

STATE AND ECONOMY

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PUBLIC DEBT MANAGEMENT OF UKRAINE

The aim of the article is to justify the main tools for reducing the debt burden on the State Budget of Ukraine during the war and in the period of post-war reconstruction, based on the generalization of the world experience of restructuring the state debt and providing grant assistance.

The research is based on the hypothesis of the need to develop and approve debt cancellation mechanisms for Ukraine, as well as the orientation of state policy to achieve an increase in the share of grant aid in post-war reconstruction, taking into account world experience,

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УПРАВЛІННЯ ДЕРЖАВНИМ БОРГОМ УКРАЇНИ

Метою статті є обґрунтування основних інструментів зменшення боргового навантаження на Державний бюджет України під час воєнних дій та в період післявоєнної відбудови на основі узагальнення світового досвіду реструктуризації державного боргу та надання грантової допомоги. В основу дослідження покладено гіпотезу про необхідність розроблення й апробації механізмів списання боргів України, а також орієнтації державної політики на досягнення збільшення частки грантової допомоги у післявоєнній відбудові з урахуванням світового досвіду,



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in particular the Marshall Plan (MP). To achieve the specified aim, the research methods were used such as: historical, logical, methods of statistical analysis, synthesis and comparison, generalization. Given the unprecedented nature of the destruction caused and the fall in Ukraine's GDP, there are reasons to insist on writing off most of Ukraine's debt to international organizations, including the IMF and the World Bank. The second component of the restructuring program should be the application of discounts to the nominal amount of debt for bond loans of private creditors. It was noted that in the conditions of active military operations in Ukraine, it is expedient to attract as much grant funding and long-term loans at preferential interest rates as possible.

Keywords: public debts, loans, grant funds, debt restructuring, economic recovery.

зокрема плану Маршалла (ІМ). Для досягнення зазначеної мети використано методи дослідження: історичний, логічний, статистичного аналізу, синтезу і порівняння, узагальнення. З огляду на безпрецедентний характер завданих руйнувань і падіння ВВП України є підстави наполягати на списанні більшої частини заборгованості України перед міжнародними організаціями, включно з МВФ і Світовим банком. Іншою складовою програми реструктуризації повинно стати застосування знижок до номінальної суми боргу за облігаційними позиками приватних кредиторів. Відзначено, що в умовах активних воєнних дій Україні доцільно залучати якомога більше грантового фінансування та довгострокових кредитів під пільгові відсотки.

Ключові слова: державний борг, позики, грантові кошти, реструктуризація боргу, відновлення економіки.

JEL Classification: F34, F35, H63.

Introduction

The full-scale war has posed unprecedented challenges to the state, which cause significant damage to the economy and society, and destabilize the public finance system. Under martial law, it is extremely important to finance the needs of national defense, fulfill the social functions of the state, address humanitarian issues, and keep the overall financial and economic situation under control. Financial support from partner countries and international institutions is of paramount importance in the face of a significant decline in real GDP and a growing budget deficit. So far, Ukraine has managed to keep its debt burden under control, at up to 80% of GDP, but the war is ongoing, and the corresponding payments on external public debt will increase, exacerbating the problem of peak debt payments. In these circumstances, public debt management becomes one of the main tasks, for which it is important to study the global experience of debt crisis management and post-war recovery. Particular attention should be paid to the experience of implementing the Marshall Plan (MP) in the context of the possibility of borrowing certain financial mechanisms of economic assistance that would not result in a significant increase in the debt burden.

The problem of public debt management is constantly in the focus of domestic and foreign economists. Wheeler (2004) identified the main components of effective public debt management practices, including the need for clear objectives, an institutional and legal framework, appropriate quality assurance procedures and checks and balances, and effective information management systems. Montiel (2005) emphasized that the optimal debt composition depends on the circumstances of the country, but

should involve a trade-off between increasing the anti-inflationary credibility of the government and reducing the budget's vulnerability to macroeconomic shocks.

