

# **EFFECTIVENESS OF THE PUBLIC DEBT MANAGEMENT IN REPUBLIC OF NORTH MACEDONIA – CRITICAL ANALYSIS**

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## **ABSTRACT**

The purpose of this research paper is to analyze the macroeconomic factors of public debt of the Republic of the North Macedonia and the strategy of managing the public debt. This paper tries to predict the debt forming and its' servicing by taking into consideration the influence of the economic system, the capital investments, and the international cooperation of the country. One of the main reasons for the increase in public debt is an imbalance between government revenue and expenditure. When government expenditure exceeds its revenue, it may resort to borrowing to finance the shortfall, leading to an increase in public debt. This article, focusing on North Macedonia, provides a critical analysis of the country's borrowing tendencies and the assessment of key indicators to gain insights into the effectiveness of its public debt management. The analysis of the critical indicators of public debt, such as the debt-to-GDP ratio, the interest payment to revenue ratio, and the maturity structure of the debt portfolio, can provide valuable insights into a country's ability to service its debt obligations. The data used for this analysis is drawn from secondary sources such as the financial institutions of the Republic of North Macedonia and the World Bank. This information is used to provide a comprehensive understanding of the current state of public debt in North Macedonia and to develop strategic recommendations for its management.

## **KEYWORDS:**

PUBLIC DEBT, DEBT MANAGEMENT, GDP, DEFICIT, STATE POLICY AND REGULATION

## **JEL CLASSIFICATION CODES:**

H6, H63

## **1. INTRODUCTION**

The effectiveness of public debt management in the Republic of North Macedonia is a complex issue that depends on a variety of factors. Some of the key considerations when evaluating the effectiveness of public debt management in North Macedonia include the country's economic and fiscal policies, the level of its public debt, the conditions of its borrowing, and the effectiveness of its public debt management strategy.

One important factor that can affect the effectiveness of public debt management in North Macedonia is the country's economic and fiscal policies. If these policies are well-designed and implemented, they can help to promote economic growth and fiscal stability, which can in turn make it easier for the government to manage its debt. On the other hand, if economic and fiscal policies are not well-managed, they can lead to economic instability and fiscal imbalances, which can make it more difficult for the government to manage its debt effectively.

Another important factor to consider when evaluating the effectiveness of public debt management in North Macedonia is the level of the country's public debt. If the level of public debt is too high, it can put strain on the government's finances and make it more difficult to meet its debt obligations. On the other hand, if the level of public debt is well-managed and kept at a sustainable level, it can be more manageable for the government.

The conditions of borrowing are another important factor to consider when evaluating the effectiveness of public

debt management in North Macedonia. If the government can secure favorable borrowing terms, such as low-interest rates and long repayment periods, it can make it easier to manage its debt. On the other hand, if the government must borrow at unfavorable terms, it can make it more difficult to manage its debt effectively. Finally, the effectiveness of the government's debt management strategies is another key factor to consider when evaluating the effectiveness of public debt management in North Macedonia. If the government has well-designed and implemented debt management strategies, it can be more effective at managing its debt. However, if the government lacks effective debt management strategies, it can be more difficult to manage its debt effectively.

Overall, the aim of this research paper is to investigate the effectiveness of public debt management in North Macedonia and the factors that have influence over it. Therefore, this research paper will answer the following research questions:

1. Which are the factors that affect the effectiveness of public debt management strategy?
2. Which is the trend of the public debt in N. Macedonia, and which are the factors that affect it?
3. What does the Government do to efficiently manage public debt?
4. Which are the goals of public debt operations in N. Macedonia?
5. How can the Macedonian Government manage the limits on public debt effectively?

This research questions will be answered with the help of secondary data from Ministry of Finance of N. Macedonia, and relevant existing literature from E-journals, books, statistical data etc.

