GOVERNMENT SECURITIES MARKET OF THE REPUBLIC OF UZBEKISTAN: CURRENT STATE AND DEVELOPMENT PROSPECTS

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Abstract. *This paper examines the government securities market of the Republic of Uzbekistan, assessing its evolution, current performance, and future development prospects. Utilizing a mixed-methods approach—including comparative analysis, statistical evaluation, regression modeling, and expert interviews—the study analyzes market reforms, issuance trends, and key challenges such as secondary-market illiquidity and limited instrument diversity. Findings reveal a steady increase in domestic bond issuance from 2018 through early 2025, driven by budgetary needs for infrastructure and social spending, as well as investor confidence bolstered by the successful debut of sovereign Eurobonds in 2019. Despite electronic auction platforms enhancing transparency and access, the market remains constrained by low secondary liquidity and gaps in regulatory and institutional frameworks. International benchmarks underscore the importance of diversified issuances (e.g. inflation-protected and green bonds), robust market infrastructure, and coordinated debt management. The paper concludes with actionable recommendations for Uzbekistan: introduce new bond types, strengthen secondary trading, align reporting standards with global best practices, and enhance investor education to foster a deeper and more resilient government securities market.*

Keywords: *Uzbekistan, government securities, public debt management, market liquidity, Eurobonds, financial market development.*

Introduction. The government securities market plays a crucial role in achieving macroeconomic stability and fostering economic growth by providing mechanisms for mobilizing domestic and foreign investments, effectively managing public debt, and implementing monetary policies. In Uzbekistan, significant reforms and regulatory developments have taken place recently, aimed at enhancing market functionality and transparency. However, the market still encounters several critical challenges, notably limited liquidity, underdeveloped secondary markets, and a constrained variety of financial instruments. During the meeting dedicated to the development of the stock market, the President of the Republic of Uzbekistan emphasized that the securities market is a crucial means for consolidating available financial resources in the economy and channeling them into investment activities.[1] The issuance of government bonds was resumed, but the implementation mechanism was not effective. Therefore, a stock market development strategy for 2020–2025 was developed with the goal of increasing the share of freely circulating securities to 10–15 percent of GDP.

Additionally, the President of Uzbekistan, Shavkat Mirziyoyev, consistently emphasizes the importance of developing the financial system to ensure sustainable economic growth. In his speech at the 78th session of the United Nations General Assembly, he stated: "Transforming Central Asia into a peaceful and prosperous region will continue to remain a paramount goal of Uzbekistan's foreign policy."[2]

The functioning of the government securities market is regulated by the legal framework of the Republic of Uzbekistan, which defines the fundamental principles for issuing and trading government bonds. A key legislative act in this field is the Law of the Republic of Uzbekistan "On Public Debt," which establishes the legal foundations for issuing, managing, and servicing public debt.[3] According to this law, the public debt limit is set at 60% of GDP, enabling fiscal stability and preventing excessive debt burdens. Additionally, the law governs the issuance of government securities, their placement on domestic and international markets, and outlines the authority of the Ministry of Economy and Finance and other governmental bodies.[4]

The current state of the government securities market in the Republic of Uzbekistan demonstrates positive dynamics. Annual issuance volumes of government bonds are increasing, and the implementation of electronic auction platforms has simplified participant access to trading, improved market transparency, and reduced transaction costs.

However, despite the progress achieved, the government securities market in Uzbekistan faces several significant challenges. A key issue is the low liquidity of the secondary market, limiting investors' opportunities to sell bonds prior to maturity. Additionally, the range of financial instruments available remains limited, constraining the attraction of new investor categories. Strengthening institutional infrastructure, improving the regulatory framework, adopting international reporting standards, and enhancing coordination between the Ministry of Economy and Finance and the Central Bank are critical tasks.

