Next Scientists
Journal of Management and Economics

TYPE Original Research
PAGE NO. 45-51
DOI 10.55640/jme-05-11-09

Check for updates

Experiences Of Developed Countries In Public Debt Management And Opportunities For Application In The Practice Of The Republic Of Uzbekistan

Khamdamov O.N.

Professor, Tashkent State University of Economics, Uzbekistan

Khamdamova G.M.

Master's student, Banking and Finance Academy of the Republic of Uzbekistan, Uzbekistan

OPEN ACCESS

SUBMITED 15 October 2025
ACCEPTED 10 November 2025
PUBLISHED 30 November 2025
VOLUME Vol.05 Issue11 2025

COPYRIGHT
© 2025 Original content from this work may be used under the terms of the creative commons attributes 4.0 License.

Abstract: This article analyzes the theoretical and practical aspects of modernizing the public finance management system, improving budget policy, and ensuring effective state debt management in the Republic of Uzbekistan. The importance of diversifying the debt portfolio, optimizing debt service costs, and enhancing transparency in borrowing under conditions of global interest rate volatility, increasing external debt burden, and financial risks is substantiated. Furthermore, the experiences of G7 countries in ensuring debt sustainability are studied, and proposals for their utilization in national practice are developed.

Keywords: State debt, debt management, fiscal sustainability, debt portfolio, economic security, international financial markets.

Introduction: In the Republic of Uzbekistan, special attention is being paid to the issues of reforming the public finance management system, improving budget policy, and effective state debt management. In the context of changes occurring in global financial markets, volatility in global interest rates, and growing trends in the external debt burden, improving rational state debt management mechanisms has become an urgent task for ensuring the country's macroeconomic stability.

The legal basis for the reforms being implemented in this area is the Law of the Republic of Uzbekistan «On State Debt Management» adopted on July 20, 2023 [1]. This law defines the procedure for raising, effectively utilizing, repaying, and monitoring state debt, relying on the principles of state debt security, fiscal stability, and transparency. Based on this document, issues such as the limit level of state debt, the risk management system, and the practical application of the national 60 percent limit are regulated in a manner consistent with market mechanisms. In addition, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 35 dated January 16, 2019, «On measures for the issuance and placement of international bonds of the Republic of Uzbekistan» [2], was a critical step in integrating our country's financial market into the international arena. This resolution initiated the experience of placing national sovereign bonds on the international market, which created new opportunities for diversifying state debt, expanding the investor base, and developing the domestic bond market. Today, increasing the efficiency of the state debt management system, forming an optimal structure for the domestic and external debt portfolio, reducing the economic burden of debt servicing costs, and improving transparent mechanisms for attracting debt are considered one of the key factors for the country's financial stability.

LITERATURE REVIEW

Issues related to state debt management, particularly the effective use of debt, the mechanism of its formation, and the optimization of debt composition, have been studied by both domestic and foreign economists and scholars. Historically, there are unique perspectives from representatives of various academic «schools» regarding state debt management.

Currently, diverse approaches exist concerning the significance of state debt for the national economy, its «nature» and terminology, spanning from theoretical approaches to conclusions based on econometric analysis. The impact of public finance on the economy, especially its role during economic downturns-such as crises and the subsequent recovery periods-continues to be a subject of widespread discussion among economists. This diversity of opinion is mainly explained by the complex interrelationships between state debt, its sustainability, and the economic outcomes it influences across different countries [3]. Traditionally, the stock approach has often been used to assess the stability of public finance in the empirical analysis of sovereign debt sustainability and its impact on the economy [4]. However, recent theoretical studies indicate that not only the state debt itself but also the value of its servicing costs i.e., the difference between the interest rate and the economic growth rate (r-g)-should be considered a crucial factor determining state debt sustainability. This academic approach emphasizes the importance of introducing the (r-g) ratio as an additional indicator for assessing whether state debt is sustainable or risky. If this difference is negative (meaning economic growth is higher than the interest rate), state debt may not pose a fiscal risk; otherwise, a threat to the stability of public finance arises [5]. Blanchard summarizes this as follows: «Simply put, if the interest rate is lower than the growth rate, state debt may not have a fiscal cost». The relevance of the (r-g) difference is also noted in the report on global debt by Boone and others. It states that the reduction and relatively low level of servicing costs over the last twenty years have decreased the threat to sustainability, despite high debt levels [6].

