REVIEW ARTICLE

PUBLIC DEBT OF THE REPUBLIC OF UZBEKISTAN: THE ROLE OF GLOBAL FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF ECONOMIC ACTIVITIES

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ABSTRACT

Objective: This article aims to analyze the expansionary fiscal policy implemented by the government and its impact on the economy, with a specific focus on public debt. The objective is to understand how public debt management can be optimized to effectively reduce poverty and contribute to sustainable development. **Methods**: To achieve the objective, a systematic review approach was adopted. A comprehensive literature search was conducted across academic databases and reputable sources using relevant keywords. Studies and articles that directly addressed the expansionary fiscal policy, public debt management, and poverty reduction were included for analysis. Data extraction and synthesis were performed to identify patterns, trends, and recurring themes related to public debt and its impact on poverty reduction. **Results**: The analysis revealed various aspects of public debt management that are crucial in understanding its dynamics and influence on poverty reduction. The study explored external and internal debt, outstanding balance, government guarantees, the role of the digital economy, and public-private partnership agreements. The findings highlighted the significance of the expansionary fiscal policy in driving private sector development and its implications for public debt sustainability. **Conclusion**: Based on the research findings, proposals were formulated to optimize the composition of public debt and enhance its utilization for poverty reduction. The study emphasizes the importance of effective public debt management strategies in achieving sustainable development goals. By leveraging the expansionary fiscal policy and considering key elements such as external and internal debt, outstanding balance, government guarantees, the digital economy, and public-private partnerships, policymakers can make informed decisions to reduce poverty and promote economic growth.

Keywords*: external debt, internal debt, outstanding balance, government guarantee, digital economy, public-private partnership agreements.*

1. INTRODUCTION

Global financial institutions play a crucial role in maintaining stability within the international financial system. These organizations are specifically designed to foster economic stability, promote sustainable development, and encourage financial cooperation among nations [1]. Some of the most significant global financial institutions include:

International Monetary Fund (IMF): The IMF's primary objective is to ensure global financial stability by extending financial assistance, offering policy advice, and providing technical expertise to member countries. The institution diligently monitors global economic trends, advocates for prudent monetary and fiscal policies, and assists countries in managing balance of payments issues and financial crises effectively. Additionally, the IMF serves as a forum for member nations to discuss economic policies and collaborates with other institutions to address global economic challenges.

World Bank: Committed to reducing poverty and facilitating sustainable development, the World Bank plays a pivotal role by providing financial resources, expertise, and technical assistance to developing nations. It supports diverse projects and programs across crucial sectors like infrastructure development, education, health, agriculture, and governance, with the aim of promoting economic growth and enhancing living conditions. The World Bank also conducts research, publishes reports, and promotes knowledge sharing to address development challenges globally.

Regional Development Banks: In addition to global financial institutions, various regional development banks focus on offering financial resources and backing development initiatives within specific regions. For example, the Asian Development Bank (ADB) provides financial support to promote economic and social development in Asia and the Pacific region. The African Development Bank (AfDB) focuses on fostering sustainable economic growth and reducing poverty in Africa. The Inter-American Development Bank (IDB) supports development projects and regional integration efforts in Latin America and the Caribbean. These regional institutions work closely with member countries to address specific regional challenges and enhance economic cooperation among nations.

Financial Stability Board (FSB): The FSB is an international body that monitors and makes recommendations about the global financial system to promote stability and protect against systemic risks. It brings together national financial authorities, international standard-setting bodies, and international financial institutions to coordinate and strengthen financial regulation and supervision globally. The FSB plays a crucial role in identifying vulnerabilities in the global financial system and developing policies to address them.

Bank for International Settlements (BIS): As the oldest global financial institution, the BIS serves as a bank for central banks and facilitates international monetary and financial cooperation. It provides a forum for central banks to exchange information and collaborate on monetary and financial matters. The BIS also conducts research, hosts conferences, and publishes reports on key issues impacting the global financial system. These global financial institutions, along with regional development banks and regulatory bodies, form a comprehensive framework for promoting financial stability, sustainable development, and international cooperation in the realm of finance.

2. MATERIELS AND METHODS

This review article utilizes a comprehensive and systematic approach to gather relevant information and insights on the expansionary fiscal policy of the state and its impact on the economy, with a specific focus on public debt and poverty reduction. The following steps outline the method employed in conducting this review.

2.1 Literature Search

A thorough search was conducted across various academic databases, scholarly journals, and reputable sources to identify relevant studies, articles, and reports related to expansionary fiscal policy, public debt, and poverty reduction. Keywords such as "fiscal policy," "public debt management," "economic impact," and "poverty reduction" were utilized to refine the search.

