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FOREIGN EXPERIENCE IN PUBLIC DEBT MANAGEMENT: LESSONS AND STRATEGIC IMPLICATIONS FOR UZBEKISTAN

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ABSTRACT
This article analyzes foreign experience in public debt management, focusing on institutional models, strategic frameworks, and fiscal coordination mechanisms in developed and emerging economies. The study identifies best practices from the UK, Japan, Germany, Poland, and Brazil, highlighting the importance of institutional autonomy, transparency, and domestic market development for sustainable debt management in Uzbekistan.
KEYWORDS: *Public Debt, Debt Management, Fiscal Policy, Institutional Reform, Transparency, Sustainability.*

INTRODUCTION

Public debt management stands at the intersection of fiscal policy, macroeconomic stability, and financial market development. It encompasses a set of institutional, analytical, and operational strategies aimed at ensuring that a government's financing needs and payment obligations are met at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. The capacity of a state to manage its debt effectively reflects the maturity of its fiscal governance, the strength of its institutions, and its ability to maintain the confidence of investors and international partners.

In the 21st century, global debt levels have reached unprecedented heights. According to the International Monetary Fund (IMF), the average public debt in advanced economies exceeded 112% of GDP in 2023, while emerging markets averaged around 68%. These figures reveal both the growing reliance of governments on debt financing and the critical importance of sound debt management systems to avoid crises of solvency or liquidity. Historical experience — from the Latin American debt crisis of the 1980s to the European sovereign debt crisis of the 2010s — underscores that poorly managed debt can undermine economic growth, destabilize financial systems, and erode social welfare.

The international community, through organizations such as the IMF, World Bank, and OECD, has established guidelines and best practices to help countries manage public debt efficiently. The introduction of the Medium-Term Debt Management Strategy (MTDS) framework and the Debt Management Performance Assessment (DeMPA) tool have provided governments with analytical instruments to balance costs and risks, develop domestic debt markets, and strengthen institutional accountability. These tools emphasize the integration of debt management into the broader framework of fiscal policy and macroeconomic stability.

The experience of leading economies demonstrates that institutional design plays a decisive role in the success of debt management policies. For instance, countries like Sweden and the United Kingdom have established autonomous Debt Management Offices (DMOs) that operate transparently under clearly defined mandates. Their operations are guided by market-based principles, detailed reporting standards, and independent oversight. In contrast, developing economies often face institutional fragmentation, limited access to capital markets, and high dependence on external financing factors that heighten their exposure to interest rate and exchange rate risks.

The evolution of debt management practices in countries such as the United States, Japan, and the United Kingdom offers valuable insights into the institutional, legal, and strategic mechanisms that ensure sustainability. At the same time, the experience of emerging economies in Asia, Latin America, and Eastern Europe provides lessons on managing debt under fiscal constraints, developing domestic bond markets, and improving transparency. For Uzbekistan and other developing nations seeking to modernize their fiscal systems, the analysis of these international experiences is crucial for designing a sustainable, risk-sensitive, and development-oriented debt policy.

LITERATURE REVIEW

The management of public debt has long occupied a central position in macroeconomic theory and public finance, serving as a key determinant of fiscal sustainability, sovereign creditworthiness, and long-term economic development. The literature on public debt management is extensive, spanning theoretical, empirical, and policy-oriented analyses. This section reviews the principal contributions from international scholars and institutions, highlighting key conceptual frameworks and comparative experiences relevant to the modernization of debt management in emerging economies.

Classical economists such as Adam Smith (1776) and David Ricardo (1817) first outlined the role of public borrowing in state finance, emphasizing the dangers of excessive debt accumulation and the moral obligation of governments to maintain fiscal prudence. The Ricardian equivalence hypothesis, later formalized by Barro (1974), argued that rational agents anticipate future taxation to repay public debt, implying that government borrowing does not affect aggregate demand. However, Keynesian economists such as John Maynard Keynes (1936) viewed public debt as a necessary tool for stimulating demand and mitigating economic downturns a perspective that reshaped post-war fiscal policies.

