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PUBLIC DEBT OF UKRAINE: DYNAMICS, STRUCTURE,  
MANAGEMENT METHODS

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**Abstract.** The paper studies the dynamics, structure, methods of Ukraine's public debt management and identifies the constituent elements of the public debt management mechanism. The current trends of Ukraine's debt policy are analyzed and its macroeconomic consequences are determined. It is established that public debt management is one of the key factors in ensuring macroeconomic stability in the country. According to the results of the study, the nature of the debt problem depends on the country's budget capacity, the state of its foreign exchange reserves, and, accordingly, on the stability of the national currency, interest rates, investment climate, the behavior of all segments of the financial market. It is established that the main problem of public debt management lies in ensuring the solvency of the state, the real sources of public debt repayment. It was found that the most statistically significant factor influencing the size of Ukraine's external debt is GDP growth. It is justified that in order to reduce the amount of the country's external liabilities and increase GDP, it is necessary to resort to domestic borrowings as much as possible. It is proposed to use the foreign experience of developed countries in Western Europe and the United States, which resort to external borrowings only when there is a stable GDP growth. The study found that countries do not set the goal of reducing debt to zero, but recognize the need to reduce it to a certain level of sustainability, which depends on economic growth, interest rates, due to which countries occupy a certain place in domestic and foreign markets. It is noted that Ukraine's current credit ratings should be raised through fiscal policy and reforms. **The results** of the study highlight the priority areas for implementing the medium-term public debt management strategy for 2019 – 2022.

**Keywords:** public debt, management, risks, strategy, financial system, gross domestic product, macroeconomic stability.

**JEL Classification:** R58.

## INTRODUCTION

For most countries of the world, the constantly accumulating public debt is considered a prerequisite for instability. However, the governments of these countries are reluctant to abandon borrowing as a source of funding, especially during periods of extremely high demand for

government spending (wars, natural disasters, pandemics, economic crises).

Due to the economic crisis and the consequences of the coronavirus epidemic, many countries will have to borrow a lot of money to rebuild their economies. Ukraine is no exception, although the country already has got significant debts. Lately, growing public debt (due to a number of objective and subjective reasons) has been a significant destabilizing problem for Ukraine. Thus, the definition of public debt problems is relevant for modern economics.

## **LITERATURE REVIEW**

The scientific basis of the public debt problem is laid by prominent foreign and domestic scientists. The works of Bon Van Nguyen (2015), A. Afonso and D. Furcery (2010), J. Jalles (2013), R. J. Barro (1998) and other foreign economists are devoted to the study of optimal sources of public debt repayment. Many domestic scholars, such as, in particular, V. D. Bazilevich (2008), O.P. Makar (2012), Ye.V. Kraichak (2018), Yu.V. Kolobov (2014), O. L. Shelest (2017) and others, have made efforts to study the socio-economic prerequisites and consequences of the formation of public and private sector debt obligations, as well as to develop conceptual frameworks for public debt management so as to ensure the stability of the financial system and to expand the investment potential of Ukraine's economic sector.

## **PAPER OBJECTIVE**

The purpose of the article is to study the dynamics, structure, mechanism of public debt management in Ukraine. To achieve this objective, the following tasks are to be solved:

- to reveal the content, to clarify the interpretation of the concept of "public debt", "public debt management", as well as to determine the constituent elements of public debt management mechanism;
- to analyze the current trends of Ukraine's debt policy, to determine its macroeconomic consequences;
- to reveal the content of the medium-term strategy of public debt management for 2019-2022.

## **METHODOLOGY**

The following research methods are used in the work: abstract-logical; statistical; comparative; of logical generalization; of economic and system analysis; of grouping; of critical analysis and theoretical research generalization.

## **RESULTS AND DISCUSSION**

In the modern economic literature, there are definitions of public debt, which differ significantly from each other, because they characterize public debt from different points of view: some by its content, others by its form, legal status and so on.

Public debt is an integral part of the country's financial system, which depends on the state of the whole system and at the same time has a significant impact on its functioning (Bazilevich, 2008).

According to the Budget Code of Ukraine, public debt means the total amount of the state liabilities on received and outstanding loans (borrowings) as of the reporting date arising from government borrowing (Budget Code of Ukraine, 2010).

The conducted researches in the field of debt policy development allow allocating integral components which should be considered as a part of complex system of a public external debt management:

- legislative support of the state debt policy;
- debt risk management;
- active management of public external debt;
- promoting the development of the national government securities market aimed at partial transition from external government borrowings to domestic ones.

The creation of a modern system of public external debt management in Ukraine is quite possible, but its implementation will be difficult without an effective legal framework that regulates the formation, development and management of public debt. That is why, at the first stage, it is necessary to solve the problems related to the legislative field in this area.

The lack of a comprehensive system of legislation to regulate the cost of servicing and repaying public debt is a significant obstacle in achieving proper debt policy. Ukraine has not yet adopted a law on public debt, which slows down the process of creating an effective system of external debt management and leads to contradictions between the provisions of certain repayment regulations and public debt servicing (Makar, 2012).

The problem of public debt management lies in ensuring the solvency of the state, real sources of public debt repayment. When managing public debt, especially external, it is necessary to look for options that would minimize losses for the state and the population.

Debt itself is not harmful and dangerous for the state and society. At the same time, it can increase a country's vulnerability to shocks (such as currency). Therefore, the world is paying more and more attention to assessing the sustainability of public debt. The amount of the debt in relation to GDP is important, because it reflects the ability of the state to service its debt in the future and further develop the economy.

