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QR – Issue QR – Article

SOI: 1.1/TAS DOI: 10.15863/TAS

International Scientific Journal

Theoretical & Applied Science

p-ISSN: 2308-4944 (print) **e-ISSN:** 2409-0085 (online)

Year: 2021 **Issue:** 03 **Volume:** 95

Published: 30.03.2021 **http://T-Science.org**

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ANALYSIS OF COUNTRY DEBT POLICIES AND ITS EFFECTIVE GOVERNANCE

Abstract*: The article analyzes the theoretical classification of the debt of countries by various scientists, the internal and external debt of the country and also provides a comparative analysis of the public debt of our country and the global public debt in relation to GDP. Also, scientific and practical proposals and conclusions on the effective management of public debt have been developed.*

Key words*: external debt of the state, republican budget, internal debt of the state, fiscal balance, gross domestic product, strategy, international economic cooperation, credit.*

Language*: English*

Citation: Yakubova, S. S. (2021). Analysis of country debt policies and its effective governance. *ISJ Theoretical & Applied Science, 03 (95),* 410-413.

Soi: http://s-o-i.org/1.1/TAS-03-95-64 ***Doi***: crossref https://dx.doi.org/10.15863/TAS.2021.03.95.64

Scopus ASCC*: 2000.*

Introduction

The large-scale reforms carried out in the country, the Strategy of action on the five priority areas of Development of the Republic of Uzbekistan for 2017-2021, developed at the initiative of President Shavkat Mirziyoyev, provide for the further development of international economic cooperation, including continuing the implementation of a well-thought-out foreign debt policy effective use of foreign investment and loans [1].

Ensuring the implementation of tactical objectives of the strategic goal set by the state will make it possible to mitigate its negative impact on the financial security of the country in the process of pursuing an active public debt policy to finance development programs in the country [2]. This goal forms the conceptual framework for radical reforms in the effective management of modern public debt, which include:

- maintaining public debt at a safe level for macroeconomic stability [3];
- ensuring timely and complete servicing of internal and external public debt [4];
- diversification of public debt and reducing the risk of increasing the cost of its servicing [5];
- Ensuring targeted and effective use of borrowed funds on behalf of the Government of the Republic of Uzbekistan or under its guarantee [6].
- The scientific and theoretical foundations of public debt and its management from the point of view of ensuring macroeconomic stability have been studied by a number of foreign economists.

When we studied the scientific views of modern economists on public debt, it became clear that Dolan and Lindsey believe that increasing public debt is the reason for rising interest rates. They acknowledge that this will increase the inflow of foreign capital and lead to the squeezing out of government obligations abroad [7].

American scientist Samuelson, on the other hand argues that "... government debt does not affect interest rates, and the Federal Reserve has the ability to artificially manipulate interest rate fluctuations through open market transactions" [8]. The author's views refer to the amount of ordinary debt. The trend associated with public debt in today's environment limits the government's ability to manipulate interest rates in the context of extremely high debt and does not allow for effective regulation. As a result, real interest rates rise [9].

Another American scientist Fisher argues that "... the dependence of public debt on inflationary processes must be considered in the context of the economic policy of each state" [10].

The theory and econometric model developed by renowned scientists Gersovits and Iton proposed financial security criteria for poor countries that borrowed from international financial markets [11]. They identified the following factors of demand for financial resources: changes in exports; the ratio of imports to GDP; GDP growth rates; full real GDP; population. Factors such as the ratio of debt to government spending have been identified. These economists believe that a decline in export earnings increases demand for external debt [12]. However, the international reserves formed in the country can be used as an alternative source to replace borrowing. Debt loss should be commensurate with the economic sanctions imposed by the international community. If these sanctions are in the form of an embargo on the issuance of new loans, they are an effective means of punishing borrowers, which may pose a greater risk than a decline in exports [13].

According to the student described above, the public debt personifies the global mechanism of the economic platform for the use of resources in the context of entrepreneurship and resource scarcity and non-economic insolvency.

The conceptual foundations of the medium-term strategy of the state policy of sovereign debt provide for the formation of an effective mechanism for managing domestic and mainly foreign debt with the active involvement of financial resources in the country's economy [14]. In this regard, starting from 2020, the following important tasks should be solved: [15]

- From 2020, the introduction of a unified mechanism for accounting policy in the field of public administration and the consolidation of the (consolidated) budget of revenues, expenditures and expenditures through external borrowings covered by the state budget for the implementation of large state projects. An overall budgetary balance has been included. Conditions for the system of integrated management of revenues, expenditures and liabilities of the consolidated budget and sovereign wealth funds, first of all, by creating access to important aggregate information for making decisions on the efficient use of funds, increasing the transparency of existing public financial resources and debt management creates;
- In connection with the establishment of the threshold limit of the consolidated budget deficit (0.5 % of GDP), an operational mechanism for "Targeting" the deficit was introduced. This mechanism creates conditions for the state in the policy of attracting domestic and foreign borrowings to set marginal amounts for their use to finance the deficit;
- Attraction of external debt under the guarantee of the Government of the Republic of Uzbekistan or the Republic of Uzbekistan: setting a limit on a limited volume of new contracts (no more than USD 5 billion) and limited repayment of external debt repaid from the state budget (no more than 1.5 billion US dollars). Determining the policy of attracting public debt and the cost of servicing it is an important factor in ensuring the financial security of the country.