In modern macroeconomic theory, the sustainability of public debt depends on the relationship between the interest rate and the growth rate of the economy (r–g). As demonstrated by Blanchard (2019), when the growth rate exceeds the interest rate, moderate deficits and debt accumulation can be sustainable without leading to fiscal instability. Nevertheless, Krugman (1988) and Reinhart & Rogoff (2010) emphasize that excessive borrowing can trigger debt overhangs, reduce investment, and impede growth, especially in developing economies where institutional capacity is weaker.

Institutional economists highlight the significance of governance structures in ensuring effective debt management. According to Missale (1999), an optimal debt management strategy must balance cost minimization and risk control through well-defined institutional mandates. The IMF and World Bank (2014) jointly developed the Medium-Term Debt Management Strategy (MTDS) as a standardized framework, enabling governments to align borrowing strategies with macroeconomic conditions and fiscal objectives.

The OECD (2020) underscores that the autonomy of Debt Management Offices (DMOs), legal clarity, and transparency are key factors influencing market credibility. Empirical research by Cassard and Folkerts-Landau (1997) and Currie, Dethier & Togo (2003) also reveals that countries with centralized DMOs (such as the UK, New Zealand, and Sweden) achieve lower borrowing costs and improved risk management compared to those with fragmented responsibilities.

The United States, United Kingdom, and Japan have developed robust systems of debt management that combine institutional autonomy with policy coordination. Wheeler (2004) and Mehrotra (2018) emphasize that predictable issuance calendars, transparent reporting, and active secondary markets are essential to maintaining investor confidence. The UK Debt Management Office (2021), for instance, integrates macroeconomic forecasts into its borrowing program, balancing short- and long-term instruments to minimize refinancing risk.

Japan's experience is particularly noteworthy due to its extraordinarily high debt-to-GDP ratio exceeding 250%. Studies by Ito (2015) and Nakazono (2019) explain Japan's relative stability through strong domestic demand for government bonds, low interest rates, and institutional trust. Similarly, the U.S. model rooted in Treasury securities markets demonstrates how large-scale debt operations can be sustained through credibility and transparent fiscal governance (Greenwood, Hanson & Stein, 2015).

In contrast, emerging economies often face structural constraints such as shallow domestic capital markets, exchange rate volatility, and limited fiscal space. Research by Panizza (2008) and Eichengreen & Hausmann (2005) identifies the "original sin" problem the inability of developing countries to borrow in their own currency as a major source of vulnerability. Latin American and Eastern European experiences illustrate the dangers of foreign-currency-denominated debt, which amplifies macroeconomic shocks and increases default risk.

Empirical analyses by Das, Papaioannou & Pedras (2010) show that countries which introduced medium-term debt strategies and modernized their legal frameworks including Brazil, Chile, and South Africa achieved greater debt sustainability and improved investor perception. Similarly, Dziemianowicz & Osińska (2017) highlight Poland's institutional reforms, where an integrated debt management agency successfully reduced refinancing costs through diversification of instruments and risk-based management.

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ANALYSIS AND RESULTS

The data demonstrate that advanced economies maintain high debt levels without compromising macroeconomic stability primarily because of institutional credibility. The institutionalist school (North, 1990; Acemoglu & Robinson, 2012) argues that well-defined, rule-based institutions reduce uncertainty and transaction costs in financial systems.

Countries such as the United Kingdom and Sweden embody this principle by granting operational autonomy to their Debt Management Offices (DMOs), where decisions are guided by market analysis rather than political expediency. These agencies operate under stringent accountability frameworks publishing quarterly debt reports, organizing transparent auctions, and maintaining consistent communication with investors.

