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STATE DEBT MANAGEMENT IN THE REPUBLIC OF UZBEKISTAN: PROBLEMS AND PROSPECTS

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Abstract: This scientific article describes the practical aspects of the formation and management of external debt in the Republic of Uzbekistan. The main directions of development of the national economy through the effective use of external debt were also studied. Proposals have been developed, to comply with internationally recognized standards in attracting foreign debt and to improve national legislation.

Keywords: public debt, rating, Eurobond, financial instrument, risk level, infrastructure, financial institutions, international financial market

International experience shows that conducting a balanced borrowing policy and taking the necessary measures in a timely manner to strengthen the state's capacity in the field of public sector debt management and regulation of the external debt of the private sector are a very important factor for ensuring a high level of macroeconomic stability in the country. In world practice, as a rule, many countries have their own strategies for borrowing in foreign and domestic markets and plans to strengthen their capacity in the field of debt management. These needs are determined by the degree of development of the domestic capital market, the specifics of the exchange rate regime, the quality of macroeconomic policies and regulatory measures, the institutional capacity to design and implement reforms, the country's creditworthiness and its debt management objectives.

The problem of managing the debt burden has been studied within the framework of many schools of economics, whose representatives tried to determine the feasibility and maximum level of debt in terms of its significance for the economy and the ability to service it. In particular, A. Smith believed that the country's debt arises from an increase in government spending, since - great nations ... often become poorer because of the extravagance and indiscretion of government? [1, p. 24]. J.M. Keynes, on the contrary, in order to stimulate aggregate demand and increase production, increase employment and thus ensure economic growth, emphasized the need for public debt [2, p. 348] (a similar approach is contained in the works of representatives of neo-Keynesianism). According to the neoconservative model of government regulation (supported by supporters of monetarism, the theory of supply economics and the theory of rational expectations), in order to reduce the budget deficit, it is necessary to set its maximum parameters.

At the end of the year, the country's GDP grew by 7.4 percent, compared to last year's modest growth of 1.9 percent. The external condition for Uzbekistan in 2021, in general, was positive: after the shocks of 2020, the global economy has moved to recovery. Inflation in Uzbekistan continues to slow year by year. Over the past year, the consumer price index has increased by 10 percent, compared with 11.1 percent in 2020. Prices for food products increased by 13% over the year (in 2020 by 15.3%), for non-food products - by 7.8% (in 2020 by 8.8%). Prices of services grew by - 7.7%, increased at higher rates compared to 7.1% in 2020.

As of January 1, 2022, the total State debt² of Uzbekistan amounted to U.S.\$ 26.3 bn equivalent or 38.0% of GDP. Apparently, state debt-to-GDP ratio declined for the four quarters in a row, being 39.0% for 4Q2020, 1Q2021 - 38.6%, 2Q2021 - 38.5% and 3Q2021 for 38.4% (Figures 1).

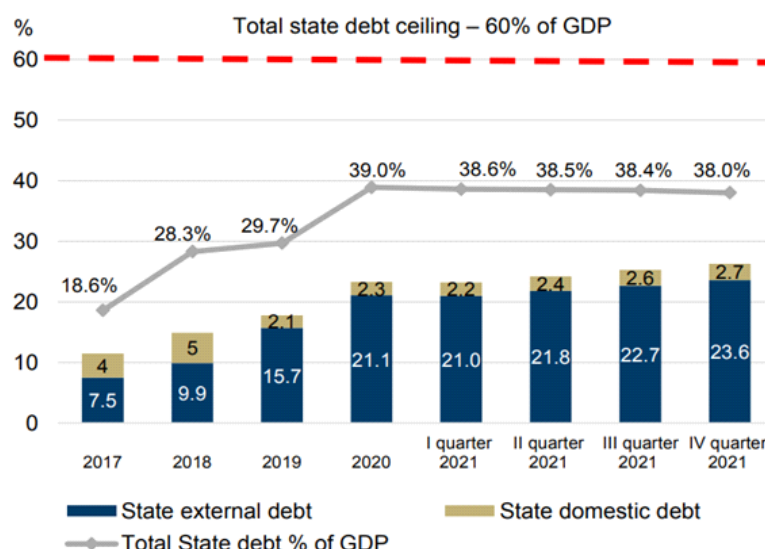


Figure 1. Total State debt (as of January 1, 2022, U.S.\$ bn)

Maintenance of the ratio at sustainable levels is reached due to the effective debt management measures. Specifically, annual borrowing limit is set on state debt attraction, state guarantees provision on domestic obligations has been suspended, SOEs and SOBs started independently finance their investment projects.

It is important to note that for 2020 the private sector attracted loans in the amount of USD 5.5 billion. Borrowings, mainly, were attracted by commercial banks - USD 4.3 billion, including two banks issued debt securities with overall price of USD 600 million. Oil and gas and energy sector attract - USD 211.8 million, and other sectors of the economy - USD 984.0 million. In addition, during the considered period, the government sector made principal payments in the amount of USD 651.3 million and interest payments in the amount of USD 380.2 million. The private sector made principal debt payments in the amount of USD 2.0 billion and interest payments in the amount of USD 370.8 million. Besides, oil and gas and energy sector enterprises as well as banking sector are making the majority of principal and interest payments (Figures 2).

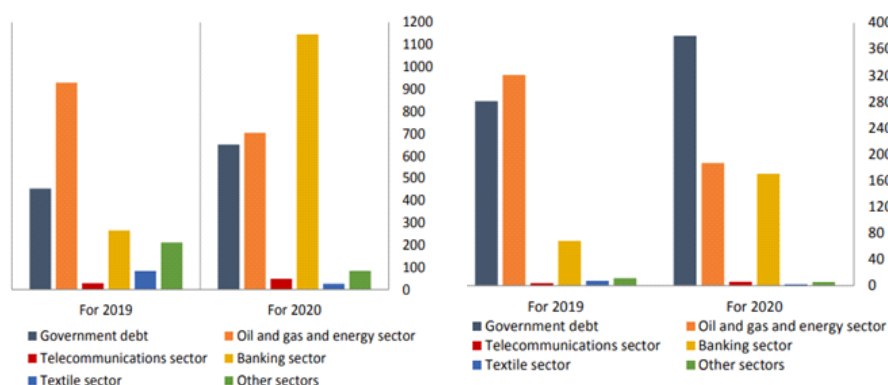


Figure 2. Repayment of principal and of interest by sectors of economy (mln. USD)

In the structure of gross external debt, loans prevail (86%). Liabilities for debt securities and others instruments are at commensurate level. The ratio of external debt to GDP, excluding other liabilities equals 59%.

There is a need to expand public debt management targets. To them you need to add:

- ensuring stable servicing of both external and internal government obligations in any crisis situation, monitoring private external debt;
- Flexible response to changing conditions of external and internal financial markets and use of the most favorable sources and forms of borrowing;
- increasing the attractiveness of Uzbek public and private borrowers, preventing sharp fluctuations in the price of obligations in the global financial market;
- Forecasting and prevention of risks associated with the debt structure;
- coordination of state policy and corporate foreign borrowing policy in order to avoid unnecessary competition in the financial markets and risks associated with the possible default of corporate obligations;
- Creation of an integrated effective system of public debt management;
- improving the accounting and monitoring of public debt, the introduction of advanced debt management technologies that make it possible to control the state of the debt burden of the economy and monitor the progress in fulfilling government obligations in real time.



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