

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
SUMY STATE UNIVERSITY
Academic and Research Institute "BIEM"
Department of International Economic Relations

Neronov Roman Romanovych

QUALIFICATION PAPER

on the topic " UKRAINE'S EXTERNAL DEBT AND WAYS TO OPTIMIZE IT "
Specialty 292 "International Economic Relations"

Student of 4th Course _____ Neronov R.R.

group ME-72a.аН

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source
_____ Neronov R.R.

Research advisor: Doctor of Economics, Professor _____ Leonid Taraniuk

Sumy, 2021

ABSTRACT

on bachelor's degree qualification paper on the topic
«THE EXTERNAL DEBT OF A COUNTRY AND A WAYS TO OPTIMIZE IT»
student Roman Neronov

The main content of the bachelor's degree qualification paper is presented on 31 pages, including references consisted of 20 used sources, which is placed on 2 pages. The paper contains 3 tables, 5 figures, as well as 1 app that are presented on 1 page.

Keywords: EXTERNAL DEBT OF A COUNTRY, EXTERNAL DEBT OF UKRAINE, STRUCTURE, DYNAMICS, OPTIMIZATION.

The main purpose of the study is to reveal the theoretical foundations and improve the management of external public debt.

To achieve this goal the following tasks are set:

- to reveal the theoretical foundations of Ukraine's external public debt;
- to analyze the structure and dynamics of external public debt Ukraine;
- to determine the main directions of restructuring of the external public debt of Ukraine;
- to study the role of international financial institutions in overcoming the debt problem.

The subject of research is theoretical and practical issues of regulation and restructuring of the country's external public debt.

The object of the study is the management of the country's external public debt.

The information base of the study is the legislation and regulations of Ukraine on external public debt management, statistical and analytical materials of the State Statistics Service of Ukraine, the Ministry of Finance of Ukraine, the National Bank of Ukraine, as well as scientific works of domestic and foreign scientists on external debt and relevant information materials of the Internet.

The year of qualifying paper fulfillment is 2021

The year of paper defense is

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
SUMY STATE UNIVERSITY
Academic and Research Institute "BIEM"
Department of International Economic Relations

APPROVED BY
Head of the Department

«__» _____ 20__ .

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

specialty 292 " International Economic Relations "
student of 4th course, group ME-72a.аН

Neronov Roman Romanovych

1. The theme of the paper is: «UKRAINE'S EXTERNAL DEBT AND WAYS TO OPTIMIZE IT»
approved by the order of the university from « __ » _____ 20 __ №__
2. The term of completed paper submission by the student is «__» _____ 20__
3. The purpose of the qualification paper is to reveal the theoretical foundations and improve the management of external public debt.
4. The object of the research is the management of the country's external public debt.
5. The subject of research is theoretical and practical issues of regulation and restructuring of the country's external public debt.
6. The qualification paper is carried out on materials the legislation and regulations of Ukraine on external public debt management, statistical and analytical materials of the State Statistics Service of Ukraine, the Ministry of Finance of Ukraine, the National Bank of Ukraine, as well as scientific works of domestic and foreign scientists on external debt and relevant information materials of the Internet.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:
Chapter 1 Theoretical fundamentals of external debt management
Chapter 1 deals with consideration of the concept, nature and classification of external debt, the methods of external debt management and the social - economic impact of external debt on macroeconomic stability.
Chapter 2 Assessment of level, structure and dynamics of Ukraine's external debt
Chapter 2 deals with consideration of the evolution and current state of external debt and the analysis of the structure and dynamics of external debt.
Chapter 3 Ways of optimization of Ukraine's external debt

Chapter 3 deals with consideration of the problems of external debt restructuring and the role of international monetary and financial institutions in solving the debt problem

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1			
2			
3			

9. Date of issue of the task: « ____ » _____ 20 __

Research Advisor: _____

The tasks has been received: _____

Taraniuk L.M.

Neronov R.R.

CONTENT

Introduction.....	6
1 Theoretical fundamentals of external debt management.....	8
1.1 The concept, nature and classification of external debt.....	8
1.2 Methods of external debt management.....	12
1.3 Social - economic impact of external debt on macroeconomic stability..	17
2 Assessment of level, structure and dynamics of Ukraine’s external debt.....	20
2.1 Evolution and current state of external debt.....	20
2.2 Analysis of the structure and dynamics of external debt.....	22
3 Ways of optimization of Ukraine’s external debt.....	26
3.1 Problems of external debt restructuring.....	26
3.2 The role of international monetary and financial institutions in solving the debt problem.....	29
Conclusion.....	32
References.....	33
Appendices.....	35

INTRODUCTION

The most urgent task of today's theory and practice is the state of the country's external public debt, primarily Ukraine, due to the growth of its volume and the risks to the national economy that it forms. On the other hand, the rational use of external opportunities not only provides additional financing for the economy, but also contributes to the intensification of reforms, revival of economic activity, restoration of the country's defense capabilities.

Therefore, the issue of attracting external government loans and managing external public debt is especially important for the formation of effective financial policy of the country.

It is important to strengthen the relationship between debt policy as a tool for financing social development and financial stability of the state, improving the mechanism of external public debt management.

This indicates the relevance of this paper and led to the definition of its purpose, objectives, object and subject of research.

The main purpose of the study is to reveal the theoretical foundations and improve the management of external public debt.

To achieve this goal the following tasks are set:

- to reveal the theoretical foundations of Ukraine's external public debt;
- to analyze the structure and dynamics of external public debt

Ukraine;

- to determine the main directions of restructuring of the external public debt of Ukraine;

- to study the role of international financial institutions in overcoming the debt problem.

The subject of research is theoretical and practical issues of regulation and restructuring of the country's external public debt.

The object of the study is the management of the country's external public debt.

The information base of the study is the legislation and regulations of Ukraine on external public debt management, statistical and analytical materials of the State

Statistics Service of Ukraine, the Ministry of Finance of Ukraine, the National Bank of Ukraine, as well as scientific works of domestic and foreign scientists on external debt and relevant information materials of the Internet.

Qualification work consists of three sections of the conclusion and a list of sources used.

1 THEORETICAL FUNDAMENTALS OF EXTERNAL DEBT MANAGEMENT

1.1 The concept, nature and classification of external debt

The country's external debt, as defined by the IMF, is the amount of outstanding current, unbound liabilities in the form of principal and interest assumed by residents of one country in relation to non-residents, as well as liabilities of residents to non-residents, to be repaid at a specified time in the future.

The country's external debt includes public and private debt (public and private sector debt). External debt, on the one hand, increases the financial resources of countries, on the other - increases the financial risks of the economic crisis. The amount of total external debt and overdue debt significantly affects the country's rating in the international credit market. The lower the credit rating of a country or its residents, the tighter the conditions for granting new loans. Countries with high levels of arrears have virtually closed access to global credit markets. For them, the only source of external borrowing is the resources of the IMF and the World Bank Group [1].

The emergence of overdue debt forces the state to negotiate with foreign creditors to settle foreign debt. Settlement of external debt is the borrower's taking measures to eliminate overdue external debt with a reduction in interest payments and principal. Most of the official external debt is in the hands of member countries of the Paris Club, and private debt - the management of banks that are members of the London Club.

The Paris Club is an informal association of creditor governments, such as Australia, Austria, Belgium, the United Kingdom, Germany, Denmark, Spain, Italy, Canada, the Netherlands, Norway, Portugal, the United States, Switzerland, Sweden, France, Finland and Japan. The association was established in 1956 to restructure the debt of countries.