The maximum amount of public debt is determined by Art. 18 of the Budget Code of Ukraine, which states that the amount of debt should not exceed 60% of the actual annual GDP of Ukraine (Budget Code of Ukraine, 2017). In case of exceeding the debt limit, the Cabinet of Ministers of Ukraine is obliged to take urgent measures to reduce the amount of public debt to the established amount and below. The dynamics of total public debt and GDP of Ukraine from 2009 to 2020 are shown in Table 1.

*Table 1*  
*Dynamics of total public debt and GDP of Ukraine from 2009 to 2020 (mln. UAH)*

<b>Years</b>	<b>Public debt (total)</b>	<b>Gross domestic product (GDP)</b>	<b>Public debt / GDP</b>
on 31.12.2009	316 885	913 345	34,7%
on 31.12.2010	432 235	1 082 569	39,9%
on 31.12.2011	473 122	1 316 600	35,9%
on 31.12.2012	515 511	1 408 889	36,6%
on 31.12.2013	584 114	1 454 931	40,1%
on 31.12.2014	1 100 564	1 566 728	70,2%
on 31.12.2015	1 572 180	1 979 458	79,4%
on 31.12.2016	1 929 759	2 383 182	81,0%
on 31.12.2017	2 141 674	2 982 920	71,8%
on 31.12.2018	2 168 627	3 558 706	60,9%
on 31.12.2019	1 998 275	3 974 564	50,3%
on 31.03.2020	2 255 553	-	-

*Source: modified after (Council of the National Bank of Ukraine, 2018)*

The amount of public debt is calculated in monetary form as the outstanding principal amount of direct debt obligations of the state. The state of public debt is determined on the last day of the reporting period and includes transactions within that day.

The strongest devaluation of the hryvnia and the economic downturn in 2014-2015 led to an increase in the ratio of public debt to Ukraine's GDP from 40% to 81% in 2016.

The main reasons for the public debt growth in 2014-2016 were the following (Shelest, 2017):

- the political crisis, the annexation of the Autonomous Republic of Crimea and the protracted military conflict in the east of the country;
- deep economic recession caused by regrouping of economic ties with international partners and destruction of infrastructure and industrial facilities in some part of the country;
- financing of the state budget deficit at the expense of state borrowings, the growth of which is caused largely by increased expenditures on defense and public debt service;
- strong state support for state-owned enterprises and banks, in particular NJSC Naftogaz of Ukraine.

The reasons for the public debt increase in 2017 – 2018 were as follows (Bondaruk, Bondarchuk and Melnichuk, 2018):

- the constant state budget deficit observed in recent years;
- the growth rate of government expenditures exceeding the growth rate of government revenues;
- funds raise from non-residents in order to maintain the stability of the national currency.

Despite the growth of public and state-guaranteed debt in absolute terms, its ratio to GDP decreased from 81% in 2016 to 72% in 2017. Such positive dynamics was not the result of the restrained fiscal policy of Ukraine's Establishment, but was caused by rapid growth of nominal GDP in dollar terms under macroeconomic stabilization (Council of the National Bank of Ukraine, 2018).

In 2018, public debt was reduced largely due to the fact that Ukraine had made several repayments of the principal debt to the IMF in the amount of 1,115 mln. under special borrowing privileges.

Since the plan of external borrowings was not fulfilled in the amount of approximately USD 2,5 billion in 2018, and the IMF did not provide loan tranches, the main emphasis in the policy of government borrowing was placed on domestic government loan bonds of Ukraine (hereinafter DGLB). Among the consequences of the non-fulfillment of the external borrowing plan is the private placement of bonds worth approximately USD 720 mln. in August with high yields (9,2%) and a significant increase in yields on domestic currency and hryvnia borrowings. This private placement was caused by the need to make debt service payments without reducing international reserves.

The period of September 2019 was a month of peak payments on public debt. In particular, in September 2019, the Ministry of Finance repaid public debt in the amount equivalent to UAH 35,1 billion, or USD 1,4 billion, including the redemption of 2015 DGLB in the amount of USD 661,3 mln.

However, after the economic growth had been resumed, a large number of structural reforms (banking, pension, tax, etc.) conducted, debt restructured and budget deficit reduced, the ratio of public debt to GDP fell to 50,3% in 2019.

In January – February 2020, the devaluation of hryvnia against foreign currencies in which the debt was denominated and the excess of government borrowing over the public debt repayment led to an increase in public debt by UAH 46,4 billion (2,6%). External debt increased by UAH 61,2 billion (6,6%), while domestic debt decreased by UAH 14,8 billion (1,8%).

A level of debt is considered safe (threshold) when it allows the state to fulfill its debt obligations independently (without the help of international financial organizations or other entities), in time and in full amount, without restructuring these obligations or announcing default, and to carry out government borrowing in the capital markets at reasonable interest rates.

As a result, we conclude that GDP growth is the most statistically significant factor influencing the amount of Ukraine's external debt. Although the average exchange rate of the hryvnia against the dollar affects the amount of the external public debt, the impact is not so strong, so the amount of external public debt does not depend much on this factor.

In general, if the amount of the country's external liabilities is reduced and GDP increased, it is possible to resort to domestic borrowing and not to depend so much on external creditors. But in case of attracting external borrowing, it can take place only in conditions of GDP stable increase (this example can be seen in developed countries of Western Europe and the United States).

