

Strategy of debt management

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Аннотация. В данной статье представлена информация о проектах, финансируемых за счет государственного долга. Проанализирован годовой лимит по соглашениям о государственном внешнем долге. Оценены текущие займы, привлеченные от имени и под гарантии Республики Узбекистан, а также оценен уровень портфеля государственного долга на соответствие международным стандартам.

Abstract. This article provides information on projects financed by public debt, the annual limit for state external debt agreements, current loans attracted on behalf of and under the guarantee of the Republic of Uzbekistan, full control and automation of public debt, the level of public debt portfolio compliance with international standards.

Ключевые слова: государственные органы, финансовое положение, интеграция, портфель государственного долга, рефинансирование, мониторинг, финансовая система, финансово-экономические институты.

Keywords: government agencies, financial position, integration, public debt portfolio, refinancing, monitoring, financial system, financial and economic institutions.

In the Republic of Uzbekistan, social infrastructure facilities are heavily invested in the development of energy, mining, and leading sectors of the economy. Currently, financial resources are being channeled into various projects to create new and large production facilities in major areas and to modernize existing ones.

In most cases, the state budget resources, ie centralized investments, direct foreign investments, and own funds of operating entities are being financed. State external debt attracted on behalf of the Republic of Uzbekistan and guaranteed in the first half of 2019 US \$ 13092.5 million as of July 1, 2019 US dollars or 23.5% of GDP.

Most loans are provided by the World Bank, the Asian Development Bank, the Islamic Development Bank, as well as major companies in Turkey, Germany, Japan, China, the US and other countries.

Loans provided to our country are mostly long- and medium-term, and it is agreed that in the grace period it is possible to repay only the interest rate, not the amount of debt.

The increase in public debt in 2019 can be justified by a number of factors. The reason is that in the first quarter of 2019 1 billion US dollars for the amount of USD. The \$ 90 million bond issue was transferred to Navoi Mining and Metallurgical Complex in the form of budgetary loans, with the remainder being deposited in banks in deposit form.

In the second quarter of 2019, the secondary market prices of international bonds fluctuated within the general trends in the global financial markets, reflecting the overall growth rates and formed under the influence of processes, macroeconomic changes and expectations in the global economy. At present, the highest recorded value of 5- and 10-year international sovereign bonds is 106,168 and 108,802%, respectively.

In general, expectations and decisions on the US Federal Reserve and interest rate policies of the European Union, the placement of sovereign and corporate international bonds by emerging markets in the global financial markets, the UK's exit from the EU, China and the US have influenced the dynamics of international bond prices in the secondary financial markets. A number of other processes, such as trade negotiations, have been affected.

In addition, within the framework of the agreements signed on behalf of the Government of Uzbekistan it is planned to allocate 1,031.1 mln. US dollars were disbursed. In addition, 1312.7 mln. Part of the US \$ 1 million deal was invested in a project to produce synthetic liquefied fuels based on purified methane at the Shurtan Gas Chemical Complex. Regarding the measures taken to manage public debt, it is worth noting that in our country in cooperation with the UN Conference on Trade and Development, a program of debt management and financial analysis is widely used in more than 50

developing countries for effective debt management, accounting and monitoring.

At present, the program is working on the inclusion of public debt data. The system was fully implemented in the country in 2019.

The Medium-Term Strategy for Public Debt Management for 2020-2021 has also been developed in cooperation with the World Bank and the International Monetary Fund. By the third quarter of 2019 the final strategy formulation was developed. The purpose of this project is to finance the Government of the Republic of Uzbekistan's borrowings at the least cost and risks, development of the government securities market, diversification of sources of financing, and diversification.

The same year, the ADB and the UN Trade and Development Conference (UNCTAD) organized a roundtable on "Debt Management" in the framework of the project "Strengthening Government Agencies through Investment Projects and Improving Debt Management System". and Implementation of the Financial Conduct Analysis System". The expected result from the Debt Management and Financial Analysis System is that it is intended to be used primarily by the Ministry of Finance and the Central Bank, enabling greater integration of domestic and external debt management.

It is worth noting that DMFAS-6 is widely used in 57 countries and more than 84 financial and economic institutions. DMFAS-6 has successfully assisted many governments in improving their capacity to manage public debt, formulate and analyze public debt portfolios, and implement it DMFAS-6 provides its users with the ability to monitor domestic and foreign, short, medium and long-term debt of various countries and refinancing operations. Implementation of the system of accounting for private loans and grants within the framework of this system will be of benefit to our country. The calculation of public expenditure can also be connected to the state financial system for the implementation of the DMFAS-6 budget.

Securing and effective management of public debt at the accelerated entry of the Republic of Uzbekistan into the global financial system is one of the key issues of ensuring sustainable economic growth in the medium and long term.

Most of the funds raised on or on behalf of the country are aimed at improving the living conditions of the population living in the country, providing clean drinking water, sustainable electricity, housing, improving healthcare and education, as well as infrastructure and basic sectors. purposeful mobilization for development projects. It is also important for ensuring macroeconomic stability of the country in the future, keeping the national debt at risk-free, and aims to increase the efficiency of the country's debt management system in line with international standards. In our country, in cooperation with the World Bank and the International

Monetary Fund, a project "Strategy of debt management of the Republic of Uzbekistan for 2020-2022" was developed. The strategy envisages strict adherence to priorities such as public debt management at optimal prices, balancing costs and risks in borrowing government debt, and managing public debt portfolio diversification.

