



Analyzing Uzbekistan's Macroeconomic Trends in The Global Economy and Initiatives Toward Establishing A Sustainable "Green" Economy

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ABSTRACT

As outlined in the October 2023 report by the International Monetary Fund (IMF), projections indicate an anticipated deceleration in global economic growth for the upcoming year. This trend is attributed to the sustained enforcement of stringent monetary policies on a global scale, amidst the challenges posed by elevated global inflation.

Keywords:

As outlined in the October 2023 report by the International Monetary Fund (IMF), projections indicate an anticipated deceleration in global economic growth for the upcoming year. This trend is attributed to the sustained enforcement of stringent monetary policies on a global scale, amidst the challenges posed by elevated global inflation. Additionally, a number of countries are actively pursuing fiscal consolidation measures to alleviate the burden of public debt.

According to the report, the anticipated global economic growth is expected to decrease from 3.0 percent in 2023 to 2.9 percent in 2024. Developed economies are projected to

experience a marginal slowdown, transitioning from 1.5 percent to 1.4 percent during the same period. Notably, while developing countries are forecasted to maintain a growth rate of 4 percent in the current year, the economies of crucial trade partners, including Russia, are poised to exhibit a decline from 2.2 percent in 2023 to 1.1 percent in 2024. Similarly, China's growth is expected to taper from 5.0 percent to 4.2 percent, Turkey's economy from 4.0 percent to 3.0 percent, and Kazakhstan from 4.6 percent to 4.2 percent. These indicators underscore the complex economic landscape influenced by both global monetary policies and localized fiscal strategies.

Table 1

Economic growth forecasts of the International Monetary Fund and the World Bank for the region and major trading partner countries in 2023-2024, in percent¹

	International Monetary Fund		The World Bank	
	2023	2024	2023	2024
Global economy	3.0	2.9	2.5	2.1
Russia	2.22	1.1	1.6	1.3

¹ Reports of the International Monetary Fund and the World Bank, October 2023

China	5.0	4.2	5.1	4.6
Turkey	4.0	3.0	4.2	3.1
Kazakhstan	4.6	4.2	4.5	4.3
Kyrgyzstan	3.4	4.3	3.5	4.0
Tajikistan	6.5	5.0	6.5	5.0
Azerbaijan	2.5	2.5	1.5	2.4
Georgia	6.2	4.8	5.9	4.8

According to the economic growth forecasts of Uzbekistan prepared by international financial organizations for 2023, the GDP growth in 2023 is around 5.5 percent, and by 2024, this indicator is expected to be around 5.5-5.6 percent (Table 2).

Table 2
Growth rate of the gross domestic product of Uzbekistan, in percent

	2023	2024	2025	2026
International Monetary Fund	5.5	5.5	x	x
The World Bank	5.5	5.6	5.8	x
Asian Development Bank	5.5	5.5	x	x
National forecasts	5.6-5.8	5.6-5.8	6.2	6.4

Despite the challenging global economic conditions observed over the past four years, the expectation for 2023 is to achieve stable economic growth rates ranging from 5.6% to 5.8%. This optimism stems from the ongoing implementation of reforms focused on economic liberalization within the country's development strategies. These reforms also include targeted programs aimed at fostering the growth of industries, sectors, and regions. Here's a breakdown:

a) Financing of the Economy and Demand-Forming Factors (Demand Factor):

At the end of this year, consolidated budget expenses are projected to increase by 18.4%, totaling 380.9 trillion soums compared to the corresponding period of the previous year. This substantial rise is anticipated to act as a stimulant for economic growth.

Consumption is expected to rise by 7.2% due to a 16-17% increase in the general income of the population, contributing to a 4.5% GDP growth. The population's income growth will primarily result from an 18-20% increase in the

average monthly salary, a 5.6% growth in the added value of economic sectors, and a continued uptrend in money transfers. Over the first nine months of 2023, the total income of the population increased by 14.3%, the average salary rose by 18.1%, and remittances amounted to 8.4 billion US dollars. Consequently, retail trade turnover saw a 7% increase compared to the same period last year, with preliminary estimates suggesting a 6.5-7% growth in household consumption over the next nine months.

