

The World Bank in Uzbekistan

Country Snapshot



An overview of the World Bank's work in Uzbekistan

April 2020

UZBEKISTAN	2019
Population, million	33.6
GDP, current US\$ billion	57.9
GDP per capita, current US\$	1,725
Life Expectancy at birth, years	71.4

At a Glance

- Uzbekistan continues to implement bold reforms focused on a sustainable transformation to a market economy, the modernization of state institutions, citizen engagement, and investments in human capital, all critical to ensuring more inclusive economic growth and improving living standards.
- The Strategy for the Development of Agriculture for 2020–2030, adopted in October 2019, paved the way for further transformative reforms in that sector, including by removing the state's cotton production quota starting with the 2020 harvest. This will eliminate one of the key factors contributing to the use of forced labor in the country's cotton industry.
- The authorities are taking decisive steps to reduce poverty. In March 2020, President Shavkat Mirziyoyev approved measures to initiate a comprehensive review of state policy in this area. Among other tasks, the Government was instructed to prepare a Program for Poverty Reduction in Uzbekistan by October 1, 2020.

Country Context

In 2019, strong investment growth, higher agricultural output, and higher investment and construction activity accelerated real GDP growth in Uzbekistan.

Since March 2020, the economic outlook has significantly worsened as a result of the COVID-19 outbreak, creating challenges for the market transition and significantly increasing the risk that poverty levels will rise.

The Government's anti-crisis policy measures adopted in March 2020, the drawdown of Uzbekistan's strong buffers, and assistance from development partners will be critical to helping offset the immediate health, economic, and social implications of the COVID-19 pandemic, especially those affecting the poor.

The World Bank and Uzbekistan

The World Bank has launched a Systematic Country Diagnostic for Uzbekistan to inform the preparation of a new Country Partnership Framework (CPF) for FY22–26.

The Bank's country program under the ongoing CPF for FY16–21 was adjusted through a Performance and Learning Review conducted in FY18. It is being implemented to support the Government's reform agenda in the following priority areas:

- i) a sustainable transformation to a market economy
- ii) reform of state institutions and citizen engagement
- iii) investments in human capital, focusing on the development of the health and education sectors

Key Engagement

The World Bank Group's financial and technical assistance and analytical support have grown substantially since 2017, bolstering the Government's efforts to implement a comprehensive program of reforms for Uzbekistan's transition to a market economy.

As of April 1, 2020, the World Bank portfolio in Uzbekistan consisted of 22 projects, with net commitments totaling US\$4.14 billion. They include loans from the International Bank for Reconstruction and Development (IBRD) for US\$1.93 billion and International Development Assistance (IDA) credits for US\$2.21 billion.

These efforts support the Government in implementing economic and institutional reforms that will help to modernize the agriculture, health, education, water supply and sanitation, energy, transport, and social protection sectors, as well as promote urban and rural development.

The World Bank's country program in Uzbekistan is the second largest in the Europe and Central Asia region, following Turkey.

WORLD BANK PORTFOLIO

No. of Projects: 22
Lending: \$4.14 Billion
IBRD: \$1.93 Billion
IDA: \$2.2 Billion

The Bank's project portfolio in Uzbekistan is supplemented by a comprehensive program of technical assistance delivered jointly with the International Finance Corporation (IFC).

The current program includes core diagnostics work, such as the Systematic Country Diagnostic and the Public Expenditure Review, and also inputs to sector strategies for agriculture, transport, energy, and water supply and sanitation.

The Bank's current Advisory Services and Analytics outline the tasks required to support reforms in the aviation sector, tax policy and administration, the banking sector, trade facilitation, poverty and vulnerability mapping, and citizen engagement in Uzbekistan.

Responding to the global COVID-19 outbreak, and at the request of the Government, the World Bank, in close coordination with other development partners, is preparing a series of emergency response operations to help Uzbekistan cope with the immediate health, economic, and social implications of the pandemic.

As of April 1, 2020, IFC was managing a US\$53 million investment portfolio in Uzbekistan. It provides advisory services designed to assist the country in privatizing state-owned banks, transforming the cotton sector, developing and diversifying the financial market, and piloting public-private partnership transactions in the energy and health sectors.

Recent Economic Developments

Real GDP growth in Uzbekistan increased to 5.6 percent in 2019 from 5.4 percent in 2018. Growth was supported by a 34 percent year-on-year increase in investment, more robust agricultural growth, and increased construction activity.

