Effective Public Debt Management
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Abstract
This article discusses the concept of public debt, principles, methods and methods of borrowing, the state of the public debt of the Republic of Uzbekistan, the impact of public debt on the growth of the economy, problems of public debt management and proposals for improving public debt management.

Keywords
Debt, Budget, Economy, Deficit, Credit, Refinancing, Risk, Bond, Strategy.

Introduction
In order for Uzbekistan to enter the global financial system, it is necessary to maintain a safe level of public debt and effectively manage them. One of the main conditions for ensuring sustainable economic growth and development of the country is the state of state borrowing.

Today, the urgent task for the state is the effective use of external borrowed funds in the reproduction process. Of great importance is the theoretical and practical state and the impact of public debt on the economy of Uzbekistan.

President of the Republic of Uzbekistan Sh.M. Mirziyoyev in his Message to the Oliy Majlis noted that “.. Thanks to the dedicated work of our people, we achieved significant results in 2019 - in the Year of active investment and social development. Significantly increased investment inflows. Foreign direct investment amounted to $ 4.2 billion, the share of investment in gross domestic product reached 37 percent. [1]

Literature review
According to the definition of K. R. McConnell and S. L. Brue, “public debt is the total sum of all the positive budgets of the federal government minus all deficits that occurred in the country.” [2]

According to N. F. Samsonov, N L. Baramnikov, N. I. Strokova, “state debt is the sum of debts on issued and outstanding debt obligations of the state, including interest accrued on them.” [3]

M. B. Bogachevsky believes that “state credit expresses the relationship between the state as a borrower and its creditors, mainly corporations and individual capitalists.” [4]

Features of organization of production at light industry enterprises and improving logistics were studied by several scientific works of Ergashxodjaeva, S. J. [4], Yuldashev N.[5], Tursunov B. [6;7;8;9;10].

In our opinion, public debt is the aggregate of government debt on outstanding loans and unpaid interest on them.

Analysis and results
During the period of economic reforms and modernization of the economy, a country needs long-term financial resources provided by external investors in the country’s economy. Debt management is necessary to clearly regulate the system of macroeconomic attitudes, in which the government carries out economically acceptable levels and growth rates of public debt.

In the process of public debt management, it is necessary to observe the rules and levers in the legislation of interaction and coordination of functions and associated responsibilities. A clear implementation of the monetary, foreign exchange, budget and debt policies by the state will lead to a balance between countries and international financial institutions. Compliance in the process of public debt management should pay attention to the goals of debt management, the organizational and legal foundations of debt management, coordination with monetary and fiscal policies, the effective organization of government securities markets, the study of financial obligations, risk exposure, as well as effective mechanisms diversification of the portfolio of debt instruments.

Below in Figure 1 you can see a systematic approach to public debt management.

As can be seen from the figure, public debt management should be understood as the procedure for the formation of one of the directions of the state economic policy related to its activities as a borrower. Public debt management is carried out under certain principles, methods and methods.

Public debt management is a set of measures implemented by the state in the person of its authorized bodies to determine the conditions for the placement and repayment of state loans, as well as to harmonize the interests of the borrower and the lender.

In the context of economic reforms, the state is used by international methods of restructuring public debt, i.e. changing the schedule of debt repayment, extending the grace period during which only interest is paid, and changing the payment term.
But in this process, the debt does not decrease, on the contrary, increases due to additional interest in the new period of repayment, and the debtor state receives short-term relief on the payment of state debt. The administrative method of debt regulation, in addition to restructuring and refinancing, helps the government write off and annul public external debt. However, this will be related to the political circumstances of the states. The process of canceling debts usually occurs when the state has an insolvent state. In such cases, the state borrower will lose confidence in receiving external debt to creditors.

In 2019, Uzbekistan issued sovereign international bonds in the amount of 1 billion US dollars. The bulk of the funds received from the placement of international bonds are directed to deposits of commercial banks. At one time, commercial banks directed these funds to finance investment projects at market rates. Interest payments and redemption of sovereign international bonds do not increase state budget expenditures. Government securities (GS) were placed on domestic financial markets for a total of 1,550.0 billion. The public debt of the Republic of Uzbekistan by international standards (33.6 percent of GDP), including public external debt (23.8 percent of GDP) remains at a moderate level.