Investments in fixed capital are expected to reach 335 trillion soums, marking an 8.5% increase compared to the corresponding period of the previous year. This growth is primarily driven by foreign direct investments (11.2%), enterprise funds (5.4%), commercial bank loans (21.9%), and guaranteed loans (29.7%). Foreign direct investments are projected to amount to 4.7 billion US dollars, with nearly 2 billion US dollars earmarked for projects based on the terms of public-private partnership (PPP). In the ninth month of 2023, fixed capital

investment increased by 11.8%, and foreign direct investment surged by 47.2% compared to the corresponding period of the previous year. Notably, 26% of direct foreign investments were channeled into projects based on the terms of PPP.

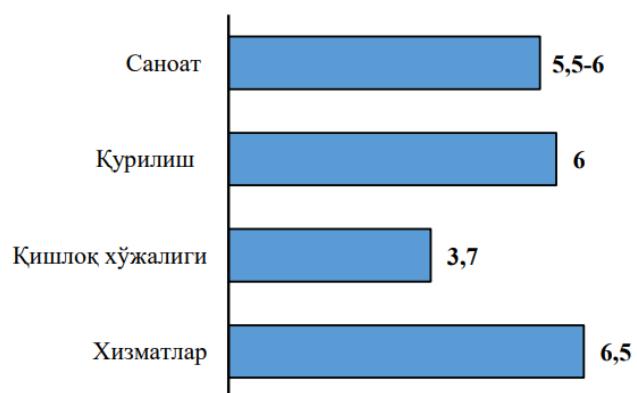
The export volume is anticipated to increase by 22.2%, with the export of goods and services (excluding gold) expected to rise by 8.8%.

b) Contribution of Industries and Sectors to Economic Growth (Supply Factor):

In terms of sectors, the key driver of economic growth is expected to be the market services sector, with an anticipated growth rate of 13%. Additionally, the industrial sector is projected to grow by 5.5-6%, construction by 6%, and agriculture by 3.7%. These sectors collectively contribute to the supply factor driving overall economic growth.

Production of industrial products:

In 2023, industrial products worth 648 trillion soums will be produced and it is expected to grow by 5.5-6% compared to the corresponding period of the previous year. Mainly, oil products - 29%, clothing - 10.5%, automotive industry - 14.4%, construction goods - 12.8%, textile products - 7.5% and furniture production - 7.4% are expected to be the main growth factors. Most importantly, to ensure the stability of economic growth, it is an important task to provide economic sectors and the population with the necessary energy sources. In particular, in 2023, the total consumption of natural gas in the population and economic sectors is expected to increase by 4.3%, and electricity consumption by 8.5%. In particular, 6 thermal power plants (on the basis of PPP) and 1 photoelectric power station commissioned in 2022 (total capacity of 7 stations - 1.5 GW) and 5 solar and wind power plants on the basis of PPP and 1 thermal power plant to be commissioned in 2023 (total power - 2.7 GW) and the volume of electricity production is expected to reach 80.4 billion kWh (growth - 8.1 percent)



Industry - 5.5-6 %, Construction - 6 %, Agriculture - 3.7 %, Services - 6.5 %

Figure 1. Supply factors of economic growth. Expectations of industry and sector growth rates in 2023, in percent²

In this case, the production volume of electricity based on public-private partnership will reach 13.5 billion kWh (2.3-fold increase).

In addition, the launch of the following major projects in the network is expected to be a stimulating factor for the growth of the production of industrial products. Including:

- Launch of Uzbekistan GTL LLC;
- 1st stage of the 6th Hydrometallurgical Plant and 5th Hydrometallurgical Plant at "Navoiy KMK" commissioning of new capacities;
- Increasing the volume of production of passenger cars;
- Cement production capacity is expected to increase by 5.0 million tons and reach a total of 31 million tons.

Agriculture:

Agricultural products worth 428 trillion soums will be produced this year and it is expected to grow by 3.7% compared to 2022. In this case, as the main factors of the growth of the sector, the growth of agricultural products by 4.0% (including grain production - 4.2%, fruit - 5.5%, sugar - 5.1% and grapes - 5%), and livestock products - 3.5% (in which milk - 3.9 percent, meat (in live weight) - 3.4 percent and eggs - 3.0 percent) is expected to grow.

At the same time, structural changes in the network are also contributing to the growth of production volumes. In particular:

² The Ministry of Economy and Finance of Uzbekistan, Budget 2024-2026

- In 2022-2023, an additional 2.5-3 million tons of agricultural products will be grown at the expense of leasing a total of 193 thousand hectares of land to the population;
- In 2023, water-saving technologies will be introduced on an additional 100,000 hectares of land (28 percent of land areas with water-saving technologies) and productivity will be increased by 10-15 percent;
- 2,031 livestock projects put into operation in 2022 are expected to produce additional meat and dairy products.