2.2 Inclusion and Exclusion Criteria

The collected literature was carefully screened based on predefined inclusion and exclusion criteria. Only studies that directly addressed the expansionary fiscal policy and its relationship with public debt and poverty reduction were included. Relevant articles focusing on external debt, internal debt, outstanding balance, government guarantees, the digital economy, and public-private partnership agreements were considered for analysis.

2.3 Data Extraction

Key data points, findings, and insights from the selected articles were extracted and organized systematically. The information included aspects such as the fiscal policy measures adopted by the government, the magnitude of public debt, its composition, and the impact on poverty reduction efforts.

2.4 Data Synthesis

The extracted data was synthesized and analyzed to identify patterns, trends, and recurring themes related to the expansionary fiscal policy, public debt, and poverty reduction. This process involved comparing and contrasting different viewpoints, identifying gaps in the existing literature, and formulating coherent arguments and recommendations.

2.5 Proposal Development:

Based on the analysis of the literature, proposals were developed to optimize the management of public debt with the aim of reducing poverty. These proposals were grounded in the findings of the review and took into account the identified challenges and opportunities associated with the expansionary fiscal policy.

2.6 Review and Feedback

The initial draft of the review article was critically reviewed by experts in the field of economics, fiscal policy, and poverty reduction. Their feedback and suggestions were incorporated to ensure the accuracy, clarity, and relevance of the article. By employing this methodological approach, this review article aims to provide a comprehensive analysis of the expansionary fiscal policy and its impact on public debt and poverty reduction. The findings and proposals derived from this review will contribute to the existing body of knowledge and provide valuable insights for policymakers, researchers, and practitioners working in the field of economics and sustainable development.

3. RESULTS AND DISCUSSIN

These organizations serve as pivotal entities in the coordination and implementation of global financial policies, facilitating the provision of financial assistance, fostering economic growth, and addressing issues within the international financial system. Their endeavors significantly contribute to the establishment of financial stability, the reduction of poverty, and the promotion of sustainable development on a global scale [2]. Global financial institutions actively engage in coordinating and harmonizing financial policies among nations, ensuring effective collaboration and alignment of economic strategies. By facilitating international cooperation and consensus-building, these institutions strive to establish a cohesive framework for global financial governance. Moreover, these organizations play a vital role in providing financial assistance to countries facing economic challenges. Through various mechanisms such as loans, grants, and technical expertise, they support nations in managing balance of payments difficulties, mitigating financial crises, and implementing effective fiscal and monetary policies.

The efforts of these institutions are not limited to short-term financial aid. They also play a crucial role in promoting long-term economic growth and development. By supporting infrastructure projects, investing in education and healthcare, fostering agricultural development, and strengthening governance systems, global financial institutions contribute to sustainable and inclusive economic progress. Furthermore, these organizations address critical issues within the international financial system, such as financial market regulation, risk management, and the prevention of systemic crises. They engage in extensive research and analysis, monitor global economic trends, and propose policy recommendations to enhance financial stability and resilience. In summary, the involvement of global financial institutions in coordinating financial policies, providing financial assistance, and addressing systemic issues contributes significantly to the establishment of stability, poverty reduction, and sustainable development worldwide. Their multifaceted initiatives aim to foster international cooperation, mitigate economic vulnerabilities, and ensure the long-term prosperity of nations across the globe.

Table 1: SWOT analysis of collaboration with international financial institutions.

Useful	**Harmful**
Internal origin	
Strengths: (Strength) • **Financial Resources: Global financial institutions have significant financial resources, enabling them to provide financial assistance, grants and loans to member countries for development and crisis management projects.** • **Experience and knowledge. These organizations have access to a wealth of experience and expertise in areas such as economics, finance, development and policymaking. They can provide valuable guidance and technical assistance to member countries.** • **Global Reach and Influence: Global financial institutions have a broad membership base and global reach, enabling them to develop cooperation, dialogue and coordination between countries and to influence policy decisions on an international scale.** • **Crisis Management: These organizations have created mechanisms to respond to financial crises and economic downturns. They can provide emergency funding, policy advice and technical support to help countries get through tough times.**	**Weaknesses : (Weakness)** • **Management problems**. Some global financial institutions face governance challenges, such as decision-making processes that may not adequately reflect the interests of all member countries, or a perceived lack of transparency and accountability. • **Conditionality and Policy Implications**: The conditions associated with financial assistance from these organizations can sometimes be seen as intrusive or imposing policies that may not be in line with a country's specific needs or priorities. • **Limited Effectiveness**: Critics argue that the impact of global financial institutions in achieving their stated goals, such as poverty reduction or sustainable development, may be limited due to various factors, including bureaucratic hurdles, political constraints, and complex socioeconomic dynamics.
To external origin	
Opportunity • **Enhanced Collaboration: There is an opportunity for global financial institutions to strengthen collaboration and coordination among themselves and with other stakeholders such as regional development banks to maximize their impact on global economic stability and development.** • **Technological advances. Leveraging technological advances can enable these organizations to improve their operations, improve data analysis, and develop innovative financial solutions to meet emerging challenges.** • **Meeting new challenges: Global financial institutions have the opportunity to adapt and respond to emerging global challenges such as climate change, digitalization and income inequality by integrating these issues into their policies and programs.**	**Threats _** • **Geopolitical dynamics**. Geopolitical tensions and conflicts between member countries can hinder effective decision-making and cooperation within global financial institutions. • **Changing global power dynamics**. As the global economic landscape evolves, with emerging economies becoming increasingly important, global financial institutions are faced with the challenge of ensuring equitable representation and meeting the interests and needs of various member countries. • **Economic volatility:** Global financial institutions are vulnerable to economic downturns, financial crises and market fluctuations that can affect their financial stability and ability to provide effective assistance. • It is important to note that the SWOT analysis may differ for each specific global financial institution and should be assessed in the context of its mandate, structure and operating environment.

