

**PUBLIC DEBT MANAGEMENT AND SUSTAINABILITY IN
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Tashkent State University of Economics**Abstract**

This article examines the issues of effective public debt management in the Republic of Uzbekistan, as well as its impact on the country's macroeconomic stability. An analysis of the current state of public debt, its structure, and its dynamics in recent years has been conducted. Particular attention is paid to external debt, its servicing mechanisms, and the risks associated with its growth. The article also explores international approaches to debt management and the possibilities of adapting them to national practice. Recommendations are proposed to improve debt management strategies aimed at ensuring long-term debt sustainability and economic security of Uzbekistan.

Keywords: public debt, debt management, external debt, debt sustainability, macroeconomics, financial security, Uzbekistan, fiscal policy, economic stability, debt servicing.

In many countries, including Uzbekistan, both domestic and external borrowings attracted by the government play an important role in ensuring economic growth. In the course of economic development, external investments and domestic debt instruments become significant factors supporting sustainable development. In the context of modernization in the “New Uzbekistan,” government borrowings are used not only to finance large investment projects and strategic programs but also to develop social infrastructure, reduce poverty levels, and cover budget deficits.

To ensure effective public debt management in Uzbekistan, the annual volume of attracted external and domestic borrowings is strictly regulated by legislation. In particular, the “Development Strategy of New Uzbekistan for 2022–2026” defines as one of its priority tasks limiting newly attracted external debt to no more than 4.5 billion US dollars per year.

Effective public debt management requires the use of not only external but also internal resources. In this context, it is necessary to diversify currency assets in the external debt portfolio, improve methodologies for evaluating investment projects financed through borrowings, and develop measures for forecasting and minimizing risks associated with public debt. In addition, special attention should be paid to

identifying factors influencing established borrowing limits, actively introducing domestic debt instruments, and attracting funds from individuals and non-residents. The development of scientifically grounded proposals and practical recommendations in these areas highlights the relevance of the chosen research topic.

Under such conditions, the successful implementation of socio-economic and foreign policy directly depends on competent public debt management based on scientifically grounded approaches, legal norms, and international experience.

The President of the Republic of Uzbekistan, Shavkat Mirziyoyev, emphasizes: “First of all, all our loans are taken in compliance with legal norms... Without this, there would be neither salaries nor metro. Salaries of healthcare and education workers would not have increased. External loans are not provided to everyone. For this, a country must have high international authority and trust from the external world” [1].

Literature review. The economic essence of public debt, its fundamental foundations, and key aspects of its management have been studied by a number of foreign economists. Among Western and European scholars who have studied this topic are S. Mustapha, A. Prizzon, C. Yojina da Costa, M. Guzman, M. Keshmeer, I. Qureshi, Edo N. Samson, V. Svrtinova, O. Georgiu-Tradzhkovska, V. Paseikoski, T. Nakajima, S. Takashaku, A. Steinbach, D. Blotch, and others.

In addition, Russian economists such as A. Martyanov, T. Urumov, I. Balyuk, O. Sukharev, K. Matvienko, S. Levkina, A. Vylya, L. Mokhnatkina, and F. Kairova have made a significant contribution to the study of public debt issues. The results of their research are reflected in scientific works and publications devoted to this topic [2].

Studies on the scientific foundations of public debt management conducted by Western economists have a long history. These works examined in detail the causes of public debt and its impact on economic growth rates and macroeconomic stability. While early studies were mostly theoretical and fundamental in nature, over the past three decades modern economists have focused on building econometric models analyzing the impact of public debt dynamics on macroeconomic indicators.

Particular importance is given to accounting for potential risks in the process of public debt management. International studies show that such risks include market risk, liquidity risk, credit risk, operational risk, and other types of financial risks (Figure 1.2).