Thus, the government securities market in Uzbekistan represents a dynamically developing segment of the financial system, playing a crucial role in ensuring budget sustainability and fostering economic growth. This research aims to comprehensively analyze the current state of Uzbekistan's government securities market, identify primary obstacles impeding its efficient operation, and propose actionable recommendations to bolster market development and efficiency.

Methods. This research utilizes a mixed-methods approach incorporating comparative analysis, statistical methods, regression analysis, and qualitative expert assessments. The comparative analysis evaluates Uzbekistan's securities market against international benchmarks and best practices, providing insights into structural and operational gaps. Statistical methods are employed to assess market dynamics, trends, and growth rates, while regression analysis helps uncover relationships between key macroeconomic indicators and market performance. Expert assessments, involving structured interviews and surveys with market participants, regulators, and financial experts, deliver qualitative insights into practical challenges, market perceptions, and potential policy interventions. The results of this study can be used to advance scientific approaches in the field of public borrowing and the regulation of Uzbekistan's government securities market. The research contributes to a deeper understanding of the mechanisms behind the functioning of the government bonds market and their impact on the country's financial stability. From a practical perspective, the findings may be valuable for government bodies, regulators, and market participants in developing strategies aimed at improving the functioning of the government bond market. The work includes recommendations for optimizing issuance mechanisms, broadening the investor base, and enhancing the investment climate in the government securities market.

Results. The Law of the Republic of Uzbekistan "On the Securities Market" dated June 3, 2015 (No. ZRU-387, new edition), in Article 3 "Basic Concepts," defines government securities as follows: "Government securities are treasury obligations of the Republic of Uzbekistan and bonds issued on behalf of the Republic of Uzbekistan, as well as bonds of the Central Bank of the Republic of Uzbekistan."

A bond is a debt security that gives its holder the right to receive from the issuer the nominal value within a specified period, as well as a fixed interest or other property rights. The first issuance of Eurobonds by Uzbekistan became a landmark event for the national financial market, demonstrating investor confidence in the stability of the economy, the progress of reforms, and the effectiveness of public debt management strategies. The placement of Eurobonds on international capital markets allowed the country to reassess pricing parameters and contributed to raising its investment rating. This issuance was the first sovereign placement among CIS countries in 2019, setting a benchmark for subsequent Eurobond issues by both government and corporate issuers in Uzbekistan.

The term "government securities" has historically evolved, encompassing a wide range of instruments used by the government to attract borrowed funds for financing budgetary needs.

Modern scientific approaches highlight the various functions of government securities:

In the textbook "Securities Market" (edited by V.A. Galanov and A.I. Basov), government securities are viewed as instruments for covering budget deficits and implementing economic policy. The authors emphasize their regulatory function, as they serve as a key tool of monetary policy.[5]

In N.P. Nishatov's work "The Market for Government and Municipal Securities," government securities are seen as a strategic element of the financial system, ensuring the mobilization of internal and external resources.[6] The author distinguishes two types of government securities:

- Short-term (for covering temporary cash gaps)
- Long-term (for financing infrastructure projects and servicing debt obligations)

L.P. Belykh, Associate Professor at the Financial Academy under the Government of the Russian Federation, in the textbook "Fundamentals of the Financial Market," classifies government bonds as part of the credit segment of the financial market. She emphasizes that government securities possess high liquidity and a low level of risk, and also serve as a benchmark for the risk-free rate of return.[7]

Russian scholar B.B. Rubtsov, Doctor of Economic Sciences, in his dissertation "World Stock Markets: Problems and Development

Trends," considers government securities as an important instrument for international investment and a means of risk hedging. He notes that their reliability is determined by the credit rating of the issuer, and that the yield on government securities influences interest rates across the entire spectrum of financial assets.[8]

The American scholar John Hull, in his book "Options, Futures, and Other Derivatives," regards government securities as the basis for creating derivative instruments (futures and options), underlining their importance for risk hedging and stabilizing financial markets.[9]

Frederic S. Mishkin, in his book "The Economics of Money, Banking, and Financial Markets," analyzes government securities as a central tool of monetary policy. He explains that operations with government securities (buying and selling) influence the money supply, inflation, and economic activity. Moreover, he highlights their international significance, as government securities are included in the reserves of central banks in other countries.[10]

Government securities (GS) play a key role in public debt management and the implementation of monetary policy. Their primary purpose is to raise funds for financing the state budget deficit and to optimize the structure of debt obligations.