In drafting the document, the government's need for debt for 2020-2022 was identified, and alternative strategies for financing this need were analyzed.

In all alternative strategies, our country has prioritized increasing the share of local instruments in total funding sources, gradually mobilizing public debt on commercial terms, and activating the local debt market. This mid-term strategy provides for annual revisions based on the macroeconomic development of the republic and the parameters of the state budget.

An analysis was conducted on the establishment of the long-term and annual maximum rate of public debt based on the International Monetary Fund's Fiscal Policy Guidelines. Estimates from the multi-scenario forecast indicate that the public debt safe for macroeconomic stability is 50 percent (43.7-54.8 percent) of GDP. The calculation of the level of public debt is based on simulated calculations using macroeconomic, fiscal and foreign trade indicators for the period 1997-2018.

The maximum value of long-term public debt is defined in several ways. First, the International Monetary Fund's April 2019 debt sustainability analysis recommended that the level of public debt that our economy can bear is chosen as the maximum limit.

According to the debt sustainability analysis, the country's ability to repay its debt has been rated as "strong". The maximum acceptable rate of debt for the countries included in this group is 70% at present value of GDP (PV) and 75% in nominal value. Secondly, the safe boundary of public debt is taken into account. The biggest changes in macroeconomic and fiscal factors affecting the level of public debt (GDP growth rate, deficit of the state budget, real exchange rate, real interest rates, foreign trade indicators, and other public debt deficit factors, such as the state budget deficit) are significant. based on the scenarios for future periods and the dynamics of future public debt development under these scenarios.

The security threshold ensures that public debt does not exceed the maximum allowable rate (75% of GDP), even in the case of economic shocks.

Thirdly, a safe level of public debt is determined by dividing the security threshold from the maximum allowable standard of public debt.

The maximum annual amount of external debt agreements (\$ 4 billion), signed on behalf of and under the guarantee of the Government of the

Republic of Uzbekistan, was approved by the Law on State Budget for 2020 as a measure to safeguard the public debt. This standard will ensure the long-term sustainability of public debt.

In addition, the Ministry of Finance will take measures to improve the public debt management system in line with international standards, to maintain public debt at a safe level for macroeconomic stability and to develop mechanisms for the efficient use of borrowed funds. is under development.

Primary market measures include: diversification of public debt instruments, expansion of state securities holders, management of trading operations, establishment of public debt management, provision of financial market access, and support of market conditions. Effective and liquid secondary markets ensure attraction of potential investors and increase their number. This, in turn, will help prevent uneven movement of debt quotations and stabilize the market.

External debt management is a complex area of public administration, in which various divisions of the government (the Ministry of Economy, the Ministry of Finance and the Central Bank) are responsible for specific areas. The purpose of management is to create conditions for wider use of external financing opportunities without problems with the balance of payments and the state budget.

External debt management implies: setting a temporary status for the country in terms of external debt service; forecasting expected net export earnings, possible new external borrowing and other types of financing sufficient to serve external debt; forecasting of internal tax revenues. The state's planned revenues should be sufficient to serve the external debt.

The process of external debt management involves the following steps: choosing the optimal type of financing, making decisions on the size of debt, and establishing a system of external debt statistics for timely and complete reporting on the country's debt. For each country, the amount of foreign investment is determined by the following factors: what amount of foreign capital can be effectively used by the government and how much debt can be serviced without having to face external problems.

The public debt management policy is harmonized with the general economic policy of the state and is implemented within the framework of financial policy. Fiscal policy eliminates budget deficits, internal credit expansion and the budgetary financing for capital imports. An important feature of this policy is the diversification of debt management instruments.

Expansion of the government bond market is made possible by the use of flexible interest rates, repayment periods and individual issuances, and interest income tax features. Public debt manage-

ment operations are closely linked to budget execution and often take part in issuing loans, paying interest on them (paying interest on winning bonds and paying interest on interest-bearing loans). Issuance is carried out by banks, and at the same time, these banks pay the bonds which are subject to repurchase.

Public debt management costs are usually offset by special financial transactions that are separate from the budget. The expenditure portion of the budget only includes and reflects current public debt service payments, which are designated as the State Budget. In the context of a sharp rise in public debt, the government uses a variety of methods to manage it.

Let's look at them in detail: Debt repayment is often done by the government by issuing new loans. This method is called debt refinancing. The state may specify the initial terms of the loan. Conversion of primary terms relating to the yield of loans is called conversion.

As a result of the implementation of the DMFAS-6 software system for monitoring, servicing, accounting and reporting of public debt, the Asian Development Bank has implemented public debt management within the ADB project "Capacity building of public authorities through the improvement of investment projects and external debt management systems".

Effective implementation of this project will allow creating a complete and compliant database that meets international standards based on automation of reports. To date, this program has created about 300 credit portfolio (including more than 500 tranches) and 88 public credit portfolios. In addition, the Ministry of Finance publishes periodic reports on the state, dynamics and measures to manage the public debt of the Republic of Uzbekistan to the population, commercial banks, financial institutions and foreign investors to ensure transparency of public debt statistics. This, in turn, will ensure that the population and foreign investors have full information on the effective management of the national debt.

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