## **2. LITERATURE REVIEW**

There is a significant amount of literature that has been published on the topic of the effectiveness of public debt management. The paper "Growth in a Time of Debt," (Reinhart&Rogoff's, 2010) provides an extensive analysis of the relationship between government debt and economic growth. The authors used a large dataset of advanced and developing economies to analyze the relationship between government debt and economic growth over several decades. They found that high levels of government debt are associated with lower economic growth, and that the relationship is particularly strong for levels of debt above 90% of GDP. The study also found that the use of debt management strategies, such as debt restructuring and debt forgiveness, can be effective in helping governments to manage their debt more effectively.

The study "The Relationship between Public Debt and Economic Growth" (Ahlborn&Schweickerts, 2018) is a contribution to the academic literature on the relationship between public debt and economic growth. The authors provide a comprehensive analysis of the impact of public debt on economic growth, considering the role of fiscal policies, institutions, and other factors. In their study, the authors use a panel data set of advanced and developing economies to examine the relationship between public debt and economic growth over time. They find that public debt has a negative impact on economic growth, but that the effect varies depending on the institutional and fiscal framework of the country. Ahlborn and Schweickert's paper provides valuable insights into the complexities of the relationship between public debt and economic growth and highlights the importance of considering the role of institutions and fiscal policies in shaping this relationship. Their findings suggest that policymakers should take a nuanced approach to debt management, considering the specific economic, institutional, and fiscal context of their country. This paper provides valuable contribution to the academic literature on the relationship between public debt and economic growth. Their findings highlight the importance of considering the role of institutions and fiscal policies in shaping this relationship and suggest that policymakers should take a nuanced approach to debt management.

The study from Eberhardt and Presbiter (2015) entitled "On the Drivers of Public Debt," provide a comprehensive analysis of the impact of public debt on economic growth, considering the role of financial development, institutions, and other factors. In their study, the authors use a sample of advanced and developing economies to examine the relationship between public debt and economic growth over time. They find that public debt has a negative impact on economic growth, but that the effect varies depending on the financial development and institutional quality of the country. In countries with high levels of financial development and good institutional quality, the negative impact of public debt on economic growth is weaker. The relationship between public debt and economic growth and highlights the importance of considering the role of financial development and institutions in shaping this relationship. Their findings suggest that policymakers should take a nuanced approach to debt management, considering the specific economic, financial, and institutional context of their country. This is important from the highlight the importance of considering the role of financial development and institutions in shaping this relationship and suggest that

policymakers should take a nuanced approach to debt management.

Overall, the literature suggests that the effectiveness of public debt management depends on a range of factors, including the level of transparency and accountability in the debt management process, the quality of underlying fiscal and economic policies, the level of public debt, and the presence of strong institutions. The use of debt management strategies and risk management tools can also be effective in helping governments to better manage their debt.

A debt management strategy is a plan that outlines how a government will manage its debt over a given period. A well-designed debt management strategy can help a government to effectively manage its debt, achieve its financing objectives, and reduce the risks associated with borrowing.

The specific components of a debt management strategy may vary depending on the specific needs and circumstances of the government, but the most common elements of a debt management strategy (World Bank and IMF Guidelines for Public Debt Management of 2001, revised in 2014) includes:

1. Debt objectives: The government's goals and objectives for its debt, such as maintaining a sustainable level of debt, reducing the cost of borrowing, or increasing the liquidity of its debt.
2. Debt profile: A detailed analysis of the government's current debt holdings, including the types of debt instruments, the maturity profile, the interest rates, and the currency composition.
3. Borrowing plan: A plan for how the government will meet its financing needs over the given period, including the types of debt instruments to be used, the timing of borrowings, and the target market.
4. Risk management: A plan for managing the risks associated with borrowing, such as interest rate risk, currency risk, and credit risk.
5. Communication and transparency: A plan for communicating the government's debt management policies and strategies to the public and stakeholders, as well as for reporting on the progress of the debt management strategy.

Overall, a debt management strategy is an important tool for helping a government to effectively manage its debt and achieve its financing objectives.

### **3. DISCUSSION AND ANALITICS OF MACEDONIAN PUBLIC DEBT**

The public debt of the Republic of North Macedonia has been a source of concern for policymakers and analysts in recent years. As of 2021, the country's public debt was estimated to be around 70% of GDP, which is high compared to other countries in the region.