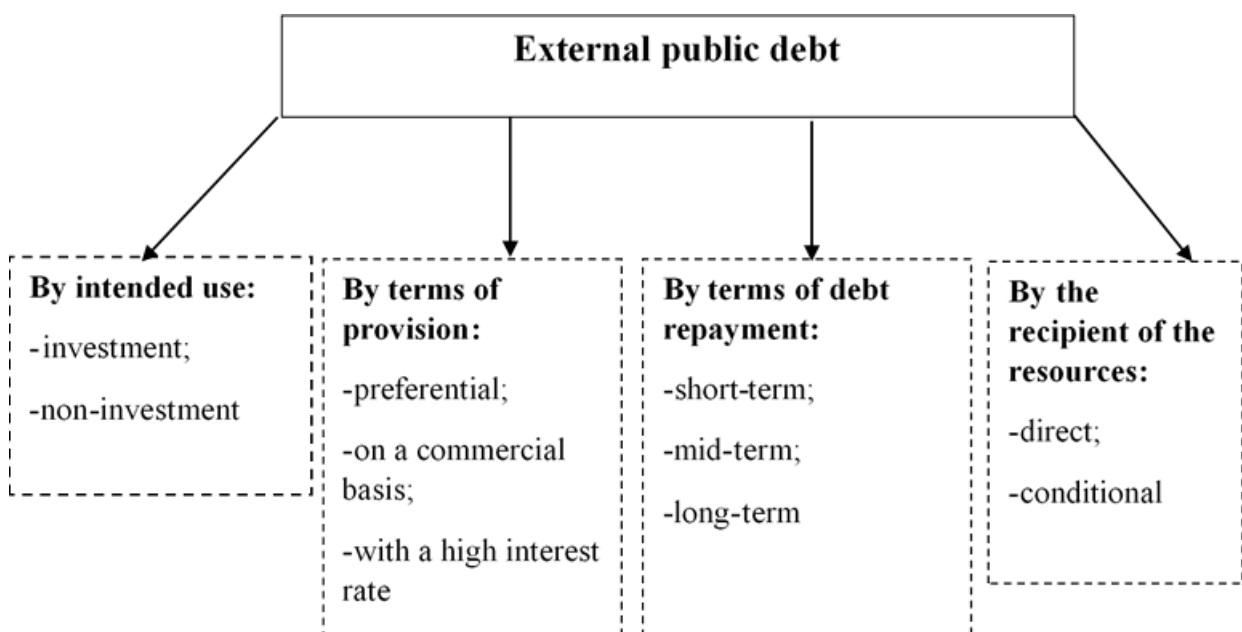
In its work, the Paris Club is guided by three main principles:

- imminent threat of termination of payments;

- conditionality of debt restructuring by the debtor's obligation to pursue a certain economic policy;

- even distribution of the burden of unpaid debts among creditors.

Debt restructuring is a form of debt reorganization in which debtors and creditors agree to defer payment of arrears on the principal amount of the loan and interest, which is due in a certain period of time, as well as a new schedule of such payments. Within the Paris Club, debt restructuring is mostly applied to the poorest countries. Different countries apply different methods to creditor countries.



Picture 1.1 - Classification of external public debt. [7]

The project, called the HI PC Initiative, calls for targeted efforts to reduce the debt burden of the poorest developing countries, subject to financial recovery reforms approved by the World Bank and the IMF over a period of time.

Thus, a single approach to determining the external public debt throughout the history of economic thought and in today's conditions still does not exist. And although the modern global financial system demonstrates quite successful cases of functioning of national economies in the presence of significant external debt (Table 1.1), to ignore the remarks of economists on the negative impact of growing external debt is dangerous.

Table 1.1 - The essence of defining the concept of external public debt

Definition	Author
"Indebtedness of the state on funds raised from abroad in the form of loans and credits of foreign banks and international financial organizations, interest thereon, as well as funds obtained through the placement on the international markets of government securities"	Ministry of Finance of Ukraine [4]
"Indebtedness of general government to foreign governments, international financial institutions, foreign banks and non-residents in foreign currency, including principal and interest, as well as other obligations of the state to creditors related to loans, including the cost of fulfilling the terms of the loan "	Panchenko V.V. [7]
"An important component of the financial system of the state, one of the tools through which the state can influence and manage the financial system"	Zrazhevskaya N.V. [6]
"Debt of the state to foreign creditors, ie citizens and organizations of other countries"	Ospischeva V.I. [8]
"State debt to foreign citizens, firms, governments and international financial organizations"	Furman I.V. [9]
"The set of debt obligations of the state arising from the borrowing of the state in the foreign market"	Yeremeychuk R.A. [9]

External public debt can also be classified according to other criteria. For example, according to the form of raising funds, public debt is divided into government borrowings and guarantees. Government borrowing is the attraction by the state, represented by the Cabinet of Ministers of Ukraine, acting through the Ministry of Finance of Ukraine, of cash, other property and property rights, which provides for the commitment of funds on terms of maturity, payment and return. There are state domestic borrowing, which is carried out by concluding agreements with residents of Ukraine on

the loan and issue of government securities placed on the domestic market; and government external borrowing, which is carried out by concluding agreements with non-residents of Ukraine on the loan and issuance of government securities placed on the foreign market.

State guarantee - the obligation of the state in the person of the Cabinet of Ministers of Ukraine, acting through the Ministry of Finance of Ukraine, to fully or partially make payments to the creditor in case of default by the borrower, other than Ukraine, obligations to repay funds on time and payment.

The form of state guarantee is a state guarantee. The main ways to implement state guarantees and borrowings can be:

- issue of government securities;
- concluding loan agreements and guarantee agreements;
- other methods provided by the legislation of Ukraine.

When providing government guarantees, a potential government debt arises, which becomes real if the creditor is reimbursed the amount of the borrower's obligations for which the state was the guarantor.

According to the currency of borrowing, the state debt is divided into debt in national currency and debt in foreign currency. Domestic debt is mainly formed in the national currency. To raise funds, securities are issued (issued) that are placed on the domestic stock market. Government debt in foreign currency arises as a result of direct borrowing from foreign governments, international financial institutions, foreign banks, as well as the placement of government debt on international capital markets.

Depending on the term of raising funds, there are short-term debt (with a maturity of up to 1 year), medium-term (from 1 to 5 years), long-term (5 years or more).

Public debt can also be divided into:

- capital, which includes the entire set of debt obligations of the state at a certain date;
- current, which consists of payments on liabilities that the borrower must repay in the reporting period.

The main reasons for the emergence and growth of public debt in Ukraine are the state budget deficit and the constant balance of payments deficit. Funds from international financial organizations are used to finance Ukraine's state budget deficit.

1.2. Methods of external debt management

The study showed the need for a number of measures to optimize debt policy, taking into account international experience and economic development of the state to improve the level of debt sustainability of the state.

For Ukraine, a rational step in optimizing the current conditions of the state's external debt may be to take into account foreign experience in resolving external debt problems. The use of global external debt restructuring schemes is quite effective. In particular, Brady bonds (Mexico, Russia, Poland), the Debt Reduction Program (Albania, Bolivia, Côte d'Ivoire), swap transactions are widely known [11].

Such transactions were dictated by the motives of reducing the cost of debt service and equalization of debt payments in time. We agree with the opinion of experts on the need to improve the efficiency of public debt management in the context of developing a debt policy strategy and reforming the economy, which should primarily take place in the budget sphere. According to the experience of foreign countries, namely: the United States after World War II, Britain, Belgium, Italy, Japan, Canada, the following models of implementation of government debt policy are effective [9].

1. Budget incentive model, which provides for an increase in budget expenditures to stimulate effective demand and economic growth despite the existing deficit. Paul Krugman, a Nobel Prize winner, was a supporter of the use of such a model in the United States.

2. The model of budget savings, which consists in increasing budgetary consolidation by reducing the expenditure side of the budget and increasing the revenue side. This model is preferred by most European countries.

3. The model of "financial suppression" - a theoretical model, according to which to ensure an acceptable level of debt burden on the country's economy, the government ensures the simultaneous presence of high inflation and low nominal interest rates, accompanied by at least a small but continuous economic growth and a balanced budget. We propose to use the model of budget savings, because its application in a transformational economy is the most realistic, will reduce the rate of debt growth, which, in turn, will have a positive impact on economic growth. Thus, the experience of foreign countries shows that the most effective measure for effective external debt management is a clear and effective strategy for borrowing management, as well as the implementation of economic and mathematical models of economic development.