In recent years, a number of scientific and practical studies have been carried out regarding state debt, its economic significance, and its role in ensuring macroeconomic stability. Concurrently, the institutional and organizational foundations for state debt management are developing. The impact of state debt on the economy can be both positive and negative simultaneously. When state debt is at a low level or the state budget is in surplus, the practice of state securities in the financial market is not observed. This, in turn, leads to the lack of the most liquid instrument in the financial market and forces entrepreneurial subjects to rely solely on the banking system for obtaining financial resources. Furthermore, increased state expenditures lead to a deficit in the trade balance [7]. Under conditions of implementing international financial and economic relations and organizing integration processes, state debt is considered one of the important instruments for economic development. The vast majority of foreign countries, regardless of their level of economic development, have both domestic and external state debt. State debt is a dynamic indicator that can increase or decrease over the years. With the reduction of state debt, the debt burden decreases, and funds spent on state debt servicing are saved.

The theoretical views and empirical studies reviewed above indicate that state debt is an important financial instrument for supporting economic development, ensuring macroeconomic stability, and financing strategic government programs. In assessing state debt sustainability, it is necessary to consider not only its size but also the ratio between the debt servicing costs and the economic growth rate, as well as the interest rates (r-g). If economic growth is higher than the interest rate, state debt does not impose a significant fiscal burden on the economy; conversely, high-interest costs can pose a risk to fiscal stability.

RESULTS

Today, the world economy is increasingly developing based on a high degree of integration. This leads to the development of not only traditional trade and monetary flows between states but also the emergence of new forms of mutual economic relations through debt instruments. This situation, in turn, necessitates the gradual expansion of debt relationships between states. Theoretically, achieving economic growth and innovative development without attracting foreign investments, capital flows, and other financial instruments, including debt funds, is a complex and limited process.

Theoretically, achieving economic growth and innovative development without attracting foreign investments, capital flows, and other financial instruments, including debt funds, is a complex and limited process. Reports published by international financial organizations-the World Bank and the International Monetary Fund (IMF)-at the end of 2021 noted that the volume of global state external debt exceeded 224 trillion USD, which accounted for more than 90 percent of the world's gross domestic product (GDP). This situation was already assessed as a serious threat to financial stability and economic security for states. In recent years, particularly throughout 2022-2024, the global state debt trend has remained at a high level. According to the latest data from the World Bank and the International Monetary Fund, by the end of 2023, the external debt of countries worldwide approached 235 trillion USD, which is equivalent to approximately 92-93 percent of the world's GDP. During this period, the post-pandemic economic recovery, geopolitical conflicts, inflationary pressure, and rising interest rates further increased the global debt burden. Specifically, in 2022-2023, countries with large economies such as the USA, Japan, Italy, France, India, and China constituted a significant portion of the external debt, exerting a substantial influence on global financial balance.

International rating agencies have also lowered the credit ratings of some countries against the backdrop of rapidly increasing debt. Furthermore, in 2023-2024, many countries began to focus not only on economic but also on environmental sustainability by introducing ecologically-oriented debt instruments such as «green bonds». Overall, in the context of consistently growing global debt, it has become an urgent task for states to review their economic policies, reduce debt dependence, strengthen financial stability, and develop complex strategies to maintain stable credit ratings. This, in turn, requires further improvement of the debt management system based on a deep analysis of advanced international experience and recommendations adapted to the conditions of each country.

Overall, in the context of consistently growing global debt, it has become an urgent task for states to review their economic policies, reduce debt dependence, strengthen financial stability, and develop complex strategies to maintain stable credit ratings. This, in turn, requires further improvement of the debt management system based on a deep analysis of advanced international experience and recommendations adapted to the conditions of each country.

Another important issue for states is the assessment of the efficiency of debt utilization, which means finding precise and analytical answers to the question of what results the borrowed funds are yielding in which sectors of the economy. As of 2024, the International Monetary Fund recommends that states implement debt sustainability strategies (Figure 1).