It is significant to note that in such developed countries as Japan, Italy and the United States, the ratio of debt to economic growth is much higher than in Ukraine (Fig. 1). According to the studies by the American Institute of International Finance (IIF), in 2019 the global debt reached the highest level in the history of observations, increased by almost 10 trillion dollars and amounted to USD 255 trillion (Tiftik, Mahmood and Gibbs, 2020).

One of the main reasons for the global debt growth was the monetary policy of central banks. In 2019, regulators began to reduce simultaneously interest rates in order to stimulate business activity and economic growth. Subsequently, the actions of central banks should lead to cheaper loans, increased domestic demand and investment. But such actions run the risk of countries' over-lending.

At the same time, since the beginning of 2020, world debt has continued to grow steadily due to the coronavirus pandemic development.

The spread of the disease and the quarantine measures introduced by countries have provoked a massive reduction in trade and passenger traffic in the world. The Asian Development Bank analysts predict global losses from the pandemic. Against this background, the International Monetary Fund has already announced the beginning of the world economy recession, and IIF experts expect global debt to grow to 342% of GDP at the end of the year.

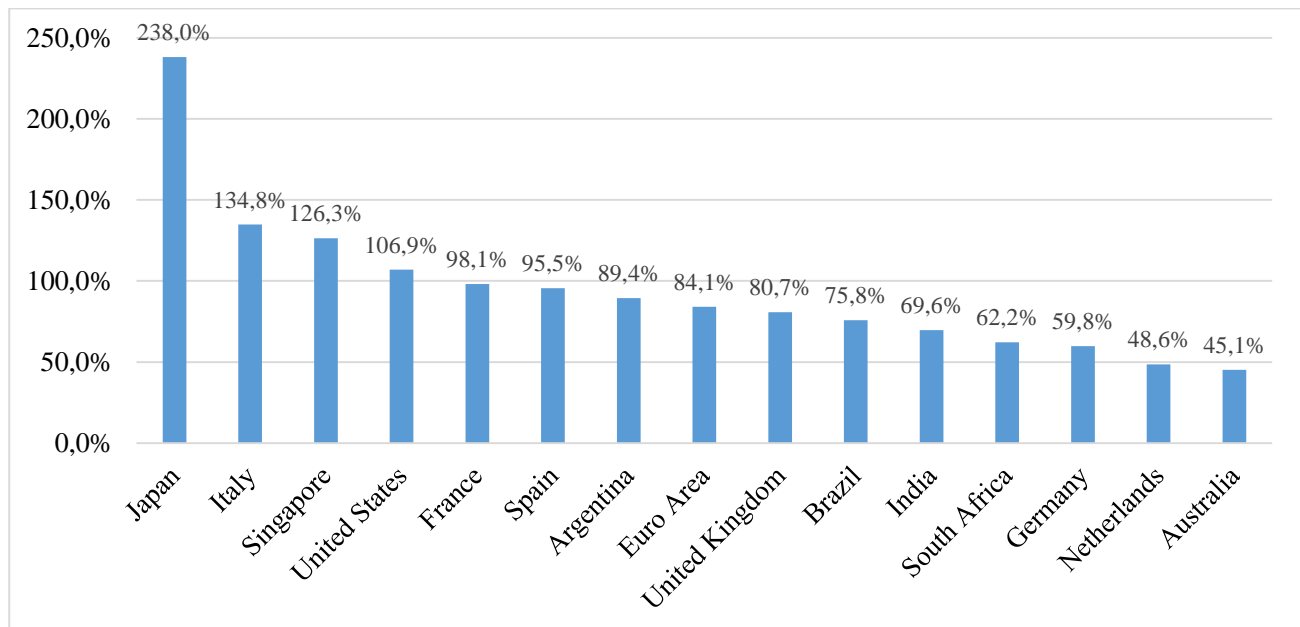


Figure 1. Ratio of public debt to GDP in December 2019

Source: modified after (Trading Economics, 2020)

Therefore, in addition to the amount of debt, it is necessary to take into account other factors when assessing each country's financial condition, including the possibility of refinancing. In case of Ukraine, it is not the amount of the debt that is of great concern but its structure and payment schedule (Tables 2-3).

Table 2

*The structure of Ukraine's external debt in March 2020*

Type of debt	Debt on loans received from	Billion dollars
External public debt	<b>International financial organizations:</b>	<b>12,18</b>
	European Community	3,65
	EBRD	0,49
	EIB	0,76
	IBRD	4,86
	IMF	2,41
	Clean Technology Foundation (IBRD)	0,02
	<b>Governing bodies of foreign states:</b>	<b>1,62</b>
	Canada	0,15
	Germany	0,27
	Poland	0,01
	RF	0,61
	France	0,02
	Japan	0,56
	<b>International commercial banks, other foreign financial institutions</b>	<b>1,35</b>
	Cargill (USA)	0,27
	Credit Agricole Corporate and Investment Bank (France)	0,18
	Deutsche bank AG London (Germany)	0,9
	Debt on securities issued on the foreign market	23,62
	Other debt to the IMF	1,69
	<b>Total</b>	<b>40,45</b>
External state-guaranteed debt	<b>International financial organizations</b>	7,88
	European Atomic Energy Community	0,11
	EBRD	0,35
	EIB	0,06
	IBRD	0,46
	IMF	6,91
	<b>International commercial banks, other foreign financial institutions</b>	1,37
	Central storage safety project trust (USA)	0,15
	Deutsche bank AG London (Germany)	0,03
	Unicredit Bank Austria AG (Austria)	0,01
	State Development Bank of China	0,02
	Export-import Bank of China	1,13
	Export-import Bank of Korea	0,03
	<b>Other debt to the IMF</b>	0,11
	<b>Total</b>	<b>9,69</b>
<b>The total amount of external public and state-guaranteed debts is</b>		<b>49,81</b>