The principles and targets of the external debt management policy have been developed by world practice. It is believed that this policy should be aimed at achieving the following general economic and financial goals:

- to cover the needs of the government and enterprises in borrowed funds to finance the deficit on foreign operations;
- maintain access to international markets for goods and services, as well as to the international capital market;
- minimize the cost of loans and debt service costs;
- achieve a balanced structure of debt obligations;
- minimize currency risk by establishing the optimal currency structure of debt;
- to harmonize the policy of state loans with the general economic policy and to promote the achievement of monetary and financial goals.

In Ukraine, the management of external public debt must be coordinated with the system of macroeconomic management, as only the policy of external debt management will not be able to ensure that Ukraine solves its debt problems. Under such conditions, the necessary components of this process should be a balanced monetary, tax, currency and budgetary policies of the state. Moderate application of external public debt management methods will contribute not only to the growth of the national economy, but also to the balanced development of the financial system as a whole [3].

The main determinants of external public debt management should be [20]:

1. Minimize debt costs and risks.
2. Optimization of debt structure. Transparency in the use of provided funds is of great importance in optimizing Ukraine's external debt.
3. Development of the domestic market of government borrowing.

Given the significant component of external debt in the modern economy of any state, to address the problem of effective debt management and reduce the debt burden on the state budget, in our opinion, it is necessary to implement new approaches to improving the financial and economic mechanism of public debt management .

Public debt management is understood as a set of government measures related to the issuance and repayment of government debt, setting interest rates and payment of income on government securities, setting a debt limit, maintaining the rate of government bonds, determining the conditions for issuing new government securities[11]. The experience of recent years shows that there are still many gaps in the government's external debt management policy, as no effective progress has been made in this area. In Ukraine, this process is associated with numerous problems. Judging by foreign experience, the most effective method is to invest borrowed funds in investment activities.

However, Ukraine has chosen the least effective method of investing funds to cover the budget deficit and reduce the external debt of previous years. At the same time, this may reduce our country's gold and foreign exchange reserves. Thus, according to a report by the rating agency Fitch, capital inflows and external borrowing will not be enough for Ukraine to finance its external debt, so gold and foreign exchange reserves will decline. Ukraine has one of the lowest levels of external liquidity among developing countries, which is the main reason for its credit weakness. Risks of declining gold and foreign exchange reserves may stimulate the Ukrainian government's cooperation with the IMF, but there are also political difficulties with the IMF's main requirements, such as raising gas prices, issuing promissory notes to cover budget arrears, and refunding VAT to exporters.

A significant shortcoming of debt management is the provision of users with incomplete and unreliable information on the status and components of public debt, as

the current reporting of the Ukrainian government on public debt consists of data on direct domestic and foreign external debt with details by type of creditor. there is no debt today [5]. The principles and targets of the external debt management policy have been developed in world practice. It is believed that this policy should be aimed at achieving the following general economic and financial goals: - to cover the needs of the government and enterprises in borrowed funds to finance the deficit on foreign operations; - maintain access to international markets for goods and services, as well as to the international capital market; - minimize the cost of loans and debt service costs; - achieve a balanced structure of debt obligations; - minimize currency risk by establishing the optimal currency structure of debt; - to harmonize the policy of state loans with the general economic policy and to promote the achievement of monetary and financial goals.

In Ukraine, taking into account the peculiarities of the development of the financial and credit system, the strategic directions of the state debt policy should be:

- maintaining the size of Ukraine's public debt at an economically secure level;
- optimization of the structure of public debt and reducing the cost of its service;
- maintaining a stable government debt position and preventing liquidity and solvency crises;
- achieving an economically sound relationship between the financial needs of the state and the cost of servicing public debt;
- productive use of borrowed funds and strengthening the investment orientation of government loans [12].

In Ukraine, the management of external public debt must be coordinated with the system of macroeconomic management, as only the policy of external debt management will not be able to ensure that Ukraine solves its debt problems. Under such conditions, the necessary components of this process should be a balanced monetary, tax, currency and budgetary policies of the state. Moderate methods of external debt management will contribute not only to the growth of the national economy, but also to the balanced development of the financial system as a whole.

Table 1.2. - Methods of external public debt management

Method	The essence of the method
public debt refinancing	repayment of the main body of debt and interest at the expense of funds received from the placement of new debt obligations of the state in the domestic and foreign financial markets
novation	provides for an agreement between the borrower and the lender to replace some debt obligations with others
conversion	change in the initial conditions of government loans and change in their level of profitability
restructuring	revision of debt service conditions, including loan interest, amount, repayment terms; debt write-off
unification	decisions of the state regarding the merger of several previously issued loans, as well as the exchange of previously issued bonds and certificates for bonds and certificates of new loans
consolidation	provides for a change in the terms of borrowing in terms of increasing the term of debt obligations; deferral of loan repayment - is the application of the method of consolidation with the simultaneous refusal of the state to pay income on these debt obligations; cancellation of public debt - involves the waiver of the state from previously assumed debt obligations
securitization	debt exchange for bonds; exchange of bonds on a regressive ratio, when several previously issued bonds are equated to one new one; early repayment - provides savings of budget funds if they need future maintenance

In this area, there are a number of unresolved issues that slow down the development of the socio-economic sphere and reduce the authority of the state in the eyes of its own citizens and by other countries and international organizations. Thus, the strategic task of public debt policy should be to raise funds not only for consumer needs, but mainly for the implementation of innovation and investment development of the economy. However, unreasonable loans of previous years today require the lion's share of state budget revenues and obtaining new loans to repay previous debts. It is worth

realizing that in order to solve the problems of innovative development, the state can use borrowed instruments only if there are effective mechanisms for directing financial flows into productive investments.

1.3 Social - economic impact of external debt on macroeconomic stability

Economic growth is impossible without macroeconomic stability. It is understood as the stability of financial and monetary parameters of the national economy over time. There are no examples in history of the dynamic development of countries with monetary surrogates that people do not trust. With any proportions or incentives for macroeconomic redistribution, the instability of money and prices destroys value and makes economic activity unreliable and expected profits illusory. Conversely, there are countries with extremely successful dynamics, which became possible in conditions of unchanging purchasing power of their banknotes. The Hong Kong dollar has not changed in six decades, and the economic success of this East Asian tiger is well known. Germany developed rapidly during the period of the use of the firm Bundesliga: in the 1950s and 1960s, and then in the 1980s. But in the 1920s, when Deutsche Marks depreciated almost daily, the economy lay dormant. We also have our experience of the dependence of production growth on the constancy of the currency. The disappointing pace of Ukraine's development is largely due to the experienced financial and price bacchanalia. During the years of hyperinflation (1992–1996), the domestic economy declined. And so deeply that so far it has not been possible to restore the level of 1990. The collapse of GDP in 2008 also provoked a sharp devaluation of the hryvnia against world currencies [7].

Stability can be defined as long-term macroeconomic balance. That is, it is achieved through the balance of the economy in time. And it is revealed by means of some general indicators. The main ones are known to be inflation and the GDP deflator, the change in the exchange rate and the level of bank interest on loans. There is a high

correlation between these indicators: there are no low interest rates with a rapid devaluation of the exchange rate or a significant rise in prices. Thus, financial and monetary stability or its opposite is manifested synchronously through all indicative indicators.

