

**PUBLIC EXTERNAL DEBT IN UZBEKISTAN: ISSUES OF STABILITY AND ECONOMIC SECURITY****Yayra Tashmukhamedova**

PhD, Senior Lecturer at Tashkent State University of Economics  
Department of Economic and Financial Security, Tashkent, Uzbekistan  
e-mail: [yayrusha@tsue.uz](mailto:yayrusha@tsue.uz)

ORCID: <https://orcid.org/0009-0002-0826-3991>

**Kumushoy A. Olloyorova**

Master's Student at Tashkent State University of Economics,  
Tashkent, Uzbekistan

**Abstract:** This article analyzes the impact of public external debt on economic security and the issues of its sustainable management in the Republic of Uzbekistan. The study highlights the role of external debt as an investment source that supports economic growth, as well as the macroeconomic risks associated with a rising debt burden. The structure of external debt, formed with international financial institutions, foreign governments, and investors, along with its ratio to GDP and its stability indicators, are evaluated based on international standards. The results show that the rational and effective management of external debt is crucial for ensuring economic stability and substantiate the need to improve the public debt management strategy.

**Keywords:** public debt, external debt, economic security, debt sustainability, GDP, fiscal policy, investment projects, macroeconomic stability, international financial institutions, budget constraint, debt burden management.

**1.Introduction**

Public debt is an important element of the financial relations system, representing the sum of a government's obligations to its domestic and foreign creditors. External debt, in turn, refers to financial obligations to international financial institutions, foreign governments, and global investors.

In the modern context, external debt is not merely a means of financing but also an instrument of economic policy. It plays a crucial role in developing strategic sectors such as infrastructure, energy, transport, education, and healthcare. Specifically, when budget funds are insufficient, external debt bridges the gap between national savings and investment needs.

At the same time, an excessive increase in external debt poses risks of fiscal instability, currency depreciation, and financial dependency. For this reason, evaluating external debt within the context of economic security is a pressing academic issue.

President of the Republic of Uzbekistan Shavkat Mirziyoyev has repeatedly underscored the high demand for transparency and efficiency in matters of external debt, emphasizing the necessity of its rational management. Specifically, at a meeting with Tashkent city activists on February 19, 2022, our head of state's words, "Everything is being used for its intended purpose and will be repaid on time. External debt is serving the well-being of our people. Compared to other countries, our debt burden is significantly lower," as well as, "Could we have implemented \$500 million worth of metro projects if we had not attracted the necessary resources?"[1] reflected the government's policy of striving to view external debt not as a risk, but as an opportunity.

External debt is an important financial resource that unlocks significant investment potential for the economies of developing countries. Its primary function in the economy is to support growth by meeting financial needs. Specifically, in situations where budget funds are insufficient to finance large projects, loans serve to fund investments. This, in turn, directly facilitates the development of infrastructure (such as roads, energy systems, and ports) and the implementation of social programs (education and healthcare), thereby stimulating economic growth. Furthermore, external debt plays a crucial role in bridging the financial gap; it helps to close the difference between national savings and required domestic investments, allowing planned projects to commence without delay.

At the same time, while external debt can be a powerful catalyst for economic development, it requires effective management. Errors in management can lead to serious economic risks. First, there is a risk of an increasing debt burden. If borrowed funds are directed toward unviable or inefficient projects, future debt repayment and interest payments will place an excessive burden on the state budget. Second, an excessively high ratio of external debt to gross domestic product (GDP) leads to macroeconomic instability. Such a situation can undermine foreign investors' confidence in the country's economy and cause a weakening of the national currency.

Uzbekistan's external debt has seen significant growth in recent years. The state relies on external debt to finance various areas of economic development, and at the same time, the need to address issues related to the amount of debt and its repayment is emerging. One of the

main objectives of this article is to analyze how Uzbekistan's external debt affects economic security and what management strategies should be developed.

## 2.Literature Review

The theoretical basis of the research consists of textbooks on public debt management by A. Shernayev and O. Kamolov (2019), and J. Ataniyazov et al. (2019), which illuminate the mechanisms for ensuring debt sustainability. Within the scope of the research topic, scientific studies and research by Uzbek and foreign scholars on the impact of external debt on a country's economy were examined. In particular, scientific articles by **V.L. Kuznetsov [2]**, **L.A. Aliskhanova [3]**, **M.U. Ismailov [4]**, **P. Djurayev [5]**, **I.Z. Eshonqulov [6]**, and **Sh.I. Omonova and Y.A. Tashmukhamedova [7]**, **Mustafakulov S. I. [16]**, **Tursunov B. [17]**, **Kirill K.[18]**, **Ziedulla H.[19]** were studied, along with **International Monetary Fund (IMF)** reports such as "Republic of Uzbekistan: Debt Sustainability Analysis" and "Uzbekistan: 2025 Article IV Consultation." **Data from the Central Bank of Uzbekistan** and **the Ministry of Finance** were utilized, and debt dynamics were analyzed through the "Budget Statement 2025-2027" and "Budget for Citizens" (2025) publications. Additionally, journals and media sources were reviewed, and national studies analyze public debt management mechanisms in relation to fiscal discipline and investment efficiency.

