# STATE DEBT OF UKRAINE: A RETROSPECTIVE ANALYSIS.

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Public debt is one of those components that play the most important significance in the economy of most countries of the world and acts as one of the most powerful levers for macroeconomic stability of the state. Modern economic transformations, reforming systems of social significance, progressive development and maintenance of competitive positions are impossible without significant investment, mobilization of which in most cases occurs at the expense of internal and external loans, which definitely leads to a state debt.

Lack of financial resources, inappropriate use of resource and industrial potential, corruption and inefficiency of state policy, caused a significant increase in the amount of public debt for the period from 1992 to 2020. The accumulation of internal and external debts and its strengthening to the state budget, the frequency of debt crises and instability in foreign capital markets transforms the issue of implementing effective debt policies into one of the priority tasks in the state's financial policy.

Consequently, the assessment of scientific literature allowed to conclude that the debt policy of Ukraine led to the negative consequences of both social development and the state of the economy:

– growth of corruption;
– preservation of regimes that are not interested in reforms and a fair distribution of income and national wealth among the population, as evidenced by the Orange Revolution and the Revolution of Dignity;
– unemployment;
– reduction of domestic savings;
– dependence of the government and business sector of the recipient country from easy money that undermines labor productivity and investment efficiency.

The consideration of the genesis of state debt policies and statistics of the dynamics of public debt has made it possible to distinguish several stages of its development. (Figure 1.)

By tracking the dynamics of domestic and external public debt for all years of Ukraine's independence, we can state a sufficiently rapid increase in debt not only at the initial stages of the formation of independence, but also in crisis periods that were caused in most cases by the influence of external factors. At the same time, it is impossible not to note the fact of an unintentional and ill–considered debt policy of governments.

The first stage (1991 – 1999) is an active accumulation of debts and the first technical default. In accordance with the successful agreement on the former USSR of 04.12.1991, Ukraine inherited not only assets, but also committed to 16.37% (90 billion carb.) Aggregate external debt of the Soviet Union.

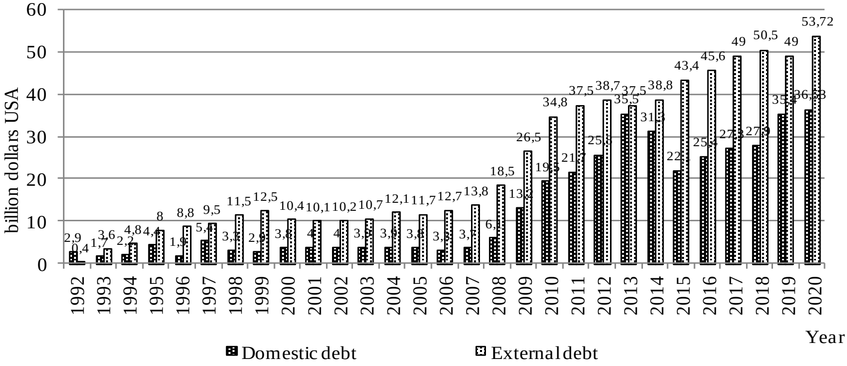


Figure 1. Dynamics of domestic and external state and guaranteed state debt of Ukraine, billion dollars USA.
Source: composed by the author according to NBU.

At the same time, the transformation from the command–administrative to a market economy was convicted of the unbalanced trade balance, due to the rupture of ties, reduction of tax revenues, the lack of a strategic plan, chaotic in the management of economic processes. At this stage of development, budget deficit, which definitely arose as a consequence of the above processes, took place at the expense of loans of the NBU, as well as the first borrowing of Ukrainian enterprises through the system of government guarantees to foreign investors.

The second stage (2000–2007) is a balanced debt policy. For this purpose, the development phase is characterized by a decrease in external public debt by 17.1% (2000), the Government's refusal to comply with the requirements of the IMF, in terms of economic reforms, which ultimately led to the suspension of cooperation, but in March 2004 an agreement was concluded to the stand – Bai worth of 0.4116 billion dollars. USA. At the same time, cooperation with the IBRD and the EBRD was not suspended and Ukraine continued to attract funds for a number of projects among which: repair of the road Kiev – Chop, the restoration of the highway M–06 Modernization of the second block of the Khmelnitsky NPP and the fourth block of Rivne NPP, Ukraine's financing, the construction of a high–voltage air line in the Odessa region and a number of others. Despite the 1999 technical default, the global economic situation and the tax privileges of the heavy industry contributed to the activation of the economy at the expense of exports into this rather difficult period.

The third stage (2008–2009) – the crisis period. The sharp deterioration of the world economy at the expense of the financial crisis that gained its turns in November 2008, led to a drop in exports as a result of a decrease in prices and demand for heavy industry products, lack of currency earnings in turn caused the devaluation of hryvnia from 5 to 7.79 UAH. At the end of 2008, it has also been a decrease in the value of real estate by 25% and frozen 80% of construction projects, non–fulfillment of the budget, social voltage and unemployment. In order to stabilize the economy and extraction of banks, 33.3 billion UAH was involved in the year, a rapid growth rate of government debt was held by 40% and the total debt obligations amounted to 24.6 billion dollars. So, 2008 was marked the restoration of relations with the IMF and as a consequence of an agreement was concluded by 16.4 billion dollars. US to replenish gold and foreign exchange reserves and support of the state budget. The fact of release in the 4th quarter of 2008 T–bills with profit in 25–27% with a maturity of 3 months sufficiently clearly signals a significant lack of funds in the budget.

Fourth period (2010–2016) – a period of rapid increase in debts. The post–crisis period determined the lack of capital on world sites, which caused the intensification of attraction of resources in domestic investors. At the same time, Ukraine gains revolving debt to increase in size from year to year only increased by the exception of 2014–2015, when the growth rate had a negative value of 3.97 and 6.56, respectively. This period was marked by the necessity of providing banks, the elimination of the consequences of the crisis, which arose as a result of political transformations during the revolution of dignity, acquisition into the state ownership of the additional issue of NJSC "Naftogaz Ukraine", an increase in defense expenditures as a result of the beginning of the war with the Russian Federation, the need to replenish the gold and foreign exchange reserves, balancing balance of balance and definitely the need to maintain public debt. [22] Additional pressure caused the devaluation of the hryvnia with 8 UAH. (2013) to 26.89 (2016) for a dollar that actually led to a sharp increase in the coefficient of public debt to GDP to its maximum in 81% in 2016.

Fifth period (2017 – ...) – a period of stabilization in debt policy. This period was marked by a decrease in cooperation with the IMF, but intensification of investors' interest in Ukrainian bonds. The problem of ineffective use of attracted resources and the lack of effective control over their distribution remains quite acute, as evidenced by an increase in external guaranteed debt. A significant proportion of guaranteed debt in the structure of public debts is associated with hidden corruption actions, as a result of which is being liable for enterprises for the success of the project, as well as funded economic entities that are close to the political elite, and not those with significance and prospects for Development of production sector with high value added.

Given that in 2020, each seven hryvnia budget came to repayment of debt, and every Ukrainian service for debt servicing has paid 3 thousand UAH. The amount of accumulated debts for all years of independence is a rather serous burden in developing progressive and innovative economics; Active borrowing of the state in the securities market, taking into account that Ukrainian banks are the main investors, makes it impossible to overcome financial resources to the real sector. [2] Active cooperation with international organizations deprived the opportunity to independently make decisions of political, social and economic character.

The purpose of debt policies should become an increase in GDP through financing strategic investment projects and the sustainable development of institutions to provide legitimacy and convenience of public interaction.

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