For example, the main, typical for Ukraine, sources of inflation, as one of the factors of instability are several [12]:

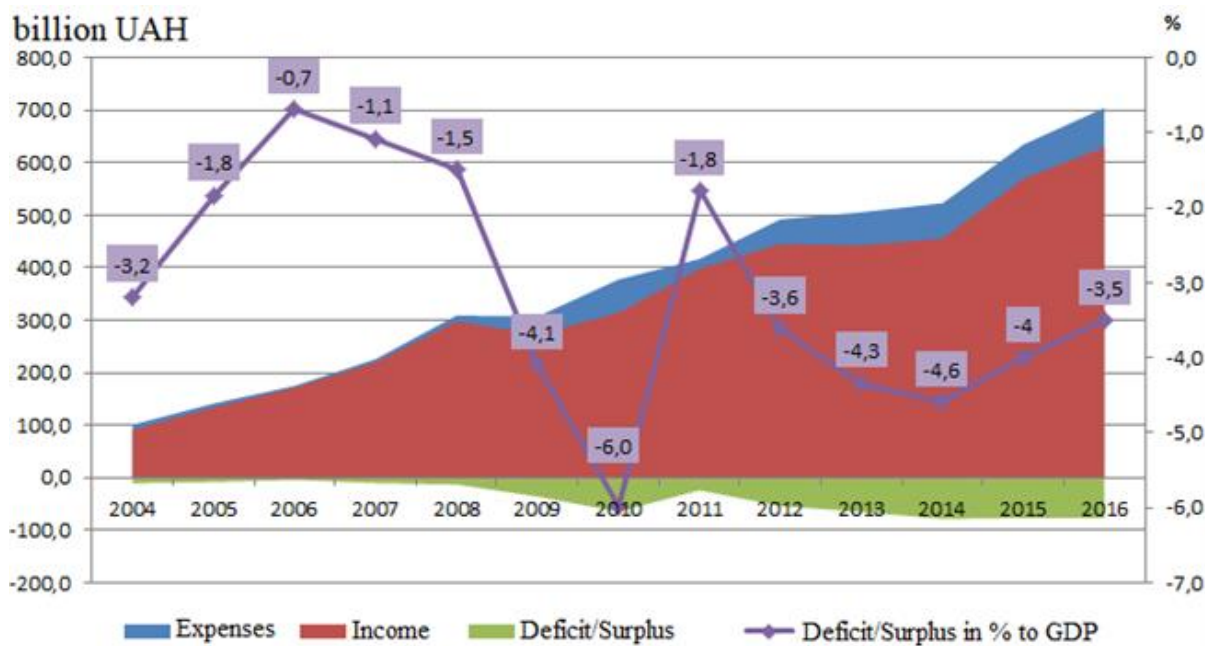
- total monopolization of commodity markets (over the past two years, it has increased and the abuse of prices has become even more brazen);

- administrative setting of prices and tariffs for products of state and municipal enterprises (the government has not forgotten to ensure their profitability by annual increase in price levels);

- rising prices for imported goods, in particular energy (the biggest impact is the permanent increase in payments for Russian gas and fuel, by the way, this year this process will continue);

- artificial increase of hryvnia bank liquidity (although such regulations periodically change to their opposite) and the payment mass by the NBU (the regulator succeeds and will continue to do so in targeted refinancing loans to individual banks outside reasonable limits and on real grounds);

- surplus foreign borrowings of the government, not intended for its international payments and enter the domestic foreign exchange market, where there is a surplus of dollar supply, and at the same time to maintain the exchange rate this surplus buys the National Bank, which unjustifiably increases the hryvnia.



Picture 1.2. - Dynamics of public debt and state budget deficit in Ukraine [4]

Summing up the macroeconomic review of public debt as a risk factor for Ukraine's security, we note that today the so-called peak load on debt service or repayment has been reached, which complicates determining the optimal sources of debt coverage and creates risks of possible debt crisis, default. This objectively presupposes the need to take into account debt risks not only at all stages of the budget process, but also during a transparent and balanced fiscal policy as an effective tool for socio-economic development and financial stability of the state, as debt risks are among the main factors. and threats affecting the ability of the public sector to ensure the solvency of the state and the effective use of budget funds in the performance of its functions.

2 ASSESSMENT OF THE LEVEL, STRUCTURE AND DYNAMICS OF UKRAINE'S EXTERNAL DEBT

2.1 Evolution and current state of external debt

External debt, as defined by the IMF, is the amount of outstanding current, unbound liabilities in the form of principal and interest assumed by residents of one country in relation to non-residents, as well as liabilities of residents to non-residents to be repaid at some point in the future.

An important component of the global financial market is international credit, the operation of which is supported by stability and timely payment of debt. Evidence of this is the global debt crisis. Unfortunately, many debtor countries that have faced external borrowing have a strong desire not to pay on their own debt, as this contributes to the outflow of resources from the country. A clear example of this is the precedent with the refusal to pay debts by Latin American countries in the early XIX century., As well as the refusal to pay on foreign loans during the financial crises of 1929 - 1932, 1975 - 1986, 1997 - 1999, 2008 - 2009 years (Accompanied by the equation of the amount of debt service with new revenues, as many countries have required a revision of the conditions of external debt and reduce its volume).

Over the last decade, the amount of total external debt has increased many times. As of 2016, the situation regarding the amount of debt has certain trends. Thus, the bulk of the growth rate of external debt falls on developing countries, this trend began to be traced back in the 70 - ies of the twentieth century. A possible impetus for such a redistribution of resources was the oil crisis of 1973, as a result of which developing countries joined the active movement of capital in the world market.

It is worth noting that the active accumulation of foreign debt is a very negative phenomenon, but there are a number of reasons that motivate countries to enter the debt hole. Certain programs of industrialization, interest payments on previous loans, normalization of the balance of payments and stabilization of the economy, the implementation of militarization policies, etc. force countries around the world to seek

resources beyond the state, ie through external borrowing. However, the deteriorating state of the economy and corruption among officials eventually led to a debt crisis, so in 1982 - 1983 a large number of economically backward countries were unable to pay their own foreign debts [1].

Default - a phenomenon inherent in the 80 - 90's of the twentieth century. Since 2000, the situation has changed as fiscal policy has become more sophisticated, the world's economies have become more developed, foreign exchange reserves have grown, and rising commodity prices have helped developing countries reduce their external debt. Unfortunately, the development of the economy has a certain cyclical, wave nature, economic changes in the world are causing new waves of financial crisis. The financial crisis of 2008 is no exception due to the collapse of stock markets, rising energy prices, rapid growth of global inflation, as well as rising non-performing loans, bankruptcy of credit funds, write-offs by world banks and deteriorating overall economic development, which significantly worsened international lending. The economies of many countries have suffered significant losses, and some countries have found themselves on the verge of default.

In 2012, the global public debt amounted to 69 080 billion US dollars.

The largest external debt in absolute terms are: the United States, France, Germany and the EU (27 countries). And per capita, the leaders in foreign debt are: Luxembourg, Great Britain and Belgium. And in terms of the ratio of external debt and GDP are most important: Luxembourg, Hong Kong and the United Kingdom.

The last years of the European Union were spent in a tense struggle with the crisis of the Eurozone. The beginning of this crisis was a sharp increase in sovereign debt in Greece and Ireland ("peripheral" countries of the European Union) in 2010. Then the debt crisis swept Spain and Portugal. The eurozone entered an active phase of the systemic financial crisis in 2011, when Italy (the third largest economy in the eurozone) faced a budget deficit (about 4% of GDP), which it could not service on its own without external assistance. The emergence of the debt crisis was primarily due to the lack of budgetary discipline in the euro area.

If we consider the place of Ukraine in the rating of external debt, it should be noted that since 2010 the state of Ukraine's economy has deteriorated significantly. Which in turn forced the state to resort to external borrowing. Moreover, if in 2012 Ukraine ranked in the top ten in terms of borrowing in terms of GDP, then in a few years the country has significantly lost its position, so in 2015 Ukraine has a critical level of the ratio of external debt to GDP.

Moreover, according to the currency structure of the state and guaranteed debt of Ukraine, as of December 31, 2015, the largest part of loans was made in US dollars (44%) of the total. Which in turn further worsens the debt condition of Ukraine and complicates the process of its repayment, as the US dollar is a rather expensive currency and has depreciated the least in recent times [1].