## 3.Research Methodology

This study employs several approaches to assess the impact of external debt on economic security and to evaluate debt sustainability. The complex interrelationships between external debt, debt sustainability indicators, and elements of economic security are examined as an integrated system. Furthermore, Uzbekistan's external debt indicators are compared with the international benchmark thresholds established by the Ministry of Finance, the International Monetary Fund (IMF), and the World Bank.

## 4.Analysis and Results

Assessing and analyzing public debt sustainability is one of the most delicate and critical elements of economic policy. At the core of this analysis lies determining the government's ability to meet its current and future fiscal obligations without requiring major fiscal adjustments - such as sharp tax increases or spending cuts - that would have a significant negative impact on the economy..

In public debt management, preventing risks that threaten macroeconomic stability is a priority. This is achieved through strict control over the amount of funds raised by the state, as well as the targeted and effective use of these borrowed funds.[8]



**Figure 1. Public debt is divided into two categories based on its placement location.[9]**

The Law of the Republic of Uzbekistan "On Public Debt" defines public debt as "the aggregate of the obligations of the Republic of Uzbekistan arising from the attraction of domestic and foreign funds by the state."

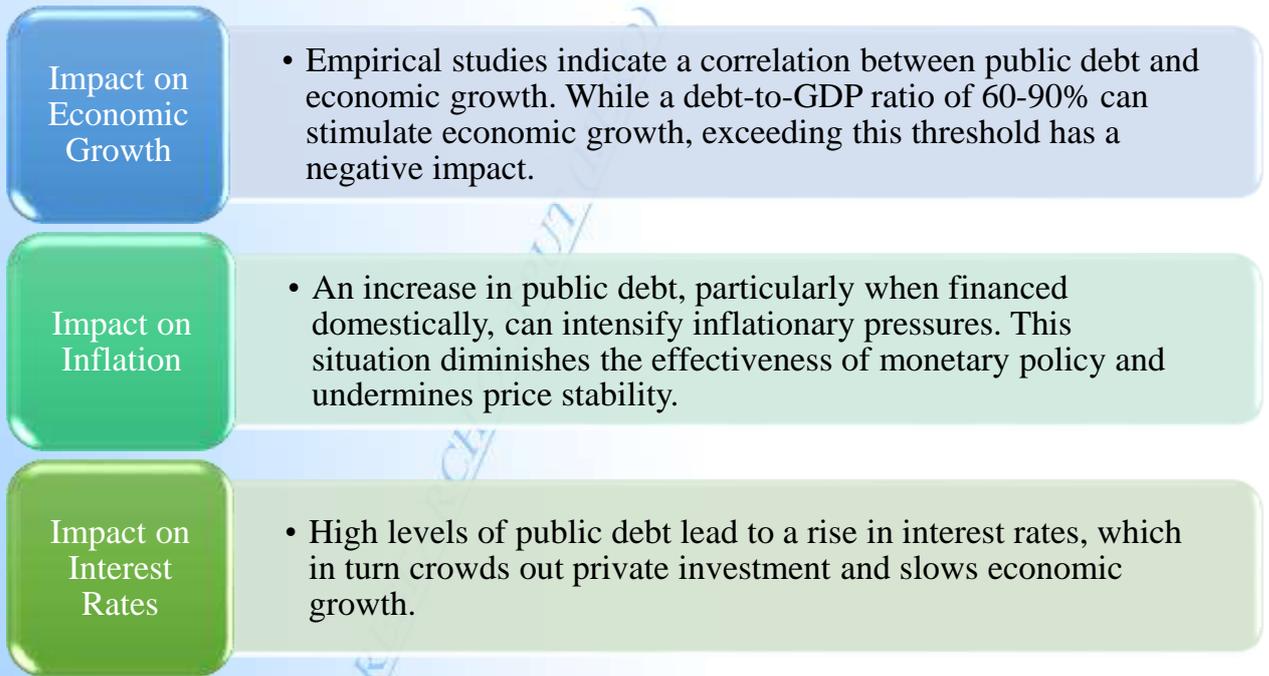
Domestic public borrowing involves raising funds from residents of the Republic of Uzbekistan, for which the Republic of Uzbekistan incurs obligations as a borrower or as a guarantor for the repayment of loans (debts) of resident borrowers.

