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EXPERIENCE OF PUBLIC DEBT MANAGEMENT OF FOREIGN COUNTRIES

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Abstract. *The increase in the amount of debt is observed not only in developing countries that are not enough financial resourses, but also these cases have in a number of developed countries, such as the United States, Japan, and the United States. Therefore, effective management of public debt and its direct reduction remains one of the main priorities of public debt policy. This article examines the importance and methods of effective management of public debt in foreign countries.*
Keywords: *public debt, foreign debt, domestic debt, public debt management, budget, development policy.*

Introduction. From an economic point of view: "Government debt is a system of monetary and credit relations, as a result of which redistribution of temporarily free funds of residents and non-residents, foreign countries and international financial organizations takes place.

According to Article 3 of the Law on the State Debt of the Republic of Uzbekistan, "state debt is the obligations of the Republic of Uzbekistan arising as a result of attracting domestic and foreign funds. Also, the refinancing of the state debt is the payment of the state debt by means of attracting funds by the state.

In addition, the objectives of public debt management are:

- in the medium-term perspective, to cover the deficit of the State budget of the Republic of Uzbekistan, as well as to ensure the need to finance projects implemented by the state at the expense of attracting funds at the most optimal level of costs and risks;
- extension of the average period of repayment of the state debt, as well as diversification of the state debt by currencies and sources;
- prevention, elimination or reduction of risks related to public debt servicing.

Based on the above, we can distinguish the general rules of the concept of "state debt": these are the state's debt obligations which arise as a result of the budget deficit. And the obligations have to be pay back with the basis of repayment and interests in the future. The main goal of countries that got debts financed their strategical state plans such as improving infrastructure.

Currently, the growth of public debt is considered as a condition for economic development. With the help of public debt, the state is provided with the opportunity to solve the specified socio-economic problems, and the economy is regulated by the state.

Literature review. In order to effectively manage their future payments, debtor countries should rationally allocate borrowed funds to income-generating activities. If these goals are not met, the level of external debt may hinder sustainable economic growth and the achievement of poverty reduction goals. If a country is unable to manage the amount and composition of its debts or default on its obligations, the economy may suffocate or the economy may default. If money is channeled into economically profitable sectors and industries over a long period of time, the country will experience economic efficiency, economic growth and development (Pattillo et al., 2002).

According to Onafowora and Owoye (2019), a country's economy may go into recession if its external debt reaches dangerous levels under certain circumstances. The impact of foreign debt on macroeconomic variables, particularly its impact on economic growth, has been empirically analyzed. As a consequence, the results of the literature on the relationship between debt and economic growth are mixed, with some studies finding no clear relationship between debt and development in studied countries (Egert, 2015; Panizza et al. Presbitero, 2014).

Many studies have examined the relationship between external debt and economic growth in developing countries and have found mixed results (Govdeli, 2019; Musibau et al., 2018; Jacobo and Jalile, 2017).

According to Krugman's (1988) debt overhang theory, if a country's debt conditions exceed its projected solvency, it will harm economic growth.

Research methodology. Comparative and statistical analysis, systematic and logical approach, economic-statistical and econometric modeling methods were used in the research.

Analysis and results. Public debt can be both positive and negative for a country.

The positive value of public debt consists of:

- through the issuance of state debt obligations, affects the savings and savings processes of the population and economic entities. Regulation of money circulation in the country, reduction of the money supply in the process of issuing the next tranche and increase in the period of repayment;

- problems of stimulating production and construction will be solved by providing state guarantees for loans to prospective enterprises, small and medium-sized business entities, as a result of which the unemployment rate will decrease and the processes of socio-economic development of the country will be accelerated.

- public debt does not increase aggregate demand, but only changes its composition, that is, public debt is a non-inflationary source of budget deficit financing;

- intergovernmental loans and other debts of international financial organizations are a factor of strengthening international cooperation.