To reduce the debt burden and reduce the risk of default in 2015, Ukraine's debt restructuring was agreed. However, the restructuring is quite controversial, as it shifts debt to future generations. Thus, the draft budget of Ukraine for 2016 is already fully tied to the repayment of previously taken loans.

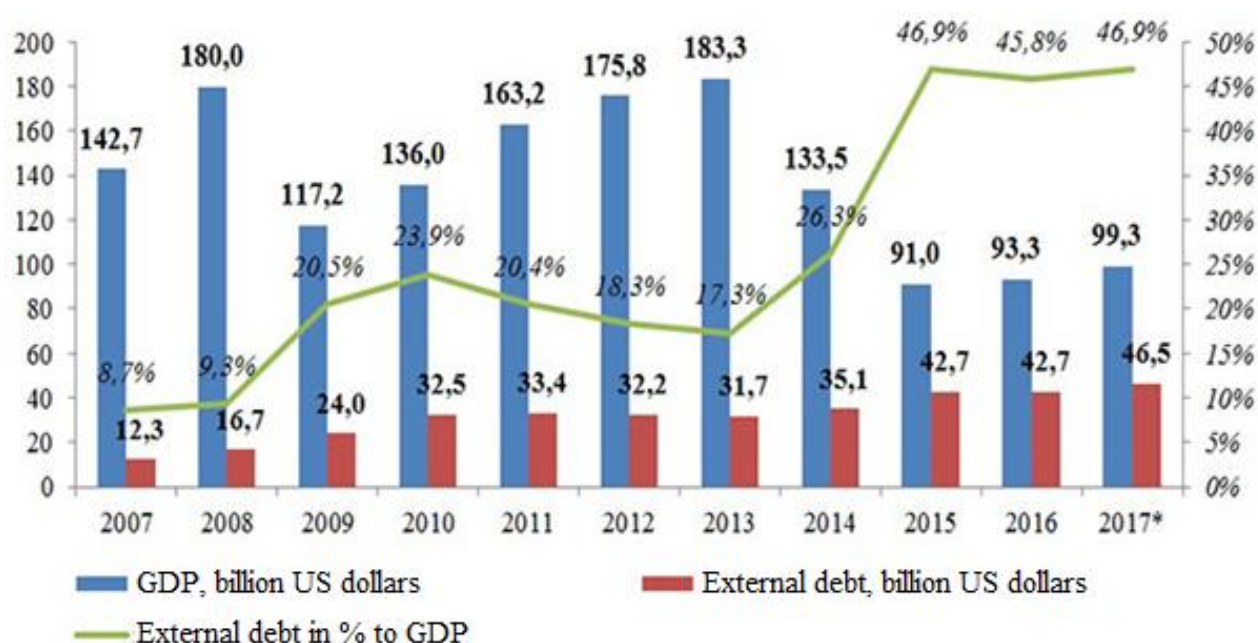
Summing up the results of the study, it should be noted that it remains undeniable that the globalization of financial markets has a large number of positive phenomena, but unfortunately the international debt is today

rebuild the problem of the world economy. Despite the attempts of the countries of the world to reduce the amount of their debts, the state budget deficit of the countries of the world is growing.

1.2. Analysis of the structure and dynamics of external debt

Let's analyze the current state of Ukraine's foreign debt. The data in Fig. 2.1 show that during the analyzed period there was an increase in external public debt, the highest growth rates were observed in 2015 (11.71%). The share of external public debt relative

to gross external debt during 2012-2017 increased by 12.34% (from 19.42% in 2012 to 31.76% in 2016).



Picture 2.1 - Dynamics of Ukraine's external debt structure during 2007-2017, billion US dollars

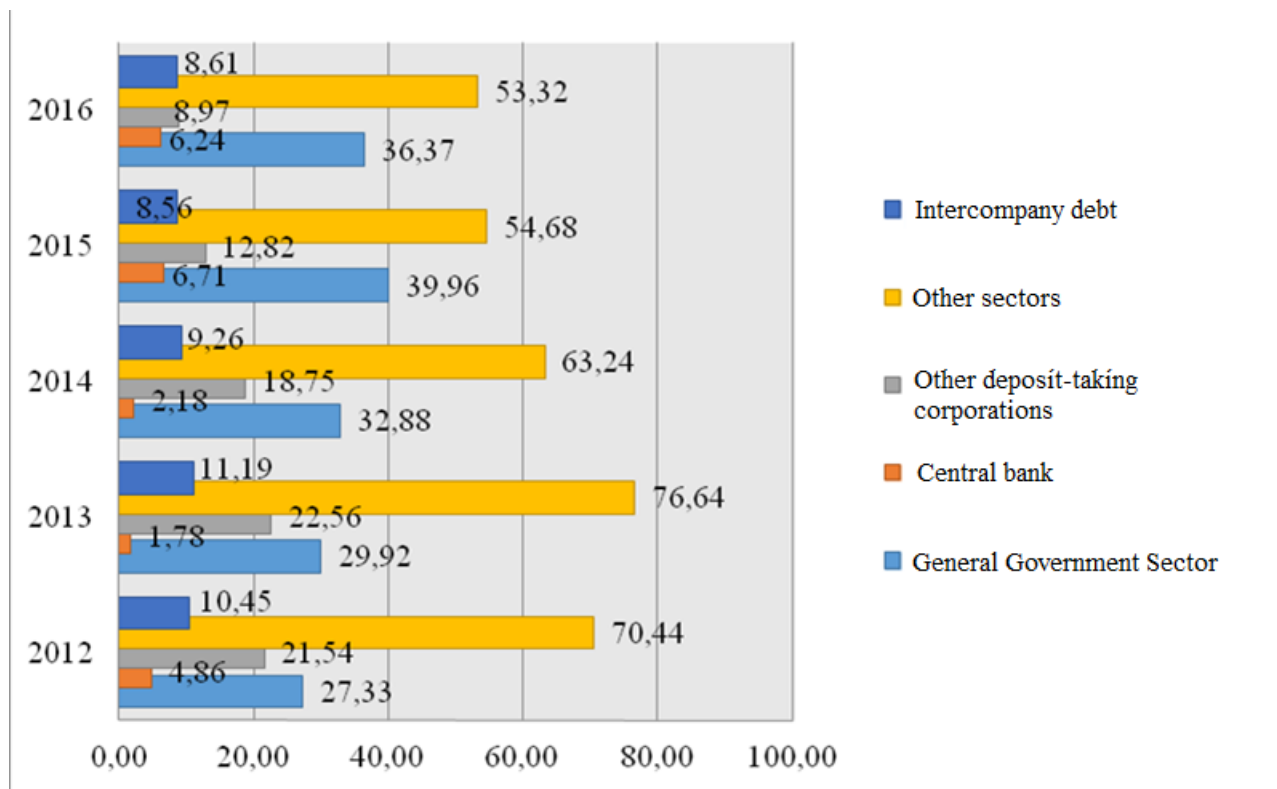
* Built according to data [4]

As of November 31, 2017, the external public debt in Ukraine amounted to \$ 46.5 billion. and amounted to 50.79% of the total public and state-guaranteed debt. Over the years under review, the external public debt increased by \$ 34.2 billion (from \$ 12.3 billion in 2007 to \$ 46.5 billion in 2017), while the external guaranteed debt had a relatively stable trend at the average level 9 billion dollars, but for the first 7 months of 2017 there was an increase to 11.25 billion dollars.

External public debt for 10 months of 2018 also has a tendency to increase, namely by 2.6 billion dollars. (1.9%).

During the analyzed period there is a decrease in gross external debt according to the IMF methodology and, accordingly, its components. At the same time, debt obligations are unevenly distributed between sectors. According to Figs. 2.2 The largest share in the structure is characterized by gross external debt of other sectors. The volume

of this indicator decreased by 17.12 billion dollars, namely from 70.44 billion dollars. in 2012 to 53.32 billion dollars. in 2016. The second most important in the structure of gross external debt is the general government sector.