Functions of GS in public debt management include:

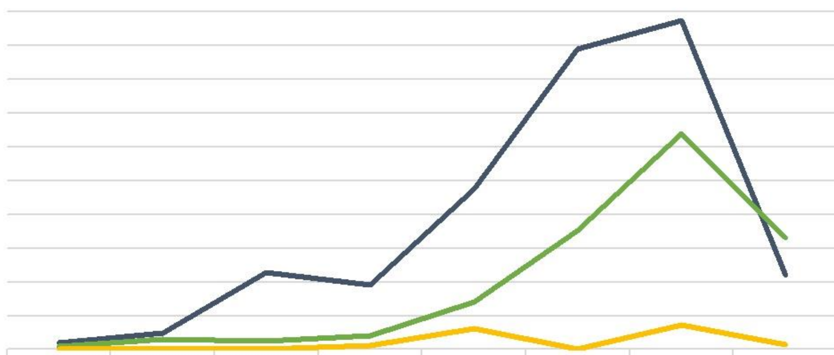
- Allowing the government to attract borrowed funds at fixed interest rates.
- Enabling the refinancing of old obligations, thereby reducing default risks.

Providing an opportunity to regulate the debt burden by adjusting the structure of short-term and long-term loans.

In addition, government securities are actively used by central banks to regulate money circulation, banking system liquidity, and inflation levels. Depending on the Central Bank's policy, operations with government securities may be used either to withdraw or inject liquidity into the financial market, which affects interest rates and price stability.

In the Republic of Uzbekistan, as in other countries, there is a public debt management strategy that involves issuing both domestic and external debt obligations.

The bonds issued by the Ministry of Economy and Finance of the Republic of Uzbekistan have become an important instrument for stabilizing the financial market, as well as for maintaining the stability of the national currency by controlling the money supply.



	2018	2019	2020	2021	2022	2023	2024	2025
shor term	397	950	4 537	3 822	9 529	17 793	19 439	4 364
mid term	200	600	487	794	2 839	7 036	12 765	6 628
long term	-	-	-	250	1 260	-	1 465	306

Fig. 1. Total amount of emissions relative to the nominal value (billion UZS) as of the first quarter of 2025. [11]

Public debt requires regular payments of interest and principal. To repay old obligations, the government may issue new government securities and thus refinance the debt. This helps to avoid defaults and reduces the budget burden. Refinancing through the issuance of new government securities allows for the extension of loan maturities and the optimization of the payment schedule.

A balanced debt structure includes a combination of short-term, medium-term, and long-term obligations. With the help of government securities, the state can manage this structure according to current objectives and market conditions. For example, in periods of instability, it is preferable to issue government bonds with fixed income and longer maturities. In Uzbekistan, the structure of domestic debt is gradually shifting toward medium- and long-term bonds. This increases the predictability of the budget and reduces risks associated with frequent refinancing.

The role of government securities in monetary policy includes:

- Government securities allow control over the money supply, influence interest rates, and direct financial flows to key sectors of the economy.
- Selling government securities reduces the money supply by withdrawing funds from the economy, which helps to restrain inflation.
- Buying back government securities increases liquidity in the banking system, stimulating lending and economic growth.