Market Services:

In 2023, market services worth 450 trillion soums will be provided, and it is expected to grow by 13% compared to 2022. High growth rates are mainly provided by services in the field of communication and information (24.6 percent), education (24.8 percent), finance (19.0 percent), trade (10.5 percent), and transport (8.5 percent). The following are expected to be the drivers of higher growth in the services sector:

- in the field of communication and information services, as a result of the decision of the President of the Republic of Uzbekistan dated August 22, 2022 "On measures to bring the field of information and communication technologies to a new level in 2022-2023" and the implementation of the "one million programmers" project, the number of enterprises providing IT services and the volume of its exports has increased significantly. For information: in the 9th month of 2023, the export of information services increased by 1.7 times compared to 2022 and reached 261 million US dollars, and it is expected to reach 335 million US dollars by the end of 2023. At the same time, by the end of the year, it is expected to increase the number of IT-Park residents to 50,000 people and to 1,515 due to providing employment to young people in the IT sector and training schoolchildren to professions in high demand in the international IT market.
- one of the important factors is the rapid growth of loans allocated to the economy by commercial banks in the field of financial services. In the 9 months of 2023, the total credit balance in the economy increased by 24%

compared to the corresponding period of 2022 and amounted to 451.6 trillion soums.

• As a result of the implementation of decisions aimed at the development and improvement of the quality of education in the field of educational services, the involvement of the private sector in the field, including support on the basis of public-private partnership, the growth of educational services in the 9 months of 2023 is expected to be 23.5 percent, and it is expected to reach 24.8 percent by the end of the year. It is also expected that by the end of 2023, the number of new non-state preschool education organizations will reach 1,600.

• in the field of transport services:

i) Purchase of a total of 1,000 public transport buses in Tashkent (including 200 18-meter, 500 12-meter natural gas buses and 300 12-meter electric buses), and a total of 1,000 natural gas buses for the public transport of Nukus and regional centers implementation led to a 24% increase in the volume of city passenger traffic in 9 months of 2023.

ii) the reform of the air transport sector created the basis for further diversification of aviation services in the republic, as well as the creation of new entities providing aviation services based on competition.

By the end of September 2023, there will be 14 resident airlines in the republic, 11 of which are private airlines, including Qanot Sharq, Panorama Airways, Sayohat Air Group, Tashkent Air, My Freighter, Asia Union Airlines, Humo Air, Air Tashkent, Shark-Avia, Agro-Parvoz, Uz Aero Tech Group were established. In order to expand the national aviation fleet, in January-July 2023, a total of 21 aircraft were delivered by JSC "Uzbekistan Airways" and private airlines.

Today, the airlines operate 97 regular flights per week in 12 domestic routes and 450 flights per week in 154 routes to 26 countries in international routes. As a result, the volume of passenger traffic in air transport increased by 29.8% in 9 months of 2023.

In the field of tourism and trade services, according to the relevant decision of the President and Government of the Republic of Uzbekistan, measures will be taken to expand the scope of tourism and trade services, support

tourism services are expected to exceed 2 billion US dollars for the first time by the end of 2023 by the state, as well as take measures to establish trade facilities through auctions of non-agricultural land and roadside facilities are expected to grow by 10.5%.

In the 9th month of 2023, the export of tourism services increased by 1.5 times compared to the corresponding period of the previous year, its volume reached 1.6 billion US dollars, and the growth rate of trade services during this period was 9 percent. At the same time, by the end of 2023, measures will be taken to establish 10,000 trade and service facilities in medium-sized and large cities and districts with a population of more than 300,000, 665 on central streets that will be converted into special service streets, and 950 on "New Uzbekistan" massifs and along international highways.

To fulfill the objectives outlined in the development strategy of New Uzbekistan for 2022-2026 and enhance the effectiveness of measures aimed at achieving 'green' and inclusive economic growth, as per the Republic of Uzbekistan's strategy for transitioning to a 'green' economy, the utilization of renewable energy sources across all sectors of the economy to further optimize resource utilization was mandated. This directive was enacted through the issuance of Presidential Decree No. PQ-436 on December 2, 2022, titled 'On measures to enhance the effectiveness of reforms for the Republic of Uzbekistan's transition to a 'green' economy by 2030.'