Source: developed by the author; **SWOT**: Strengths, Weaknesses, Opportunities and Threats.

Table 1 presents a SWOT analysis of collaboration with international financial institutions. The analysis assesses the strengths, weaknesses, opportunities, and threats associated with engaging with these institutions. The data in the table can be summarized as follows:

3.1 Internal Origin

3.1.1 Strengths: Financial Resources: Global financial institutions possess substantial financial resources, enabling them to provide financial assistance, grants, and loans to member countries for development and crisis management projects. Experience and Knowledge: These organizations have access to extensive experience and expertise in areas such as economics, finance, development, and policy-making. They can offer valuable guidance and technical assistance to member countries. Global Reach and Influence: Global financial institutions have a wide membership base and global reach, facilitating cooperation, dialogue, and coordination between countries and enabling them to influence policy decisions on an international scale. Crisis Management: These organizations have established mechanisms to respond to financial crises and economic downturns. They can provide emergency funding, policy advice, and technical support to help countries navigate challenging times.

3.1.2 Weaknesses: Management Problems: Some global financial institutions face governance challenges, such as decision-making processes that may not adequately reflect the interests of all member countries or perceived lack of transparency and accountability. Conditionality and Policy Implications: The conditions associated with financial assistance from these institutions can sometimes be viewed as intrusive or imposing policies that may not align with a country's specific needs or priorities. Limited Effectiveness: Critics argue that the impact of global financial institutions in achieving their stated goals, such as poverty reduction or sustainable development, may be constrained due to factors like bureaucratic hurdles, political constraints, and complex socioeconomic dynamics.

3.2 External Origin

3.2.1 Opportunity

- ***Enhanced Collaboration***: Global financial institutions have an opportunity to strengthen collaboration and coordination among themselves and with other stakeholders, such as regional development banks, to maximize their impact on global economic stability and development.

- ***Technological Advances***: Leveraging technological advancements can enable these organizations to improve their operations, enhance data analysis capabilities, and develop innovative financial solutions to address emerging challenges. Meeting New Challenges: Global financial institutions can adapt and respond to emerging global challenges like climate change, digitalization, and income inequality by integrating these issues into their policies and programs.

3.2.2 Threats

- ***Geopolitical Dynamics***: Geopolitical tensions and conflicts between member countries can hinder effective decision-making and cooperation within global financial institutions.

- ***Changing Global Power Dynamics***: As the global economic landscape evolves, with emerging economies gaining prominence, global financial institutions face the challenge of ensuring equitable representation and meeting the interests and needs of diverse member countries.

- ***Economic Volatility***: Global financial institutions are vulnerable to economic downturns, financial crises, and market fluctuations, which can impact their financial stability and ability to provide effective assistance. It's important to note that the SWOT analysis may vary for each specific global financial institution and should be evaluated in the context of its mandate, structure, and operating environment.

Looking at the above, it can be concluded that there are several benefits to working with IFIs, including access to expertise, financial resources, a global network, and increased credibility. However, there are also weaknesses, such as bureaucratic decision-making processes, dependence on external factors, and potential misalignment of agendas. Opportunities include knowledge transfer, access to global markets, and increased political influence. On the other hand, threats include loss of autonomy and control, as well as political and socio-economic risks.

In addition, it is necessary to analyze the methods of collaboration of international financial institutions with low-income countries. In particular, global financial institutions play an important role in the economic activities of countries, providing financial assistance and loans, policy advice and technical expertise, and structural reform and development programs.

3. RESULTS AND DISCUSSION

Global financial institutions play a crucial role in providing financial assistance and loans to developing countries, enabling them to finance their economic development. This support encompasses various forms such as grants, soft loans, and commercial loans. Notably, the terms of these loans are often more favorable than those offered by commercial lenders and are often tied to conditions requiring the recipient country to undertake specific economic reforms.

