

I. COUNTRY REFORM PROGRESS

During FY26, Uzbekistan advanced key reforms across revenue and spending areas, supported by IMF capacity development (CD) and close coordination with development partners. The Tax Committee’s 2023–30 strategic plan, the public financial management (PFM) strategy, and the five-way dialogue on pension reform with other donors are examples where the IMF’s Fiscal Affairs Department (FAD) has exercised leadership in assisting the government to set the strategic direction for its reform agenda and for its engagement with other development partners. The Ministry of Economy and Finance (MEF) also requested, for November 2025, a comprehensive workshop on intergovernmental fiscal relations, covering both revenue and expenditure, both on policy and administration; the workshop will provide strategic and principle-based guidance to inform the authorities’ ongoing reforms in this area.

On the revenue side, tax policy measures to simplify and harmonize regimes for self-employed individuals and entrepreneurs will take effect in January 2026. Draft laws to replace tax holidays with accelerated depreciation and apply value-added tax (VAT) to donor-funded projects were circulated, aiming to improve revenue mobilization and efficiency. These efforts build on earlier progress, including the introduction of a mining rent tax and strengthened in-house modeling capacity. Revenue administration reforms focused on organizational structure reforms, improving processes for managing VAT credits supplemented by daily hands-on support from the long-term resident advisor (LTX). New engagement with the customs administration also commenced during this period. Achievements include approval of the Tax Committee’s 2025–30 strategic plan, enhanced audit capacity, and improved collaboration between tax and customs administrations.

On the spending side, the draft Pension Concept Note was submitted to the Deputy Prime Minister in September, with presidential review expected by end-October. A quantification exercise in early 2026 will refine the design to ensure sustainability. Civil Service reform progressed with the launch of the job evaluation exercise, financed by the World Bank following IMF coordination. PFM reforms also advanced: the MEF approved a roadmap for improving public investment management (PIM) and completed a review of its organizational structure. Work continues on implementing the PFM strategy, including strengthening budget processes, quality of the Fiscal Strategy Paper, and assessing long-term climate-related fiscal risks.

Donors and development partners alike have emphasized the need for stronger institutional arrangements and credible medium-term frameworks. FAD CD has addressed these concerns by supporting fiscal transparency, improving budget processes, and fostering coordination with partners such as the World Bank, Asian Development Bank (ADB), and International Labour Organization (ILO), taking a multi-disciplinary approach across revenue and expenditure, and across policy and administration, when advising Uzbekistan.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: Measures for simplification and harmonization of tax regimes for self-employment and individual entrepreneurs take effect January 1, 2026. Draft laws were circulated to replace tax holidays with accelerated depreciation and to apply VAT to donor funded projects. These reforms are expected to

improve revenues and efficiency. Analysis of strengthening the personal income tax assisted the authorities in exploring options to enhance the progressivity of the tax system. In-field FAD missions strongly engaged with the MEF Tax Policy Unit (TPU) by sharing analysis and models to strengthen in-house capacity.

Previous Progress: The mining rent tax was established and the capacity for in-house modeling of extractive industries taxation by the TPU improved.

Next Steps: A FAD tax policy mission will deliver CD on fiscal federalism (November). A medium-term revenue strategy (MTRS) for implementing structural tax reforms will be developed, in coordination with revenue administration colleagues during the second half of FY26 or in FY27.

RM II: Revenue Module I – Revenue Administration

Key Progress in FY26: Revenue administration reforms continued, with one HQ-led mission on customs administration, an HQ-led mission in July 2025 on organizational structure, one staff visit, and an STX visit in November 2025 on VAT credits. The LTX provided hands-on support. Key achievements include (1) a review of the tax administration's organizational structure and governance framework to improve efficiency; (2) approval of the tax administration 2025–2030 strategic plan by the Chairman of the Tax Committee (TC); (3) allocation of additional resources to the audit function; (4) progressive implementation of the national audit strategy developed in December 2024; and (5) initiatives to enhance the effectiveness of the Large Taxpayer Office (LTO); (6) support with improving effectiveness of VAT refunds. In addition, collaboration between the tax and customs administrations—particularly in information and data sharing—was strengthened.