Source: modified after (Ministry of Finance of Ukraine, 2020)



*Table 3*

*Dynamics of external public and state-guaranteed debts of Ukraine in 2009 – 2020 (UAH mln.)*

Dating to:	Total debt			External debt		Domestic debt	
		Specific weight, %	Gain, %		Gain, %		Gain, %
31.12.2009	316 884,6			211 751,7		105 132,9	
31.12.2010	432 235,4	115350,8	36,4	276 745,6	30,7	155 489,8	47,99
31.12.2011	473 121,6	40886,2	9,5	299 413,9	8,2	173 707,7	11,79
31.12.2012	515 510,6	42388,9	9,0	308 999,8	3,2	206 510,7	18,99
31.12.2013	584 114,1	68603,5	13,3	300 025,4	-2,9	284 088,7	37,69
31.12.2014	1 100 564,0	516449,9	88,4	611 697,1	103,9	488 866,9	72,19
31.12.2015	1 572 180,2	471616,2	42,9	1 042 719,6	70,5	529 460,6	8,39
31.12.2016	1 929 758,7	357578,5	22,7	1 240 028,7	18,9	689 730,0	30,39
31.12.2017	2 141 674,4	211915,7	11,0	1 374 995,5	10,9	766 678,9	11,29
31.12.2018	2 168 627,1	26952,7	1,3	1 397 217,8	1,6	771 409,3	0,69
31.12.2019	1 998 275,4	-170351,7	-7,9	1 159 221,6	-17,0	839 053,8	8,89
31.12.2020	2 255 552,8	257277,4	12,9	1 387 805,0	19,7	867 747,7	3,49

*Source: modified after (Ministry of Finance of Ukraine, 2020)*

In addition, a big question remains as for the possibility of stable service in terms of a deficit budget and partly expansionary fiscal policy, with limited access to foreign borrowing markets and the growing foreign trade deficit, as well as with view of the pandemic consequences.

Dated March 31, 2020, the public and state-guaranteed debt of Ukraine amounted to UAH 2,255,55 billion or USD 80.38 billion, including: public and state-guaranteed external debt – UAH 1 387,81 billion (61,53% of the total amount of public and state-guaranteed debt) or USD 49,46 billion; public and state-guaranteed domestic debt – UAH 867,75 billion (38,47%) or USD 30,92 billion (Figure 2).

