

FINANCIAL CONDITION AND SUSTAINABILITY ANALYSIS OF THE PENSION
SYSTEM IN UZBEKISTAN

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Abstract: The pension system of Uzbekistan has become one of the most important components of the country's social protection architecture and public finance framework. In recent years, the system has faced a dual challenge: maintaining adequate pension payments for a growing number of beneficiaries while preserving the financial sustainability of the extra-budgetary Pension Fund. The study relies on official data from the National Statistics Committee, the Ministry of Economy and Finance, the Pension Fund, presidential decrees, national legislation, and international assessments by the IMF and the World Bank. The results show that pension expenditures are rising faster than own revenues, the role of state budget transfers is increasing, and demographic as well as labor-market factors are intensifying long-term fiscal pressure. In 2024, Uzbekistan had 4.246 million pension recipients, while the Pension Fund's expenditures reached about 64.0 trillion soums and exceeded its own revenues.

Keywords: Uzbekistan, pension system, Pension Fund, financial sustainability, state budget transfers, social protection, pension reform, demographic pressure, public finance.

Introduction

The pension system performs a strategic social and economic function in Uzbekistan. It protects citizens against income loss in old age, disability, and the loss of a breadwinner, while also acting as one of the largest channels of public redistribution. From the perspective of public finance, however, pension provision is not only a social obligation but also a long-term fiscal commitment. The sustainability of such a system depends on the relationship between contributors and beneficiaries, the growth of wages and employment, demographic structure, pension indexation rules, eligibility conditions, the retirement age, and the ability of the state budget to support the system when own revenues are insufficient.

Uzbekistan's pension system is mainly organized through the Pension Fund under the Ministry of Economy and Finance. Legislation confirms that pensions assigned under the national pension law are paid from the resources of the Pension Fund, while transfers from the State Budget may be allocated to the Pension Fund for pension payments. This legal formulation is important because it formally recognizes the mixed financing nature of the current system: pensions are expected to be financed from fund resources, but budget transfers are also becoming an increasingly important stabilizing mechanism.

The relevance of the topic is strengthened by demographic and fiscal trends. According to the National Statistics Committee, the permanent population of Uzbekistan reached 37.543 million as of 1 January 2025, showing continued population growth. Although Uzbekistan remains demographically younger than many developed countries, the number of pension recipients is

already increasing. In 2024, the total number of pension recipients reached 4.246 million, which was 93.9 thousand, or 2.3 percent, higher than in 2023. This means that even before Uzbekistan becomes an aged society in the classical demographic sense, pension expenditure pressure is already visible in annual budget execution.

International financial institutions have also emphasized the need for reform. The IMF noted in its 2025 Article IV-related assessment that Uzbekistan's pension system needs reform to ensure medium-term sustainability while providing adequate pensions. Recommended measures include gradually raising the retirement age, increasing the standard pension contribution rate, reducing preferential rates, calculating pensions on the basis of average earnings over the whole working career, and introducing automatic indexation based on price changes.

The purpose of this article is to analyze the financial condition and sustainability of Uzbekistan's pension system by examining revenue-expenditure dynamics, the role of state transfers, the growth of pension recipients, and the main risks affecting long-term stability. The research question is: to what extent is the current pension financing model financially sustainable, and what policy directions can improve its resilience without undermining pension adequacy?

Materials and methods

This study uses a qualitative-quantitative documentary analysis method. The empirical base includes official statistical releases, budget execution data, legal documents, government announcements, and international policy assessments. The main indicators used in the analysis are: number of pension recipients, number of benefit recipients, pension recipients per 10,000 population, Pension Fund revenues, Pension Fund expenditures, budget transfers, and projected financing gaps.

Literature Review

The problem of the financial condition and sustainability of the pension system has been widely studied in economic, financial and social policy literature. In general, the existing studies can be divided into three major groups: research conducted by Uzbek scholars, studies developed within the scientific space of the CIS countries, and international research devoted to pension reform, demographic ageing, pension adequacy and fiscal sustainability.

