ADMINISTRATIVE CHALLENGES IN THE IMPLEMENTATION OF GOVERNMENT LOANS: A FOCUS ON UZBEKISTAN

Makhkamjonova Khumora Bakhtiyor kizi
Teacher of the department of “Finance”
Tashkent Institute of Finance
khumorahon@gmail.com

Abstract: The article is devoted to the current managerial issues of state loan, particularly, where they are being spent in Uzbekistan and for how many period the loan is taken.

Key words: Government loan, functions of state credit, forms of government credit, current loan of Uzbekistan.

Introduction. A country's gross government debt (also called public debt, or sovereign debt) is the financial liabilities of the government sector. Changes in government debt over time reflect primarily borrowing due to past government deficits. A deficit occurs when a government's expenditures exceed revenues. Government debt may be owed to domestic residents, as well as to foreign residents. If owed to foreign residents, that quantity is included in the country's external debt.

In 2020, the value of government debt worldwide was $87.4 US trillion, or 99% measured as a share of gross domestic product (GDP). Government debt accounted for almost 40% of all debt (which includes corporate and household debt), the highest share since the 1960s. The rise in government debt since 2007 is largely attributable to the global financial crisis of 2007–2008, and the COVID-19 pandemic.

The ability of government to issue debt has been central to state formation and to state building. Public debt has been linked to the rise of democracy, private financial markets, and modern economic growth. A state credit is a set of money relations arising between the state and individuals and legal entities, other states and international financial organizations, in which the state can act both as a borrower and as a creditor and guarantor. State credit relations arise in the following cases:

- When the state is a borrower, i.e. borrows funds from individuals and legal entities, other states and international financial organizations;
- When the state is a creditor, i.e. issues loans to individuals and legal entities, other states;
- When the state is the guarantor, i.e. responsible for the repayment of loans, fulfills the obligations of individuals and legal entities.

There are 3 functions of state credit:

•Distribution function;

•Regulating function;

•Control function.

Subjects of state credit:

•The lender acts as the entity providing the loan. Legal entities and individuals can act as creditors.

•Borrower is the recipient of the loan. The state acts as the borrower.

In international credit relations, the state can act as both a debtor and a creditor.

Government borrowings are carried out for:

•Financing priority areas of economic development, including government development programs;

•Refinancing government debt;

•Covering the state budget deficit.

Objectives and Methodology The research is aimed at learning the current state loan of Uzbekistan and by considering how the government loan is being spent and from which organization is taken.

To achieve this objectives, the following tasks have been identified:

1. To analyze the theoretical and managerial background of the financial management process within budget execution;
2. To analyze the total data about state loan in Uzbekistan;
3. To provide solutions and recommendations how to perfectly invest in business.

The research methodology of this paper is based on conducting the comparative analysis of macroeconomic development, political and social issues in the context of the financial management processes within state budget execution. It is also implemented SWOT, systematic vision, causes and consequences analysis and expert assessment.

Government debt accumulation may lead to a rising interest rate, which can crowd out private investment as governments compete with private firms for limited investment funds. Some evidence suggests growth rates are lower for countries with government debt greater than around 80 percent of GDP. A World Bank Group report that analyzed debt levels of 100 developed and developing countries from 1980 to 2008 found that debt-to-GDP ratios above 77% for developed countries (64% for developing countries) reduced future annual economic growth by 0.017 (0.02 for developing countries) percentage points for each percentage point of debt above the threshold.

Excessive debt levels may make governments more vulnerable to a debt crisis, where a country is unable to make payments on its debt, and it cannot borrow more.

Crises can be costly, particularly if a debt crisis is combined with a financial/banking crisis which leads to economy-wide deleveraging. As firms sell assets to pay off debt, asset prices fall which risks an even greater fall in incomes, further depressing tax revenue and requiring governments to drastically cut government services. Examples of debt crises include the Latin American debt crisis of the early 1980s, and Argentina's debt crisis in 2001. To help avoid a crisis, governments may want to maintain a "fiscal breathing space". Historical experience shows that room to double the level of government debt when needed is an approximate guide.

Government debt is built up by borrowing when expenditure exceeds revenue, so government debt generally creates an *intergenerational transfer*. This is because the beneficiaries of the government's expenditure on goods and services when the debt is created typically differ from the individuals responsible for repaying the debt in the future.

An alternative view of government debt, sometimes called the Ricardian equivalence proposition, is that government debt has no impact on the economy if individuals are altruistic and internalize the impact of the debt on future generations. According to this proposition, while the quantity of government purchases affects the economy, debt financing will have the same impact as tax financing because with debt financing individuals will anticipate the future taxes needed to repay the debt, and so increase their saving and bequests by the amount of government debt. Such higher individual saving means, for example, that private consumption falls one-for-one with the rise in government debt, so the interest rate would not rise and private investment is not crowded out.