In the field of tourism and trade services, according to the relevant decision of the President and Government of the Republic of Uzbekistan, measures will be taken to expand the scope of tourism and trade services, support tourism services by the state, as well as take measures to establish trade facilities through auctions of non-agricultural land and roadside facilities. export of services is expected to exceed 2 billion US dollars for the first time by the end of 2023, and trade services are expected to grow by 10.5%.

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To implement the tasks defined in the development strategy of New Uzbekistan for 2022-2026, to increase the efficiency of the measures implemented to ensure "green" and inclusive economic growth within the framework of the strategy of the transition to the "green" economy of the Republic of Uzbekistan, the use of renewable energy sources and in all sectors of the economy in order to further expand the saving of resources, on December 2, 2022, the decision of the President of the Republic of Uzbekistan No. PQ-436 was adopted "On measures to increase the effectiveness of reforms aimed at the transition of the Republic of Uzbekistan to a "green" economy by 2030".

The decision was approved with the following strategic documents and systems:

- Program for transition to "green" economy and ensuring "green" growth in the Republic of Uzbekistan until 2030, designed to achieve strategic goals;

- Concept on transition to "green" economy and ensuring energy efficiency in industrial sectors;

- Action plan for transition to "green" economy and ensuring "green" growth in the Republic of Uzbekistan until 2030;

- Target parameters of saving fuel and energy resources in economic sectors in 2022-2026 aimed at reducing the energy capacity of manufactured products by 20% compared to 2022 by 2026;

- The composition of the Inter-Departmental Council on coordination of measures to transition to a "green" economy in the Republic of Uzbekistan was updated;

- Donor coordination group on transition to "green" economy and "green" growth was approved;

- The technical secretariat of the project office, which organizes the activities of the coordination group of donors and acts as a working body in the implementation of the tasks defined in the Strategy, Program and Action Plan of the "Green" economy, and helps to coordinate it with the Inter-Departmental Council, was established.

In cooperation with the French Development Agency (FTA), a debt program was implemented in the field of "Green" economy public policy. Within the framework of this program, the FTA is intended to support the transition of the Republic of Uzbekistan to a "green" economy. Within the framework of this project, work was carried out on the implementation and reduction of fossil fuel subsidies, the development of a long-term strategy for decarbonization of the economy, the introduction of a system of monitoring, reporting and verification of greenhouse gas emissions at the national level, the introduction of "green" budgeting and taxation, and other areas.

The report "Public expenditure and institutional analysis in the field of climate

change: Uzbekistan" was prepared in cooperation with the FTA and the United Nations Development Program (UNDP). The report presents the results of the Public Expenditure and Institutional Analysis of Climate Change (CPEIR) for Uzbekistan. The CPEIR is a diagnostic tool and consists of three areas, policy/strategy analysis, institutional analysis and cost review. According to the results of the analysis, it was concluded that 10-11 percent of the state budget expenses are allocated to activities that have a positive effect on the climate, and budget expenses are effectively directed to measures to combat climate change. In addition, proposals for more effective allocation of budget costs to measures against climate change are presented.

Within the framework of another project carried out with the support of UNDP, "Methodology and Roadmap of Budget "Green" Marking in Uzbekistan" was developed. The main activities of the project:

- ensuring that the process of forming the state budget supports the effective implementation of sustainable development goals;

- Development and implementation of the "Climate Budget Marking" model in Uzbekistan.

Table 3

Table of marked funds in the section of sectors for "green" budgeting, forecast for 2024, trillion soums³

		Forecast	Positive	Negative	Neutral
	Expenses, total	312.8	34.2	0.9	277.7
	<i>As a percentage of total costs</i>	100.0	10.9	0.3	88.8
1	Social costs	151.4	0.7	-	150.7
2	Economic costs	36.8	20.2	0.9	15.8
3	Investment costs	31.7	12.1	-	19.7
4	Costs of maintaining state administration, justice, prosecutor's office, courts and self-government bodies of citizens	19.8	1.0	-	18.8

³ Prepared by the author based on the information of The Ministry of Economy and Finance of Uzbekistan, Budget 2024-2026

5	Reserve funds of the budgets of the Cabinet of Ministers, the Republic of Karakalpakstan, regions, cities and districts	2.1	-	-	2.1
6	Public debt servicing and repayment costs	16.4	-	-	16.4
7	Costs associated with increasing the amount of wages, pensions, scholarships and allowances, as well as tariffs for certain types of services	9.6	-	-	9.6
8	Other expenses	44.9	0.2	-	44.7

In addition, a system of "green energy certificates" was developed, which confirms that the products are produced from renewable energy sources and using environmentally friendly technologies, and allows monitoring all related processes, and PQ-156 of the President of the Republic of Uzbekistan dated May 12, 2023 was introduced by decision.