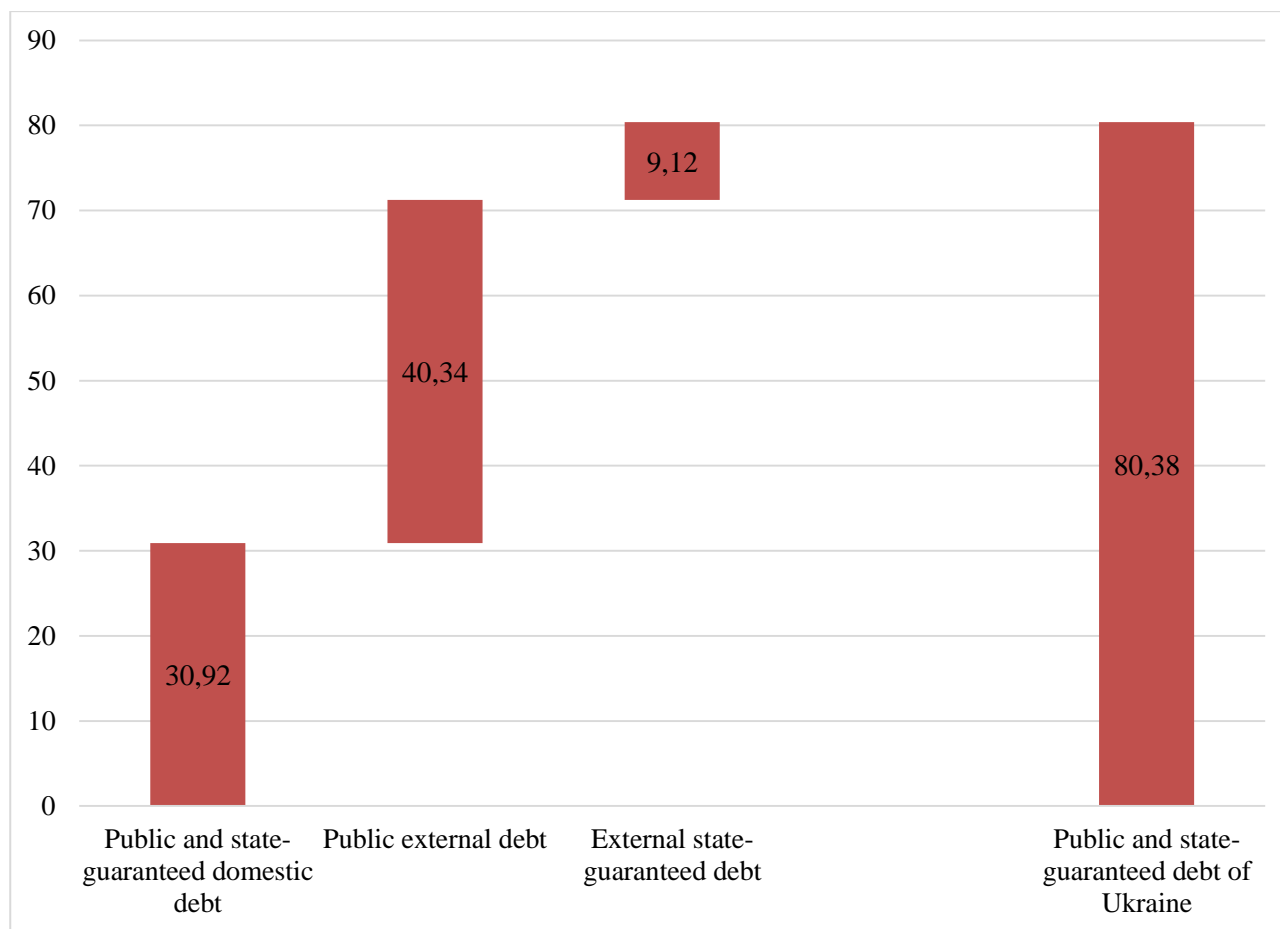


Figure 2. Public and state-guaranteed debt as of March 31, 2020 (billion USD)

Source: modified after (Ministry of Finance of Ukraine, 2020)

Ukraine's public debt amounted to UAH 1988,81 billion (88,17% of the total amount of public and state-guaranteed debt) or USD 70,87 billion. The public external debt amounted to UAH 1131,97 billion (50,19% of the total amount of public and state-guaranteed debt) or USD 40,34 billion. The public domestic debt amounted to UAH 856,83 billion (37,99% of the total amount of public and state-guaranteed debt) or USD 30,53 billion.

The state-guaranteed debt of Ukraine amounted to UAH 266,74 billion (11,83%) or USD 9,51 billion, including: state-guaranteed external debt – UAH 255,83 billion (11,34%) or USD 9,12 billion; state-guaranteed domestic debt – UAH 10,91 billion (0,48%) or USD 0,39 billion (Ministry of Finance of Ukraine, 2020).

Ukraine's total external debt is USD 49,46 billion. Debt on securities issued on the foreign market equals to 23,62 USD billion.

The largest debt of the state on loans received from international financial organizations is USD 12,18 billion. The debt to the IBRD is USD 4,86 billion, to the European Community USD 3,63 billion, to the IMF USD 2,41 billion.

Ukraine owes slightly less to the EBRD (USD 490 mln.), the EIB (USD 760 mln.), and the Clean Technology Fund (USD 20 mln.).

Ukraine also has debts to other countries in the amount of USD 1,62 billion: our country owes USD 150 mln. to Canada, USD 270 mln. to Germany, USD 10 mln. to Poland, USD 610 mln. to Russia, USD 20 mln. to France, USD 560 mln. to Japan.

Debts on loans received from foreign commercial banks and other foreign financial



institutions amount to USD 1,35 billion. The debt structure is as follows: debt to Cargill (USA) is USD 270 mln., Credit Agricole Corporate and Investment Bank (France) – USD 180 mln., Deutsche Bank AG London (Germany) – USD 90 mln.

Ukraine's external state-guaranteed debt is USD 9,12 billion. This amount includes many components.

Debt on loans received from international financial organizations is USD 7,88 billion. Ukraine owes USD 110 mln. to the European Atomic Energy Community, USD 350 mln. to the EBRD, USD 60 mln. to the EIB, USD 460 mln. to the IBRD, and USD 6,91 billion to the IMF.

Debts on loans received from foreign commercial banks and other foreign financial institutions in total amount to USD 1,37 billion. These are debts to the Central Storage Safety Project Trust (USA) – USD 50 mln., Deutsche Bank AG London (Germany) – USD 30 mln., UniCredit Bank Austria AG (Austria) – USD 10 mln., the State Development Bank of China – USD 20 mln., the Export-Import Bank of China – USD 1.13 billion, the Export-Import Bank of Korea – USD 30 mln., as well as other debt to the IMF – USD 110 mln.

More than 61% of Ukraine's public debt consists of external borrowing, amounting to USD 49,46 billion, which is twice the country's current level of foreign exchange reserves (official international reserves of Ukraine are USD 24,923 mln. as of 31.03.20).

