IMF was received during 2022–2024, and its recommendations for the medium term are being implemented;

In March 2025, "buyback" and "switch" practices were studied during the LMO TA mission of IMF.

- calculations of auction results are carried out based on international standards T+0, T+1 and T+2;

- interest payments on government treasury securities are being made every six months in accordance with international standards;

- a primary dealership system was established to increase liquidity in the government securities market, ensure stable demand, and develop secondary market activity.

Currently, 9 banks (SQB, Ipak Yuli Bank, Xalq Bank, NBU, Kapital Bank, Asia Alliance Bank, Ipoteka Bank, BRB, and Asaka Bank) are primary dealers.

- information regarding operations in the government treasury securities market (auction announcements, auction results, and essential information for investors) is regularly published on the official websites of the Ministry of Economy and Finance, the Central Bank, and the JSC “Uzbekistan Republic Currency Exchange”;

- The volume of government treasury securities sold to foreign investors through primary dealers in the domestic financial market reached 1.3 trillion soums in January-November 2025 (compared to 508 billion soums in 2024), which serves to expand the investor base;

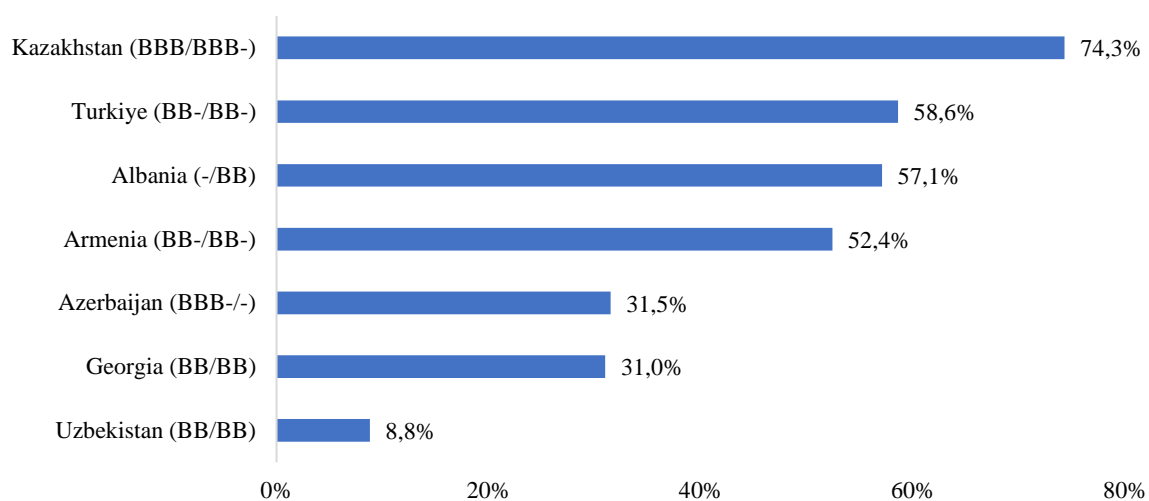
- The weighted average time to maturity was lengthened from 0.8 years in 2023 to 2.4 years in 2025, and the redemption of GTS worth 23.4 trillion soums was extended to the 2028-2035 period.

- In 2025, the share of GTSs with a maturity of 3 years or more traded in the secondary market reached 63%, driven by an increase in the volume of medium- and long-term instruments in the GTS market.

As a result, the share of government treasury securities in the total state debt has increased significantly in recent years, reaching 8.8% as of October 1, 2025.

According to the analysis, the volume of government treasury securities issuance is also expanding in a number of countries, such as Kazakhstan, Kyrgyzstan, Armenia, Moldova, and Turkiye. In this context, despite high inflation and policy rates in some countries, priority is given to raising debt in the domestic market at high interest rates (Figure 11).

Figure 11. The share of government treasury securities in the state debt of some selected countries (as of October 1.2025)



Source: Ministry of Finance data of countries

III. MACROECONOMIC EXPECTATIONS AND THE CURRENT STATE OF FINANCIAL MARKETS

1. Macroeconomic expectations

To achieve the goals set forth in the "Uzbekistan - 2030" Strategy, the plan for 2026-2028 is to ensure annual GDP growth of at least 6.5-7 percent, maintain a budget deficit not exceeding 3 percent of GDP, bring the inflation rate to the 5 percent target, and keep the state debt at a sustainable level.⁸

Table 8. Forecasts of key macroeconomic indicators⁹

Indicators	2026	2027	2028
	<i>Forecast</i>		
Gross domestic product	1 976 tn soum	2 256 tn soum	2 576 tn soum
GDP growth rate	6,6%	6,8%	6,9%
Consolidated budget revenues	515,8 tn soum	585,0 tn soum	663,2 tn soum
as a percentage of GDP	26,1%	25,9%	25,7%
Consolidated budget expenditures	576,0 tn soum	653,3 tn soum	741,3 tn soum
as a percentage of GDP	29,1%	29,0%	28,8%
Fiscal deficit	60,2 tn soum	68,4 tn soum	78,1 tn soum
as a percentage of GDP	3,0%	3,0%	3,0%
Inflation	7,0%	5,0-6,0%	5,0%

* Including the balance of deposits, budget loans, and credit lines for financing state programs

2. The situation in world financial markets

The U.S. Federal Reserve System (Fed) has maintained its key interest rate in the 4.25-4.50% range since the beginning of 2025, amid uncertainties regarding the impact of U.S. trade tariffs on the nation's economy.