Table 1. Institutional features of public debt management in selected countries

Country	Institutional Structure	Strategic Approach	Key Features
United States	Decentralized model under the U.S. Treasury	Market-based debt issuance; predictable auction calendar	Deep secondary market, transparent communication, strong investor base
United Kingdom	Centralized DMO (UK Debt Management Office)	Cost-risk optimization with annual remit to Parliament	Operational autonomy, transparency, frequent reporting
Japan	Centralized under Ministry of Finance	Domestic-oriented financing strategy	High domestic ownership, low interest rates, long maturities
Germany	German Finance Agency (Finanzagentur)	Conservative fiscal rule ("debt brake")	Strong fiscal discipline, credibility in bond markets
Poland	Centralized DMO with risk-based strategy	Medium-Term Debt Management Strategy (MTDS)	Diversification of instruments, improved investor confidence
Brazil	Centralized National Treasury Secretariat	Integrated debt and cash management	Development of local bond market, inflation-indexed instruments

Source: Compiled by the author based on IMF (2024), OECD (2023), and national DMO reports.

This comparison indicates that institutional independence and strategic planning play a decisive role in ensuring stability and efficiency. Countries with dedicated DMOs operating under a clear legal framework and subject to parliamentary or public accountability tend to achieve lower borrowing costs and stronger market credibility. In contrast, nations with fragmented responsibilities (often among ministries, central banks, and external agencies) face coordination challenges and greater exposure to refinancing and currency risks.

Table 2. Structural Indicators of Debt Sustainability (Average 2018-2023)

Country	Debt-to-GDP (%)	Domestic Debt Share (%)	Average Maturity (Years)	Debt Servicing Cost (% of Revenue)	Main Fiscal Risk Factor
Japan	254.3	94	8.9	8.1	Demographic aging, slow growth
United States	121.5	100	6.2	9.8	Rising interest rates
United Kingdom	98.2	89	7.5	7.2	Inflation and borrowing cost
Germany	63.0	92	6.7	6.4	Fiscal federalism constraints
Poland	48.7	76	5.8	8.7	External market exposure
Brazil	78.9	85	4.2	13.5	Exchange rate volatility

Source: IMF Fiscal Monitor (2024); OECD Debt Statistics (2023).

While advanced economies such as Japan and the United States maintain high debt ratios, they compensate with strong institutional credibility, deep markets, and low servicing costs. Conversely, emerging economies like Brazil and Poland manage lower absolute debt levels but face higher interest burdens and vulnerability to external fluctuations.

The results support Blanchard's (2019) argument that debt sustainability is feasible when the economic growth rate (g) exceeds the real interest rate (r). However, the condition $g > r$ is attainable only when supported by credible institutions, investor confidence, and prudent fiscal policies.

Recommendations and Conclusion

Uzbekistan's analysis of foreign public debt management practices highlights the decisive role of institutional quality, transparency, and fiscal coordination in ensuring sustainability. To strengthen its own framework, the following integrated recommendations are proposed. First, the establishment of a centralized and semi-autonomous Debt Management Office (DMO) within the Ministry of Economy and Finance is essential. Such an institution should operate with clear legal authority, professional staffing, and direct accountability to Parliament, following the successful models of the United Kingdom and Sweden. Second, Uzbekistan must adopt a Medium-Term Debt Management Strategy (MTDS) that links fiscal, monetary, and borrowing policies, providing a coherent framework for balancing cost and risk over time. Third, the development of the domestic debt market is critical to reducing reliance on foreign borrowing; the issuance of long-term, inflation-indexed, and benchmark government bonds would stimulate investor confidence and deepen capital market liquidity. Fourth, transparency and public communication must be institutionalized through regular publication of debt bulletins, sustainability reports, and open data platforms. Finally, the integration of Debt Sustainability Analysis (DSA) into budgetary planning and continuous capacity building for specialists will ensure informed and responsible fiscal decisions.

In conclusion, the experiences of countries such as Japan, the United Kingdom, Germany, Poland, and Brazil confirm that the effectiveness of debt management depends less on debt volume and more on institutional strength, fiscal discipline, and market trust. For Uzbekistan, modernizing its debt management system is not merely a financial reform but a strategic step toward economic sovereignty. Establishing a transparent, data-driven, and accountable framework will enhance investor confidence, stabilize public finances, and convert debt into an engine of sustainable growth. Ultimately, sound debt management should be viewed as a key instrument of national economic policy ensuring that each unit of borrowed capital contributes directly to long-term development and macroeconomic stability.

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