In Uzbekistan, the scientific study of pension provision has mainly developed within the framework of public finance, social protection, extra-budgetary funds and the modernization of the national pension system. Uzbek researchers have paid particular attention to the formation and use of Pension Fund resources, the financial stability of pension provision, the role of the state budget in pension payments, the need to improve contribution mechanisms and the institutional development of the pension system. In the works of Uzbek scholars such as **G. Kasimova, D. Sholdarov, B. Mamatov, D. Rustamov, A. Vakhobov, N. Majidov, U. Achilov, D. Nuriddinov, Z. Tursunov, O. Maxmudov** and others, pension provision is considered not only as a mechanism of social protection, but also as an important element of the national financial system. Their studies emphasize that pension sustainability depends on the balance between revenues and expenditures, the level of formal employment, demographic processes, the effectiveness of fund management and the quality of state regulation.

In the CIS countries, the problem of pension system sustainability has been studied mainly in connection with the transformation of post-Soviet social protection systems, demographic ageing, labour market changes and the transition from purely distributive models to mixed or funded pension elements. Russian researchers, including **A.K. Soloviev, V.D. Roik, E.V. Kravchenko, A.A.**

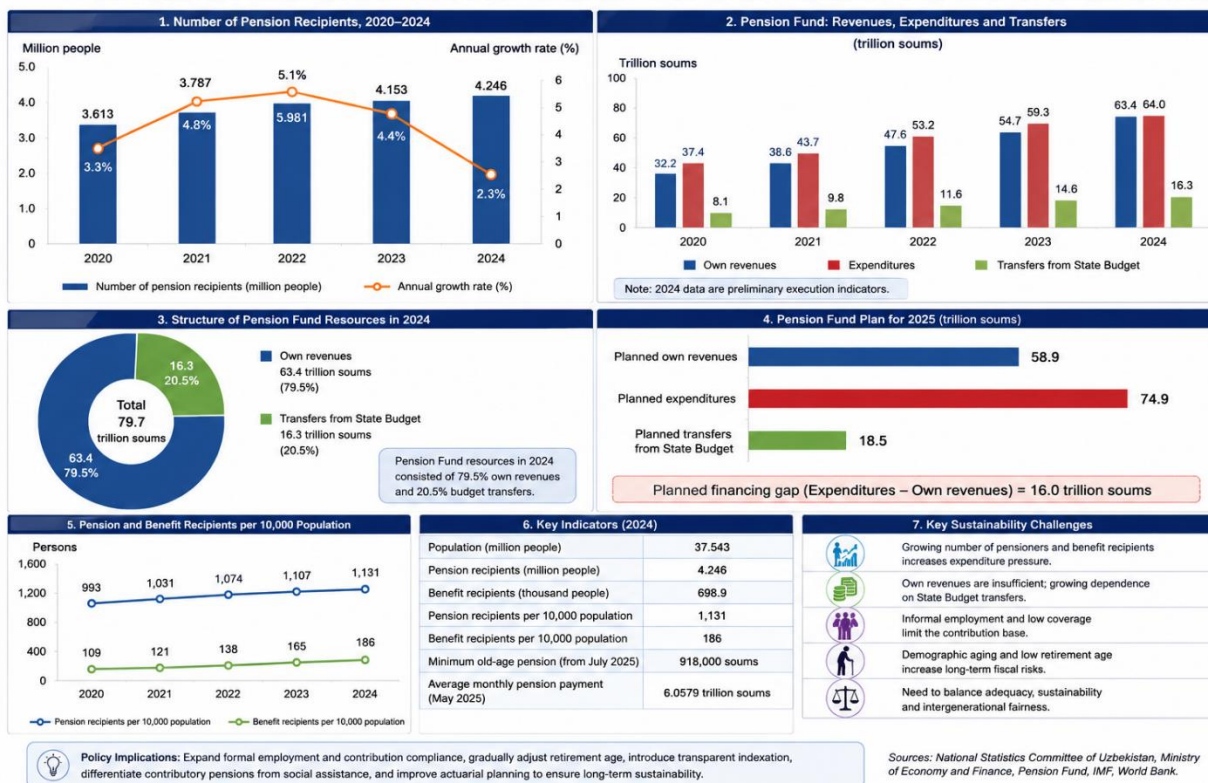
Silchuk, O. Sinyavskaya and others, have analyzed the financial sustainability of the pension system, the deficit of pension funds, the effect of privileged early retirement, the role of insurance contributions and the long-term macroeconomic consequences of pension reforms. A.K. Soloviev’s macroanalysis of the Russian pension system identifies the causes of pension fund deficits and examines the long-term development of the pension system from the standpoint of financial balance and demographic change.