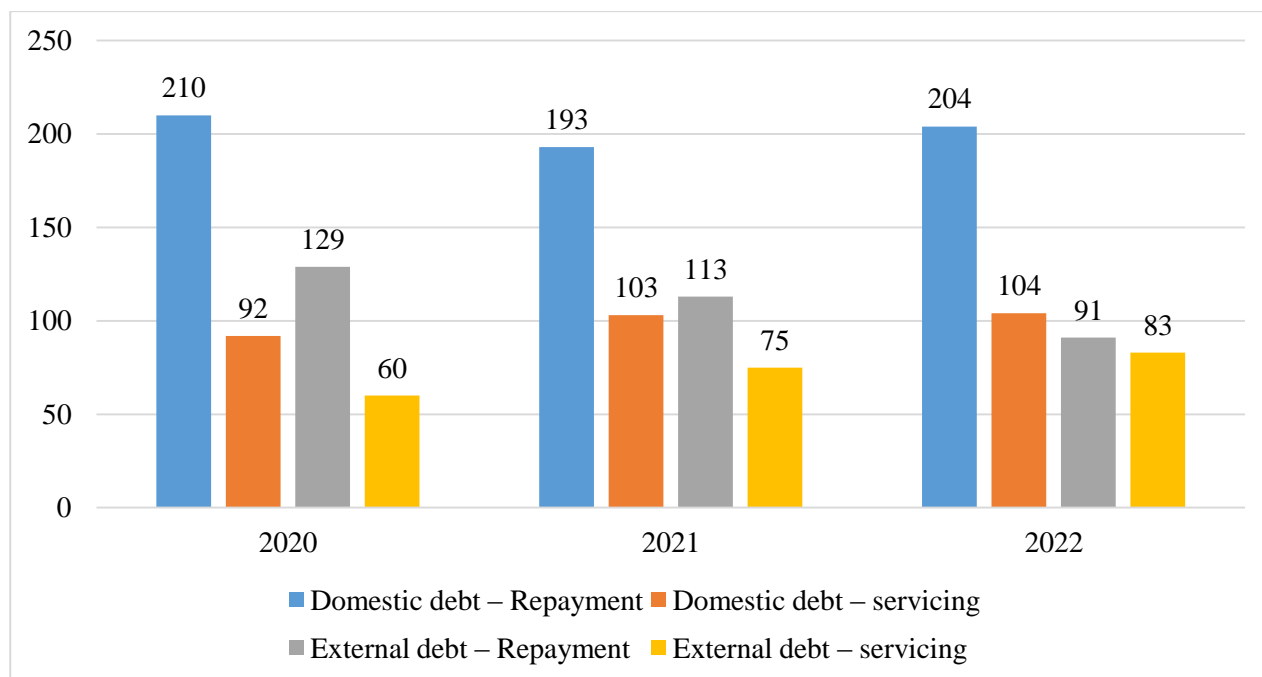
The NBU's international reserves serve as the main source of foreign currency for servicing Ukraine's external debts. Also, reserves are used by the regulator to stabilize the foreign exchange market through interventions during periods of rising exchange rate volatility. Thus, the level of gold and foreign exchange reserves is an extremely important indicator for both residents and foreign investors.

In order to manage Ukraine's public debt, there has been developed the strategy based on the macroeconomic forecast of the Ministry of Economic Development and Trade of Ukraine, approved by the Cabinet of Ministers of Ukraine on May 15, 2019, as well as on the assumptions of the Ministry of Finance. This strategy defines four goals:

1. to increase the share of public debt in the national currency;
2. to extend the average maturity and ensure a uniform repayment schedule of public debt;
3. to attract long-term concessional financing;
4. to continue developing strong investor relations and improve furtherly public debt management policy.

According to the medium-term public debt management strategy for 2019–2022, a debt repayment schedule in 2019–2022 was drawn up with a limited number of refinancing peaks, which is the result of active public debt management in Ukraine after public and state-guaranteed external commercial debt restructuring in 2015.

The schedule of Ukraine's public debt repayment is shown in Figure 3. The average annual cost of repaying and servicing public debt on current and planned debt obligations in 2019-2022 is UAH 484,7 billion, and the standard deviation is UAH 4,6 billion.



*Figure 3. Schedule of Ukraine's public debt repayment (current and planned debt obligations, UAH billion)*

*Source: modified after (Ministry of Finance of Ukraine, 2020)*

The periods of peaks of public debt refinancing shown in Table 4 are studied.

*Table 4*

*Expenditures on public debt in 2019 – 2022*

UAH billion	2019	2020	2021	2022
Total:	483,4	491,5	482,9	481,0
Average	484,7			
Standard deviation	4,6			
Public debt repayment/GDP	12,0%	10,8%	9,5%	8,6%
Public debt repayment / state budget revenue	52,7%	47,9%	44,1%	40,2%

*Source: modified after (Ministry of Finance of Ukraine, 2020)*

The refinancing peaks will be smoothed out by attracting new debt with a longer maturity, which will limit repayment in these years, as well as by conducting active public debt management operations.

The forecast dynamics of public debt by 2022 is shown in Table 5.

Table 5

*Forecast dynamics of public debt*

	2020	2021	2022
<b>Public domestic debt</b>			
in terms of UAH billion	887,1	948,6	963,5
in terms of USD billion	30,2	31,1	32,0
% to GDP	19,5%	18,7%	17,5%
<b>Public external debt</b>			
in terms of UAH billion	1250,3	1329,9	1400,0
in terms of USD billion	42,5	43,6	45,6
% to GDP	27,5	26,2	24,9
<b>Total public debt</b>			
in terms of UAH billion	2137,4	2278,6	2863,5
in terms of USD billion	72,7	74,7	77,6
% to GDP	47,0%	44,9%	42,4%

*Source: modified after (Tiftik, Mahmood, and Gibbs, 2020)*

Based on the results of the debt stability analysis, the current forecasts and conclusions of the public debt of Ukraine are determined. Under the baseline scenario, Ukraine's public debt level is considered acceptable. The debt-to-GDP ratio is expected to gradually decline to 42,4% by the end of 2022, but the additional costs of tackling the pandemic are likely to hinder reaching this level. The downward trend indicates Ukraine's ability to meet its debt obligations in the long run.