In recent years, the volume of government securities issued in Uzbekistan has increased significantly. The main reasons for this growth are the rising budgetary needs for financing infrastructure and social projects, increased investor confidence—including from foreign funds—as well as the development of the financial market and improved liquidity of the secondary bond market. The government of Uzbekistan is actively developing the government securities market by increasing the share of long-term instruments. While short-term bonds previously constituted the majority of issues, there is now a shift toward medium- and long-term issuances.

The volume of short-term bonds showed steady growth starting from 397 billion UZS in 2018, reaching a peak of 19,439 billion UZS in 2024. However, by the first quarter of 2025, a sharp decline was recorded, falling to 4,364 billion UZS, indicating a change in state financing policy and a reduced need for short-term borrowing. Medium-term bonds were characterized by low volumes initially but experienced rapid growth from 2,839 billion UZS in 2022 to 12,765 billion UZS in 2024. Long-term bonds began to be issued in limited quantities starting in 2020, with a peak volume of only 1,465 billion UZS recorded in 2024.

Overall, long-term securities occupied a minimal share of total issuance throughout the period under review, indicating limited use of long-term financing instruments.

Government bonds play a key role in determining market interest rates. The yield on short-term government securities serves as a benchmark for interest rates on interbank loans and deposits.

In the structure of sources covering the consolidated budget deficit of the Republic of Uzbekistan during the period 2022–2025, the issuance of government treasury bonds plays a consistently key role (see Fig. 2). In 2022, the amount of funds raised through bond placements amounted to 6.4 trillion UZS, covering more than 50 percent of the financing needs for the deficit. By 2023, the volume of issuance had increased more than 2.5 times — reaching 16.1 trillion UZS, indicating growing fiscal pressure and increasing budget dependence on debt instruments. In 2024, this figure reached 25.0 trillion UZS, reflecting the structural consolidation of domestic debt within the public finance system. The forecast

for 2025 confirms this trend: bond issuance is expected to amount to 25.2 trillion UZS, accounting for more than half of the projected deficit volume (49.3 trillion UZS).