In world scientific literature, pension system sustainability is usually examined through the concepts of multi-pillar pension architecture, demographic transition, fiscal affordability, pension adequacy and intergenerational equity. The World Bank’s classical research “Averting the Old Age Crisis” argued that old-age income security systems are under increasing pressure due to demographic transition and that countries need mixed pension strategies rather than relying on a single source of pension financing.

Results

The first major result is the rapid growth in the number of pension recipients. In 2020, Uzbekistan had 3.613 million pension recipients; by 2024, this number increased to 4.246 million. This represents an increase of more than 633 thousand recipients over four years. The annual growth rates were 3.3 percent in 2020, 4.8 percent in 2021, 5.1 percent in 2022, 4.4 percent in 2023, and 2.3 percent in 2024. The slowdown in 2024 does not remove the structural pressure, because the absolute number of recipients remains high and the long-term trend is upward.

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The territorial distribution of pension recipients also shows that pension pressure is not uniform across regions. In 2024, Fergana region had the largest number of pension recipients, with 496.9 thousand people, followed by Samarkand region with 449.9 thousand and Tashkent city with 395.6 thousand. The smallest numbers were recorded in Syrdarya, Jizzakh, and Navoi regions. This

regional pattern matters because pension administration, payment logistics, and social-service needs differ across territories.

The second result concerns the increasing number of social benefit recipients. In 2024, the number of benefit recipients reached 698.9 thousand people, compared with 416.6 thousand in 2020. The number of pension recipients per 10,000 population reached 1,131 in 2024, while benefit recipients reached 186 per 10,000 population. Although benefits and pensions are not identical instruments, both create pressure on the broader social protection budget. For fiscal planning, this means that pension reform cannot be isolated from the wider design of social assistance.

The third result is the structural dependence of the Pension Fund on transfers. Preliminary execution data for 2024 show that state target funds had total revenues of 93.2 trillion soums and expenditures of 91.4 trillion soums. The Pension Fund accounted for the largest share: 63.4 trillion soums of revenues and 64.0 trillion soums of expenditures. Transfers allocated to the extra-budgetary Pension Fund amounted to 16.3 trillion soums. This indicates that the Pension Fund is the dominant component among state target funds and that its own revenue capacity is not sufficient to cover all pension obligations without fiscal support.

The fourth result is that the same tendency continued in 2025. In the first quarter of 2025, the Pension Fund received 13.086 trillion soums of own revenue and 5.300 trillion soums of transfers, bringing total receipts to 18.386 trillion soums. Its expenditures amounted to 17.966 trillion soums. The first-quarter figures show that transfers were not occasional or exceptional; rather, they were an integral part of the financing structure.

The 2025 budget framework further confirms this conclusion. The Ministry of Economy and Finance reported that the extra-budgetary Pension Fund's own revenues were planned at 58.9 trillion soums, expenditures at 74.9 trillion soums, and transfers from the State Budget at 18.5 trillion soums. This planned gap between own revenues and expenditures is one of the clearest indicators of medium-term sustainability risk.

Monthly pension payment data also demonstrate the scale of the system. In May 2025, the Pension Fund paid 6.0579 trillion soums to about 4.1 million pension recipients. Such a monthly payment volume implies that even small changes in benefit levels, indexation rules, or the number of eligible recipients can have large annual budgetary consequences.