In general, the above is that the conceptual basis of the strategy of the state policy of sovereign debt is the active involvement of internal and mainly, external debt financial resources in the country's economy. The strategy of state policy in the field of sovereign debt is being implemented [16]. As a result of the conservative nature of the external debt policy pursued in Uzbekistan during the years of independence [17], the level of public debt was moderate by international standards and comparative analysis of countries. We can verify this from the data in the table below.

Table 1. Comparative analysis of the public debt of the Republic of Uzbekistan and the world to GDP in percent

Indicators	2015	2016	2017	2018	2019	2020
Uzbekistan	10,1	11,6	19,7	29,2	30,5	36,1
The share of public debt in GDP	79,7	82,7	81,3	81,5	83,3	96,4
The share of public debt in GDP of rapidly developing countries	43,7	46,5	48,1	49,7	53,2	62
The share of public debt of developed countries (G8) in GDP	104,2	106,7	104,5	103,9	105,2	122,4

This table shows that during the analyzed period 2014-2020. The public debt in the Republic of Uzbekistan tended to grow. The amplitude of fluctuations in public debt in relation to GDP in this period (2014-2020) is min. 7.1 percent and max. 36.1 percent. The low figure was recorded in 2014 and has shown a steady upward trend in recent years.

Uzbekistan has a low debt burden compared to other countries. In particular, the global gross domestic sovereign debt is projected to be the lowest in relation to world GDP in 2014 and will amount to 78.6 percent and by 2020 - 96.4 percent the highest. This indicator of the sovereign debt of a global state and its growth was influenced by the debt of developed countries. In particular over the period under review we see that the debt of developed countries in relation to GDP increased by more than 100 percent. In particular, the lowest indicator for the analyzed period was observed in 2018 (103.9 percent) and by 2020 this indicator was 122.4 percent. This is mainly the result of problems associated with the slowdown in economic growth as a result of the global pandemic in 2020, an excessive increase in government spending. This means that rapidly developing countries in the analyzed period had stable growth rates although the share of public debt in GDP was lower than in developed countries (min. 40.3% - 2014, max. 62 % - 2020).

In the general context, the share of public debt of the Republic of Uzbekistan in GDP is lower than the analyzed indicators (the upper limit of the debt burden is 36.1 %, including in 2020), their dynamic study trend in Uzbekistan in 2017-2020 [18]. This in turn is widely used in the economic policy pursued on the basis of the action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 to attract foreign investment to ensure economic development of the country [19]. Hence, the conceptual basis of public debt policy in this period is based on the capital-generating theory of public debt.

Static indicators of the share of public debt in GDP will change in the short and medium term, depending on its indicators as a result of its annual dynamic trend. The annual rate of change in the share of public debt in GDP can be determined by subtracting the nominal amount of annual growth for the previous year from the nominal share of the current year from the nominal share of countries and specified development groups at the country level in table 1.

Based on the calculation of the indicators of this trend the following results were obtained. The highest annual growth rates of the share of public debt in GDP in Uzbekistan are observed in 2017 (6.9 %), 2018 (9.5 %) and 2020 (5.6 %). In 2013–2014 the annual decline in the share of public debt in GDP was 0.7 and 0.8 percent respectively. In particular, in 2013–2014 the annual decrease in the global public debt in world GDP was mainly due to the reduction in the G8 (1.5 %). The decline in these years can be explained by the following: firstly, the public debt was formed mainly due to external debt, which was foreign investment and internal debt in the form of guarantees from the Government of the Republic of Uzbekistan; secondly, the trend of an annual decrease in the share of public debt in GDP is accompanied not by the process of debt repayment, but by an annual decrease in the share of public debt in GDP in conditions of high annual GDP growth in comparison with the growth of nominal public debt [20]. Problems in the public financial system caused by chronic deficits and high levels of debt in the first wave of the global financial crisis in developed countries. An increase in the country's credit rating in the second wave of the crisis [21], the problem of devaluation of debt traps in the context of public debt of more than one percent was the basis for a preventive policy [22]. That is why in developed countries in 2013-2015 (1.5 % in 2013, 0.6 % in 2014, 0.4 % in 2015) and 2017-2018. (2.2 % in 2017, 0.6 % in 2018) there was a decrease in the share of public debt in relation to GDP, rather than annual growth. By 2019-2020 there is a high annual growth rate of the share of public debt in GDP (1.3 % and 17.2 % respectively).

In our opinion in the context of a relatively low debt burden in rapidly developing countries, there is a steady trend of annual growth in the share of public debt in GDP. Based on these data it will be possible to determine the degree of change in the share of public debt in GDP. In particular, compared to 2019 in 2020 there was a strong change in the share of public debt in the GDP of developed countries, while the low coefficient of determination of the polynomial equation based on a weak decline on the horizontal platform was 0.614. Because by 2020 there will be a sharp increase compared to 2019.

In conclusion, it should be noted that according to international standards, it is necessary to create mechanisms to ensure the stability of sovereign credit ratings and a safe level of public debt, even if the country's public debt is “moderate”. The main share of loans from international financial institutions to ensure the country's economic development falls on investment loans. This situation serves as a strategic source of financing for the implementation of economic development projects which will ensure positive high GDP growth in the future public external debt policy.

In general the conceptual foundations and goals of the modern theory of public debt today have a complex description. At the same time public debt embodies the scale of the international movement of capital in the common interests of not only economic, but also political and social interests. Public debt is also a global economic platform mechanism for resource use in an environment of entrepreneurship and resource scarcity rather than economic insolvency.

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