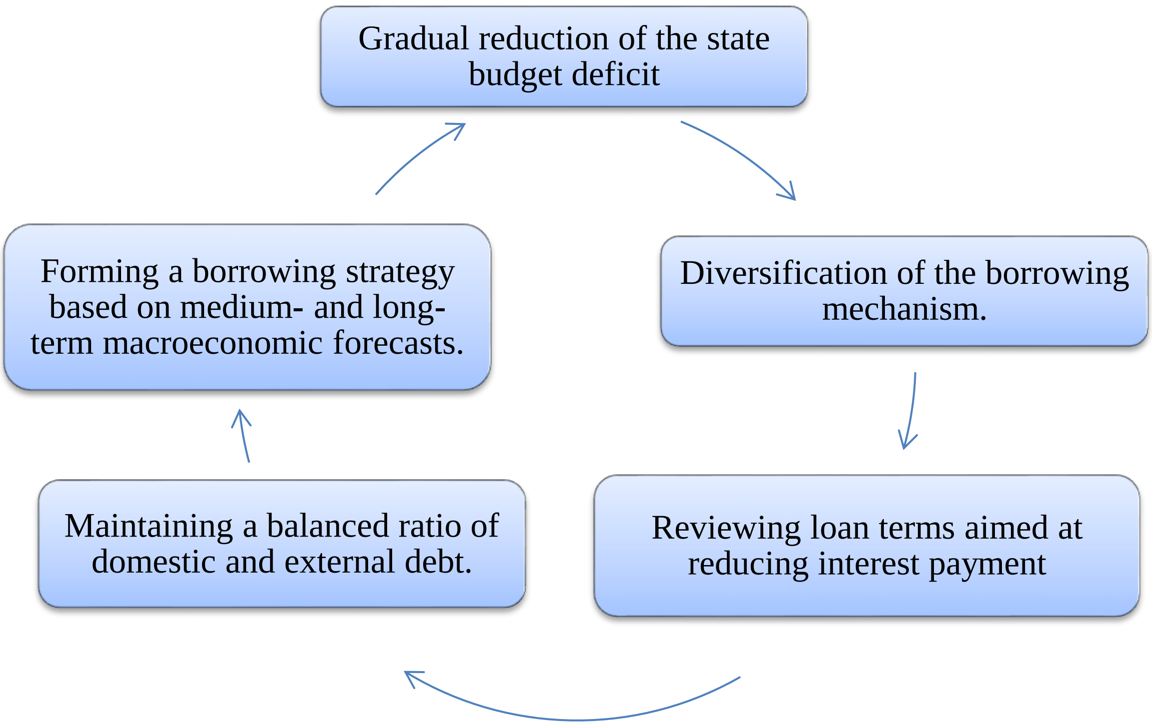

Figure 1. Recommendation for implementing debt sustainability strategies by states (International Monetary Fund, 2024)

The information from the figure suggests that a diversified debt-raising mechanism ensures stability for the state against currency risks and changes in credit terms. Therefore, it is important to attract resources not by relying on only a few sources, but through domestic and foreign financial markets, international financial institutions, and sovereign bonds. The debt strategy must be formed not based on short-term needs, but on medium- and long-term macroeconomic forecasts. Strategic planning for borrowing also takes into account the GDP growth rate, inflation, fiscal revenue forecasts, expectations in the financial market, and the level of political stability. This approach relies on the theory of dynamic optimization.

Of course, when discussing international best practices, it is appropriate to first study the experiences of economically developed countries, especially the G7 group, regarding state debt management. This is primarily explained by the fact that these countries utilize modern instruments and methodological approaches in debt management, and secondly, the G7 countries have many years of experience related to debt management. It can be noted that during 2017-2024, the level of state debt relative to GDP in almost all G7 countries exceeded 60%, and in some, it was several times higher than the norms recommended by the IMF and the World Bank (Table 1).

Table 1.

Dynamics of state debt to GDP ratio in G7 countries(%)

№	Country	2019 y.	2020 y.	2021 y.	2022 y.	2023 y.	2024 y.
1	USA	107,0	128,0	131,0	123,0	123,0	124,0
2	Japan	204,0	236,0	253,0	257,0	252,0	217,0
3	Germany	58,7	68,0	68,8	65,0	62,9	62,7
4	Great Britain	85,1	98,8	98,2	94,6	97,2	96,4
5	France	98,1	114,8	112,7	111,3	109,7	113,5

6	Italy	134,1	155,3	150,9	138,1	134,6	135,3
7	Canada	105,6	130,0	117,2	102,2	98,7	96,3

The data in the table show that Japan has the absolute highest level of state debt relative to Gross Domestic Product (GDP), with this indicator reaching 217% by the end of 2024. In countries like Italy, the USA, and France, the state debt level is also high, having been at 100-130% relative to GDP in recent years. Among developed countries, Germany is the one with the lowest positive result for this indicator, with the figure being equal to 60-65% of GDP.