The fifth result relates to adequacy pressure. From 1 July 2025, pensions and benefits were increased by 10 percent; the minimum old-age pension was set at 918,000 soums per month, the minimum disability pension at 1,012,000 soums, and the base amount for pension calculation at 471,000 soums. The decree also states that the costs related to the increase are to be covered from the State Budget and the Pension Fund. This illustrates the central policy dilemma: pension increases are socially necessary in an inflationary environment, but they also raise expenditure commitments.

Discussion

The analysis shows that Uzbekistan's pension system is not in an acute payment crisis, because pensions are being paid regularly and the State Budget is able to support the Pension Fund. However, the system faces a medium- and long-term sustainability challenge. This distinction is important. A system may be liquid in the short run but structurally vulnerable in the long run if its expenditure path grows faster than its revenue base.

The first sustainability risk is the widening gap between own revenues and expenditures. The Pension Fund's 2025 plan - 58.9 trillion soums in own revenues against 74.9 trillion soums in

expenditures - reflects a financing gap covered through transfers. Transfers are not inherently negative; many countries use general revenues to support pension systems. The problem arises when transfers grow automatically without a clear financing strategy, because they compete with education, healthcare, infrastructure, defense, and debt-service spending.

The second risk is labor-market informality and incomplete contribution coverage. A Strategic Reform Agency-related assessment reported that Uzbekistan's pension coverage was around 38 percent and linked low coverage to informal employment and limited access to formal financial services. It also noted that over the previous decade, Pension Fund revenues increased 3.4 times while expenditures increased 5 times. This imbalance suggests that financial sustainability cannot be achieved only by adjusting pension formulas; it also requires expanding formal employment and contribution compliance.

The third risk is demographic transition. Uzbekistan currently has a young population compared with aging European or East Asian countries, but the absolute number of pensioners is increasing steadily. The World Bank indicator shows that the share of the population aged 65 and above in Uzbekistan was about 6 percent in 2024. This is still moderate, but pension systems must be reformed before aging becomes severe, not after fiscal pressure becomes unmanageable.

The fourth risk is the design of retirement eligibility. Uzbekistan's retirement age remains relatively low by international comparison: 60 for men and 55 for women. The IMF has recommended gradual adjustment of retirement age as part of a broader reform package. Raising the retirement age is socially sensitive and must be implemented gradually, with exemptions for hazardous occupations and vulnerable groups. Nevertheless, from a sustainability standpoint, longer life expectancy and longer pension payment periods make retirement-age reform difficult to avoid.

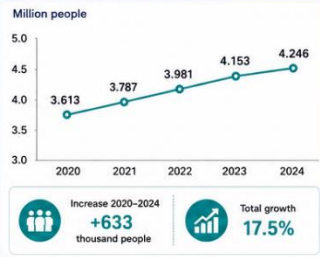
The fifth issue is the balance between adequacy and fiscal discipline. Pension adequacy protects older people from poverty and supports social stability. However, if increases are not linked to transparent indexation rules and financing capacity, they may create unpredictable expenditure growth. The IMF's recommendation to introduce automatic indexation based on price changes is relevant because it can protect pensioners from inflation while making future expenditure more predictable.

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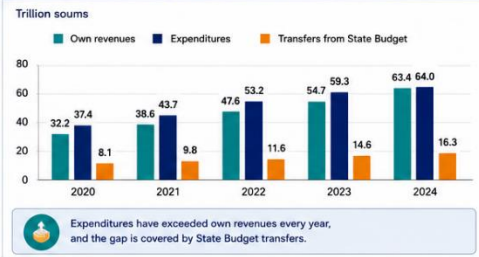
Uzbekistan's pension system plays a crucial role in social protection. However, growing expenditures and demographic pressure increase the need for sustainable financing and structural reforms.