Previous Progress: A strategy to combat the shadow economy has been submitted to the Presidential Administration and is awaiting final approval. Additional high-risk sectors and taxes have been identified, and the development of compliance improvement plans is currently underway. The development of the Tax Committee's 2025–30 strategic plan and support to improve VAT administration aim to strengthen revenue administration in Uzbekistan and increase revenue collection. Achievements include enhanced audit capacity, and improved collaboration between tax and customs administrations.

Next Steps: Over the next six months, FAD will focus on strengthening capacity of customs in risk management and post clearance audit. Further, FAD plans to deliver CD on developing an MTRS, in conjunction with tax policy colleagues, and support the government strategy to combat the shadow economy.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: The draft Pension Concept Note was submitted to the Deputy Prime Minister in September, with plans for it to reach the President by end-October. This milestone reflects continued engagement under the five-way dialogue led by FAD with the Pension Fund, the World Bank, ADB, and ILO. A quantification exercise is planned for early 2026 to refine the final design and strengthen sustainability.

Civil Service reform moved forward with the launch of the job evaluation exercise, financed by the World Bank after FAD's recommendation and coordination. Although its start was delayed by extended discussions on the terms of reference, implementation is now underway, and the timeline has been adjusted to extend into 2026.

Previous Progress: The July 2024 Civil Service reform mission established the conceptual framework and roadmap, including a longer implementation horizon and a job evaluation exercise. Financing for the evaluation was secured through FAD's coordination with the World Bank, and the tendering took place in February 2025.

On pensions, the December 2024 workshop brought together key stakeholders and achieved early agreement on reform principles. Virtual consultations throughout 2025 provided feedback on successive drafts of the Pension Concept Note, ensuring alignment with international best practices.

Next Steps: For Civil Service reform, FAD will continue to provide input on policy design as the job evaluation progresses, and collaborate closely with PFM colleagues to ensure that institutional arrangements align with broader institution-building efforts to strengthen the MEF's institutional architecture around a strengthened budget process.

For pension reform, FAD will assist with the planned quantification exercise in early 2026 to finalize the reform package. Continued collaboration with development partners will remain essential to maintain momentum and deliver reforms that improve efficiency, transparency, and fiscal sustainability.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY26: A roadmap for improving PIM was approved by the MEF, informed by the Public Investment Management Assessment (PIMA) Update and Climate-PIMA. A review of the organization and functions of the MEF was conducted to help inform a restructuring of the MEF aimed at ensuring institutional arrangements to support improved fiscal management and outcomes. FAD continues to work with the MEF to strengthen the Fiscal Strategy Paper and analysis of fiscal risks, with recent support focused on quantifying long-term fiscal risks from climate change.

Previous Progress: With IMF support, working closely with other development partners, the Government of Uzbekistan adopted a PFM Strategy for the period 2025–30. The strategy sets out 45 specific reform actions across 5 priority areas aimed at underpinning fiscal discipline, enhancing the effectiveness and efficiency of public spending, and improving the quality of fiscal information. The strategy was adopted by the Cabinet of Ministers in April 2025.

Next Steps: FAD will provide further guidance on the organization of macro-fiscal and budget functions to ensure these are well coordinated and support informed fiscal policy making. A Fiscal Transparency Evaluation Update is planned to identify gaps and reform actions to further enhance the quality of fiscal information, fiscal transparency and accountability. Strengthening the medium-term budget framework remains a priority. In line with reform actions in the PFM reform strategy, FAD will work with the authorities to strengthen budget processes, to ensure policymakers have robust information on the costs of existing programs and new policies in making decisions, and to support more credible budgets.

III. LOGICAL FRAMEWORK

Country – Uzbekistan		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 3
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	3 Largely Achieved	TPU has increased staffing and has good analytical capacity. CD missions worked closely with TPU.
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 3
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	3 Largely Achieved	More efficient mining fiscal regime is in place, but some adjustments may be needed. Simplification of tax regimes for self-employed and individual entrepreneurs. The reforms conform with advice of CD activities.
Increased/decreased revenue quantity	2 Partially Achieved	Too early to assess budget impacts of changes in taxation in 2025.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	3 Largely Achieved	Following CD support to improve LTO operations, a new organizational structure has been developed and awaits the authorities' endorsement.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	This activity began in 2019 under the IMF's Revenue Mobilization Thematic Fund (RMTF). The TC's Strategy 2024–30 was developed and improvements made with LTX support. The draft strategy for 2025–30 is now pending the president's approval.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	A compliance risk management approach was adopted under the RMTF project. With LTX support, compliance improvement plans (CIPs) were developed. Sector-specific CIPs have been selected.
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative

Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	This milestone was determined under the former RMTF project. The national audit plan for 2025 has been approved by TC management. A VAT gap was estimated in 2022. The authorities wish to follow up on this exercise and conduct a second VAT gap estimation.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	Outcome developed under the RMTF project. Good progress was made. The authorities plan to further improve communication and engagement with taxpayers to reduce compliance cost and improve voluntary compliance. This objective is highlighted in the draft 2025–30 strategic plan.
RM II: Objective – Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	Selectivity criteria are applied during the clearance process but not finely targeted. State Customs Committee (CC) wishes to enhance the selectivity by using AI.
Foreign trade operators better comply with their reporting and payment obligations	3 Largely Achieved	Customs procedures are mostly modernized while implementing regulations need more work.
Trade facilitation and service initiatives better support voluntary compliance	1 Not Achieved	There is no revenue collection model regarding e-commerce, as a result, revenue is not satisfactorily collected from e-commerce. A draft Presidential Decree strategy recognizes this issue.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Government pay and employment are more competitive and consistent with fiscal constraints	1 Not Achieved	After the recasting of the civil service reform in 2024, based on the recommendations of FAD's July 2024 mission, the MEF adopted a longer timeline to allow for rigorous technical work. A job evaluation was tendered in February 2025, to provide the robust evidence needed to redesign the Civil Service pay system. The technical work on the job evaluation is now underway, which is a major necessary step, though it began several months later than planned therefore pushing the realistic date for a detailed reform proposal into 2026.
Public pension system sustainability is enhanced while ensuring the adequacy of retirement income	2 Partially Achieved	FAD provided cross-donor leadership by organizing the December 2024 workshop to establish a five-way dialogue, led by FAD, to bring together the Pension

		Fund, WB, ADB and ILO, and produced a consensus on the principles for reform. Over 2025, the Pension Fund developed these principles into a draft pension concept note, with ongoing support from the five-way policy dialogue. The draft concept note was finalized and submitted to the Deputy Prime Minister in September, and submission to the President for feedback is expected by end-October. FAD has advised that once presidential feedback is received, rigorous costing should be done in early 2026 to fine-tune the proposal, implying a decree in 2026 (the initial target date was end-2025).
SM I: Objective – Strengthen Policy Evaluation and Institution Building - PEI		Rating - 2
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	2 Partially Achieved	The MEF has developed a greater understanding of the risks to sustainability in its initial reform plans for both Civil Service pay and for the Pension Fund, which did not initially include detailed costing. In line with the July 2024 mission report on Civil Service reform, a job evaluation exercise is underway, which will set the technical foundations for evidence-based proposals for the new Civil Service pay system. The draft Pension concept note has been submitted to the Deputy Prime Minister, after the FAD-led multi-international financial institutions working group helped the MEF and the Pension Fund conceptualize key trade-offs on adequacy and sustainability.
SM II: Objective – Build Sustainable Fiscal Institutions – SFI		Rating - 4
Outcome	Rating	Narrative
Strengthened capacity to assess core PFM functions and develop reform strategies	4 Fully Achieved	The authorities adopted a PFM Reform Strategy for 2025–30 in April 2025. Ongoing CD will be required to support effective implementation of proposed reform actions.
Strengthened capacity to plan, implement and sustain infrastructure governance	3 Largely Achieved	An updated PIMA and C-PIMA was conducted in February 2025 and will provide an important input into a roadmap to strengthen PIM.
SM II: Objective – Strengthen Budget Management – SBM		Rating - 2
Outcome	Rating	Narrative

