

## RESOLUTION OF THE CABINET OF MINISTERS

### **On Measures for Effective Management of the State Debt and Ensuring the Targeted Use of the Attracted Debt**

In the context of the accelerated integration of our country into the world financial system, to maintain the public debt at a safe level is one of the main factors for promoting macroeconomic stability in the country.

Despite the fact that according to international criteria, the public debt of the Republic of Uzbekistan (hereinafter — the **State Debt**) is currently at an "acceptable" level, nowadays it is essential to create mechanisms that ensure the credit rating stability of Uzbekistan's sovereign debts and a safe level of State Debt.

At the same time, the current priorities are (i) to determine the annual upper thresholds for State Debt, (ii) to identify priority areas while selecting projects to be financed from using the State Debt and establish systemic monitoring of such projects implementation, and (iii) implement transparent and effective results-measurement mechanisms.

In order to improve the system of State Debt management based on international standards, maintain State Debt at a safe level for macroeconomic stability and ensure the effective use of attracted loans, the Cabinet of Ministers hereby resolves:

1. Summarized as follows:

The Ministry of Finance of the Republic of Uzbekistan with technical support from the World Bank and the International Monetary Fund has developed a medium term strategy for managing State Debt;

the medium term strategy for managing State Debt shall be annually approved by the Cabinet of Ministers of the Republic of Uzbekistan taking into account macroeconomic changes and foreign factors in the country;

according to the estimates of the Ministry of Finance, on the basis of International Monetary Fund norms, the upper threshold of the State Debt shall not exceed 50 percent with respect to GDP in order to promote macroeconomic stability;

it is notable that the [\*Law on State Budget of the Republic of Uzbekistan for 2020\*](#) sets forth the upper threshold for all new foreign loan agreements signed during 2020 on behalf of the Republic of Uzbekistan (the Government of the Republic of Uzbekistan) or under the guarantee of the Republic of Uzbekistan at the amount of USD 4 billion, as well as the upper threshold for foreign loan drawdowns at USD 1.5 billion repayable from the state budget.

2. It shall be established that the following priority goals are strictly observed in effective State Debt management:

guaranteeing full and timely State Debt servicing;

maintaining State Debt at a safe level to promote macroeconomic stability, diversifying and reducing the risk of overspending on State Debt servicing;

identification of programs financed from using the State Debt that do not require the development of preliminary project documentation and technical-economic basis (hereinafter - the **Program**) owing to Programs' socio-economic and strategic importance and the need to develop industrial and social infrastructure;

promotion of targeted and effective use of the State Debt by ensuring the effectiveness, self-sustainability of projects and programs financed from using the State Debt, and transparency of data on their implementation;

gradual shift of legal entities and banks, in which the state has a stake of 50 percent or more, to market-based financing;

3. The following shall be established:

- a) signing agreements on behalf of the Republic of Uzbekistan and issuing guarantees of the Republic of Uzbekistan for projects and programs financed from using the external public debt of the Republic of Uzbekistan (hereinafter - the **External State Debt**) are carried out after the approval of the Presidium of the Cabinet of Ministers is obtained;

the Secretariat of the Cabinet of Ministers of the Republic of Uzbekistan on Matters Concerning Macroeconomic Analysis, Structural Reforms, Financial and Banking System, Private Business prepares corresponding project documentation on programs and projects to be financed from using the External State Debt for the Presidium of the Cabinet of Ministers;

in order to effectively manage State Debt and coordinate its target use, to introduce a position for a specialist on effective State Debt management and coordination of its proper use within the structure of the Secretariat of the Cabinet of Ministers of the Republic of Uzbekistan on Matters Concerning Macroeconomic Analysis, Structural Reforms, Financial and Banking System, Private Business;

- b) starting from January 1, 2020, legal entities, in which the state has a stake of 50 percent or more, shall notify the Ministry of Finance if they attract foreign debt obligations;

4. Warn the heads of state bodies and joint economic associations at all levels as well as local authorities to restrain from the practice of making proposals to attract foreign loan on behalf of the Republic of Uzbekistan or under the guarantee of the Republic of Uzbekistan for projects that lack a detailed analysis of socio-economic and financial efficiency; the reference is made to projects within the framework of bilateral and multilateral cooperation for the implementation of programs for sectoral, industrial or territorial development, including projects within international and regional forums, investment conferences and other types of cooperation.