External debt is divided into public external debt and private sector external debt. While public external debt includes external loans raised by the government or obtained under its guarantee, private sector external debt consists of loans for which the state has not assumed any obligation.

The country's total external debt reflects the current (i.e., not yet repaid) obligations of the domestic economy to foreigners (foreign countries, international financial institutions, etc.) that are required to be repaid at a future date.

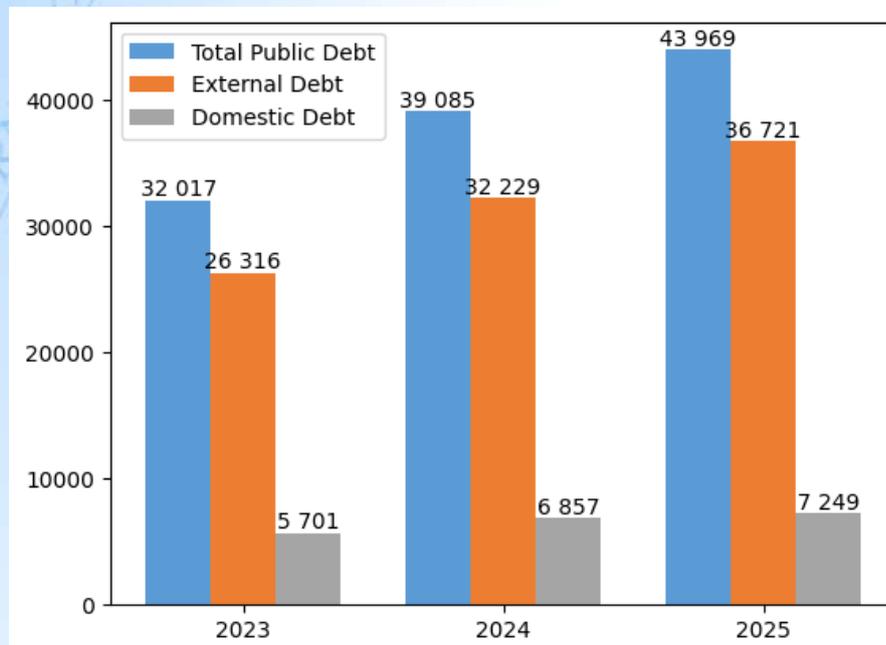
Public external borrowing consists of raising funds from foreign sources (from foreign countries, international organizations, international financial and economic institutions, financial organizations of foreign governments, and other non-residents of the Republic of Uzbekistan), for which the Republic of Uzbekistan incurs obligations as a borrower or as a guarantor for the repayment of loans (debts) of resident borrowers.[10]

Numerous studies indicate that the impact of public debt on economic stability is multifaceted.



**Figure 2. The impact of public debt on economic stability.** [9]

According to the latest report from the Ministry of Economy and Finance, the public debt in 2024 amounted to \$40.2 billion. Of this, the external debt reached \$33.7 billion. Foreign loans totaling \$17.9 billion were secured at fixed interest rates, while \$15.64 billion were secured at variable interest rates.[11]



**Figure 3. Public External and Internal Debt, 2023-2025**  
(in billions of US dollars). [11]

The public external debt is sourced from creditors in three main categories. Specifically, 54% of the country's external loans are from international financial institutions (IFIs), 30% are from foreign government financial organizations, and the remaining 16% are from international investors.