According to this system, producers of renewable energy sell a "green certificate" to the final user (manufacturers, consumers) and thereby guarantee the "cleanliness" of energy. This allows end users to increase the volume of sales and export of their products (certificates are mandatory in the European Union), attract "green" investments and "green" loans from international and foreign financial organizations.

In order to optimize the consumption of energy resources due to the reduction of fossil fuel subsidies, a project was launched within the framework of the project of the French Development Agency with the support of the International Institute for Sustainable Development (IISD). In its framework, the primary methodology for the transfer of fossil fuel subsidies was prepared.

In May 2022, within the framework of the international forum on poverty reduction held in Bukhara, our country joined the Global Methane Pledge initiative. The initiative represents the agreement of participating

members to take voluntary actions to contribute to a collective effort to reduce global methane emissions by at least 30 percent below 2020 levels by 2030.

The Ministry of Economy and Finance became a member of the "Coalition of Finance Ministers for Climate Action" in May 2023. It is determined that the coalition will conduct its activities on the basis of the Helsinki principles, which include the following:

- adaptation of policy and practice to the commitments accepted within the framework of the Paris Agreement;
- exchange of experience and practical knowledge in the field of climate change;
- taking appropriate measures to establish effective carbon trading;
- consideration of climate change in macroeconomic policy, fiscal planning, budgeting, public investment management and procurement practices;
- mobilizing private resources to finance climate issues by facilitating the investment environment;
- Active participation in the formulation and implementation of Nationally Determined Contributions (NDC) provided under the Paris Agreement.

The governments of Uzbekistan and Japan reached an agreement on the establishment of the Joint Credit Mechanism (JCM), which provides for the involvement of

modern "green" technologies aimed at reducing greenhouse gas emissions in economic sectors (a memorandum of cooperation was signed in October 2022). Co-financing mechanism is Japan's cooperative system for reducing greenhouse gas emissions by introducing up to 50 percent of modern technologies in developing countries on the basis of financing.

Together with the World Bank and the European Bank for Reconstruction and Development, a project was launched to develop a long-term strategy (LTS) for decarbonization of the economy and transition to a "green" development model. For information: According to Article 4 of the Paris Agreement, countries must develop their long-term strategies aimed at achieving carbon neutrality by 2050. Within the framework of the strategy, the main measures and projects to be implemented in order to achieve carbon neutrality in the economic sectors, the investment plan indicating the amount of required capital investments is prepared in the cross-section of the sectors.

Together with the World Bank:

- The direct and indirect effects of climate change on the economy of Uzbekistan until 2030 were studied, and based on it, the report "Towards a Greener Economy" was prepared, presented at the second International Economic Forum and posted on the official websites of the Ministry of Finance and the Ministry of Economy;

- The implementation of the project of national assessment on ensuring economic growth in the conditions of climate change (CCDR - Climate Change and Development Report) has been launched. This assessment will help the economy attract international low-cost "green" financial support.

In cooperation with the Asian Development Bank:

- The possibility of applying climate-related criteria for public investment management assessment (C-PIMA) in Uzbekistan was studied and appropriate proposals and recommendations were prepared for its introduction;

- the current state of implementation of environmental, social and corporate

management (ESG) principles in large industrial enterprises was studied, proposals for the wide implementation of these principles were developed, and seminar trainings were organized;

- Technical support for the development of the Climate Risk Assessment Tool (Climate Risk Assessment Tool) was involved in Uzbekistan;

- Negotiations on the implementation of the programmatic budgeting system aimed at ensuring gender equality in Uzbekistan were held and the steps to be taken were determined.

The draft decision of the Cabinet of Ministers of the Republic of Uzbekistan "On measures for the development of the circular economy and the use of solid biofuel in the Republic of Uzbekistan" was developed and submitted to the Cabinet of Ministers

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