5. To the attention of the Ministry of Finance:

within a month period, adopt a resolution of the Presidium of the Cabinet of Ministers on the procedure for selecting and monitoring the effectiveness of projects and programs financed from using the External State Debt in 2020;

by December 1, 2020, based on best foreign practices, to develop and submit to the Cabinet of Ministers for approval a regulation establishing selection criteria, the procedure for reviewing, selecting and monitoring the effectiveness of programs and projects financed from using the External State Debt in the upcoming years.

6. In accordance with the [Presidential Decree No. PP-4555 "On Measures to Ensure the Implementation of the Law on the State Budget of the Republic of Uzbekistan for 2020" of December 30, 2019:](#)

a) the process of assessing the effectiveness of projects and programs financed from using the External State Debt implies:

the completed projects and programs shall undergo audit by the Auditing Chamber of the Republic of Uzbekistan. The information on the results of such audit shall be sent to the Legislative Chamber of the Oliy Majlis, the Presidential Administration of the Republic of Uzbekistan and the Presidium of the Cabinet of Ministers at the end of each quarter;

within three-month period, the ministries and departments concerned shall hold presentations on the completed projects and programs in the Chambers of the Oliy Majlis of the Republic of Uzbekistan;

the Auditing Chamber, the Ministry of Investment and Foreign Trade and the Ministry of Finance of the Republic of Uzbekistan shall ensure that information on the development, selection, monitoring, and audit results of projects and Programs is published in the media and on websites;

b) the Auditing Chamber of the Republic of Uzbekistan, within three-month period, shall adopt the procedure for evaluating and auditing projects and programs financed from using the State Debt with inclusion of issues of grouping such projects and programs by risks;

7. The Ministry of Finance of the Republic of Uzbekistan shall present to the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan the report on the state of External State Debt, whereas the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan - on the implementation of projects financed from using the External State Debt once a year.

8. It shall be established that prior to the intended use of the External State Debt's funds raised on behalf of the Republic of Uzbekistan, deviations (discrepancies) in interest expenses associated with the holding of funds in treasury accounts or temporarily transferring them to deposits of commercial banks by the Treasury of the Ministry of Finance shall be compensated at the expense of the state budget.

9. In order to ensure timely, full and guaranteed payments for projects and programs financed from using the State Debt:

on February 1, 2020, the Guarantee Fund without legal personality under the Treasury of the Ministry of Finance of the Republic of Uzbekistan (hereinafter - the **Fund**) shall be established;

the funds of the Fund shall be formed through payments for the guarantees provided by the Republic of Uzbekistan, the margin of the Ministry of Finance established in debt restructuring agreements and other sources;

establish payments on guarantees of the Republic of Uzbekistan in the amount of not less than 0.5 percent per annum for the remaining amount of a debt;

State Debt, including the debt resulting from the failure of entities-debtors (banks) to make corresponding repayments in timely and complete manner while implementing projects and programs financed along with guarantees of the Republic of Uzbekistan, shall be repaid at the expense of the Fund and the state budget of the Republic of Uzbekistan with the view that the entities-debtors (banks) shall return corresponding funds and accrued fines to the Fund and state budget of the Republic of Uzbekistan respectively.

The Ministry of Finance of the Republic of Uzbekistan, within two-months period, shall develop and submit to the Cabinet of Ministers the procedure for managing and using the Fund's funds on the basis of best foreign practices.

10. It shall be established that all projects financed from using the External State Debt shall be subject to comprehensive expert examination at the SUE Center for the Examination of Projects and Import Contracts under the Ministry of Economy and Industry of the Republic of Uzbekistan in respect of preliminary project documentation, technical specifications and tender documentation. Projects that are refinanced by the commercial banks, given that such banks are accountable for 80 percent of the project value or more, as well as Programs, financed from using the External State Debt shall not be subject to comprehensive expert examination.

The payment for the comprehensive examination shall be charged at 50 percent of the fixed amount of fees for comprehensive examination of investment projects and procurement documentation.

11. The Ministry of Finance of the Republic of Uzbekistan, together with the other ministries and agencies concerned, shall, within a month period, bring the normative legal acts adopted by them into compliance with this Resolution.
12. The Deputy Prime Minister of the Republic of Uzbekistan, the Minister of Finance - J.A. Kuchkorov shall be responsible for monitoring the implementation of this Resolution

**Prime Minister of the Republic of Uzbekistan A.A. Aripov**

Tashkent city,  
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