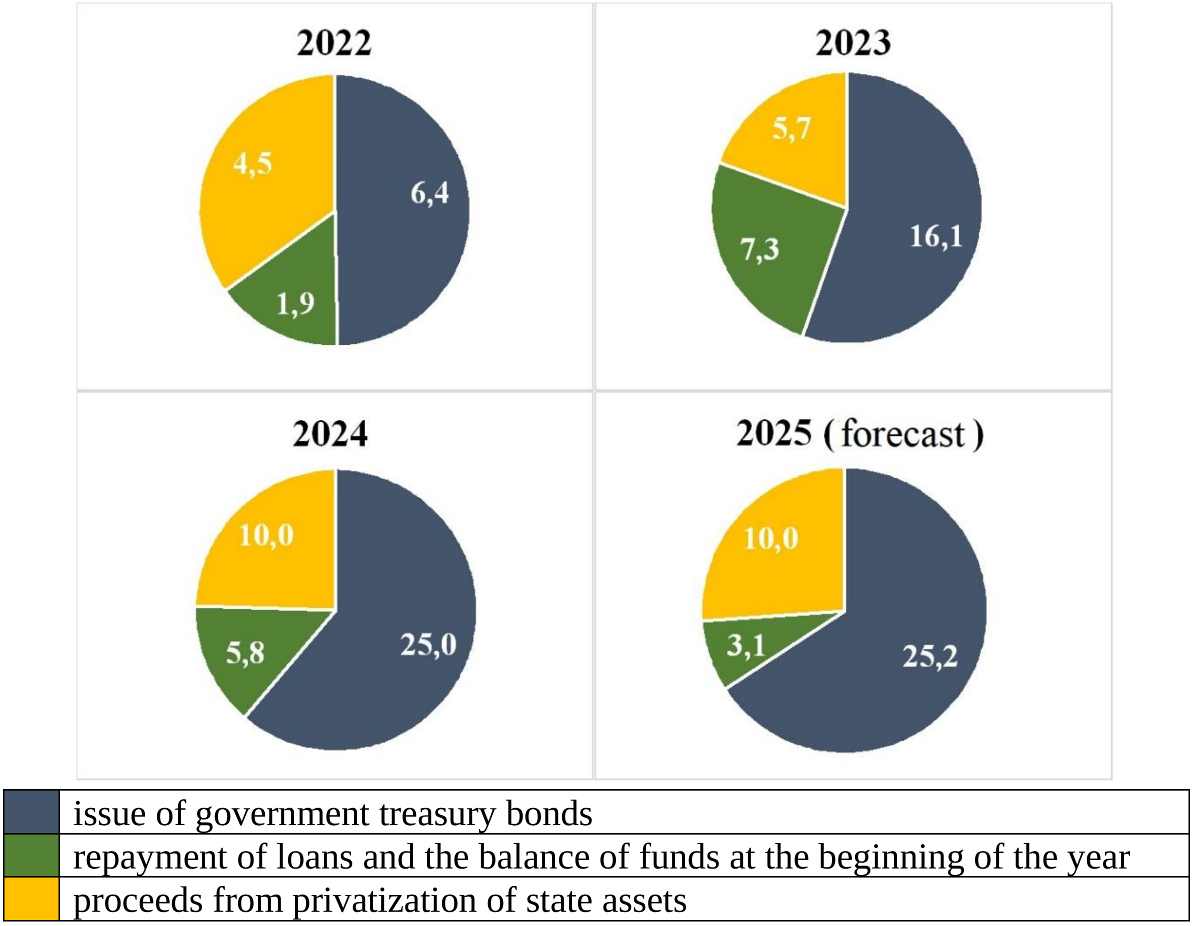


Fig. 2. Internal sources of covering the deficit of the Consolidated Budget (trillion soums)[12]

Sovereign Eurobonds are debt securities typically denominated in foreign currencies (notably US dollars and euros), issued by the Government of Uzbekistan and placed among international investors. Until 2019, the country had no experience accessing international debt markets in this form, and the issuance of the first Eurobonds marked an important milestone in the development of the government debt market infrastructure.

Uzbekistan's first sovereign Eurobond issuance took place in February 2019, totaling USD 1 billion, split into two tranches (see Tab. 1):

- USD 500 million with a maturity of 5 years and a yield of 4.75%;

- USD 500 million with a maturity of 10 years and a yield of 5.375%.

These issues received strong demand from international investors, indicating growing confidence in Uzbekistan's economy.

The objectives of issuing sovereign Eurobonds included not only attracting external financing on favorable terms but also:

- Establishing a benchmark yield for domestic corporate issuers;
- Enhancing the investment attractiveness of Uzbekistan's economy;
- Diversifying sources of financing;
- Developing the national financial market and strengthening transparency in public debt management.

Moreover, the successful debut enabled Uzbek companies—primarily banks and state enterprises—to independently enter international capital markets, using the established sovereign risk profile as a reference.

The yields on U.S. dollar–denominated Eurobonds during the period under review ranged from 6.4% to 7.6%. The highest yields were observed on issues with longer maturities (see Fig. 3). Peak yields occurred in May–June 2024, when most issues approached or exceeded 7.2%, after which yields declined into the autumn. Towards the end of 2024 and the beginning of 2025, moderate volatility reappeared alongside a rebound in yields, likely reflecting broader sentiment in emerging markets.

Eurobond issuance has been conducted both as standard issues and within the frameworks of ESG and "green" bonds, reflecting the country's commitment to meeting modern sustainable development standards.