There are several factors that have contributed to the prominent level of public debt in North Macedonia. One factor is the country's relatively weak economic growth, which has made it more difficult for the government to generate the revenue needed to service its debt. Another factor is the government's relatively high level of fiscal deficit, which has resulted in a large amount of borrowing to cover the gap between revenue and spending. The high level of public debt in North Macedonia has had negative consequences for the country's economy. It has put pressure on the government's finances and made it more difficult to meet its debt obligations. It has also made the country more vulnerable to external shocks and increased the risk of a debt crisis.

To address the issue of high public debt, the Government of North Macedonia has implemented several measures, including fiscal consolidation policies to reduce the budget deficit and debt restructuring to improve the terms of its borrowing. However, these measures have faced challenges and have not yet succeeded in significantly reducing the country's public debt. The high level of public debt in North Macedonia is a significant concern and will require continued efforts to address. This will likely involve a combination of fiscal consolidation, debt restructuring, and economic reforms to improve the country's growth prospects and debt sustainability. Main principles considered when managing public debt portfolio, i.e., when preparing and enforcing the Public Debt Management Strategy, are the following:

- determining the optimal structure of debt portfolio,
- aligning the debt portfolio-related costs with the costs set in the state Budget for each time independently and in the medium term,
- limiting and barring the effect of the risk on public debt sustainability in both the medium and the long run, and
- translucency in the process of debt incurrence.

Despite the upward trend registered in the period 2008- 2016, public debt stabilized following 2016. The politic of the public finance operation redounded in stabilization of the position of both the general government and the public debt.

Therefore, at the end of 2019, general government debt amounted to EUR million, i.e., 40.9% of GDP, while public debt amounted to 4,560 EUR million, i.e., 50% of GDP.

In the beginning of 2020, escalation of COVID-19 epidemic redounded in dropped profitable exertion encyclopedically, the goods of which were also felt in the Macedonian frugality. The Ministry of Finance in this scenario was faced with a new and unexpected challenge of needing additional funds for the affected sectors during the COVID-19 pandemic. In response, the government received financial support from various international organizations, including the International Monetary Fund (IMF), the World Bank, and the European Union. The IMF provided 176 EUR million under its Rapid Financing Instrument, the World Bank provided a loan for the COVID-19 response, and the European Union provided 160 EUR million in two tranches for macro-financial support. This support helped the Ministry of Finance to address the immediate financial needs during the pandemic, but it also increased the government's debt burden. The challenge for the Ministry of Finance was to manage the new debt while maintaining its existing debt management strategy and ensuring long-term debt sustainability. In such a situation, the government needs to adopt a strategic and transparent approach to debt management, considering the new challenges posed by the pandemic and the impact of the additional debt on its long-term debt sustainability. A comprehensive debt management strategy that balances the need for immediate support with the need for long-term financial stability is crucial in such circumstances. During this period in the Republic of North Macedonia, the seventh Eurobond in the quantum of EUR 700million was issued.

General government debt in the end of third quarter 2020 in the Republic of North Macedonia was to 5.575 million euro, in the presenting was 52% of the projected GDP. The total public debt amounted to 6.574 million euro at the end of the third quarter in 2020, was reflecting the 60.9% of the projected GDP. The data shows that the public debt in the Republic of North Macedonia was quite high at the end of the third quarter in 2020. The government debt accounted for over half of the projected GDP, while the total public debt was close to 61% of the GDP. It is important to carefully monitor and manage the public debt to ensure its sustainability and to avoid any potential negative consequences.

Table 1. Public Debt Trend

<b>in EUR millions</b>								
	2013	2014	2015	2016	2017	2018	2019	2020
<b>General governmental debt</b>	2771.64	3262.46	3453.27	3851.52	3958.5	4344.42	4556.83	5573.14
<b>General government debt as % of GDP</b>	34.01	38.1	38.07	39.88	39.44	40.44	40.65	51.49
Guaranteed debt	509.8	658.87	773.98	859.93	828.4	857.74	942.21	957.56
Non-guaranteed debt							41.87	40.84
Total public debt	3281.44	3921.33	4227.25	4711.55	4786.9	5202.16	5540.91	6571.54
External public debt	2078.7	2725.12	2847.5	3286.05	3187.5	3537.76	3709.35	4433.05
Domestic public debt	1202.74	1196.21	1379.75	1425.5	1599.4	1664.4	1831.56	2138.49
<b>Public debt as % of GDP</b>	40.26	45.8	46.6	48.79	47.69	48.42	49.43	60.71