Uzbekistan’s public debt as of July 1, 2023 topped $31.5 billion, or 36.8% of GDP. Of these, public external debt is $25.9 billion, public internal debt is $5.6 billion. As of January 1, 2023, this figure was $29.2 billion. The share of public debt to GDP was 36.4%. By country, the largest external debt is from China ($3.8 billion), Japan ($2.1 billion) and South Korea ($0.9 billion). In the context of international financial organizations, the largest amount of debt was attracted from the Asian Development Bank ($6.2 billion), the World Bank ($5.6 billion) and the Islamic Development Bank ($0.9 billion). Reportedly in 2023, the total value of inked agreements to attract external debt on behalf and under Uzbekistan’s guarantee will be $4.5 billion, of which $2 million will be used to support the state budget (which is $500 billion less than last year), and $2.5 billion - to finance investment projects (which is $500 billion more than last year). According to the Public Debt Law, the maximum amount of public debt in relation to GDP should not exceed 60%. According to preliminary analysis, in an aim of ensuring stability of macroeconomic and fiscal figures in the medium term, the share of public debt to GDP is projected to be within

37% in 2024, 37.4% in 2025, 37.9% in 2026. In order to keep public debt at a safe level and effectively management, the Ministry of Economy and Finance has envisaged the following measures in the medium term:

- follow up the practice of establishing annual ceilings on public debt;
- reducing currency risks by attracting borrowed funds in national currency. At the same time, set the maximum net volume of issue of government treasury bonds in 2024 at the level of 25 trillion soums;extension of the average maturity of public debt, as well as diversification sources of public debt;
- accelerating the process of broadly attracting international investors to the government treasury bond market;
- preventing, eliminating or reducing risks associated with servicing public debt;
- ensuring openness of information on public debt.

Limited amount of public external debt that must be received in 2024 is $5 billion. Of this, $2.5 billion will be used to support the state budget, $2.5 billion – to investment projects. It is planned to issue government securities worth 25 trillion soums on behalf of the Republic of Uzbekistan.

ADB and AFD to provide $275 million in loans for digitalization of power distribution in Uzbekistan

The Asian Development Bank (ADB) has approved a of $200 million loan that will help Uzbekistan modernize and digitize its power distribution system to improve energy efficiency and reliability of electricity services, the bank said. As part of the project: "Digital Transformation and Improving the Resilience of Distribution Networks," 26 distribution substations in the provinces of the country will be upgraded to digital substations, including a supervisory control and data acquisition (SCADA) system. Digital protection relays and climate-resilient design are expected to improve the operational reliability and resilience of substations to natural disasters and extreme weather events, preventing provinceal power outrages.

"Modernizing Uzbekistan's aging distribution network is critical to the country's long-term green and low-carbon strategy," said ADB Director General for Central and West Asia Evgeniy Zhukov. "We are pleased to support this project, which will not only improve the quality of energy services, but also facilitate the transition to clean energy by reducing energy losses that lead to increased greenhouse gas emissions."

Demand for electricity in Uzbekistan is projected to further increase from 67 terawatt-hours in 2019 to 120.8 terawatt-hours in 2030. The government plans to build an additional 17 gigawatts (GW) of capacity on top of the existing 12.9 GW capacity, including 8 GW of renewable energy projects by 2030.

"This project will allow Uzbekistan to reliably supply the additional energy the country needs to meet growing demand," said ADB senior energy specialist Sung Dak

Kim. “Modernizing transmission and distribution systems will also allow the country to integrate more renewable energy into the grid, given that smart and flexible systems can better manage the variability of renewable energy sources such as solar and wind.”

The ADB project will also help strengthen the financial management capacity of Provinceal Electric Networks (RES). In addition, a technical assistance grant in the amount of $250 thousand will be provided to support the institutionalization of gender mainstreaming in the RES and the promotion of the participation of women and girls in the energy sector, including through the training of female students as part of a partnership educational program between the RES and Tashkent State Technical University.

Conclusion. In doing so, taking so much loan is not bad, if those money are invested in good ways or used, cleverly. Taking some developed countries into consideration such as USA, Kazahstan, and China. Their loan is also high, but still developed.

References

1. http://tashkenttimes.uz/finances/11729-adb-and-afd-to-provide-275-million-in-loans-for-digitalization-of-power-distribution-in-uzbekistan
2. https://www.google.com/search?q=government+loan+in+uzbekistan+2023&sca_esv=582309385&ei=m5pTZazuH9GRxc8P67qgkAY&ved=0ahUKEwjsp_6O78OCAxXRSPEDHWsdCGIQ4dUDCBA&uact=5&oq=government+loan+in+uzbekistan+2023&gs_lp=Egxnd3Mtd2l6LXNlcnAiImdvdmVybm1lbnQgbG9hbiBpbiB1emJla2lzdGFuIDIwMjMyBRAAGKIEMgsQABjxBBiJBRiiBDIFEAAYogRInKkBUNUNWPiXAXABeAGQAQCYAaUBoAGQFKoBBDAuMTm4AQPIAQD4AQHCAgoQABhHGNYEGLADwgIKEAAYigUYsAMYQ8ICBRAAGIAEwgIGEAAYFhgewgIHEAAYExiABMICCBAAGBYYHhgTwgIFECEYoAHCAgcQIRigARgKwgIEECEYFeIDBBgAIEGIBgGQBgo&sclient=gws-wiz-serp
3. https://www.adb.org/news/adb-signs-loan-agreement-skills-development-project-uzbekistan
4. https://documents1.worldbank.org/curated/en/239171608229309990/pdf/Official-Documents-Loan-Agreement-for-Loan-9184-UZ.pdf
5. https://www.trade.gov/country-commercial-guides/uzbekistan-trade-financing