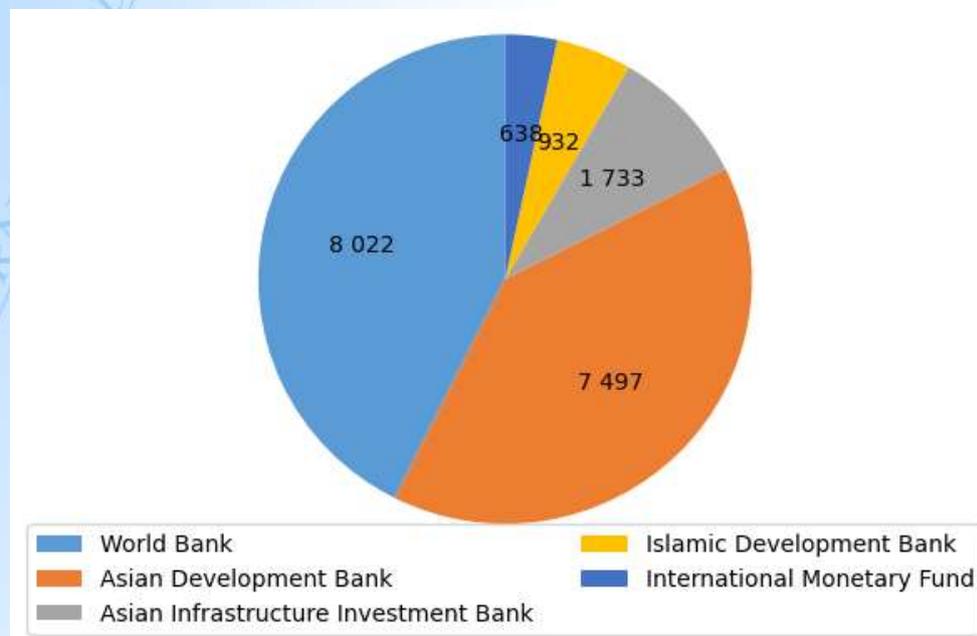
The top six creditors to the republic as of the end of the third quarter of 2025 can be listed as follows. The largest loan that Uzbekistan must repay was provided by the World Bank, amounting to \$8.022 billion, which constitutes nearly 22% of the total external debt.

The loan from the second-largest creditor, the Asian Development Bank, amounts to \$7.497 billion.

The third largest loan, amounting to \$1,733 million, was attracted from an international investor, the Asian Infrastructure Investment Bank.

The fourth largest lenders are the Islamic Development Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and others, with an outstanding loan balance of \$2,594 million. This constitutes 8% of the total external debt.[12]

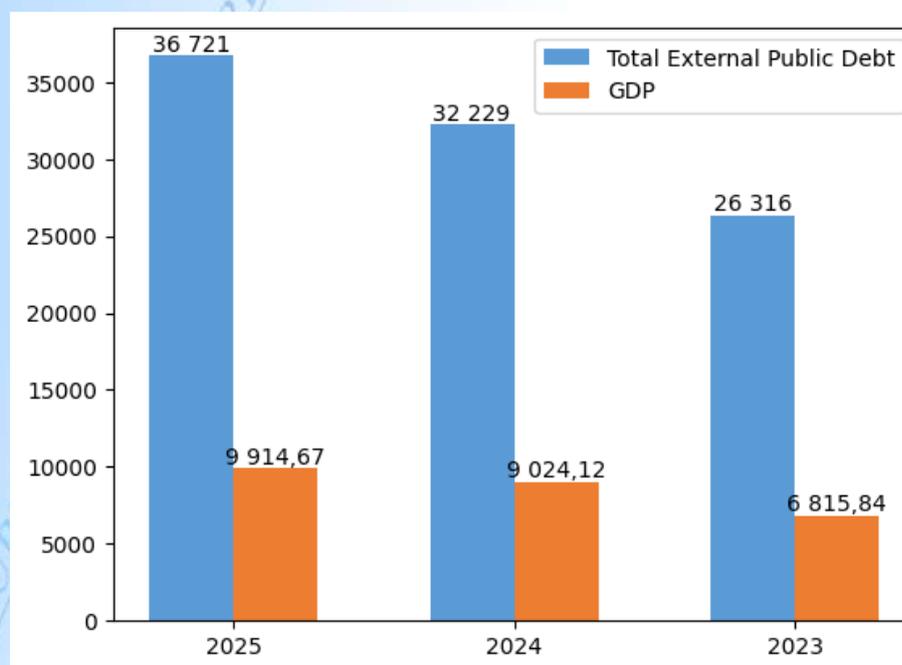
The remaining loans are from dozens of other financial institutions and state financial organizations.



**Figure 4. Financial institutions and organizations that have provided the most loans to Uzbekistan (in billion USD) [13]**

The fundamental theoretical basis for assessing and analyzing public debt sustainability is rooted in the concept of the Government Budget Constraint. Sustainability essentially means that the government's expected future primary surpluses (tax revenues minus current expenditures, excluding interest payments) must be equal to the net present value of the current debt. If primary surpluses are insufficient to cover debt servicing, the government is forced to choose between monetizing the debt (through the Central Bank) or declaring a default in order to limit the increase of the debt-to-GDP ratio.

To assess the stability of public debt, several key indicators can be analyzed. Among these, the most common and fundamental is the ratio of public debt to GDP (Debt/GDP). This indicator provides a general assessment of an economy's capacity to repay its debt. If this ratio becomes too high, stability may be at risk (for developing countries, this ratio should not exceed 40-50%).