Securities were placed from 6 months to 3 years and aimed at forming a benchmark for the yield of debt securities with minimal risk and the development of domestic financial markets. US $ 738.3 million was spent on financing strategic investment projects. Large companies such as Uzbekistan Temir Yollari, Uzbekistan Airways, Uzbekneftegaz and others received funds equal to 97 percent of domestic public debt. In the amount of 555.3 million US dollars it is directed to servicing the state external debt. The main borrowed funds are aimed at solving social problems and implementing strategically significant projects. On behalf of the Government of Uzbekistan, on preferential terms, housing was financed in rural areas, education and healthcare, etc. Funds were spent on the implementation of large investment and infrastructure projects of strategic economic importance and aimed at ensuring sustainable economic growth.

Currently, Uzbekistan is connected to the software package “Debt Management and Financial Analysis System” - “DMFAS-6”.

In the Republic of Uzbekistan, maintaining the level of public debt based on international standards for macroeconomic stability, as well as developing mechanisms to ensure the effective use of borrowed funds, a number of measures have been implemented:
- reduction of risks on external public debt at a low level;
- improvements in the public debt management system Together with the World Bank and the International Monetary Fund, a draft Mid-Term Government Debt Management Strategy has been developed;
- measures were taken to maintain public debt at a level safe for macroeconomic stability in the medium and long term;
- calculations were made at the maximum permissible level of government debt to GDP based on instructions from the International Monetary Fund on the implementation of fiscal rules;
- measures are being developed to improve the system of providing state guarantees based on the study of international experience.

In the chart below, we will see the dynamics of the total external debt of the Republic of Uzbekistan. If in 2012 the country's debt...
amounted to $ 8.0 billion, in 2018 the size of external public debt amounted to $ 17.3 billion. There is a reduction in the debt of the private communication sector with the maturity of debt in enterprises of the oil and gas and energy sectors. As can be seen from the diagram in the first half of 2019, the debt of the private sector began to increase again mainly due to the growth of borrowings of commercial banks.

![Graph showing dynamics of external debt](image)

Fig.2 : Dynamics of the total external debt of the Republic of Uzbekistan

Analyzing the data of the chart, in 2015 the amount of debt increases by $ 0.4 billion compared to 2014, in 2016 by $ 0.4 billion in relation to 2015, in 2017 by only 0.1 compared to 2016 year. In 2018, an increase in the size of the debt by 0.1 billion dollars is traced. For the I half of 2019, public external debt increased sharply and it is expected that the growth trend will continue until the end of 2019. This is due to the attraction of new external borrowings to finance state programs for the development of economic sectors and regions. As we noted above, in the first half of 2019, the private sector attracted borrowings totaling $ 1 billion. The borrowing was mainly carried out by commercial banks - $ 534.3 million, oil and gas and energy companies - 206.0 million dollars, enterprises of the textile industry - 40.7 million dollars and enterprises of other sectors of the economy - 230.5 million dollars.

Conclusions

Currently, public debt management is not excluded for all countries of the world. Attracting external debt provides an opportunity to receive income for countries, increase financial potential to solve their social problems. Therefore, no state limits the receipt of external debt. It is forced to borrow money both from its own population and various organizations, and from foreign states and international financial and credit institutions. Whereas earlier the attraction of state debt was a negative factor for the state, now it is a normal phenomenon for the economic development of countries. Many developed countries do not seek full repayment, because this is one of the sources of covering the state budget deficit. Economists believe that public debt directly affects economic growth, cash flows, inflation, and the amount of investment in the state’s economy. Attracting public debt helps to increase the monetary resources in the country, which will affect the growth and pace of economic development of the country.

Currently, Uzbekistan has negative trends in the growth of public debt. In this regard, we are proposing to create a special supervisory authority - the government debt management and sovereign funds of Uzbekistan. The responsibilities of this body are:

- effective use of internal and external loans;
- stimulation of the domestic financial market;
- permanent presence in foreign markets;

In conclusion, we can conclude that the management of public debt of Uzbekistan allows for constant monitoring, which is necessary for the efficient use of financial resources. Management of the state debt of Uzbekistan is a rather serious problem. The future development of the economy of Uzbekistan depends on strengthening and improving its position in the global economic system.

References