Annual inflation remained high at 15.2 percent in December 2019 but was lower than a year earlier, when it was 17.5 percent.

Strong export growth and increased remittance inflows resulted in a smaller current account deficit of 4.2 percent of GDP in 2019 from 7.1 percent in 2018. Foreign exchange reserves increased by US\$2.1 billion in 2019, or roughly 13 months of import cover. Total external debt was about 37 percent of GDP.

Directed lending contributed to a second consecutive year of high credit growth, which was up 47.8 percent in 2019 and 51.5 percent in 2018.

The consolidated fiscal deficit widened to 3.9 percent of GDP in 2019 from 2.1 percent in 2018. Public debt remained low at 24 percent of GDP in 2019.

The official poverty rate was lower at 11.4 percent in 2018 compared to 11.9 percent in 2017. The World Bank estimates that poverty at the lower-middle-income country poverty line was 9.6 percent in 2018.

The official unemployment rate of approximately 9 percent in 2019 was lower than in 2018, when it was 9.3 percent.

Economic Outlook

The COVID-19 outbreak is the most severe disruption to Uzbekistan's economy since the breakup of the Soviet Union in 1991.

Growth is projected to decline sharply to 1.6 percent in 2020 due to significantly lower external trade and widespread domestic economic disruption.

Stay-at-home orders and temporary closures of non-critical businesses are now in place across the country. It is uncertain when these restrictions will be lifted as efforts intensify to reduce local transmission of COVID-19.

An increasingly likely downside scenario is that a more prolonged disruption could cause the domestic economy to contract in 2020.

The Government announced a US\$1 billion package to increase health and social spending and ease the tax, debt, and cash flow constraints on businesses. This will help temper the negative effects of the crisis on some households and firms.

Demand for gold and food exports is projected to remain robust but may be subject to significant price volatility. Annual inflation is expected to be 15.8 percent in 2020 as a result of supply chain disruptions and higher food prices.

The current account deficit is expected to widen to 8.5 percent of GDP in 2020 from 4.2 percent of GDP in 2019.

Lower tax revenues and higher spending are expected to increase the fiscal deficit to 5.6 percent of GDP in 2020 from 3.9 percent in 2019. Lower incomes and remittances are likely to increase the poverty level in 2020.

Project Spotlight

Developing Uzbekistan's Livestock Sector



Thanks to the Livestock Development Project funding, beneficiaries were able to purchase over 28,800 heads of cattle.

Uzbekistan is a net importer of meat and milk. Keen to improve the country's nutrition standards, the Government is taking measures to increase the population's access to livestock products.

The country's livestock sector, employing roughly 3.6 million agricultural workers, is currently characterized by low productivity.

Its modernization will not only increase productivity but will also create a significant number of better paid jobs in rural areas, improve food and nutrition security, and increase access to internal and external markets.

The **Livestock Sector Development Project (LSDP)**, financed by the World Bank (US\$150 million), is designed to achieve these goals by supporting the development of a vibrant, private sector-led livestock sector.

The project helps build the capacity of public institutions, including the State Committee for Veterinary and Livestock Development and four agricultural research institutes. It also provides loans through participating Uzbek banks to farmers and agribusinesses that invest in subprojects that enhance the competitiveness of livestock value chains across the country.

To date, the LSDP has financed over 500 loans that have boosted investments in the development of the dairy, poultry, beef, fishery, and apiculture industries. Thanks to this funding, the beneficiaries were able to purchase over 28,800 heads of cattle, 16,500 small ruminants, 405 camels, 305 horses, and over 110 units of farm machinery and equipment.

These investments have allowed beneficiaries to expand businesses, create jobs, and improve the productivity and quality of their products. For example, the dairy subsector has increased milk production from an average of 8 liters/day/cow to 20 liters/day/cow. Moreover, farmers and agribusinesses benefiting from the project have been able to create over 5,000 new jobs in rural areas. Project investments have also helped beneficiaries to increase the supply of dairy products, meat, poultry, eggs, fish, and honey in local markets to meet the demand for these goods across Uzbekistan.

The "Country Snapshot" is a bi-annual update, highlighting the country's recent developments, economic outlook and major overview of the World Bank's partnership with the country. You can find the latest updates at <http://www.worldbank.org/uzbekistan>



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