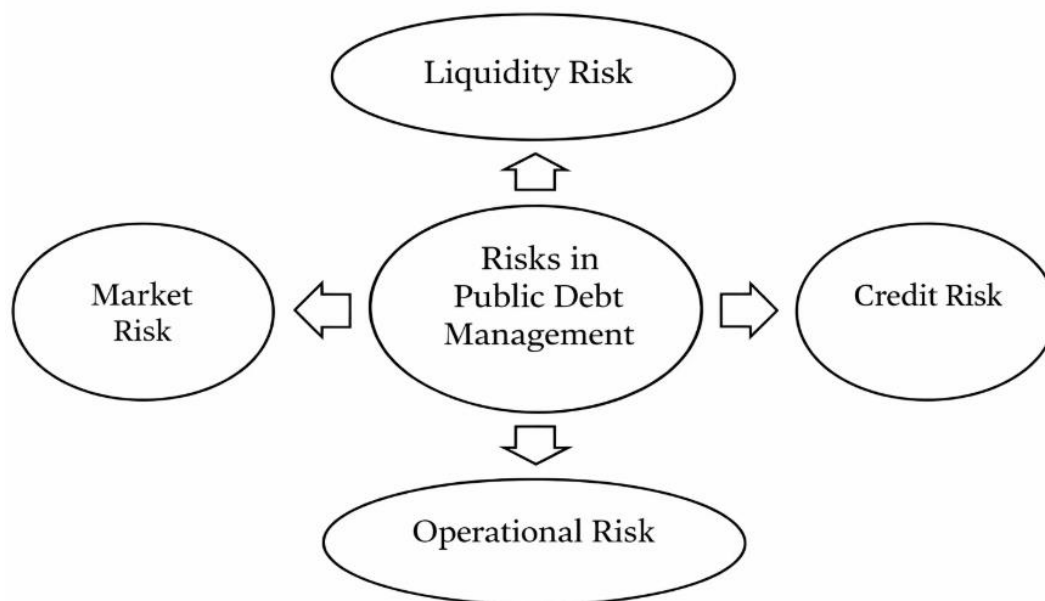


Figure 1. Existing risks in public debt management [3]

It should be emphasized that when developing a country’s economic development strategy, external debt indicators should be evaluated in comparison with other macroeconomic indicators. For example, indicators such as the ratio of interest payments on debt to export revenues, the present value of debt relative to total exports, the ratio of international reserves to short-term debt, the ratio of short-term debt to total outstanding debt, and the ratio of external debt servicing costs to export volume can be used. These and other indicators play an important role in assessing the financial potential of the state and analyzing the impact of debt on the economy.

International studies show that currently there is no unified approach to determining minimum or threshold levels of external public debt relative to GDP for developed and developing countries. International financial institutions and major rating agencies provide different recommendations regarding safe or optimal levels of external debt. In this regard, the international standard ISSAI 5411 provides more detailed recommendations on minimum public debt indicators for developing countries over the past 10–15 years compared to other indicators (Table 1).

Table 1

Minimum levels of public debt indicators recommended by ISSAI 5411

№	Indicators	Debt relief in international practice	IMF, %
1	Debt stock/revenue	28–63	25–35

2	Present value of debt/revenue	88–127	200–300
3	Interest/revenue	4.6–6.8	7–10
4	Debt/GDP	20–25	25–30
5	Debt/revenue	92–167	90–150

These indicators are important not only for assessing the financial capacity of the state but also for taking appropriate measures when established thresholds are exceeded, as well as for making adjustments to debt management strategies.

It should be noted that different countries use different methods to determine public debt sustainability and its limits at both national and regional levels. Some methodologies are regulated by special state megaregulators and recommended by institutional organizations.

Above, we reviewed IMF recommendations. In addition, the World Bank also offers separate recommendations on public debt management. Unlike other methodologies, this approach allows not only ensuring debt sustainability but also forecasting its optimal level and structure in the future.

According to this methodology, debt level indicators or sustainability criteria (Debt Sustainability Framework, DSF) should be regularly monitored and approved by relevant government bodies. This indicates the dynamic nature of these indicators and the complexity of limiting them with a single rigid criterion.

Table 1.8

Threshold values of public debt [4]

Indicator limits	Present value of external public debt (%)	Debt servicing costs (%)	Present value of total public debt (%)
	GDP	Export	GDP
Low	30	140	10
Medium	40	180	15
High	50	240	21

One of the important advantages of the World Bank methodology is that it allows adjusting debt limits based on the level of economic development of individual countries. Moreover, this methodology is continuously revised and updated depending on economic trends and development directions.