Source: Data adapted according to: Ministry of Finance of RNM & National Bank of Republic of North Macedonia

\*As of 2018 inclusive, total governmental debt in 2019 public debt also includes non-guaranteed debt of public enterprises

From the analysis of table 1, fixed-variable interest rate ratio was 78: 22 respectively at the end of the third quarter in 2020. In this scenario, the decrease in total tax revenues is leading to a significant increase in public debt, which is putting pressure on the government's debt burden and causing concerns among policymakers. Despite these concerns, the government is still pursuing new debt instruments and taking on additional debt. This situation highlights the need for careful and strategic debt management to ensure long-term financial stability. If the government continues to take on new debt without adequately addressing the underlying reasons for the decrease in tax revenues, such as economic slowdowns or tax policy changes, it may end up with a unsustainable debt load that could have negative consequences for the economy and the citizens.

It is important for the government to adopt a holistic approach to debt management that considers both short-term financial needs and long-term financial stability. This may involve re-evaluating its tax policies, implementing measures to increase tax revenues, and managing its debt portfolio in a way that minimizes risk and promotes transparency. Ultimately, the goal should be to ensure that public debt is used in a responsible and sustainable way, in order to promote economic growth and stability for the country and its citizens.

Table 2. Total Debt Burden Ratios

<i>indicators/years</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total public debt-to-GDP	0.27	0.32	0.38	0.4	0.46	0.47	0.48	0.47	0.48	0.49	0.61
Total public debt-to-revenue	0.9	1.08	1.3	1.44	1.65	1.62	1.71	1.64	1.7	1.67	2.07
Debt service-to-GDP	0.02	0.02	0.02	0.04	0.03	0.06	0.05	0.04	0.05	0.04	0.09
Debt service-to-revenue	0.08	0.08	0.07	0.14	0.1	0.22	0.16	0.14	0.19	0.12	0.31
Gross financing needs-to-GDP	0.04	0.04	0.05	0.07	0.06	0.09	0.06	0.06	0.06	0.04	0.16
Gross financing needs-to- revenue	0.14	0.14	0.17	0.25	0.22	0.3	0.22	0.19	0.21	0.15	0.55
Total net public debt-to-GDP	0.27	0.32	0.38	0.4	0.46	0.47	0.48	0.47	0.48	0.49	0.61
Total net public debt-to- revenue	0.9	1.08	1.3	1.44	1.65	1.62	1.71	1.64	1.7	1.67	2.07
Total gross public debt to potential GDP	0.19	0.23	0.28	0.3	0.35	0.36	0.39	0.39	0.4	0.43	0.53

Source: Authors calculations, based on data of MoF.

From table 2 can be seen the evolution of debt, which indicates the size of a government's debt in relation to its ability to service that debt. A high ratio may indicate that a government is facing difficulties in servicing its debt and may be at risk of defaulting on its loans. The total debt burden ratio is an important indicator of a country's debt sustainability and is used by investors, rating agencies, and international organizations to assess a government's ability to repay its debt obligations. It is important to monitor the trend of this ratio over time and to take appropriate measures to reduce it if necessary, in order to maintain the sustainability of the country's public finances and avoid future financial difficulties.

Table 3. Average Time to Maturity in the public debt of R. North Macedonia

	2022	2023	2024	2025	2026	2027
<b>Central governmental debt</b>	5.5	5.6	5.7	5.4	5.4	5.3
<b>Domestic debt</b>	7.3	7.4	7.5	7.1	7.1	7.2
<b>External Debt</b>	4.8	5.2	5.5	5.2	5.2	5.2
<b>Prediction</b>	5.5	6.1	6.2	6.1	5.9	5.8

Source: Prediction based on average of prediction debt based on data of MoF.