**Figure 5. Ratio of Public External Debt to GDP for Q3, 2023-2025** (in billions of USD) [12]

As can be seen from the data above, by the third quarter of 2025, the state's external debt is projected to be \$36.721 billion, while GDP is projected at \$99.1467 trillion. External debt constitutes 84% of the state's total debt and 37% relative to GDP.

Uzbekistan's public debt is projected to reach \$45.1 billion by the end of 2025. This is equivalent to 36.1% of the expected gross domestic product (\$125 billion) for that year. This

year, it is planned to take on \$5.5 billion in external debt.[14] Of this amount, \$3 billion is intended to support the budget, with the remaining \$2.5 billion earmarked for investment projects.

In 2026, the country's gross domestic product is projected to exceed \$140 billion. According to preliminary analysis, if macroeconomic and fiscal indicators remain stable, the public debt-to-GDP ratio is expected to be around 37.9 percent next year. This means that the public debt will exceed \$53 billion.

### 5. Conclusions

In the case of Uzbekistan, an increase in external debt initially provides the necessary funds to implement strategic projects such as infrastructure development and the modernization of the energy and industrial sectors. These funds also serve to raise the population's living standards and improve the quality of social services like education and healthcare. However, in some cases, rising external debt can also affect economic security. Furthermore, if this situation intensifies, it could lead to increased financial dependence for the state, price hikes, and the devaluation of the national currency.

To ensure financial stability, the country must develop a robust external debt management plan. This should encompass a set of measures aimed at diversifying the economy and ensuring financial security. Essentially, this strategy is founded on crucial tasks such as creating a clear program for managing debt growth and its repayment, extending debt maturity, and safeguarding funds allocated to social sectors.

In conclusion, we can say that while external debt has had a positive impact on the country's economic development, its growth and management must be systematically monitored. This is an important tool for ensuring the nation's economic security and continuing sustainable development. The prudent management of external debt, the development of clear strategies for its repayment, and measures aimed at increasing the competitiveness of the national economy will contribute to success.

### References

1. <https://kun.uz/en/50304270>
2. **Kuznetsov, V.L. (2020)** - "State External Debt and the Country's Economic Security". Dissertation, RFBD, Moscow
3. **Aliskhanova, L.A. (2021)** - "Public Debt Management in the Context of External Shocks". VAK RF
4. <https://scientific-jl.com/yan/article/view/14718>

5. <https://yashil-iqtisodiyot-taraqqiyot.uz/journal/index.php/GED/article/view/5237>
6. <https://phoenixpublication.net/index.php/TTVAL/article/view/3633>
7. Tashmukhamedova, Y. A. (2025). INFLUENCE OF SOCIO-DEMOGRAPHIC FACTORS ON ENSURING THE ECONOMIC SECURITY OF THE COUNTRY. *Innovation Science and Technology*, 1 (10), 47-51.
8. Law of the Republic of Uzbekistan, No. O'RQ-836, dated 29.04.2023 (<https://lex.uz/uz/docs/-6446817>)
9. A.Shernaev, O.Kamolov. Public Debt Management. Textbook.
10. Law of the Republic of Uzbekistan, No. O'RQ-836, dated 29.04.2023 (<https://lex.uz/uz/docs/-6446817>)
11. <https://www.imv.uz/static/umumiy-jadval>
12. [Based on data from the official website of the Ministry of Economy and Finance](#)
13. <https://www.imv.uz/static/kreditorlar>
14. Budget for Citizens. 2025 draft, p. 59
15. Aliyev, Y., & Tashmuxamedova, Y. Issues of Increasing the Economic Security of the Agro-resources Market by Ensuring Macroeconomic Stability. *Green Economy and Development*, 3 (10), 667313.
16. Khodiev, B. Y., Mustafakulov, S. I., Tursunov, B. O., Sigidov, Y. I., & Khavrova, K. S. (2019). Methods for control efficiency evaluation of the production capacities application at the textile enterprises and the mechanism for optimal control. *Astra Salvensis*, 7(S1), 499.
17. Tursunov, B. O., Uktamov, K. F., & Tukhtamuratova, A. (2022, December). Ways to ensure food security in the development of a digital economy. In *Proceedings of the 6th International Conference on Future Networks & Distributed Systems* (pp. 548-555).
18. Kirill, K., Bobir, T., & Ziedulla, H. (2018). Estimation methodology of efficiency of production capacity management at textile enterprises. *Бюллетень науки и практики*, 4(1), 228-241.
19. Kirill, K., Bobir, T., & Ziedulla, H. (2018). Estimation methodology of efficiency of production capacity management at textile enterprises. *Бюллетень науки и практики*, 4(1), 228-241.