However, due to the Fed's mandate to maintain a stable level of employment alongside inflation, the policy rate was cut to 4.00–4.25% in September, 2025 and to 3.75-4.00% in October, 2025. This occurred because the unemployment rate rose higher than expected and economic growth slowed, even though the U.S. inflation rate was above the 2% target.

On December 10 of 2025, the Fed cut the policy rate by 0.25 percentage points for the third time in 2025, bringing it to 3.50-3.75%. This reduction in the policy rate was explained by the country's rising unemployment rate (4.4% as of September 2025) and

⁸ https://api.mf.uz/media/filestore/2026-2028-yillar_uchun_Budjetnoma.pdf

⁹ <https://lex.uz/docs/7949060>

the goal of maintaining stable employment, even though inflation (3.0% as of September 2025) remained higher than the Fed's expectations.

According to JP Morgan, financial market participants expect the Fed's key rate to remain unchanged until June 2026 following the December reduction.

Changes in the Fed rate also affect the SOFR interest rate. In December 2025, the average 6-month SOFR was around 4.3% (compared to 5.0% at the beginning of 2025). In turn, international banks and experts forecast that the SOFR interest rate will decrease along with the Fed rate in the medium term.

At the same time, growing uncertainty and inflationary pressures due to the global geopolitical situation could influence the dynamics of the Fed rate and the SOFR interest rate.

Figure 12. Dynamics of the Fed funds rate, 6-month SOFR, and U.S. Treasury yield ¹⁰, in percent

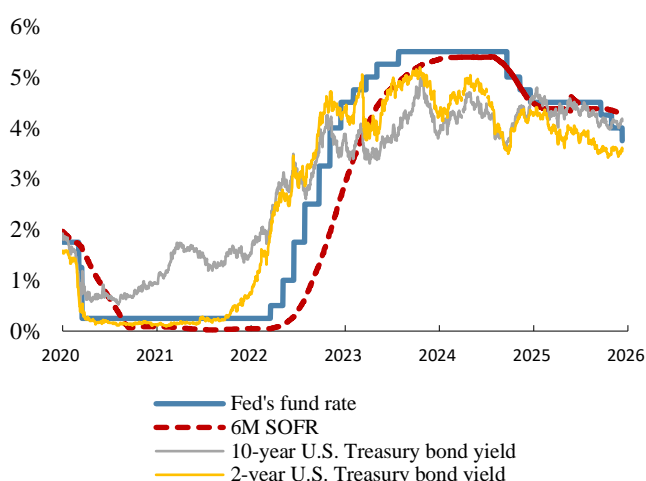
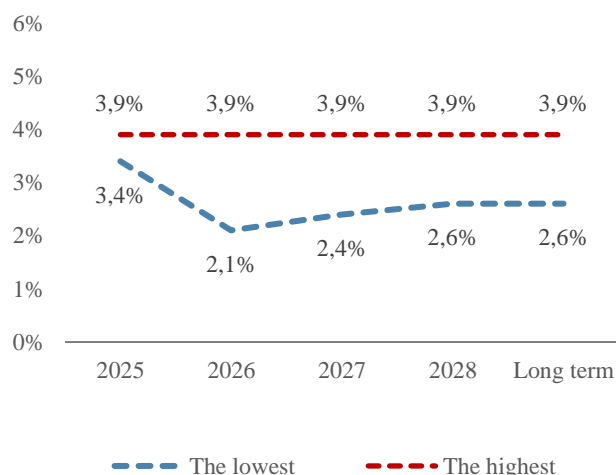


Figure 13. Interim forecasts of the FOMC for Fed rate ¹¹ (As of December 10, 2025)



¹⁰ <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>
<https://fred.stlouisfed.org/series/DGS2>

¹¹ <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20251210.htm>

IV. ALTERNATIVE AND OPTIMAL STRATEGIES FOR FINANCING GOVERNMENT BORROWING NEEDS

1. Financing scenarios

The government's borrowing needs for 2026-2028 has been determined based on the funds needed to cover the budget deficit, repay the principal amount of the state debt, and finance investment projects, as well as on macroeconomic expectations.