Studies show that, despite high debt levels in developed countries, financial markets usually accept this debt as a risk-free asset. For example, in Japan, although the country's debt exceeds 2 times its GDP, this debt is mainly concentrated among domestic investors, and due to the stability of the financial system and high confidence in the government, financial and capital markets accept it without problems. Japan's monetary policy has maintained low interest rates over the years, resulting in relatively low state debt servicing costs. Another unique feature of Japan is that the Central Bank purchases a large portion of government bonds, thereby sustaining the demand for bonds in the domestic market. As a result, international experts and specialists continue to assess the threat of Japan's state debt to national security as relatively low, despite the massive debt burden.

The USA is the country with the largest state debt in the world. By the end of 2024, the federal government debt constituted 124% of GDP, or 36,2 trillion dollars, of which 28,7 trillion dollars was debt held by the public (debt to investors) and 7,5 trillion was intragovernmental debt (internal debt). US state debt is mainly financed through US dollar-denominated bonds, and these bonds are accepted internationally as a «risk-free asset». In turn, the extensive financial capability of the US and the status of the dollar as the global reserve currency allow the US to operate stably even with high debt. However, the high growth rate of debt in the US in recent years is being received with varying approaches by investors; in particular, it should be noted that Moody's agency lowered the US's highest credit rating towards the end of 2024 . Although the US has introduced a «debt ceiling» at the legislative level to limit state debt, in practice, this mechanism is often the subject of political disputes and is regularly raised.

Studies show that the G7 members of the European Union (Germany, France, Italy) have also established fiscal rules, such as the «Stability and Growth Pact» to limit the debt burden. However, these restrictions were temporarily eased during the 2008 crisis and the pandemic Italy is one of the countries with the highest state debt in Europe, having achieved fiscal discipline in recent years by reducing the budget deficit from 7,2% of GDP in 2023 to 3,4% in 2024. As a result, demand for Italian bonds has stabilized in international financial markets, and the spread between Italian and German bonds has dropped to its lowest level in recent years (around 100 basis points). It can also be noted that the level of state debt in France has been increasing over the last six years. Germany, on the other hand, stands out for its relatively low debt and strict austerity policy, having constitutionally introduced the «debt brake» (Schuldenbremse) rule, which strictly requires the budget deficit not to exceed 0,35% of GDP.

In international financial markets, British bonds are recognized as a long-term investment instrument. UK government bonds have one of the longest average maturities in the world, averaging 15 years at the end of 2022. This approach was formed in the late 1990s to meet the financing demands of pension funds and reduce interest rate risk. Consequently, the British debt portfolio has been able to reduce the risk of interest rate changes by «fixing interest rates» over the long term. However, due to instability in the financial market in 2022 (the problem of pension fund liabilities), the British debt agency decided to slightly reduce the issuance of long-term bonds in 2024. Nevertheless, UK state debt is also around 95% of GDP, and markets are still closely monitoring this level.

Overall, since all G7 countries conduct monetary and fiscal policies based on having high debt levels, we believe that their experience is based on sustainable debt management strategies. These countries can coordinate measures such as stimulating economic growth, ensuring debt balance through inflation, and fiscal consolidation (reducing the budget deficit) to reduce high debt-to-GDP ratios. According to studies, a combination of fiscal austerity, high economic growth, moderate inflation, and in some cases, financial «repression» (artificially keeping interest rates low) is necessary to reduce the debt-to-GDP ratio.

The experience of developed countries shows that the most important aspect of debt management is maintaining market confidence and demonstrating the ability to repay the debt on time. The majority of G7 countries, such as Germany and Canada (AAA), and the

USA (AA+), have the highest credit ratings, which allows them to borrow capital at low interest rates. The research found that the debt management strategies or approaches of the G7 countries share many similar principles. Guidelines on debt management proposed by the International Monetary Fund and the World Bank state that the main goal of the state debt management strategy is to meet the government's financing needs and payment obligations over the medium and long term with minimal costs while maintaining an acceptable level of risk. The main directions of the US state debt management strategy include issuing government bonds, optimizing the balance of short- and long-term debt, coordinating with the US Federal Reserve System, and reducing the debt ratio through economic growth109. In Germany, the strategy includes limiting the annual budget deficit through the «Debt Brake» (Schuldenbremse) policy, controlling the issuance of government bonds, directing surplus budgets to debt repayment, and maintaining a conservative fiscal policy.

CONCLUSION

The optimal formation of state debt also directly affects the development of financial markets. Low state debt leads to the insufficient formation of the government securities market, restricting economic entities' access to financial resources. Conversely, excessive borrowing can cause a state budget deficit and external trade imbalances. Therefore, in the process of improving state debt management policy, it is crucial to diversify the debt composition, optimize debt servicing costs, and enhance the transparency of borrowing decisions and institutional accountability. Furthermore, aligning the debt strategy with the country's long-term economic growth objectives ensures the sustainability of public finance and the consistent continuation of economic development.