Furthermore, if public debt grows faster than economic growth and the country's financial capacity, this may bring the state closer to a crisis situation. Under such conditions, as the debt burden increases, government authorities lose the ability to effectively manage debt and address related problems.

In the methodology introduced by the World Bank since 2011, the following aspects are considered when assessing debt sustainability:

- Analysis of the ratio of external debt to GDP.
- Impact of budget deficit on debt dynamics.
- Export capacity and ability to service external debt.
- Ratio of interest expenses to revenues.
- Ratio of short-term debt to foreign exchange reserves.

These indicators enable the World Bank to conduct a detailed analysis of debt sustainability while considering the country's capacity to manage debt in line with its economic potential.

Key aspects include:

budget risks;

structure of public debt;

characteristics of economic development and state capabilities, etc.

Since 2023, the World Bank and IMF have introduced new criteria linking debt levels to GDP:

- for developing countries – 50% of GDP;
- for developed countries – 60% of GDP.

Debt servicing costs are set at 10% of GDP for developing countries and 15% for developed countries.

By 2018, several changes were introduced into the recommended methodology, including:

- use of aggregated indicators;
- detailed analysis of socio-economic development and debt forecasts.

In our opinion, these changes are justified. Even within one group (developing or developed countries), socio-economic indicators vary significantly, as do debt growth prospects and demand levels. Taking these factors into account allows for a more accurate assessment of debt sustainability.

Effective public debt management is one of the most important priorities of economic and social policy. Decisions in monetary, fiscal, and financial policy are significantly influenced by both external and domestic debt, as each type affects the economy differently and requires specific management approaches.

The state's attitude toward external and domestic debt differs significantly. External debt is usually denominated in foreign currency and involves international financial institutions and foreign investors. This entails additional risks such as currency fluctuations, interest rate changes, and global economic instability. Therefore, external debt carries higher risks compared to domestic debt.

Domestic debt, on the contrary, is typically denominated in national currency and associated with local financial institutions or the population. Payments are redistributed within the country, and since it does not affect foreign currency reserves, it is considered less risky. However, its growth can increase the burden on the state budget and dependence on internal resources, requiring appropriate management.

Risks in public debt management

- Liquidity risk
- Credit risk
- Operational risk
- Market risk

Liquidity risk refers to the possibility that a government may not have sufficient financial resources to meet its short-term obligations on time. This situation may arise due to insufficient budget revenues or limited access to refinancing sources. If not properly managed, liquidity shortages can undermine fiscal stability and lead to delays in debt servicing.

Credit risk represents the likelihood that a borrower (the government or entities backed by government guarantees) will fail to fulfill its financial obligations. This type of risk is particularly relevant in cases involving state-owned enterprises or government-guaranteed loans, where repayment capacity may be uncertain.

Operational risk arises from weaknesses in management systems, human errors, technical failures, or inadequate decision-making processes. For example, inaccurate debt recording, poor data management, or flawed forecasting can negatively affect the effectiveness of public debt management.

Market risk is associated with fluctuations in interest rates, exchange rates, and other financial variables. Since a significant portion of public debt is often denominated in foreign currencies, exchange rate depreciation can increase the overall debt burden. Similarly, rising interest rates may lead to higher debt servicing costs.

Conclusion

In conclusion, effective public debt management in Uzbekistan is a crucial factor in ensuring macroeconomic stability and sustainable economic growth. While the increase in public debt in recent years has supported economic development and investment activities, excessive growth may lead to significant financial risks.

Therefore, it is essential to apply international best practices, particularly those developed by the IMF and the World Bank, in managing public debt. Strengthening debt management frameworks, improving risk assessment mechanisms, and promoting the development of domestic debt instruments are key priorities.

Moreover, maintaining an optimal level of debt, diversifying its structure, ensuring fiscal discipline, and supporting steady economic growth are fundamental conditions for achieving long-term debt sustainability. A balanced and well-structured approach to debt management will contribute to enhancing the country's financial security and resilience to external shocks.

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