In the table 3 the prediction on the average time to maturity is shown that indicates the average length of time before the maturity of a government's debt obligations. It is calculated as the weighted average of the maturities of the individual debt securities in a government's debt portfolio.

The main goals of public debt operation are to effectively manage the government's debt in a way that meets its financing needs and achieves its debt management objectives. These objectives may vary depending on the specific needs and circumstances of the government, but common goals of public debt operation include:

1. Maintaining a sustainable level of debt: Maintaining a sustainable level of public debt is crucial for ensuring the long-term financial stability of North Macedonia. A sustainable debt level is one that the government can manage without undue strain on its finances, and one that will not compromise the ability of future generations to meet their

own financial needs. To achieve a sustainable level of public debt, the government should adopt a debt management strategy that considers both short-term financing needs and long-term financial stability. This strategy should include measures to increase tax revenues, control spending, and manage the government's debt portfolio in a way that minimizes risk and promotes transparency. Additionally, the government should also aim to diversify its debt portfolio, reduce its dependence on foreign borrowing, and implement effective debt tracking and monitoring systems to ensure that public debt is being used in a responsible and sustainable manner. Overall, maintaining a sustainable level of public debt is essential for promoting economic growth and stability in North Macedonia, and it is a critical goal that the government should strive to achieve.

2. Reducing the cost of borrowing: Reducing the cost of borrowing is an important goal for North Macedonia as it can help to lower the overall burden of debt on the government and the economy. The following are some ways in which the cost of borrowing can be reduced:

- Diversifying the debt portfolio: Diversifying the types of debt instruments used can help to reduce the overall cost of borrowing. The government can consider issuing different types of bonds, such as inflation-linked bonds, and exploring alternative sources of funding, such as project bonds and sukuk bonds.

- Improving credit ratings: Improving North Macedonia's credit rating can help to reduce the cost of borrowing by lowering the risk premium that investors demand. This can be achieved by implementing sound fiscal policies, reducing debt levels, and demonstrating a track record of responsible debt management.

- Reducing the reliance on foreign borrowing: Reducing the reliance on foreign borrowing can help to reduce the cost of borrowing as it reduces the impact of exchange rate fluctuations. The government can explore alternative sources of funding, such as domestic borrowing and tapping into international capital markets.

- Streamlining the debt issuance process: Streamlining the debt issuance process can help to reduce the cost of borrowing by making the process more efficient and reducing the time required to issue debt instruments. This can be achieved through the use of electronic platforms and by simplifying the documentation process.

Reducing the cost of borrowing is essential for ensuring the sustainability of the government's debt and for promoting economic stability and growth in North Macedonia. By implementing these strategies, the government can help to achieve this important goal.

3. Increasing the liquidity of the debt can help North Macedonia to more easily manage its debt obligations and to respond to unexpected events. The following are some ways in which the liquidity of the debt can be increased:

- Shortening the average maturity of the debt portfolio: Shortening the average maturity of the debt portfolio can help to increase the liquidity of the debt as it reduces the exposure to long-term interest rate risk.

- Issuing more short-term debt instruments: Issuing more short-term debt instruments, such as Treasury bills, can help to increase the liquidity of the debt as they can be quickly and easily traded on secondary markets.

- Increasing the secondary market activity: Increasing the secondary market activity of the debt instruments can help to increase the liquidity of the debt by making it easier to buy and sell the debt in the market.

- Strengthening the domestic capital market: Strengthening the domestic capital market by improving the regulatory and legal framework can help to increase the liquidity of the debt as it provides more investment opportunities for local investors.

- Building a large investor base: Building a large investor base by attracting more institutional investors and by promoting retail participation can help to increase the liquidity of the debt by providing more buyers for the debt instruments.

Increasing the liquidity of the debt is important for North Macedonia as it provides more flexibility in managing its debt obligations and in responding to unexpected events. By implementing these strategies, the government can help to achieve this important goal.

