

## EXISTING PROBLEMS IN THE MANAGEMENT OF PUBLIC EXTERNAL DEBT AND WAYS TO ELIMINATE THEM

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### Abstract

The article covers factors affecting it in improving the management of public debt, controlling budget debt and budget spending, managing public debt. In order to make more effective use of foreign debt in the article, the analysis of its state and practice in the country, as well as the analysis of the practice of foreign countries, to identify the problems that arise in the effective management of State foreign debt

**Keywords:** public debt, jaxon Bank, budget, public external debt, public budget, financial market, global economy, investment activities, Enterprise Finance, Financial Planning, currency policy, foreign debt, domestic debt, Central bank.

### Introduction

Countries of the world have a rich experience in the use of foreign debt and debt management to accelerate economic development, and it is useful to use it in the practice of Uzbekistan. External borrowing is an ambiguous phenomenon in its economic essence. They can contribute to the implementation of structural reforms, increasing the volume of internal investments, solving budgetary problems, including compensating for the budget deficit that occurs in the process of implementing large social programs. At the same time, excessive borrowing, especially the limited ability to make debt service payments and their inefficient use, uncontrolled spending will create systemic economic difficulties and financial risks in the borrower's country, and as a result, it will be possible to create a sovereign default with many negative consequences.

Governments use public debt as a more effective way to meet the needs of the state and cover their expenses at a time when it is assumed to attract the free capital of other economic entities and citizens. Currently, the problem of the use of public debt, its economic impact and its timely payment is becoming more and more relevant in terms of the global economic crisis. In achieving these goals, however, several tasks are determined as necessary: to determine the economic essence of public debt; consideration of the pros and cons of public debt for socio-economic activity; analysis of the state and practice of public debt of certain countries; consideration of the possibility of using public debt.

Public debt is such an economic concept that the debt obligations of the state to the population, firm, organization, banks, foreign financial and credit institutions arise in situations where a budget deficit arises when the state cannot cover its expenses with its

income, and this issue can be resolved by raising debt . Public debt can be attracted in different ways. Debts incurred by the state are government activities that involve the money needed to finance government spending by borrowing money from financial markets. Public debtors have two functions: to attract funds to the state treasury and to stimulate economic development

At this point, the question arises, is foreign debt obtained by states that are economically disadvantaged in today's market economy at the expense of the capital of developed countries or international financial institutions, international financial organizations and foundations? Today, the increase in public debt is considered as an economic category that motivates economic growth. Public debt ensures the ability of the state to solve socio-economic problems. The relationship between economic growth and debt is an important issue in the field of macroeconomics, and a high level of public debt can affect economic growth and allocate future resources.

### **Literature Review**

A.Pienkowski's scientific work on public debt and the structural structure of debt proves that there is no such acceptable maximum limit of public debt for all, but rather that these indicators differ somewhat for developed, developing and underdeveloped countries. Among its main recommendations is to issue government securities linked to GDP to increase the maximum debt level of developed countries if it is advisable for countries with relatively low incomes to receive their debts in national currency [14]. P. Leao his paper analyzing whether high debt levels are indeed a problem, Leao proposes to develop state fiscal policy mechanisms that reduce the impact of high levels of public debt on increased tax burden, state default, and inflation-causing effects [15]. E.Beqiraj et al.Fedeli's 21 member countries of the Organization for Economic Cooperation and development studied governments 'attitudes towards increasing debt/GDP ratios. If the debt burden continues to rise, the countries have researched what corrective measures they can take in response, the correlation between debt and deficit [16]. From the essence and essence of public debt, we can say that it is advisable for countries with an increased debt burden to develop models of positive and negative effects of debts on financial and economic stability, showing faster political will.

### **Research Methodology**

In the implementation of scientific research, methods such as synthesis comparative analysis were used. Econometric models have been used in assessing the existing problems in the management of public external debt and the factors affecting their elimination. Tahli have used their existing statistics in the management of public external debt.

### **Analysis and Results Discussion**

Public debt in Uzbekistan has undergone significant changes in recent years. As part of the implementation of economic reforms, modern approaches to public debt are being

implemented. In particular, for the first time in the independent history of Uzbekistan, the circulation of eurobonds was achieved, thereby attracting foreign funds. From world practice, it is known that the main factor in the attraction of public debt is the satisfaction of the economy's demand for financial resources, including the practical indication of the government's guarantee. Not only the economy with the involvement of funds on the basis of a government guarantee of public debt supported, but the general reformism of the state is reflected in itself. The main factor in the management of public debt is to place it in a network that creates value and increase consumption, and it will not be advisable to be directed from the net to the correct consumption.

The lack of an effective system for monitoring foreign debts and proper control of their location within the country posed a threat to the National Economic Security of the Republic of Uzbekistan. After the global financial crisis, Uzbekistan revised its strategy for attracting foreign debt. As a result, due to the anti-crisis measures adopted in Uzbekistan and the world high prices for mineral raw materials set during this period, it was possible to slightly reduce the growth rates of foreign debt. But the composition of the Republic's external debts is still not optimal for its effective management. In addition, huge funds are directed to the payment of external debt, which exceeds the costs of most large substances of the Republican budget, which significantly reduces the investment potential and economic development opportunities of our country.