In order to determine the most optimal strategy for financing the government's borrowing requirement, the following four alternative strategies were analyzed.

Under Strategy 1, 70% of the borrowing requirement is projected to be financed from external sources and 30% from domestic sources.

Under Strategy 2, 60% of the borrowing requirement is projected to be financed from external sources and 40% from domestic sources.

Under Strategy 3, 30% of the borrowing requirement is projected to be financed from external sources and 70% from domestic sources.

Under Strategy 4, 80% of the borrowing requirement is projected to be financed from external sources and 20% from domestic sources.

2. Cost and risk analysis of financing scenarios

If Strategy 1 is implemented, the state debt-to-GDP ratio is projected to decrease slightly to 31.0% by 2028 compared to the end of 2025 (31.9%).

Additionally, Strategy 1 allows for the improvement of interest expenses (debt burden), refinancing, and interest rate indicators, as well as a slight reduction in FX risks. Specifically:

- it is projected that the weighted average interest rate of the state debt portfolio will decrease from 4.93% to 4.82%, and the ratio of interest expenses on state debt to GDP will fall from 1.39% to 1.28% by the end of the year;

- Increase in the average time to maturity of state debt from 7.9 years to 9 years will help mitigate the annual refinancing risks. At the same time, the portion of state debt maturing within one year is projected to increase from the current 7.5% to 11.8%. This is primarily due to the fact that principal repayments on funds actively borrowed in previous years are now falling due;

- Increase in the average time to refixing of the state debt portfolio from the current 4.37 years to 4.81 years will allow for a slight reduction in the risks associated with sharp fluctuations in interest rates and simplify the forecasting of interest expenses. The decision to not sharply increase fixed interest rates within the state debt portfolio is mainly due to expectations of future downward trends in the high interest rates prevailing in external financial markets;

- - Additionally, the first strategy allows for maintaining currency risks at a relatively stable level. This approach enables the assessment of new trends observed in the national currency's exchange rate in 2025 and the consideration of established fundamental trends in future strategies. At the same time, the option to increase the volume of borrowing in the national currency remains, depending on the available opportunities.

Analysis of alternative strategies shows the following:

- Strategy 2 provides for an increase in the share of government securities in the national currency compared to Strategy 1. While this approach allows for a reduction in state debt-to-GDP ratio and currency risks, it leads to a significant increase in weighted average interest rates, debt burden, and refinancing risks compared to Strategy 1.

- Strategy 3 entails a sharp increase in the share of government securities issued in the national currency, to 70% of the total debt raised. Under this approach, the debt burden and refinancing risks will rise sharply due to an increase in interest rates on government securities and a higher volume of short-term bonds within new issuances;

- Strategy 4 entails attracting 80% of new debt from external sources and 20% from internal sources. Loans secured on concessional terms significantly mitigate the risks of debt burden, refinancing, and interest rate fluctuations. However, the ability to attract concessional loans in the required volumes is limited. Due to a sharp increase in currency risks, the sensitivity of state debt indicators to external shocks (such as COVID-19 in 2020 and the geopolitical situation in the region in 2022) increases significantly.

Furthermore, in situations where uncertainty in global financial markets has increased and access to borrowing from other external sources is limited, it will not be possible to attract the necessary amount of funds due to the insufficient development of the domestic financial market.

Based on the analysis of the four alternative strategies above, it is recommended to select Strategy 1 to meet the government's financing needs for 2026–2028 at the most optimal level of cost and risk.

At the same time, this strategy will require revision and updating due to factors such as: significant deviations in key macroeconomic indicators from forecast figures; the need to attract additional debt due to an increased budget deficit; the impact of external or internal shocks on the republic's GDP; sharp changes in the inflation rate; the formation of new trends in the dynamics of exchange rates and interest rates in international financial markets; and the materialization of contingent liabilities.

Table 9. Cost and risk level of the strategy

Cost and risk indicators		As the end of 2028
State debt to GDP ratio, in percent		31,02%
Cost indicators	Interest payment as percent of GDP	1,28%
	Weighted average interest rate on state external debt	4,0%
	Weighted average interest rate on state domestic debt	10,0%
	Weighted average interest rate on state debt	4,82%
Refinancing risk	ATM External Portfolio (<i>years</i>)	10,04
	ATM Domestic Portfolio (<i>years</i>)	2,12
	ATM Total Portfolio (<i>years</i>)	9,03
	Debt maturing in 1 year (<i>percent of total</i>)	11,83%
Interest rate risk	Average time to refixing (<i>years</i>)	4,81
	Debt refixing in 1yr (<i>percent of total</i>)	52,63%
	Fixed rate debt (<i>percent of total</i>)	56,14%
FX risk	FX debt as percent of total	87,47%

V. STATE DEBT MANAGEMENT STRATEGY FOR 2026-2028

In line with the objectives of state debt management and the selected strategy, the state debt management strategy for 2026-2028 encompasses the following key areas:

1. Ensure that the government's financing needs are met at the most acceptable level of costs and risks. At the same time, special attention should be paid to the development of the domestic government securities market.