4. Managing risk is an important component of debt management strategy, as it helps to ensure the stability of the debt portfolio and to minimize the potential losses. The following are some ways in which risk can be managed for North Macedonia:

- Diversifying the debt portfolio: Diversifying the debt portfolio by issuing different types of debt instruments and by issuing debt in multiple currencies can help to manage risk by reducing the exposure to any one particular risk.

- **Monitoring and managing interest rate risk:** Interest rate risk arises from fluctuations in interest rates, which can have a significant impact on the value of the debt portfolio. Monitoring and managing interest rate risk can help to minimize the impact of these fluctuations.

- **Monitoring and managing currency risk:** Currency risk arises from fluctuations in exchange rates, which can have a significant impact on the value of the debt portfolio. Monitoring and managing currency risk can help to minimize the impact of these fluctuations.

- **Monitoring and managing credit risk:** Credit risk arises from the possibility of default by a borrower, which can have a significant impact on the value of the debt portfolio. Monitoring and managing credit risk can help to minimize the impact of these defaults.

- **Monitoring and managing liquidity risk:** Liquidity risk arises from the possibility of being unable to meet debt obligations when they come due, which can have a significant impact on the value of the debt portfolio. Monitoring and managing liquidity risk can help to minimize the impact of these scenarios.

By implementing these strategies, the government of North Macedonia can help to manage risk and to ensure the stability of the debt portfolio over time. This will help to reduce the potential losses and to maintain the overall health of the debt portfolio.

5. Improving transparency and accountability is an important aspect of debt management, as it helps to increase public trust and confidence in the government's debt management practices. The following are some ways in which transparency and accountability can be improved for North Macedonia:

- **Improved data reporting and disclosure:** The government can improve transparency by providing more detailed and timely information about the debt portfolio, including information about the types of debt instruments, the terms and conditions of the debt, and the maturity profiles of the debt.

- **Increased public participation:** The government can increase public participation by holding regular public meetings and workshops to discuss debt management issues and to provide information about the debt portfolio.

- **Better use of technology:** The government can use technology, such as online portals and mobile apps, to provide information about the debt portfolio and to make it easier for the public to access and understand the information.

- **Independent audits:** The government can hire independent auditors to review the debt portfolio and to provide an independent assessment of the government's debt management practices.

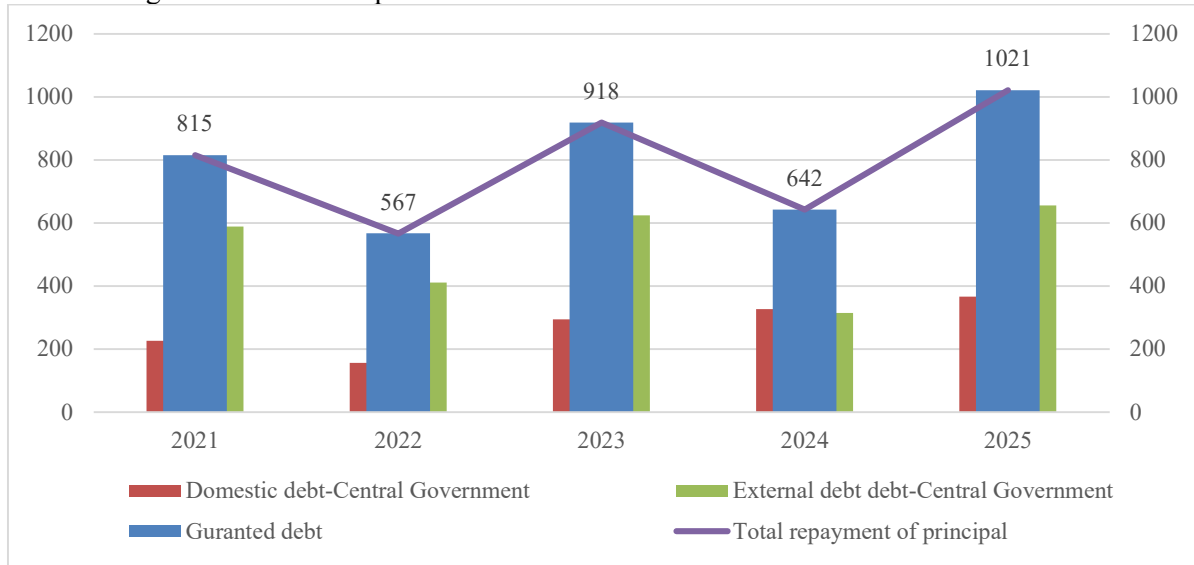
- **Enhanced risk management processes:** The government can improve transparency and accountability by enhancing its risk management processes and by providing regular reports on the risks associated with the debt portfolio.