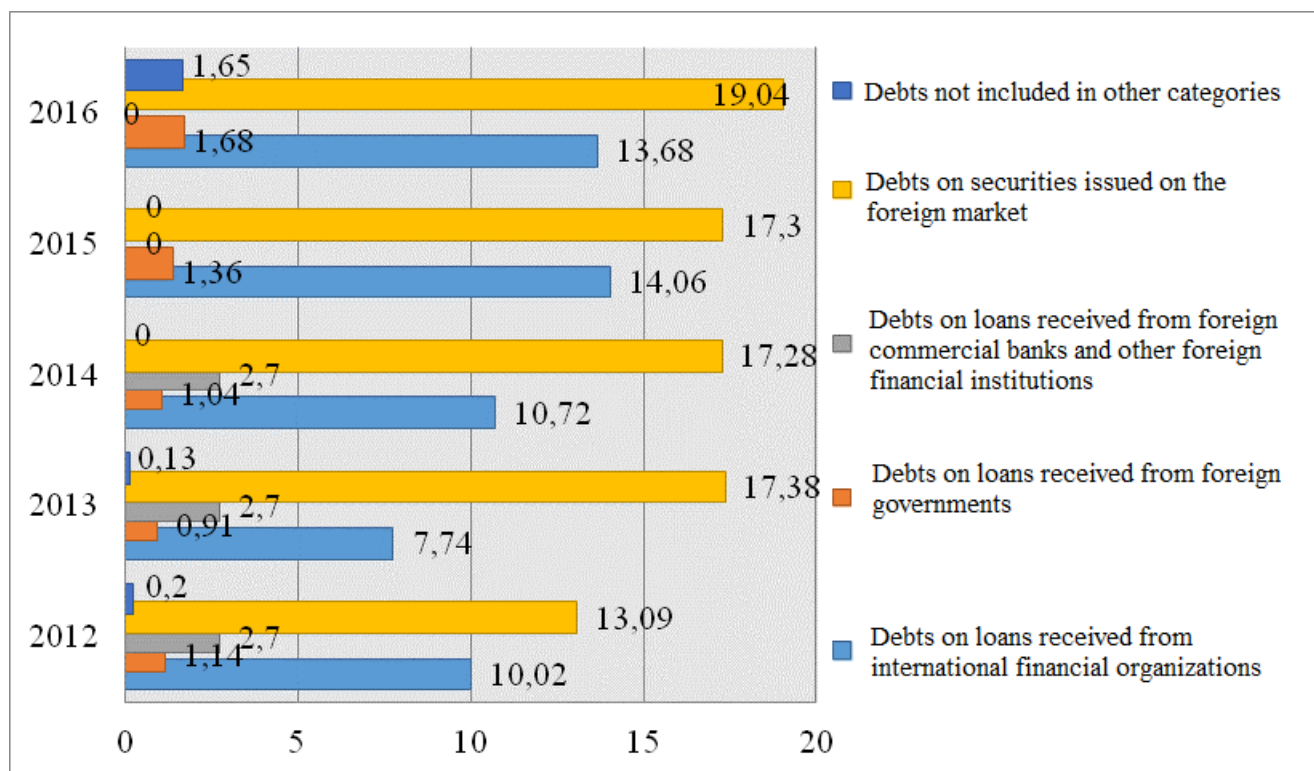


Picture 2.2 - Dynamics of the structure of gross external debt according to the IMF methodology during 2012-2016, billion US dollars

* Built according to data [1; 3]

In the analyzed period, an increase of this indicator by \$ 9.04 billion is observed. (from \$ 27.33 billion in 2012 to \$ 36.37 billion in 2016). The lowest share in the overall structure is the external debt of the central bank. We observe an increase in its volume by 1.37 billion dollars. (from \$ 4.87 billion in 2012 to \$ 6.24 billion in 2016).

During the analyzed period there is an increase in external public debt by type of creditor and, accordingly, its components. According to Figs. 2.4, the largest share in the structure of external debt is occupied by debt on securities issued on the foreign market. Debt increased by \$ 5.95 billion, from \$ 1.09 billion. in 2012 to 19.04 billion dollars. in 2016.



Picture 2.3 - Dynamics of the structure of external public debt by type of creditor during 2012-2016, billion US dollars

* Built according to data [3]

Debt on loans received from international financial organizations ranks second in the structure. Debt increased by \$ 3.66 billion (from \$ 10.02 billion in 2012 to \$ 13.68 billion in 2016). Debt not included in other categories has the lowest share in the structure of external debt. The amount of this type of debt increased by 1.72 billion dollars. (from \$ 0.2 billion in 2012 to \$ 1.74 billion in 2018).

In the structure of external public debt for the last months of 2018 by type of creditor, the largest share belongs to the debt on securities issued on the stock market (54%). Next, in terms of share, is the debt on loans received from international financial organizations (38%). The lowest share in the total debt by type of creditor is characterized by debt not included in other categories (7%).

3 WAYS OF OPTIMIZATION OF UKRAINE'S EXTERNAL DEBT

3.1 Problems of external debt restructuring

The growth of Ukraine's public debt has serious negative consequences for the entire financial system of the state. Within this problem, the following points should be noted. First, it is important to characterize and analyze the dynamics of the external.

In the structure of gross external debt, the National Bank allocates all types of debts of residents of Ukraine to non-residents, which are classified by economic sectors: public administration, monetary authorities, banks, other sectors, as well as liabilities on loans of direct investment enterprises (intercompany debt).

In the structure of the Ukrainian public debt in terms of repayment currencies as of November 1, 2018, the largest component is the debt denominated in USD. USA - 46% (30.60% during 2011). The share of the national currency is significant - 32% (36.15% compared to 2011) and SDRs (special drawing rights of the IMF) - 21% (29.25% during 01.06.2011) [4]. Based on the above material, it is important to focus on the main points related to the management and repayment of public debt. First, it was in 2015 that the largest burden on the state budget for the payment of gross external debt fell. Second, the US dollar ranks first in the structure of repayment currencies, which automatically increased the amount of debt since February 2015, due to the devaluation. The reason for the sharp depreciation of the hryvnia is the NBU's refusal to use the indicative exchange rate in the foreign exchange market and the termination of daily indicative foreign exchange auctions, which helped absorb unsatisfied demand, in order to ensure a single market rate according to official statements of the Central Bank.

In these conditions NBU is forced to return to administrative measures to resolve the market situation, which subsequently led to some strengthening of the hryvnia. At the same time, the practice of providing refinancing loans in hryvnia by the National Bank put additional pressure on the national currency exchange rate, which can be described as relatively balanced and non-transparent, as well as insufficient control over

the use of such loans by commercial banks. It should be noted that in the structure of state and state-guaranteed debt by groups of creditors, the largest share belongs to the owners of government securities in the domestic market (35.1%). Currently, treasury bonds with different terms (IGLBs from 12-month to 15-year-olds), as well as bonds of state-owned enterprises (NJSC Naftogaz of Ukraine, Ukravtodor, etc.) are in circulation on the domestic market. The total debt on securities issued in the domestic market corresponds to UAH 499.72 billion (equivalent to USD 23.74 billion). The share of holders of government securities in the foreign market in the total structure of public debt corresponds to 29.6% and reflects the debt for OZDP 2005-2015 in the total amount of 383.16 billion UAH (18.28 billion USD in equivalent) [3]. In addition, one of the main indicative indicators - the ratio of public debt to GDP - crossed the threshold (60%) and amounted to more than 90%.

In the current situation, one of the alternatives was to restructure part of Ukraine's external debt to external private creditors. Thus, at the end of August 2015, after lengthy negotiations, the Ministry of Finance of Ukraine managed to reach an agreement with external private creditors on the restructuring of part of the external public debt. The consequences of the restructuring were the adoption of a number of regulations in the field of public debt management, in particular [5]: • Law of Ukraine "On Amendments to the Law of Ukraine" On the State Budget of Ukraine for 2015 "№217-UIII of 02.03.2015; • Law of Ukraine "On Peculiarities of Carrying Out Transactions with State, State-Guaranteed Debt and Local Debt" of May 19, 2015 № 436 VIII.

