

Article

Public Debt Management Policy

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Abstract: In modern conditions of economic development, effective public debt management acquires special significance as one of the key tools for ensuring macroeconomic stability. The article examines issues of formation and management, as well as analyzes the structure of public debt in the practice of the Republic of Uzbekistan. Key problems related to the growth of debt burden and dependence on external financing have been identified, and measures have been proposed to improve debt policy in order to strengthen financial sustainability and support economic growth.

Keywords: State budget, public debt, budget deficit, budget surplus, tax policy, economic development.



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Introduction

In the context of intensifying globalization, public debt serves as an important tool of fiscal policy that enables sustainable economic development and the implementation of priority state programs. For countries with developing economies, including the Republic of Uzbekistan, effective public debt management gains particular importance amid the need to attract additional financial resources.[1]

The relevance of this study is determined by the necessity to assess the current state of public debt, analyze its structure and dynamics, as well as identify key problems and prospects for improving debt policy.[2]

The aim of the study is to analyze the features of formation and management of public debt in the Republic of Uzbekistan, as well as to develop directions for enhancing its efficiency and ensuring the country's financial sustainability.[3]

Literature Review

Research in the field of public debt management began to develop actively from the late 20th to early 21st century, when the need arose to understand the impact of debt burden on the economic sustainability of states. One of the fundamental sources is the work of Musgrave R. and Musgrave P., which examines in detail the methods of forming public debt, its regulation, and approaches to controlling budgetary obligations [4].

In Russia, key aspects of effective public debt management were studied by Lobanov D.A., who in his article analyzes methods of control and planning for the repayment of debt obligations [5]. Zhamolov M.M. in his research focuses on external debt and its impact on the financial security

of the state, as well as strategies for reducing associated risks [6].

As for Uzbekistan, contemporary works demonstrate the active development of debt management practices. Bokhodirova D.B. and Tajibaeva K.A. investigate methods of managing domestic and external debt obligations, as well as modern approaches to regulating government borrowings [7]. Allayarov S.R. and Bakhtiyorova Sh.S. study the risks of public debt and ways to minimize them [8], while Sattori F. in the article "Public Debt Management in Uzbekistan: A Framework for Sustainability and Growth" proposes approaches to sustainable debt management taking into account the country's economic development [9].

Thus, the literature review shows that modern public debt management practices combine theoretical approaches and practical control tools. For Uzbekistan, adapting international experience, accounting for risks of domestic and external borrowings, and ensuring debt sustainability of the state are of particular importance.

Methodology

The study employs methods of analysis and synthesis, as well as comparative and statistical methods, which enable the assessment of the structure and dynamics of public debt. The informational base consists of data from official sources of the Republic of Uzbekistan and international organizations. The application of these methods allowed for identifying key problems and outlining directions for improving debt policy.[10]

Analysis and Results

In recent years, Uzbekistan has seen an active growth in public debt volumes, driven by the expansion of investment activities, implementation of infrastructure projects, and the need to support economic growth. The increase in debt burden gives rise to certain risks associated with dependence on external financing sources, exchange rate fluctuations, and changes in borrowing conditions on international markets.[11]

The conducted analysis shows that the public debt of the Republic of Uzbekistan demonstrates a steady growth trend. As of July 1, 2025, its volume amounted to 43.38 billion US dollars, and by the end of the year, it increased to 46.85 billion dollars, which is 6.6 billion dollars or 16.5% more compared to 2024 [8]. This dynamics indicates the active attraction of borrowed funds to finance government expenditures and implement investment projects.[12]

The structure of public debt is characterized by a significant predominance of external borrowings. By mid-2025, external debt amounted to 36.41 billion dollars, and domestic debt to 6.96 billion dollars, while by the end of the year, their volumes reached 39.8 billion dollars (85%) and 7.03 billion dollars (15%), respectively. This indicates the country's ongoing dependence on external financing sources and heightened sensitivity to currency risks.

The dynamics of borrowings also show that in the first half of 2025, public debt increased by 3.16 billion dollars, and in the second quarter by 785 million dollars, indicating a slight slowdown in growth rates compared to the beginning of the year. Despite this, the annual increase remains significant.[13]

Analysis of the creditor structure reveals that international financial institutions play a key role. In particular, debt to the World Bank amounts to about 7.84 billion dollars, to the Asian Development Bank—7.46 billion dollars. A substantial share is also held by international investors through Eurobonds (5.78 billion dollars), as well as creditors from China (3.87 billion dollars) and Japan (3.19 billion dollars) [9].

The distribution of borrowed funds indicates a priority focus on budget support and development of key economic sectors. A significant portion of the funds is directed toward financing budgetary expenditures (up to 47%, or about 16.97 billion dollars), development of the energy sector (5.89 billion dollars), agriculture and water management (3.13 billion dollars), as well as the housing and communal services sector (more than 3 billion dollars) and transport infrastructure.[14]

Despite the positive impact of borrowings on economic development, several problems have

been identified. First, the high share of external debt (over 80%) intensifies dependence on external markets and currency fluctuations. Second, high growth rates of debt persist (more than 6 billion dollars per year), increasing the debt burden. Third, a significant portion of borrowings is directed toward covering the budget deficit, which reduces their investment efficiency.

In these conditions, the need for strengthening control over the use of borrowed funds increases. The analysis shows that public debt management policy in the Republic of Uzbekistan is focused on ensuring financial sustainability and reducing excessive debt burden. Measures are being implemented for planning borrowings, issuing government bonds, and monitoring currency and interest rate risks.

International organizations, particularly the IMF and the World Bank, play an additional role with their recommendations, facilitating the adaptation of the national debt management system to international standards.

Despite the relatively acceptable debt level relative to GDP, its growth, structure, and dependence on external financing sources necessitate further improvement of debt policy aimed at ensuring long-term financial sustainability.[15]

Conclusion and Recommendations

In recent years, the public debt of the Republic of Uzbekistan has demonstrated a steady growth trend, driven by the active attraction of borrowed funds to finance economic development and implement infrastructure projects. The increase in debt volume to 46.85 billion dollars by the end of 2025 indicates an expansion of the state's financial capabilities, but at the same time intensifies the burden on the budget.

The analysis of the public debt structure revealed a significant predominance of external borrowings. This points to dependence on international financial markets and heightened currency risks. At the same time, the attracted funds are directed toward developing key economic sectors, including budget support, energy, transport infrastructure, and agriculture, which contributes to the country's economic growth.

To enhance the efficiency of public debt management and ensure financial sustainability, it is advisable to:

- Reduce dependence on external borrowings. External debt constitutes the majority of the total public debt volume in the country, increasing the economy's vulnerability to currency fluctuations and changes in international financial market conditions. To minimize these risks, it is necessary to actively develop the domestic government securities market by expanding the participation of commercial banks, institutional investors, and the population in their purchase.
- Strengthen control over the efficiency of fund utilization. Currently, a portion of borrowings goes toward projects with low returns. To ensure effective public debt management, government borrowings should be directed toward financing projects with high economic returns, such as infrastructure development, energy, and export-oriented sectors. In this regard, it is necessary to introduce mechanisms for preliminary evaluation of investment projects based on analysis of their economic feasibility and payback.
- Diversify sources of borrowings. Expanding cooperation with international financial institutions and private investors, as well as developing instruments for attracting funds such as the issuance of Eurobonds and "green" bonds, will reduce dependence on individual creditors and enhance the resilience of the financial system.

Overall, public debt serves as an important tool of macroeconomic policy; however, its effective use requires a balanced approach and improvement of the management system.

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