By implementing these strategies, the government of North Macedonia can contribute towards increase in public trust and confidence in its debt management practices and to improve transparency and accountability in its debt management processes. This will help to ensure that the government is able to manage the debt portfolio in a responsible and effective manner. Managing the public debt limits on debt and structure in the R. North Macedonian is considered sustainable if it provides for servicing of the debt in time and in the long run and it depends on several factors like such as: development of the domestic fiscal policy (reform on fiscal politic), position of budget (expending budget or investment budget) deficiency liquidity of the moving capital request, rate of profitable growth, affectation rate.

The prediction for the period 2022-2026 will depend on several factors, including the continuation of the systems put in place by the public debt issuers and the long-term sustainability of the country's debt position relative to the EU. The government policy of borrowing to cover budget deficits and invest in operating costs, such as interest payments on older debt, will also play a role.

Overall, the main goals of public debt operation are to effectively manage the government's debt in a way that meets its financing needs and achieves its debt management objectives, while minimizing the risks and costs associated with borrowing.

Figure 7. Public debt prediction base on the indicator of the Domestic and External debt



Source Authors calculations, based on data of MoF and prediction.

Figure 1 presents a prediction of public debt based on the indicators of domestic and external debt for the Republic of North Macedonia. The analysis is based on the trends and factors affecting each type of debt in the country. The specific factors that influence the trend of public debt in North Macedonia may include the government's fiscal policies, the level of economic growth, the overall financial stability of the country, the exchange rate, the level of foreign investment, and the country's access to international financial markets.

### 3.1. Management of the limitations of the Public Debt and Guaranteed Debt

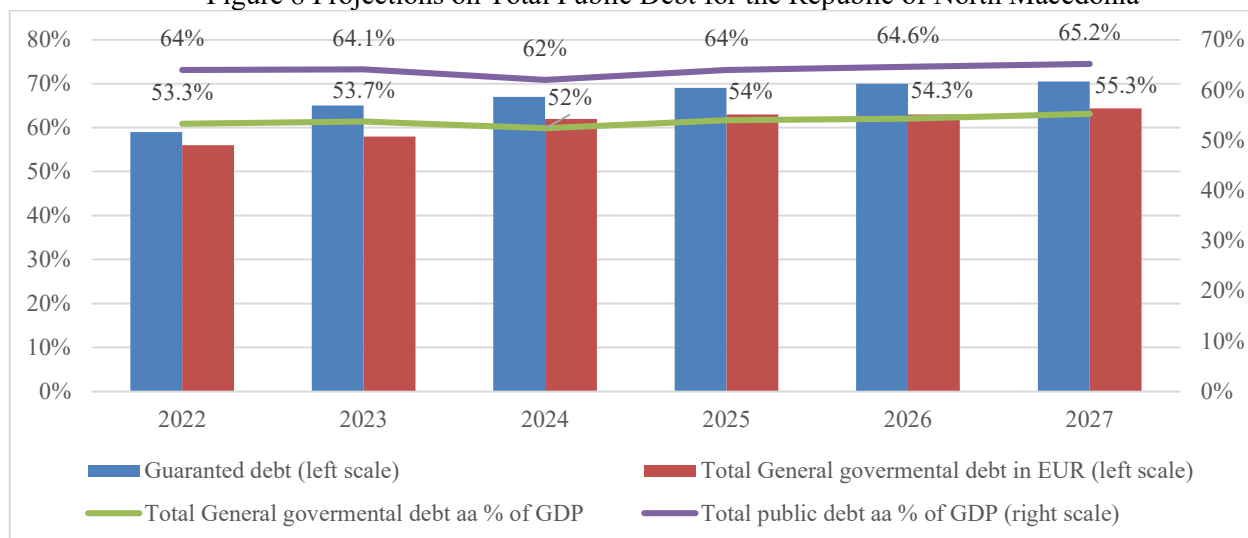
There are no hard and fast rules for the limits on public debt and guaranteed debt amounts. The amount of public debt that a country can take on is determined by a variety of factors, including the country's economic strength, its ability to service its debt, and the willingness of lenders to extend credit. Some countries have statutory limits on their public debt, while others do not.