In addition to financial assistance, global financial institutions offer policy advice and technical expertise to developing countries. This guidance covers a wide range of areas, including macroeconomic policy, financial sector regulation, and public sector management. The objective of this counsel is to assist developing countries in formulating and implementing policies that foster economic growth and development.

Furthermore, global financial institutions contribute to structural reform and development programs in developing countries. These programs typically concentrate on improving the investment climate, strengthening the financial sector, and enhancing human capital. The aim is to create favorable conditions for sustainable economic growth and development.

The impact of global financial institutions on economic development is a complex and debated topic. While evidence suggests that these institutions can play a positive role in promoting economic growth and development, concerns exist, particularly in countries with weak institutions and poor governance.

In general, the role of global financial institutions in economic activity is significant and multifaceted. While they have the potential to promote economic growth and development, their impact may vary depending on the unique circumstances of each country. Therefore, it is crucial to ensure their effective utilization and careful monitoring of their influence.

As an illustration, the Asian Development Bank (ADB) serves as a crucial development partner for Uzbekistan, providing substantial support. In 2022, the ADB focused on assisting Uzbekistan in implementing reforms to foster an inclusive and market-oriented economy. The ADB's priorities align closely with Uzbekistan's national development strategy, which encompasses governance and public administration reforms, structural reforms for economic development, strengthening private ownership, promoting entrepreneurship, and improving transport and trade connectivity. Social development also holds significant importance, as the Uzbekistan government aims to reduce the state's role and cultivate a robust private sector. The ADB contributes to this transition by offering policy advice, capacity building, and project implementation that promote private sector development, reduce economic and social disparities, and enhance regional cooperation and integration [2].

In 2022, the ADB approved and allocated just over $1 billion for five new projects and programs in Uzbekistan's public sector. This commitment included a $500 million loan to address food security concerns, provide social protection for vulnerable groups, and support employment, particularly in response to the COVID-19 pandemic and other external shocks. Overall, the ADB has provided Uzbekistan with a total of $11.5 billion through 240 loans, grants, and technical assistance to the public sector. The disbursed loan amount in Uzbekistan has reached $7.69 billion. The ADB's current portfolio in Uzbekistan comprises 32 loans, 1 grant, and 1 government guarantee, totaling $5.06 billion [2].

ADB and the Government of Uzbekistan have established a strong collaborative partnership aimed at upholding international standards in procurement, financial management, integrity, and anti-corruption measures. Furthermore, both entities are committed to integrating climate change adaptation, mitigation, and gender equality considerations into their development projects. ADB's focus remains on enhancing policy coordination and sectoral cooperation, with a particular emphasis on improving project implementation.

To achieve these goals, the Bank will actively assist line ministries in strategic planning and project preparation, bolster capacity in project design and implementation, streamline project preparation processes, and enhance procurement and consultant recruitment protocols. However, it is essential to acknowledge that logistical challenges and delays in customs clearance, attributable to the COVID-19 pandemic, continue to persist. Consequently, ADB will diligently monitor and oversee efforts to ensure that project benefits are realized in a timely manner, despite the prevailing circumstances [2]. This example highlights the importance of reinforcing cooperation with international financial institutions to fortify a country's financial security and resilience, thus ensuring stability and sustainable economic growth. Such partnerships not only promote adherence to best practices in various areas but also help countries integrate critical considerations, such as climate change and gender equality, into their development agendas. By prioritizing effective policy coordination and efficient project implementation, countries can maximize the positive impact of international financial assistance and reinforce their economic foundations.

4. CONCLUSION

One of the ways to ensure financial security in cooperation with international financial institutions is to create a reliable risk management system and practice. This includes the following steps:

- improved financial regulation and supervision: strengthening financial regulation and supervision to ensure compliance with international standards. Collaborate with international financial institutions to implement best practices in areas such as banking regulation, capital adequacy requirements, risk management and financial reporting.

- information exchange and cooperation: encourage close cooperation and information exchange with international financial institutions in order to keep abreast of world economic and financial developments. Participate in forums, seminars and training programs organized by these organizations to increase knowledge and capacity in the field of financial risk management.

- implementation of financial stability measures: it is necessary to work with international financial institutions on the implementation of financial stability measures, such as stress tests and contingency planning.
- cooperation in the field of combating money laundering and terrorist financing: cooperation with international financial organizations to strengthen mechanisms for combating money laundering (AML) and terrorist financing (CTF).

- promoting financial inclusion: this could include initiatives to improve financial literacy, develop inclusive financial products, and support the growth of the financial technology (fintech) sector.

- Crisis management and contingency planning: development of sound crisis management and contingency plans in cooperation with international financial institutions.

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