Strengthened annual budget process, for more efficient and effective use of resources	2 Partially Achieved	There has been progress in some PIM institutions, but further efforts are required to strengthen planning, capital budgeting and maintenance of assets.
Strengthened medium-term budget frameworks	3 Largely Achieved	A Fiscal Strategy Paper is prepared setting out medium-term fiscal forecasts and fiscal targets to guide budget preparation
Strengthened asset and liability management processes	2 Partially Achieved	Authorities are enhancing capacity and tools to support cash forecasting and cash management.
SM II: Objective - Improve Fiscal Transparency and Reporting - FTR		Rating - 1
Outcome	Rating	Narrative
Comprehensive, timely, and high quality fiscal reports	1 Not Achieved	The PFM Reform Strategy includes further actions to improve fiscal reporting and transparency.
SM II: Objective - Strengthen Macro-fiscal Frameworks - SMF		Rating - 2
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	The Fiscal Strategy Paper includes a statement on fiscal risks covering most material fiscal risks, but there is scope to further enhance its content.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: Impact of war in Ukraine on Uzbek fiscal policy	Low	Monitor the situation and discuss with the authorities.
RM II, SM I, SM II: External events create a more challenging environment to implement reforms.	Low	Agree with the authorities on remote activities in case of adverse events.
Political Support		
RM I: Political developments can be quite uncertain with ramifications for the progress on tax reform.	Medium	Seek to engage with key policymakers.
RM II: 2023 was characterized by political uncertainty, notably around the time of the MEF merger, inhibiting reform momentum.	Medium	- Engage regularly with senior government officers (e.g., Deputy Prime Minister, relevant deputy ministers), to foster and monitor government ownership of reforms. - Strengthen relationships with key officers to monitor reform progress, especially on critical milestones (e.g., as set out in the PFM Reform Strategy and Project implementation plan).

Description	Rating	Mitigation Measures
		- Leverage support from the IMF's Middle East and Central Asia Department.
SM I: 2023 was characterized by political uncertainty, notably around the time of the MEF merger, inhibiting reform momentum.	Medium	Active coordination will ensure there is no duplication of work. The two projects are largely complementary, as the main driver of the spending policy work is practical implementation and capacity building, whereas the World Bank has focused on producing analytical reports.
SM II: Political support for PFM reforms is crowded out by other priorities, constraining reform momentum.	Medium	Ensure PFM CD is focused on priority areas and engage regularly with ministers and senior government officers to ensure they understand the benefits of reform and to foster ownership.
Management and Technical Staff Support and Commitment		
RM I: There is a risk that the MEF does not engage effectively in leading the interagency modeling team. Also, that agencies fail to collaborate effectively.	High	Continue to work closely with the IMF support for implementation and have joint meetings/workshops with different agencies/ministries from the outset.
RM II: Low commitment of management and staff in TC and CC to implement reforms.	Low	Engage with senior management and technical staff and explain the rationale for the reforms.
SM I: Technical training does not successfully shape senior and political decision-making, limiting the impact of policy advice and analysis on practical outcomes and real prioritization.	Medium	- Engage with relevant Deputy Ministers to ensure top expenditure policy priorities are addressed by CD. - Collaborate closely with PFM module to align the building of analytical and policy skills with structural improvements in the budget process. - Assess operational links between technical and policy staff, and senior decision-makers; flag procedural and communication bottlenecks, with potential solutions as part of CD output.
SM II: While there is strong commitment to reforms at the management and technical level, there are risks that technical staff lack capacity to implement them effectively, compounded by staff turnover.	Medium	- Ensure CD recommendations consider current capabilities and incorporate institution and capacity building. Regularly monitor progress on reform implementation and adjust CD plans when needed.
Resource Adequacy		
RM I: High turnover of public servants could mean that more resources might be needed to retrain and reengage with successors.	Medium	Identify key persons that are more likely to remain in their posts and provide more tailored training to them.
RM II, SM I, SM II: Insufficient technical capacity and human resources undermines the capacity in key entities (e.g., MEF, TC, CC) to implement reforms or absorb CD in key topics.	Medium	- Ensure CD plans include sufficient capacity building and training elements for both ongoing and new topics. - Prioritize CD to important or high-risk areas where resources are limited. - Conduct ongoing assessment of technical barriers to implementation.

Description	Rating	Mitigation Measures
		- Provide continuous LTX support to ensure reform stability and enhance momentum.
Other Risks		
RM I: N/A	N/A	N/A
RM II, SM II: Multiple donors are providing technical assistance in overlapping topics (e.g., revenue administration and gaps, PPPs and SOEs).	Low	- Participate in regular donor coordination meetings. - Take an active role in engaging with other donors to ensure support is well coordinated.
SM I: The World Bank is involved in providing CD on expenditure policy advice, which creates a risk of overlaps.	Low	Active coordination will ensure there is no duplication of work. The two projects are largely complementary, as the main driver of the spending policy work is practical implementation and capacity building, whereas the World Bank has focused on producing analytical reports.

V. PROJECT MANAGERS: CONTACT INFORMATION

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