In the United States, for example, the federal government is authorized to borrow up to a certain limit, which is known as the "debt ceiling." This limit is set by Congress and can be raised or lowered as needed. If the government needs to borrow more money than the current debt ceiling allows, Congress must pass a law to raise the debt ceiling. Guaranteed debt, on the other hand, is debt that is backed by a guarantee from a government or other entity. This means that if the borrower is unable to repay the debt, the guarantor will step in and cover the costs. The amount of guaranteed debt that a country can take on is typically limited by the creditworthiness of the guarantor, as well as the terms of the guarantee. In general, it is important for governments to manage their debt levels carefully and to ensure that they can meet their financial obligations. If a government's debt becomes unsustainable, it can lead to economic instability and potentially even a debt crisis.

The effectiveness of managing the limits on public debt can play a significant role in ensuring the sustainability of public debt and reducing the risk of default. These limits can provide a framework for the trends of public debt in the period after the COVID-19 pandemic, during the 2021-2025 period. The limits help to define the maximum sustainable level of total public debt in relation to GDP, and the position of guaranteed public debt in relation to GDP, as specified in the Law on Public Debt.



Figure 8 Projections on Total Public Debt for the Republic of North Macedonia



Source: Authors calculations, based on data of MoF and prediction.

Projections on total public debt in the R. of North Macedonia explain the government's policies, international cooperation, and capital investments, and also play a significant role in determining the trend of the public debt on Figure 2. According to the indicators analyzed in the article, the projections of the total public debt for the period 2022-2027 are likely to be influenced by the preparation of systems by public debt issuers, and the government's policy of borrowing to cover the budget deficit while continuing to invest in operational costs. The effectiveness of managing the limits on public debt also plays a crucial role in determining the total public debt position in relation to GDP.

### 3. CONCLUSION AND RECOMMENDATIONS

The conclusion of this paper on the public debt management in the Republic of North Macedonia is that, although there has been a significant increase in the public debt, the government is taking measures to manage it effectively. The measures include the implementation of a debt management strategy, increasing transparency and accountability, reducing the cost of borrowing, managing risk, and improving liquidity. The predictions for the future trend of public debt are based on the analysis of the domestic and external debt indicators. However, the success of the public debt management strategy will depend on the ability of the government to maintain a balance between revenue and expenditure, and to avoid taking on additional debt. To ensure long-term sustainability, the government should consider implementing additional measures to reduce the public debt burden, such as reducing operational costs, increasing tax revenues, and improving economic growth. Based on the analysis that this paper has provided, several recommendations for improving the sustainability, cost-effectiveness, risk management, and transparency of public debt management in the Republic of North Macedonia, were given. Also, there are several additional recommendations that governments, in general, can take to improve the collection and reporting of financial statistics:

1. Establish clear and consistent definitions: It is important to have clear and consistent definitions for financial terms and concepts to ensure that data is comparable and accurate.

2. Develop robust data collection systems: Governments should establish systems for collecting and recording financial data that are accurate and timely. This may involve using technology to automate data collection and reporting processes.

3. Enhance data quality: Governments should establish quality control measures to ensure that data is accurate and complete. This may involve training staff on how to properly collect and report financial data, as well as conducting regular data quality checks.

4. Enhance transparency and accountability: Governments should be transparent in their financial reporting, making it easy for the public to access and understand financial data. This may involve publishing financial data in a user-friendly format or providing additional context or explanations for the data.

5. Promote the use of international standards: Adopting international standards for financial reporting, such as the International Public Sector Accounting Standards (IPSAS), can help to improve the comparability and reliability of financial data.

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