

ISSUES OF EFFICIENT USE OF UZBEKISTAN'S PUBLIC EXTERNAL DEBT

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<https://doi.org/10.5281/zenodo.20434160>

Abstract

In the context of the rapid development of globalization processes, public external debt has become one of the important financial instruments for ensuring economic growth and modernization in developing countries. In Uzbekistan, the acceleration of economic reforms and large-scale infrastructure projects has increased the need for external financial resources. This article examines the economic essence of public external debt, analyzes the factors influencing its growth in Uzbekistan, and evaluates the main directions for its efficient use. The study also identifies existing problems related to debt management, including low project efficiency, bureaucratic barriers, and increasing debt servicing costs. Based on the analysis, scientific proposals and practical recommendations aimed at improving the efficiency of external debt utilization, strengthening monitoring systems, ensuring transparency, and enhancing debt sustainability are developed. The research concludes that the effective management of external debt and the allocation of borrowed funds to economically productive sectors are essential for maintaining macroeconomic stability and supporting sustainable economic development in Uzbekistan.

Keywords

Public external debt, debt management, economic growth, investment projects, financial stability, Uzbekistan economy, external financing, debt sustainability, infrastructure development, international financial institutions, economic reforms, public finance, macroeconomic stability, debt efficiency, digital monitoring systems.

Introduction

The deepening of globalization processes in the world economy is leading to the expansion of financial relations among states. In the conditions of modern economic development, most countries are using external financial resources in order to ensure economic growth, develop infrastructure, and finance social programs. In particular, for developing countries, external debt serves as an important financial source for economic modernization and the implementation of structural reforms.

In the Republic of Uzbekistan, as a result of the intensification of economic reforms in recent years, the volume of public external debt has been increasing. The borrowed funds are being directed toward the development of energy, transport, utility infrastructure, agriculture, and social sectors. At the same time, the efficient use of external debt and the prevention of its negative impact on economic security have become an urgent issue of scientific and practical importance.

The purpose of this article is to study the economic essence of the use of public external debt in Uzbekistan, analyze the existing problems, and develop scientific proposals and recommendations for the efficient use of external debt resources.

1. The Economic Essence of Public External Debt

Public external debt refers to the total financial obligations incurred by the government from foreign states, international financial institutions, foreign banks, and other creditors. External debt functions as a means of covering temporary shortages of financial resources and accelerating economic development.

In economic theory, external debt has a dual nature. On the one hand, it stimulates economic growth; on the other hand, excessive indebtedness negatively affects macroeconomic stability. Therefore, the effectiveness of external debt depends on the sectors to which the borrowed funds are allocated and the results achieved.

The main functions of public external debt are as follows:

- financing investment projects;
- covering the budget deficit;
- modernizing strategic sectors;
- supporting economic reforms;
- implementing social programs.

In international economic practice, the normative level of external debt is assessed in relation to gross domestic product (GDP). According to the methodology of the World Bank and the International Monetary Fund, a sharp increase in external debt may pose a threat to the financial security of the state.

2. Factors Shaping Public External Debt in Uzbekistan

Several economic factors influence the growth of public external debt in Uzbekistan. These include:

- the need to modernize the economy;
- the necessity to finance large infrastructure projects;
- the development of the energy sector;
- the expansion of the transport and communication system;
- state programs aimed at improving the welfare of the population.

In recent years, Uzbekistan has expanded cooperation with international financial institutions. In particular, projects implemented with the World Bank, the Asian Development Bank, the Islamic Development Bank, and the International Monetary Fund are contributing to the development of various sectors of the economy. A positive aspect is that the share of long-term concessional loans in the structure of public external debt is relatively high. This is because such loans have low interest rates and reduce the financial burden on the economy.

However, the continuous growth of external debt creates the following risks:

- increased debt servicing costs;
- additional pressure on the budget;
- stronger currency risks;
- greater external economic dependence.

Therefore, the issue of efficiency in the use of external debt is of great importance.

3. Main Directions for the Efficient Use of Public External Debt

The efficient use of public external debt is one of the important factors of economic growth. Inefficient use of borrowed funds may lead to increased debt burden and financial instability.

3.1. Economic Justification of Investment Projects

External debt resources should first of all be directed to projects with high economic efficiency. For each project, costs and expected economic outcomes must be thoroughly analyzed.

If a project generates future income or increases economic activity, the borrowed funds justify themselves. Otherwise, the debt burden increases.

3.2. Strengthening Monitoring of Borrowed Funds

Continuous monitoring of projects financed from public debt resources is necessary. The monitoring system should cover the following areas:

- the targeted use of funds;
- project efficiency;
- construction and implementation timelines;
- the level of economic returns.

The introduction of digital control systems helps prevent corruption and the inefficient use of funds.

3.3. Improving the Public Debt Management Strategy

Public external debt management should be based on a long-term strategy. In this regard, the following are important:

- setting debt limits;
- reducing currency risks;
- diversifying the debt portfolio;
- increasing the share of concessional loans.

In addition, directing debt resources to productive sectors increases economic returns.

4. Problems Affecting the Efficiency of External Debt Use in Uzbekistan

At present, there are certain systemic problems in the use of external debt resources in Uzbekistan. These include:

- low profitability of some investment projects;
- shortcomings in the preparation of project documentation;
- bureaucratic obstacles in the use of funds;
- insufficient economic efficiency in certain projects.

As a result of these issues, the economic return on borrowed funds may, in some cases, fail to meet expectations.

Therefore, it is necessary to improve the public debt management system based on international standards.

5. Proposals for Improving the Efficiency of Public External Debt Use

In order to improve the efficiency of public external debt use in Uzbekistan, the following measures are appropriate:

- directing borrowed funds only to strategic projects with high efficiency;
- strengthening the system of independent expertise for investment projects;
- ensuring transparency and openness in public debt management;
- expanding parliamentary and public oversight over the use of borrowed funds;
- strengthening debt repayment capacity by increasing export potential;
- introducing digital monitoring platforms.

These measures will help reduce the risks associated with public external debt and improve economic efficiency.

Conclusion

Public external debt is an important financial source for ensuring economic development. The economic reforms being implemented in Uzbekistan require the active attraction of external

financial resources. At the same time, the efficient use of external debt remains one of the priority directions of state financial policy.

The results of the study show that effective management of external debt resources, their allocation to projects with high economic returns, and the strengthening of monitoring systems are important factors in ensuring economic stability.

In the future, the introduction of modern mechanisms for public external debt management and the effective use of international experience will have a positive impact on Uzbekistan's economic development.

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