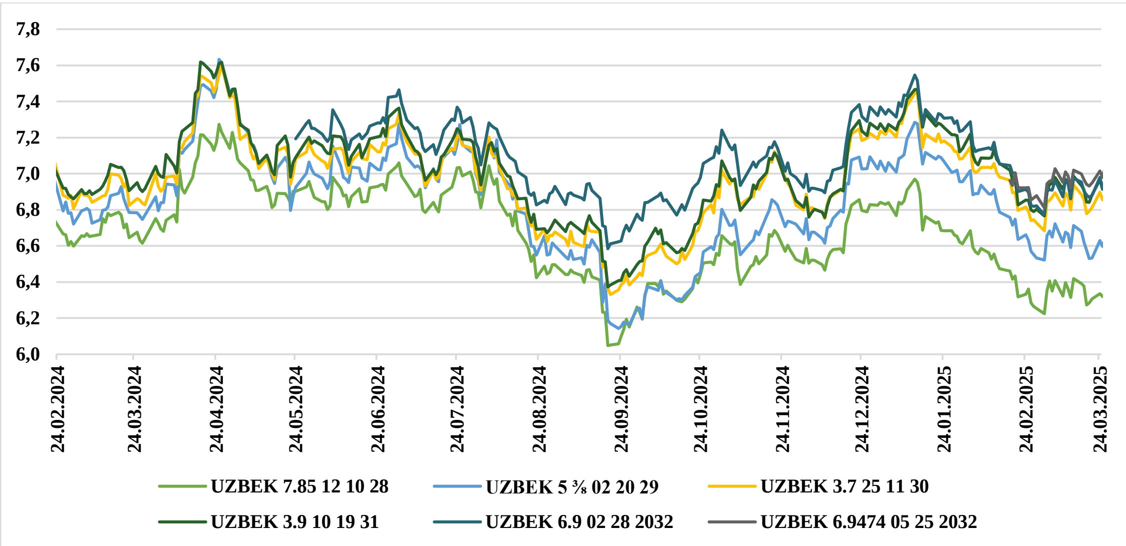


Figure 3. Yield of sovereign international bonds denominated in US dollars (%)[14]

Table 1. Issuance of sovereign Eurobonds during 2020–2025

No.	Name/Amount	Maturity	Issue	Repayment	Yield
1	555 million US dollars	10 years	25.11.2020	25.11.2030	3.7%
2	2.0 trillion soums	3 years	25.11.2020	Extinguished	14.5%
3	635 million US dollars	10 years	19.07.2021	10/19/2031	3.9%
4	2.5 trillion soums *ESG bonds*	3 years	19.07.2021	Extinguished	14.0%
5	660 million US dollars	5 years	10/12/2023	10/12/2028	8,125%
6	4.25 trillion soums *"Green" bonds*	3 years	10/12/2023	10/12/2026	16.25%
7	600 million US dollars	7 years	29.05.2024	28.02.2032	7,125%
8	€600 million *ESG bonds*	3 years	29.05.2024	29.05.2027	5,375%
9	3.0 trillion soums	3 years	29.05.2024	29.05.2027	16,625%
10	500 million US dollars	7 years	25.02.2025	25.02.2032	6.95%
11	500 million euros *"Green" bonds*	4 years	25.02.2025	25.02.2029	5.1%
12	6.0 trillion soums	3 years	25.02.2025	25.02.2028	15.5%

Discussion

The findings reveal that Uzbekistan's market aligns partially with global best practices but remains underdeveloped relative to emerging economies. International experience from countries like Germany, the USA, and Japan underscores the need for diversified financial instruments, transparent auction mechanisms, and effective regulatory frameworks. Uzbekistan would benefit from introducing inflation-protected securities, enhancing secondary market liquidity, and improving transparency and regulatory coordination. Establishing clear market benchmarks and promoting financial literacy among private investors can further strengthen market appeal and investor confidence.

Conclusion

Uzbekistan’s government securities market shows positive growth potential but requires comprehensive reforms to enhance liquidity, diversify financial instruments, and foster investor engagement. Adopting international best practices, improving market infrastructure, and enhancing regulatory transparency will significantly contribute to the market’s sustainable development, thereby supporting broader economic stability and growth.

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