As for compensation to creditors of written-off value of \$ 3 billion in the form of VRI derivatives, the corresponding payments should start at best in 2021 (provided that Ukraine's GDP reaches \$ 125.3 billion in 2019, and real GDP growth for by the end of 2019 will exceed 3%).

Table 3.1 - Schedule of payments on sovereign Eurobonds before and after restructuring, million USD [19-20]

	Repayment	Percentage	Repayment (in past)	Percentage (in past)
2015	3 000**	93**	4 181	518
2016	-	963	2 250	1 105
2017	-	963	4 418	1 000
2018	-	963	690	567
2019	2 155	954	1 000	532
2020	2 531	846	2 500	514
2021	1 378	718	1 500	329
2022	1 355	611	2 250	269
2023	1 330	506	1 250	47
2024	1 315	403	-	-
2025	1 306	301	-	-
2026	1 295	200	-	-
2027	1 286	100	-	-
TOTAL	16 951	7 623	20 039	4 882

The obtained three-year break in payments on commercial external debt is not an independent victory for Ukraine. Her idea is that within three years the country should carry out all necessary reforms, and by 2019 to reach stable economic growth and sustainable balanced public finances. This will not only settle with creditors, but also catch up with other countries in terms of socio-economic development.

3.2 The role of international monetary and financial institutions in solving the debt problem

The study of the main trends in the issuance of debt securities of the IMF, IBRD and EBRD should start with the International Monetary Fund. It was established in 1944 to regulate the monetary relations of member countries (currently there are 188) and provide assistance to them in the event of a balance of payments deficit through short- and medium-term foreign currency lending. Note that the IMF is not characterized by borrowing money at all. Throughout its history, the Fund has borrowed only a few times. Each time it was the credit lines of the member countries: the general loan agreements (1962), which were joined by 11 participants, namely the governments and central banks of the Group of Ten industrialized countries and Switzerland; New Arrangements to Borrow (NAB) is a set of loan agreements between the IMF and 40 member countries and institutions. The NAB mechanism was proposed by the G7 in Halifax in 1995 after the Mexican financial crisis.

Last time, a mechanism for issuing debt securities was also used. Under this mechanism, IMF debt securities can be distributed only among its members, including those purchased by their central banks. These securities will never be sold on the secondary market. Such a restriction is quite justified, as the IMF must remain independent of private investors. An important issue is to determine the countries - potential investors. It is quite obvious that we should focus on countries that were at the peak of development in the pre-crisis period - countries with an emerging market.

Regarding the motives of investors, the following should be singled out [17]: IMF notes will be considered as IMF foreign exchange reserves by definition (countries, buying notes, will be able to replace one reserve asset with another); no budgetary implications (as opposed to participation in the NAB) and the need for approval by policy makers, as these notes are purchased using available foreign exchange reserves; diversification of the country's foreign exchange reserves, as IMF notes are denominated in SDRs (also IMF notes have a higher yield than US Treasury bonds). IMF notes are a

better option for lending countries than NABs, as they provide support only for a limited, not indefinite period. Official and informal statements by BRIC officials indicate their readiness to move from investing in US Treasury bills to investing in IMF notes if possible. As a result, a framework agreement was issued for the issuance of notes for the public sector. The IMF will issue notes during periods when loan payments will be made by member countries that receive financial assistance from the fund. Once acquired by the governments of such countries or their central banks, the notes will be able to circulate in the public sector, which covers all IMF member countries, their central banks and 15 multilateral organizations that are designated holders of SDRs.

Interest payments on IMF notes denominated in SDRs will be made quarterly at the official SDR interest rate, which is the weighted average of the three-month interest rates on the currencies that make up the SDR basket. The maximum maturity of the notes is five years, which corresponds to the maximum maturity of IMF loans within the framework of the stand-by arrangement and the flexible line of credit.

The International Bank for Reconstruction and Development (IBRD) specializes in issuing debt securities, which is due to its status - it is quite logical for the bank to attract resources through the use of notes or bonds. However, the use of funds by the bank at the present stage has specific features, as the IBRD seeks to achieve the eight main Millennium Goals (eradication of poverty and hunger, universal primary education, promotion of equality between men and women and empowerment of the latter, maternity protection, the fight against HIV / AIDS, malaria and other diseases, ensuring sustainable development of the environment, the formation of a global partnership for development). IBRD as an issuer of debt securities is quite attractive to investors because it has the following advantages [8]: the highest investment rating - AAA (according to the requirements of the Basel Committee, assets consisting of IBRD debt securities have a risk of 0%); 187 members - countries of the world that guarantee a refund; positive credit history - for 60 years of existence there has been no default, which is primarily due to the conservative financial policy; a wide range of debt securities with different characteristics, including flexible structure, liquidity and

maturity (from 0 to 30 years); taking into account the regional preferences of the investor ("green" bonds); issue of bonds in more than 50 currencies.

This image of the IBRD gives him the opportunity to be an active participant in the debt securities market. The IBRD is an important provider of liquidity when it is lacking, and in fact one of the few issuers of debt securities to which investors trust their own funds during times of crisis.

CONCLUSIONS

Attracting financial opportunities by the state on a credit basis to cover its own needs is a normal and objectively determined experience of economic activity. Public external debt is debt on loans (borrowings) from foreign sources. The effectiveness of the use of government borrowing largely depends on the debt management system. Public debt management is one of the most important tasks of the state's financial course, an important condition for its sustainable economic growth.

The presence of public debt requires the implementation of annual interest payments, which must be financed from tax revenues. With the rapid growth of such expenditures, the state must either reduce expenditures to finance socio-economic programs, or increase its revenues. The increase in budget revenues is achieved through the establishment of new taxes and other mandatory payments or additional government loans. To stabilize the economy and ensure its sustainable economic growth, the country's economic policy must take into account the likely macroeconomic consequences associated with the implementation of government borrowing.

The International Monetary Fund has decided to provide Ukraine with a \$ 16.43 billion stabilization loan to strengthen confidence in the financial sector and help the country's economy, which has suffered as a result of the global financial crisis.

Ukraine needs to develop an external borrowing strategy. The strategic goal of Ukraine's public debt policy should be to attract financial resources for the effective implementation of the country's institutional and investment development programs while ensuring a stable ratio of public debt to GDP.

REFERENCES

1. Budget Code of Ukraine [Electronic resource]: / Access mode: <http://zakon.rada.gov.ua/laws/show/2456-17>
2. Economic Encyclopedia: In three volumes. T. 1. / Redkol .:... S. V. Mocherny (responsible editor) and others. - Kyiv: Publishing Center "Academy", 2003. - 864 p.
3. Memorandum on economic and financial policy, prepared in the framework of the IMF program "stand-by" [Electronic resource]: / official website of the NBU. Access mode: <http://www.bank.gov.ua/Publication/others/>
4. Official site of the Ministry of Finance of Ukraine [Electronic resource]: / Access mode: <https://www.minfin.gov.ua>
5. "The essence and factors of formation of external public debt" / Panchenko V.V. // Economic space. - 2014. - № 88. - P.5 - 17.
6. External public debt in the financial system of Ukraine [Text]: author's ref. dis. Cand. econ. Sciences: 08.04.01 / N.V. Zrazhevskaya [Kyiv National University. Taras Shevchenko]. - K., 2006. - 20 p.
7. Finance: Course for financiers: textbook / ed. V.I. Ospischeva. - K., 2008. - 567 c.
8. Furman IV The state of Ukraine's external debt to international creditors: assessment and directions of settlement / I.V. Furman // Financial space. –2013. - № 2 (10). - 66 - 74 p.
9. International Debt Statistics official website of the World Bank [Electronic resource] Access mode: <http://www.worldbank.org/>
10. The Global economy [Electronic resource]: / Access mode: https://www.theglobaleconomy.com/Ukraine/External_debt/
11. Global news and insight for corporate financial professionals [Electronic resource]: / Access mode: <https://www.gfmag.com/global-data/economic-data/xtegh9-external-debt-in-countries-around-the-world>