Long-term and concessional loans from international financial institutions will continue to be raised to support the budget and finance investment projects.

In order to reduce foreign exchange risk in the state debt portfolio, increase the share of the national currency, and diversify financing sources, the issuance of government treasury securities will be expanded at favorable interest rates, based on market conditions,

The share of medium and long-term government treasury securities will be gradually increased to extend the average time to maturity of the state debt and to create conditions for foreign investors to enter the government treasury securities market.

Furthermore, sovereign international bonds will be issued annually, depending on market conditions, to diversify the state debt by currencies and sources, as well as to broaden the investor base.

The following measures will be implemented for the systematic development of the government treasury securities market in 2026-2028:

- Introducing "buyback" and "switch" operations to mitigate liquidity risks during the redemption of government securities issued in amounts of 2 trillion soums or more under a single identification number (ISIN);

- Taking measures to enhance the capacity of primary dealers with the support of international financial institutions and investment banks, thereby increasing the liquidity of the government securities market and providing incentives for market makers;

- Attracting international investors to the government treasury bond market. Implementation of agreements reached on attracting international investment banks to the domestic market and using their custodian services to form the necessary infrastructure.

2. Increasing the efficiency of investment projects financed by state external debt

- Accelerating and increasing the efficiency of projects involving funds from international financial organizations, attracting external loans for new projects based on the utilization of funds within existing projects;

- Effective use of results-based financing (*PforR*) and other instruments in financing investment projects;

- Formation of a system based on a centralized investment management (*PIM*) approach with the involvement of international experts;

- To improve the process and develop general conditions for the onlending of external debt, incurred on behalf of the Republic of Uzbekistan, or for the provision of state guarantees to state enterprises;

- Improving the activities of the Guarantee Fund;

3. Measures to increase the sovereign credit rating of the Republic of Uzbekistan

- Establishing proactive communication with rating agencies in accordance with the communication strategy, organizing seminars and presentations dedicated to the work done and future plans on the main factors affecting Uzbekistan's rating indicators noted in agency reports;

- Development and implementation of a short-term and long-term "roadmap" aimed at improving the rating based on the rating agencies' assessment methodology as part of the ongoing work to achieve the set goal of bringing the sovereign credit rating of the Republic of Uzbekistan to the investment level ("BBB-") by 2030.

4. Other measures implemented for the effective state debt management

- Announcing the state debt management strategy and the annual borrowing plan, broken down by debt instrument;

- To develop proposals on strengthening the role of Parliament in attracting state external debt, particularly in obtaining external loans under state guarantees;

- Continue harmonizing state debt statistics with international methodologies and explore the possibility of setting limits in the national currency;

- Implementing proactive communication with foreign investors, including the continuous provision of information materials intended for investors in a convenient format;

- To explore the use of hedging instruments in order to continuously optimize state debt servicing costs and effectively manage currency risks;

- Increasing the capacity of state debt management staff;

- Study the possibilities of using alternative debt instruments to diversify the state debt portfolio.

Based on the priorities outlined in the State Debt Management Strategy for 2026-2028 and international best practices, the following targets for optimal state debt risk levels are projected to be achieved by the end of 2028 (Table 10).

In this regard, it is required that the average time to maturity of state external debt should not fall below 9.2 years, and the average time to maturity of state domestic debt should not fall below 2.0 years.

It is recommended that the share of the state debt maturing within one year in the total state debt does not exceed 15 percent.

Also, in order to reduce the interest rate risk of state debt, it is envisaged that the share of the fixed interest rate in the total of state debt will not fall below 50%. The share of state debt in the national currency in the portfolio is planned to be kept at the current level of at least 12.5%.

Table 10. Target indicators for achieving an optimal risk level for state debt by the end of 2028

Risk level of state debt		2028*
Refinancing risk	ATM external debt portfolio	min 9,2 yr
	ATM domestic debt portfolio	min 2,0 yr
	Share of debt maturing within 1 year	max 15%
Interest rate risk	Fixed rate debt (<i>percent of total</i>)	min 50%
FX risk	National currency debt (<i>percent of total</i>)	min 12,5%

* Target indicators may be revised in the event of external and internal shocks.

Table 11. Annual borrowing plan for 2026

Plan for 2026	Amount
1. Budget support	\$4,9 bn
IFIs loans	\$2,5 bn
Government securities (<i>Treasury securities and Eurobonds</i>)	net 30 tn soum
2. Financing of investment projects	\$2,5 bn

