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Strategy of reforming the banking sector of Uzbekistan is adopted

On 12 May 2020 President of the Republic signed the Decree “On Strategy of reforming the banking sector of the Republic of Uzbekistan for 2020–2025 years” No.УП-5992 (the “Decree No.УП-5992”). The Decree No.УП-5992 established Strategy and the “Roadmap” of reforming the banking sector, as well as the main principles and directions of transformation of this sphere. Ministry of Finance of the Republic of Uzbekistan, commenting on the current position of the banking sector, noted an excessive presence of the government in the sphere, inadequate level of competition, incompatibility of corporate management quality with current requirements of the banking service and relatively low level of development of relevant technologies.

The World Bank has actively participated in drafting this Strategy and conclusions and recommendations based on the results of the assessment of the current position of the country's banking system, experience of foreign countries in transforming their financial sector and global tendencies in financial sphere were taken into account during the drafting process.

This Strategy has identified the following targets for the upcoming five years:

- ▶ increase of the share of banks’ assets without state participation from 15% to 60%;
- ▶ increase of the share of banks’ liabilities towards private sector from 28% to 70%;
- ▶ attraction of at least three strategic foreign investors, with the appropriate experience, knowledge and reputation, to the capital of at least three banks with state share;
- ▶ increase of the share of non-banking credit organizations from 0,35% to 4%.

Another important direction of Strategy of reforming banking system is a gradual privatization of six banks with a state share. Particularly, JSCB “Ipoteka-bank”, JSCB “Uzpromstroybank”, JSCB “Asaka”, JSC “Aloqabank”, JSCB “Qishloq qurilish bank” and JSCB “Turonbank” are planned to be privatized in close cooperation with international financial institutions.

It is prohibited for heads of ministries, departments and local governmental bodies to interfere in the activities of banks, including management of the business risks related to the formation of credit portfolio and assets of banks. General Prosecutor’s office will oversee and control the prevention of governmental bodies’ interference in the activities of banks.

It is also important to note that Ministry of Finance and Central Bank are directed to conduct a review of the financial sector under the program of the International Monetary Fund and the World Bank FSAP (Financial Sector Assessment Program) until the end of 2024 to assess the degree of development of the banking and financial system.

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