Therefore, a natural solution in the current situation is to reduce external debt as much as possible and stop attracting new loans from abroad or take them in sums. But the main problem with public debt is of a general nature and is associated with a low efficiency of the economy, which does not allow you to form and fulfill a budget without borrowing in constantly growing volumes. Therefore, in the near future, the problem of debt can become one of the main problems in Uzbekistan, although by world standards the ratio of debt to GDP is within a safe limit. Therefore, to reduce the country's dependence on external debt, it is necessary to further improve the foreign debt management strategy with a moderate level of risk, which attracts the necessary amount of financing and ensures the fulfillment of the payment obligation at the lowest cost in the medium and long term. This strategy should focus on improving the structure of debts and reducing the debt burden of the economy by improving the debt repayment profile, improving the efficiency of borrowed funds and developing specific policies to attract new credit resources.

As of January 1, 2023, Uzbekistan's public debt was \$ 29.2 billion, or 36.4% of GDP, while as of July 1, the amount of debt had reached \$ 31.5 billion. It is expected to be around 37% of GDP (GDP) in 2024. This was reported in the budget for 2024-2026, provided by the Ministry of Economy and finance. At the same time, when the latest calculations were considered, the state debt was equal to 36.8 percent compared to GDP. Of this, the state had an external debt of \$ 25.9 billion and an internal debt of \$ 5.6 billion. The budget legislation set \$ 4.5 billion in foreign debt attraction in 2023.

While macroeconomic and fiscal performance stability is ensured in preliminary analyses, the ratio of public debt to GDP is projected to be around 37% in 2024, 37.4% in 2025, and

37.9% in 2026. Judging by expectations, the volume of the country's GDP in 2024 can exceed \$ 100 billion, in 2025 - \$ 125 billion, in 2026 - \$ 140 billion. When developing budget forecast parameters for the next three years, it is intended to follow the "fiscal rule" introduced by the upper limit of the state debt on the macroeconomically safe calculated GDP in the medium term by 60 percent, and for this not to increase the budget deficit by more than 4 percent in 2024, and to keep the average.

Also, " in 2024, the consolidated budget deficit is projected at 52.5 trillion soums, 4.0 percent of GDP, taking into account the external debt funds attracted to the implementation of state programs. The consolidated budget deficit is expected to be 3.0 percent in 2025 and 2026," the budget says. It is noted that in order to maintain and effectively manage the state debt at a safe level, the Ministry of Economy and Finance provides for the implementation of a number of measures in the medium term:

- Continuing the practice of setting annual limits on public debt;
- Reduce currency risks by attracting borrowed funds in the national currency. In this case, the limited net volume of issuance of state treasury bonds is set at 25 trillion soums in 2024;
- Introduction into the cabinet for the development and approval of a government debt management strategy for the medium-term period aimed at forming a portfolio of public debt with optimal cost and risk indicators;
- Extension of the average period of payment of public debt, as well as diversification of public debt by sources;
- Accelerate the process of wide involvement of international investors in the market of state treasury bonds;
- Prevention, elimination or reduction of risks associated with public debt service;
- To ensure the openness of information regarding public debt.

In place of the conclusion, it can be said that strictly setting the sum of the state's external debt for one fiscal year may not allow for complete macroeconomic stability. In our opinion, the determination of the amount of attraction of State external debt in relation to gross domestic product will lead to a harmonious decrease in the amount of external debt even during the period of economic decline. Secondly, the introduction of this method into practice will also make it possible to increase the amount of involvement of the state's external debt in the event that economic growth in the country exceeds expectations.

Therefore, it is considered possible to achieve financial stability by putting into practice the limit on the involvement of the state's external debt during the financial year, which is determined by macroeconomic indicators, including interest on GDP. Observing the dynamics of public debt in recent years, we can see that the share of domestic debts in the structure of public debt is much lower. In this case, we think that it is advisable to clarify the proportions of internal and external sources in the formation of public debt. First, it prevents the occurrence of risks associated with currency risk in the country. Secondly, it allows you to mitigate the consequences of geopolitical influence in the world economy. Thirdly, it helps to eliminate the occurrence of various conditions by external sources. At the same time, it is

advisable to give Uzbekistan wide opportunities for attracting funds from local authorities as well. This creates the need to allocate government debt with public debt. As a result, the inclusion of the following in the structure of public debt increases management efficiency:

- government debt-consists of the sum of resources attracted by local and central authorities through external and internal sources;

- external and internal debts incurred by sectors and organizations with state shares;

In turn, it will be necessary to clarify the category of Uzbekistan's debt. It was considered necessary to create the legal framework for the fact that this indicator consists of the sum of the total debts in the public and private sectors (internal and external, respectively).

### Conclusions and Suggestions

In the presence of risks of non-payment of the state debt on time, it is necessary to establish a system of pre-accumulation by opening separate Treasury accounts to debtor organizations (initiative ministries and departments) and transferring the necessary funds to treasury accounts on an agreed graph; and to form a list of organizations that do not pay external debt payment obligations in time, and not

Based on the studies, we managed to formulate the following scientific conclusions:

- In the management of foreign debt of Uzbekistan, it is primarily aimed at those areas that create value;

- compliance with recommendations made by international organizations, the United Nations, the International Monetary Fund and the World Bank in the effective management of foreign debt, as well as the application of their assessment criteria in the management of foreign debt by the country;

- reduction of the share of the state in the national economy;

- macroeconomic indicators with external debt, including gross domestic product, state revenues for one fiscal year and further strengthening the ties between the country's exports, are calculated in accordance with the goal.

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