12. Solutions for Developing-Country External Debt: Insolvency or Forgiveness
 Agasha Mugasha [Electronic resource]: / Access mode:
<https://scholar.smu.edu/cgi/viewcontent.cgi?article=1313&context=lbra>

13. External Debt Sustainability: Guidelines for Low and Middle Income Countries
https://g24.org/wp-content/uploads/2016/01/Session-1_1-2.pdf

14. Sofienko A.P. Evolution of the concept of "external public debt" as an indicator of financial security.- ECONOMICS AND REGION Scientific Bulletin, 2016
 [Electronic resource]: / Access mode: - journals.pntu.edu.ua

15. Official website of the National Bank of Ukraine / [Electronic resource]. -
 Access mode: <http://www.bank.gov.ua/>

16. Makogon U.V. External debt of Ukraine at the present stage of the economic crisis / Makogon U.V., Pakhomova O. A. // Economic Bulletin of NTUU "KPI": a collection of scientific papers. - 2016. - №13 - P. 108–113.

17. Kucher G.V. The public sector of the world through the prism of global financial indicators G.V. Kucher // Scientific economic journal "Intellect-XXI". - 2017. - № 4. - P. 14-21.

18. Yeremeychuk R.A. Formation and structure of public debt of Ukraine and features of its management / R.A. Yeremeychuk // Economics and Management. 2014. - №3. - P. 110 - 114.

19. External Debt Statistics: Joint BIS-IMF-OECD World Bank Statistics [Electronic resource]. - Access mode: <https://www.imf.org/external/np/sta/ed/joint.htm>

20. Countries With The Most External Debt [Electronic resource]. - Access mode:
<https://www.worldatlas.com/articles/countries-with-the-most-external-debt.htm>

APPENDENCIES

Appendence A

Анотація

Неронов Р.Р. Зовнішній борг України та шляхи його подолання – Кваліфікаційна робота бакалавра. Навчально-науковий інститут «БІЕМ» Сумського державного університету, Суми, 2021.

Кваліфікаційна робота бакалавра присвячена дослідженню зовнішнього боргу як економічного поняття, та його виявлення в Україні. Розглянуто сучасний стан зовнішнього боргу України та його проблематику. Описано можливі шляхи подолання зовнішнього боргу у майбутньому.

Ключові слова : зовнішній борг, державний борг, Україна, рівень, структура, динаміка, оптимізація.

Summary

Neronov R.R. External debt of Ukraine and ways to optimize it – Qualification paper. Scientific-Technical Institute "BIEM" of Sumy State University, Sumy, 2021.

Qualification paper is devoted to the study of external debt as an economic concept, and its identification in Ukraine. The current state of Ukraine's foreign debt and its problems are considered. Possible ways to overcome the external debt in the future are described.

Keywords: external debt, state debt, Ukraine, level, structure, dynamics, optimization.

РЕЦЕНЗІЯ
на кваліфікаційну роботу на здобуття освітнього ступеня
бакалавр
зі спеціальності 292 «Міжнародні економічні відносини» студента 4-го
курсу групи МЕ-72а.ан
Навчально-наукового інституту «БІЕМ»
Сумського державного університету
Неронова Романа Романовича
на тему
«Зовнішній борг України та шляхи його оптимізації»

Результати оцінювання

Критерій оцінювання	Кількість балів	Фактична кількість балів
1. Ступінь актуальності кваліфікаційної роботи бакалавра	0-10	
2. Глибина розкриття теми	0-10	
3. Вміння аналізувати досліджувану наукову тему, чітко й логічно викладати головні аспекти проблеми	0-10	
4. Вміння аргументовано й логічно подавати узагальнення й висновки	0-10	
5. Доцільність використання обраних методів наукового дослідження	0-10	
6. Новизна та практичне значення викладених у роботі висновків і пропозицій	0-10	
7. Повнота та різноманітність вивчення джерельної бази	0-10	
8. Вміння застосовувати набуті знання під час аналізу практичних, методологічних і теоретичних проблем	0-10	
9. Якість оформлення кваліфікаційної роботи	0-10	
10. Мова та стиль кваліфікаційної роботи	0-10	
Разом		

Інші зауваження (недоліки), рекомендації _____

Шкала оцінювання ЕСТС	Національна шкала оцінювання	Бальна шкала оцінювання
A	відмінно (5,0)	$90 \leq RD \leq 100$
B	добре (4,0)	$82 \leq RD \leq 89$
C		$74 \leq RD \leq 81$
D	задовільно (3,0)	$64 \leq RD \leq 73$
E		$60 \leq RD \leq 63$
FX	незадовільно (2,0)	$35 \leq RD \leq 59$
F		$RD < 35$

Загальний висновок:

Рецензент:

(посада, науковий ступінь)

(підпис, дата)

(ініціали, прізвище)

М.П.
« ____ » _____ 20__ р.

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
СУМСЬКИЙ ДЕРЖАВНИЙ УНІВЕРСИТЕТ
Навчально-науковий інститут «БІЕМ»
Кафедра міжнародних економічних відносин

ЛИСТ ОЦІНЮВАННЯ КВАЛІФІКАЦІЙНОЇ РОБОТИ
на здобуття освітнього ступеня
бакалавр

Студента Неронова Романа Романовича
Група МЕ-72а.ан курс 4 спеціальність 292 «Міжнародні економічні відносини»
ННІ «БІЕМ» СумДУ, денної форми навчання.

Тема кваліфікаційної роботи «Зовнішній борг України та шляхи його оптимізації»

1. Оцінювання керівника та рецензента кваліфікаційної роботи

Критерій оцінювання	Кількість балів
1. Оцінювання змістовних аспектів керівником кваліфікаційної роботи	
Загальний рівень розкриття теми в кваліфікаційній бакалаврській роботі (коригувальний коефіцієнт – 3)	0–5
Теоретична та практична цінність одержаних результатів, зокрема наявність апробації результатів кваліфікаційної бакалаврської роботи (коригувальний коефіцієнт – 2)	0–5
Наявність логічної послідовності та наукового стилю викладення матеріалу дослідження (коригувальний коефіцієнт – 2)	0–5
Оригінальність, аргументованість, обґрунтованість висновків та інші позитивні моменти кваліфікаційної бакалаврської роботи (коригувальний коефіцієнт – 2)	0–5
2. Оцінювання організаційних аспектів керівником кваліфікаційної роботи	
Додержання графіка виконання кваліфікаційної бакалаврської роботи	0–5
Відповідність кваліфікаційної бакалаврської роботи до вимог нормоконтролю	0–5
3. Результат зовнішнього рецензування кваліфікаційної бакалаврської роботи	0–5
Разом	60

Недоліки та зауваження, аргументація оцінювання: _____

Керівник кваліфікаційної роботи

Доктор економічних наук, Професор _____
(підпис)

Таранюк Л.М.

2. Оцінювання захисту кваліфікаційної роботи ЕК

Критерій оцінювання	Кількість балів
Теоретична та практична цінність результатів (коригувальний коефіцієнт – 2)	0–5
Презентація роботи (якість доповіді та роздаткового матеріалу) (коригувальний коефіцієнт – 2)	0–5
Відповіді на поставлені запитання, вміння проводити наукову дискусію (коригувальний коефіцієнт – 4)	0–5

3. Відомості, що вносяться до протоколу роботи Екзаменаційної комісії

Оцінка, балів			Загальна оцінка		
керівника	рецензентів	захисту ЕК	за 100-бальною шкалою	за 4-бальною шкалою	за системою ECTS

Завідувач кафедри

(підпис)

(ініціали, прізвище)

Секретар ЕК

(підпис)

(ініціали, прізвище)