Forecast indicators of Ukraine's public debt repayment and servicing are given in Table 6.

Table 6

*Dynamics of expenditures on public debt repayment and servicing from 2020 to 2022*

	2020	2021	2022
<b>Expenditures on public domestic debt</b>			
in terms of UAH billion	302,4	295,2	307,9
in terms of USD billion	10,7	10,0	10,3
% to GDP	27,6%	24,7%	23,5%
<b>Expenditures on public external debt</b>			
in terms of UAH billion	189,1	187,7	173,1
in terms of USD billion	6,7	6,4	5,7
% to GDP	4,2%	3,7%	3,1%
<b>Total expenditures on debt repayment and servicing</b>			
in terms of UAH billion	491,5	482,9	481,0
in terms of USD billion	17,4	16,4	16,0
% to GDP	10,8%	9,5%	8,6%
% to state budget revenue	44,9%	40,4%	36,7%

Taking into account the forecast data on public debt repayment and servicing costs for the period from 2020 to 2022, it should be noted that according to the provisions of the agreement on public debt restructuring signed between the Ministry of Finance and the Committee of Private External Creditors, there are provisions that will put some pressure on upward trends in the Ukrainian economy. In 2015, contingent liabilities, or Value Recovery Instruments (VRI), were issued, the application of which provides for:

- no payments to creditors if Ukraine's economy grows slower than 3% per year,
- with GDP growth from 3% to 4% per year, creditors will receive 15% only in excess of 3% of GDP,
- if Ukraine's economy grows faster than 4% per year, creditors will receive 40% of the value of each percent that exceeds such growth.

Between 2021 and 2025, this payment will not be higher than 1% of GDP. Ukraine will not make any VRI payments until its GDP is more than USD 125,4 billion.

The study uses the following methods of public debt management:

1) debt prolongation, i.e. a form of creditors' voluntary consent to defer payments on the debtor's obligations; as a rule, it happens when the issuance of new loans to service the previously issued is financially impractical;

2) cancellation of part of the debt, i.e. the government's refusal to repay the debt; debt cancellation may be due to the state's financial insolvency, its bankruptcy or political motives; most often such a mechanism is applied to the least developed countries, unable to repay their obligations even in the long run; under certain conditions, partial debt write-off is economically advantageous for creditors as well;

3) redemption of debt at a discount on the secondary market, i.e. reduction of public debt by redeeming own debts at a discount (deduction) on the secondary market; such method of debt restructuring can be afforded only by some debtor countries that have significant gold and foreign exchange reserves in their assets;

4) exchange of debt for national enterprises' shares or national currency, which is one of the most common market schemes for public debt restructuring; it provides for the creditors' right to sell debts at a discount in the national currency, which can be used to purchase national companies' shares; more often, the direct exchange (swap) of debts for the state-owned companies' shares is used;

5) a temporary moratorium on the payment of interest or part of the principal debt, i.e. deferral of payment of internal or external debt obligations announced by special state acts for a certain period or until the end of certain emergencies;

6) debt conversion, i.e. change in the initial terms of the government loan, in particular, change in loan terms, repayment time, method of loan repayment, and most often – change in the amount of loan interest (change in loan yield);

7) debt consolidation, i.e. change of loan terms in relation to its validity (duration) with possible change of loan interest, in particular, transformation of non-government short-term state loans into long-term state loans, merging of several state loans from previous years into one loan; consolidation and conversion can be performed simultaneously;

8) external debt restructuring carried out within the Paris Club of Official Creditors (restructuring of intergovernmental and government-guaranteed loans) and the London Club of Private Creditors (commercial debt restructuring); debt to the IMF and the World Bank is not subject to restructuring (Shelest, 2017).

Public debt management is one of the key factors in ensuring macroeconomic stability in the country. The nature of the debt problem influences the budget capacity of the country, the state of its foreign exchange reserves, and, accordingly, the stability of the national currency, the level of interest rates, the investment climate, the behavior of all the financial market segments.

## CONCLUSION

Thus, the experience of other countries in general, and of Ukraine in particular, shows that debt increases during and after the economic / financial crisis: states increase borrowing to finance current expenditures amid incomes decline; debt to GDP increases due to the national currency devaluation, which is the result of the crisis.

Experts attribute the sharp increase in the debt burden of many countries in 2020 to government tackling the effects of the coronavirus.

The state's economic policy is noted to be an extremely important reason for the debt growth. Indeed, debt can increase when the state has to increase funding for infrastructure projects, reforms, particularly in medicine and education. Investments in infrastructure and human capital, with the right priorities, will stimulate economic development in the medium and long run, which, in turn, will reduce debt.

In Ukraine, funding for such investments has increased lately, but primarily through increased cost-effectiveness and redistribution from other fields. At the same time, another item of expenditure – defense and security – requires a significant increase, since now it gets only 5% of GDP. In circumstances of war and loss of territory, financial and economic crisis and the need to increase defense and security costs, Ukraine was supported by international partners that provided concessional financing, among them the IMF, World Bank, EU, USA, Japan, Canada and a number of other partners.

International experience shows that states do not set the goal of reducing debt to zero, but recognize the need to reduce it to a certain level of sustainability. This level depends on the growth rate of the economy, the interest rate that influences countries' place in domestic and foreign markets.