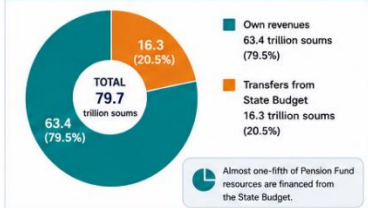
1. GROWTH OF PENSION RECIPIENTS



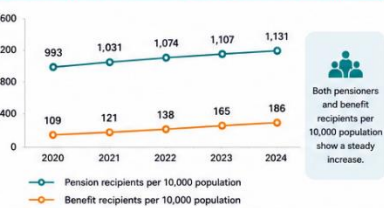
2. PENSION FUND: REVENUES, EXPENDITURES AND TRANSFERS



3. STRUCTURE OF PENSION FUND RESOURCES IN 2024



4. PENSION AND BENEFIT RECIPIENTS PER 10,000 POPULATION



5. PENSION FUND PLAN FOR 2025 (TRILLION SOUMS)



6. KEY INDICATORS (2024)

Population (million people)	37,543
Pension recipients (million people)	4,246
Benefit recipients (thousand people)	698.9
Pension recipients per 10,000 population	1,131
Benefit recipients per 10,000 population	186
Minimum old-age pension (from July 2025)	918,000 soums
Average monthly pension payment (May 2025)	6.0579 trillion soums

7. LONG-TERM FISCAL OUTLOOK (IMF ASSESSMENT)



8. KEY SUSTAINABILITY CHALLENGES

- Rising number of pensioners and benefit recipients increases expenditure pressure.
- Own revenues are insufficient; growing dependence on State Budget transfers.
- Informal employment and low coverage limit the contribution base.
- Demographic aging and low retirement age increase long-term fiscal risks.
- Need to balance adequacy, sustainability and intergenerational fairness.

POLICY IMPLICATIONS

- Expand formal employment and improve contribution compliance
- Gradually adjust retirement age and encourage longer working life
- Introduce transparent indexation based on inflation
- Strengthen targeting of social pensions and benefits
- Improve actuarial forecasting and institutional efficiency

SOURCES

- National Statistics Committee of Uzbekistan
- Ministry of Economy and Finance
- Pension Fund of Uzbekistan
- IMF (Article IV Report 2025)
- World Bank Open Data



International evidence supports these concerns. Earlier IMF analysis showed that in 2021 Uzbekistan's total pension spending amounted to 5.3 percent of GDP, of which 3.1 percent of GDP was financed by contributions and 2.1 percent by budget transfers; without reform, transfers could rise to over 5 percent of GDP by 2050. This long-term projection shows that the problem is not only current cash-flow imbalance but also future fiscal exposure.

Conclusion

The pension system of Uzbekistan is socially essential but financially pressured. The main findings of this study show that the number of pension recipients is growing, pension expenditures exceed own revenues, and state budget transfers have become a regular financing source. In 2024, the Pension Fund's expenditures reached about 64.0 trillion soums, while transfers to the Fund amounted to 16.3 trillion soums. In 2025, the planned expenditure of the Fund reached 74.9 trillion soums, while own revenues were projected at 58.9 trillion soums and budget transfers at 18.5 trillion soums. These figures indicate that the system is operationally stable but structurally dependent on fiscal support.

For long-term sustainability, Uzbekistan needs a balanced reform strategy rather than a single administrative measure. The most important directions are expansion of formal employment, reduction of informal labor, improvement of contribution collection, gradual adjustment of retirement conditions, transparent indexation, actuarial forecasting, and separation of contributory pensions from targeted social assistance. Reform should be gradual, publicly explained, and socially sensitive. The objective should not be to reduce social protection, but to make it financially reliable for future generations.

A sustainable pension system must satisfy three conditions: it must be fiscally affordable for the state, adequate for pensioners, and fair for contributors. Uzbekistan's current pension model can meet these goals only if reforms are implemented before demographic pressure becomes more severe. Therefore, pension reform should be treated as a central part of public finance modernization and inclusive economic development.

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