At the same time, public debt can also have a negative impact on socio-economic processes:

- if foreign debts make up a significant part of the state debt, the state debt expressed in national currency increases when the state of the domestic economy worsens and the national currency depreciates;

- the growth of the public debt rate is high the growth of GDP leads to the deterioration of indicators characterizing the country as a borrower, and the country's sovereign credit rating may decrease, which, in turn, will discourage investors from investing in government securities;

- a significant increase in external debt, its superiority over internal debt connects the country not only to the domestic economy, but also to the state of the world economy and international capital markets;

- receiving resources from international financial and credit organizations such as the IMF, World Bank, etc. is often associated with the fulfillment of a number of conditions, which makes the country and its government economically dependent on other countries and organizations.

- the high yield of government securities increases their attractiveness, which, together with other factors, leads to a decrease in free resources in the market and an increase in the bank interest rate on credit resources;

- the public debt must be paid from the budget, the main source of its filling is tax and non-tax revenues, therefore, the debt funds are borrowed taxes, therefore, the public debt is an obligation that will be transferred to the shoulders of future generations.

So, if the increase in public debt is directed to positive changes in the structure of social production, on the other hand, it can be a reflection of crisis processes in the economy. Currently, there are several countries in the world with a special status that gives them the right to conduct an independent economic policy and is debt-free. However, even the times that have reached the highest points of development are not without debt funds.

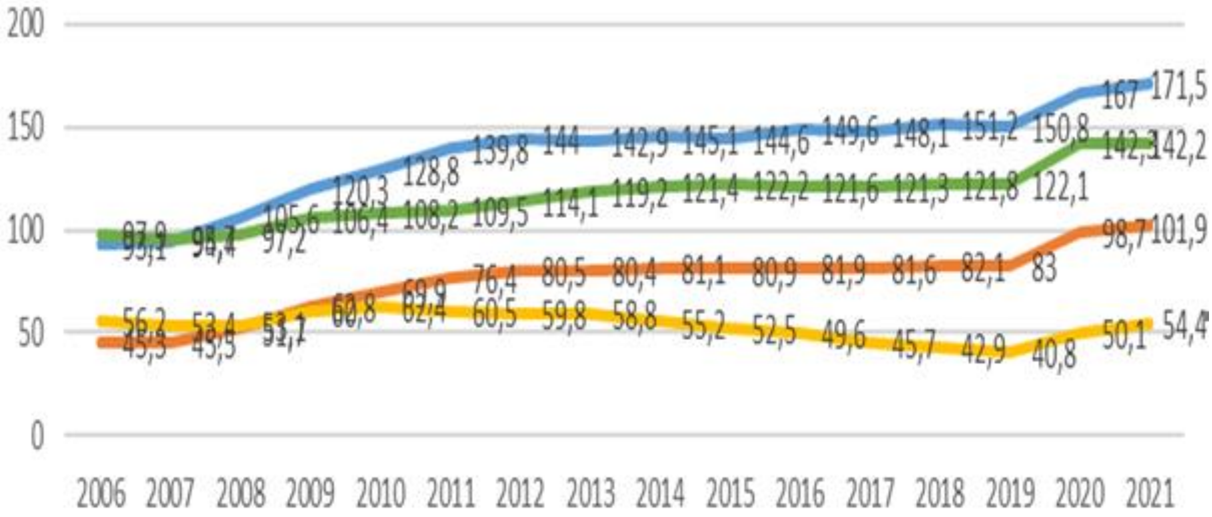

Figure 1. Dynamic changes in the share of debts of developed countries in relation to GDP[1]

In the context of individual countries of the world, based on statistical data on the amount of consolidated public debt, it is possible to note a certain relationship between the amount of debt and the level of economic development of countries. The least funds are attracted to cover the budget deficit of countries that are in the stage of active development. According to the analysis, we can see that Japan ranks first before Italy in terms of public debt. We can also see that the US national debt is over 100 percent of GDP. After the 2008 global economic and financial crisis in Japan, the ratio of public debt to GDP began to exceed 100 percent. By 2021, this figure will reach 171.5 percent. The analysis of the income and expenses of the budget of the Japanese state also shows that service of the public debt is one of the main expenses. Attracting such debt funds is the main part of their income.

The absolute value of public debt should never be considered as a separate category, its growth cannot be the only evidence of negative trends in the economy or the cause of default. The amount of public debt should always be taken into account in comparison with other macroeconomic indicators of the state of economic development of the country.