In the domestic market, thanks to an effective policy and open access of non-residents to the domestic market through the Clearstream international depository, the Ministry of Finance has already begun to reduce the DGLB profitability, but the ability to do so is limited. The DGLB rate is primarily affected by the NBU discount rate as an indicator of the value of money (note that the NBU reduced it to 8% on April 24). Therefore, we expect a decrease in DGLB profitability.

At the same time, for investors in international capital markets, such indicators are the country's credit ratings and cooperation with the IMF. Note that Ukraine's current credit ratings are low (at the level of B- / B / Caa by the scale of Fitch, Standard & Poors and Moody's rating agencies) and have to be raised.

The macroeconomic situation, fiscal policy and a number of reforms implemented in Ukraine in recent years are expected to have a positive impact on credit ratings in the coming year. The same factors will furtherly reduce inflation expectations and, accordingly, the NBU discount rate, thus allowing to reduce the amount of borrowing in the domestic market.

**The paper's scientific significance.** The paper analyzes modern tendencies of Ukraine's debt policy and determines its macroeconomic consequences. It claims that the most statistically significant factor influencing the size of Ukraine's external debt is GDP growth. It suggests using the foreign experience of developed countries in Western Europe and the United States, which resort to external borrowing only when there is a stable GDP growth.

**Practical implications and originality.** The practical research significance lies in using the advanced ways of Ukraine's public debt repayment with the further development of the country's public debt management strategy.

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## ДЕРЖАВНИЙ БОРГ УКРАЇНИ: ДИНАМІКА, СТРУКТУРА, МЕТОДИ УПРАВЛІННЯ

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Досліджено динаміку, структуру, методи управління державним боргом України. Визначено складові елементи механізму управління державним боргом. Проаналізовано сучасні тенденції боргової політики України, визначено її макроекономічні наслідки. Встановлено, що управління державною заборгованістю є одним із ключових факторів забезпечення макроекономічної стабільності в державі. За результатами дослідження визначено, що від характеру врегулювання боргової проблеми залежать бюджетна дієздатність країни, стан її валютних резервів, а відповідно, і стабільність національної валюти, рівень відсоткових ставок, інвестиційний клімат, характер поведінки всіх сегментів фінансового ринку. Встановлено, що головна проблема управління державним боргом полягає в забезпеченні платоспроможності держави, реальних джерел погашення державного боргу. З'ясовано, що найбільш статистично значущим фактором, що впливає на розмір зовнішнього боргу України, є саме приріст ВВП. Обґрунтовано, для зменшення розміру зовнішніх зобов'язань країни та підвищення ВВП, потрібно вдаватися максимально до внутрішнього. Запропоновано використати закордонний досвід розвинутих країн Західної Європи та США, які вдаються до зовнішнього займу тільки тоді, коли є стабільний приріст ВВП. За результатами дослідження з'ясовано, що держави не визначають метою скорочення боргу до нуля, але визнають необхідність його скоротити до певного рівня стійкості, який залежить від темпів зростання економіки, процентної ставки, за якою країни займають на внутрішньому і зовнішньому ринках. Зазначено, що поточні кредитні рейтинги України треба підвищувати за рахунок фіскальної політики і реформ. За результатами дослідження акцентовано пріоритетні напрямки реалізації середньострокової стратегії управління державним боргом на 2019-2022 роки.

**Ключові слова:** державний борг, управління, ризики, стратегія, фінансова система, внутрішній валовий продукт, макроекономічна стабільність.

## ГОСУДАРСТВЕННЫЙ ДОЛГ УКРАИНЫ: ДИНАМИКА, СТРУКТУРА, МЕТОДЫ УПРАВЛЕНИЯ

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Исследована динамика, структура, методы управления государственным долгом Украины. Определены составляющие элементы механизма управления государственным долгом. Проанализированы современные тенденции долговой политики Украины, определены ее макроекономические последствия. Установлено, что управление государственной задолженностью является одним из ключевых факторов обеспечения макроекономической стабильности в государстве. По результатам исследования установлено, что от характера урегулирования долговой проблемы зависят бюджетная дееспособность страны, состояние ее валютных резервов, а соответственно, и стабильность

национальной валюты, уровень процентных ставок, инвестиционный климат, характер поведения всех сегментов финансового рынка. Установлено, что главная проблема управления государственным долгом заключается в обеспечении платежеспособности государства, реальных источников погашения государственного долга. Установлено, что наиболее статистически значимым фактором, влияющим на размер внешнего долга Украины, является именно прирост ВВП. Обосновано, для уменьшения размера внешних обязательств страны и повышение ВВП, нужно прибегать максимально к внутреннему. Предложено использовать зарубежный опыт развитых стран Западной Европы и США, которые прибегают к внешнему займу только тогда, когда есть стабильный прирост ВВП. По результатам исследования установлено, что государства не определяют целью сокращения долга к нулю, но признают необходимость его сократить до определенного уровня устойчивости, который зависит от темпов роста экономики, процентной ставки, по которой страны занимают на внутреннем и внешнем рынках. Отмечено, что текущие кредитные рейтинги Украины надо повышать за счет фискальной политики и реформ. По результатам исследования акцентировано приоритетные направления реализации среднесрочной стратегии управления государственным долгом на 2019-2022 годы.

**Ключевые слова:** государственный долг, управление, риски, стратегия, финансовая система, внутренний валовой продукт, макроэкономическая стабильность.