The state debt management strategy is vital for ensuring macroeconomic stability. Disproportionate growth of the debt amount and structure relative to economic growth negatively affects financial stability and causes the emergence of excessive costs for the state budget. Therefore, the state debt management strategy is one of the priority areas of economic and financial policy, where maintaining fiscal discipline and keeping the debt portfolio in an optimal state are of great importance.

The ratio of domestic to external debt directly impacts economic stability. Domestic debt is mostly in national currency and can increase inflationary pressure through interest expenses. External debt, however, is highly susceptible to currency risks and changes in credit terms. Therefore, it is appropriate to determine the optimal ratio of the debt structure and prioritize long-term, low-interest debt. State debt management must be conducted in harmony with fiscal and monetary policies. The Central Bank's monetary policy directly affects interest rates and exchange rates. Therefore, political and technical coordination between the Ministry of Economy and Finance and the Central Bank ensures the optimal formation of the cost of debt and serves to strengthen fiscal stability.

One of the important aspects of state debt management is improving the state's credit rating and enhancing its image in international financial markets. As noted above, developed countries possess high credit ratings, which allows them to use debt capital at a low cost. It is also highly important for Uzbekistan to achieve an investment rating in the future by deepening reforms in the area of achieving international ratings. Trust from international rating agencies can be gained by ensuring fiscal stability, strengthening the banking and financial sector, and maintaining external sector balance. An increase in the rating leads to higher demand for government bonds, reduced interest costs, and strengthened overall debt sustainability.

The following conclusions can be drawn regarding the introduction of a compensatory payment mechanism formed on the basis of a state guarantee: the compensatory payment rate should be differentiated: it is appropriate to set the rates between 0.3% and 1.0% depending on the project risk and financial stability; the formation of a special guarantee fund: based on international best practices, an insurance fund should be established from the received payments to cover risks associated with state guarantees.

The openness of information and systematic monitoring are crucial in state debt management. This provides public accountability for all debt-related operations, strengthens investor confidence, and leads to positive assessments by international ratings. Information transparency increases the efficiency of public finance and limits corruption. Stress-test analyses play a special role in assessing debt sustainability. These analyses evaluate and determine the state's financial capacity against sharp changes in macroeconomic conditions, interest rate fluctuations, or exchange rate volatility. Forecasts developed based on the DSA (Debt Sustainability Analysis) model serve as an important tool for defining the main directions of the debt strategy. According to the experience of developed countries, specialized independent agencies or authorized bodies are established for effective debt management. In Germany, the UK, and the US, such institutions play a key role in issuing state debt, optimizing the portfolio, and controlling debt servicing costs. This model is independent of political situations and circumstances, ensuring stability and professionalism in debt management.

REFERENCES

1. Law of the Republic of Uzbekistan “On State Debt” dated April 29, 2023, No. - O‘RQ-836.
2. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 35 dated January 16, 2019 «On measures for the issuance and placement of international bonds of the Republic of Uzbekistan».
3. Álvaro Fernández-Gallardo, Iván Payá, Public debt burden and crisis severity, European Economic Review, Volume 176, 2025, 105028, ISSN 0014-2921, https://doi.org/10.1016/j.euroecorev.2025.105028.
4. Reinhart, Carmen M., and Kenneth S. Rogoff. “From Financial Crash to Debt Crisis”. American Economic Review 101 (5): 2011, 1676-1706.
5. Barrett P. Interest-growth differentials and debt limits in advanced economies. - International Monetary Fund, 2018.
6. Fels, Joachim, et al. Debt: The eye of the storm. Ed. Laurence Boone. ICMB International Center for Monetary and Banking Studies, 2022.
7. Ganiyev D.A. The relationship between public debt and economic growth - the case of Uzbekistan // Scientific electronic journal “Economics and Innovative Technologies” 3/2022, May-June.
8. Olimjonov Z.Z. The importance of introducing international standards in developing a public debt management strategy // Scientific electronic journal “Logistics and Economics” 2022 Issue 3.
9. Николайчук О.А., Люшнина Н.О. Внешний долг России. Монография, 3-изд. испр. и доп. - М.: ИНФРА-М, 2019 - 146 с.
10. External debt statistics: guide for compilers and users/Inter-Agency Task Force on Finance Statistics. - Washington, D.C.: International Monetary Fund, 2023.