The most important indicator describing the state of the state debt is the ratio of the debt to the gross domestic product. The ratio of public debt to gross domestic product shows the ability to

[1] Formed by the author based on the data of the World Bank. Blue- Japan; Green- Italy; Red – USA, Yellow – Germany.

service the debt at the expense of the products produced in the country during the year. In addition, if there is growth in GDP, then the debt can also increase, the main thing is to ensure that the growth rate of GDP exceeds the growth rate of debt. The rate of excess growth of public debt shows that borrowing is used to cover the deficit of the state budget, rather than being attracted to reproduction, investments in promising sectors of the national economy, as well as to stimulate economic growth. In this case, it may cause a number of difficulties in assessing the efficiency of the public debt and in its management.

1-table

Methods of public debt management

Management methods	Characteristic
Extending the loan term	to ensure the voluntary agreement of creditors to delay payment of debt on obligations. As a rule, it is used when it is not financially feasible to issue new loans to service previously issued loans.
Write off or cancel a part of the debt	the process of debt write-off occurs in conditions of rapid accumulation of debt obligations. Carrying out such an operation involves reaching an agreement with creditors. The second determines the level of debt write-off, the choice of which is determined by a number of reasons: unpredictable conditions for the country's development, deterioration of positions in the world market, social development of the country, etc. The reasons for canceling the debt can be various situational factors: the state's inability, its bankruptcy, or the effects of political motives.
A method of buying one's debts at a discount on the secondary market	reduces the amount of public debt due to purchase at a discount in the secondary market. According to the conditions of sale of government debt at a high discount in the financial market, it is profitable for the borrower to repay the debt before the due date. As a result, there is a reduction in the total debt burden without an agreement with creditors
Method of temporary moratorium on payment of interest	Postponing the payment of internal or external debt obligations announced in special government documents for a certain period
Debt conversion	changes in the initial conditions of lending, in particular, changes in the terms of credit and payment, and the method of repaying the loan.
Debt Consolidation	with a possible change in interest rates will lead to a change in the terms of the loan in relation to its term
External debt restructuring	official creditors are held within the Paris Club and private creditors within the London Club; Debts to the IMF and the World Bank will not be restructured.

The main goals of public debt management:

- increasing the share of the state debt in the national currency by reducing the currency risk of the state debt and actively attracting foreign investors to invest in bonds in the national currency;

- by minimizing the risk of refinancing and conducting active operations on the management of the public debt, extending the average term of the public debt and providing a single schedule of payment;

- attracting long-term preferential financing by further expanding cooperation with financial institutions and international organizations

- to further improve the public debt management policy by developing strong relations with investors and ensuring reliable support from foreign investors, improving the processes of implementing the medium-term strategy of public debt management, continuing cooperation with credit rating agencies.

Conclusion. Subsidiary debt has a negative impact on the economy: it leads to increased social polarization and has a negative impact on economic growth, and the cost of servicing public debt can increase budget deficits. External public debt is paid at the expense of export earnings, which can also have a negative impact on economic growth. For this reason, countries are required to determine their strategies and policies on public debt.

Effective management of the external state debt is a necessary condition for ensuring the security of the state's debt and a lever for significantly influencing the socio-economic development of the country. In the process of public debt management, the tasks of attracting financial resources necessary for the implementation of the country's socio-economic development program should be solved in the most favorable conditions with the least costs and risks, ensuring the state's solvency and debt security, as well as debt relations. means harmonizing the interests of all participants.

As a medium-term strategy of public debt management, special attention should be paid to the following:

1. Develop a comprehensive debt management strategy: The Uzbek government should develop a comprehensive debt management strategy that outlines the country's debt needs, sources of borrowing, and debt repayment plans.

2. Diversification of funding sources: The government should explore alternative funding sources such as multilateral institutions or sovereign wealth funds to reduce reliance on a single source of funding.

3. Monitoring debt level: The government should regularly monitor the country's debt level and ensure that borrowing is sustainable and does not exceed the country's ability to pay.

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