Sadowski (2015) analyzed in detail the state of Ukraine's external debt in 2011–2015 and identified the most acute problems of its servicing, including a large share of short-term external borrowings, insignificant foreign exchange reserves, and limited access to foreign financial markets as of 2015. Eichengreen, El-Ganainy, Esteves & Mitchener (2021) justified the formation of public debt as a natural result of the functioning of public finances, especially in times of war or pandemics. Such extraordinary conditions, according to the authors, continue to require states to intensify public borrowing and increase public debt. Teupe (2020) uses the experience of the British economic recovery after World War II to answer the question "How to pay for the war?" emphasizing the importance of an effective public debt management policy.

Recent publications, such as Ash & Garrard (2023, July 13) and Drea (2023, January 23), are devoted to finding new approaches to public debt management in Ukraine, taking into account the extremely complex problems of financing military expenditures and the prospects for post-war recovery. Domestic economists have made a significant contribution to the development of public debt theory. In particular, Fedosov and Kolot (2008) studied public debt management in the context of risk management. Vakhnenko (2009) highlighted the peculiarities of public debt formation and management of its components during the financial crisis. Kucher (2017) examined the preconditions and consequences of the budget deficit as the root cause of public debt in the system of financial and credit development of the economy. Pasichnyi (2018) summarizes the peculiarities of public debt management policy in Ukraine. Lunina (2022) assessed the potential of public finances to cover wartime expenditures and post-war recovery in Ukraine. Bogdan (2022) examines the problems of public debt accumulation during the war and identifies methods for their post-war settlement. The publications of 2023 analyzed the parameters and methods of restructuring the external public debt, concluding that "an important factor in the protracted nature of the war and the unjustified loss of human life is the lack of Western military assistance to Ukraine" (Bogdan, 2023a).

Chugunov, Makohon and Markuts (2019) studied the peculiarities of debt policy in EU countries compared to the debt policy of Ukraine (Chugunov, Makohon & Markuts, 2019). Continuing the theme, the specifics of budget policy in war conditions were determined and it was determined that during 2022, receipts to the consolidated budget of Ukraine from EU countries, foreign governments, international organizations and donor institutions reached UAH 481.3 billions or 21.9% of consolidated budget revenues. Noting that during the last 10 years this indicator did not exceed 1.2% of budget revenues, the authors concluded that this became a significant

source of replenishing the revenue part of the budget in wartime conditions (Chugunov et al., 2023).

Zamkova and Hnydyuk (2022), on the basis of a study of the influence of the state of war in Ukraine on the servicing and repayment of the state debt, found that "it will be difficult to avoid the restructuring of the state debt of Ukraine. And here the experience of other countries that have already experienced external debt restructuring can come in handy, but it must be based on the active diplomatic support of foreign partners" (Zamkova and Hnydyuk, 2022). Shemaeva (2022) reviewed the international experience of public debt restructuring in terms of Ukraine and formulated recommendations for reducing the critical debt burden, including adopting a new debt strategy, achieving political support from international partners to guarantee immunity from default, etc. Kush (2023) substantiates the thesis about the need to write off part of Ukraine's debt as a necessary prerequisite for post-war recovery, otherwise the main budget resources will be spent on servicing the state debt. Nestor (2022) considered the peculiarities of the MP in the context of its economic aspect and the advantages and disadvantages of implementation, conducted an analysis of the distribution of US economic aid to Europe within the framework of the MP in terms of loans, aid by articles, and formulated a number of recommendations for the Ukrainian counterpart of the MP.

At the same time, despite the presence of significant theoretical development and thorough analytical studies of the main trends in the formation of debt dependence of Ukraine, the problem of how to ensure the survival of the country in the conditions of a full-scale war, to implement financing at a sufficient level of national defense and post-war economic recovery, taking into account implementing a balanced debt policy. It is impossible to predict the end of the war, but it is necessary to prepare an answer to one of the important post-war questions regarding the management of the debts of the state accumulated during the war.

The aim of the article is to substantiate the main instruments of management of the State Debt of Ukraine in the context of post-war recovery prospects. The research presented in the article is based on the hypothesis of the need to develop and approve debt relief mechanisms of Ukraine, as well as the orientation of state policy to achieve an increase in the share of grant aid in post-war reconstruction, taking into account world experience. To achieve this aim, the following research methods were used: historical, logical, statistical analysis, synthesis and comparison, summarization of research materials.

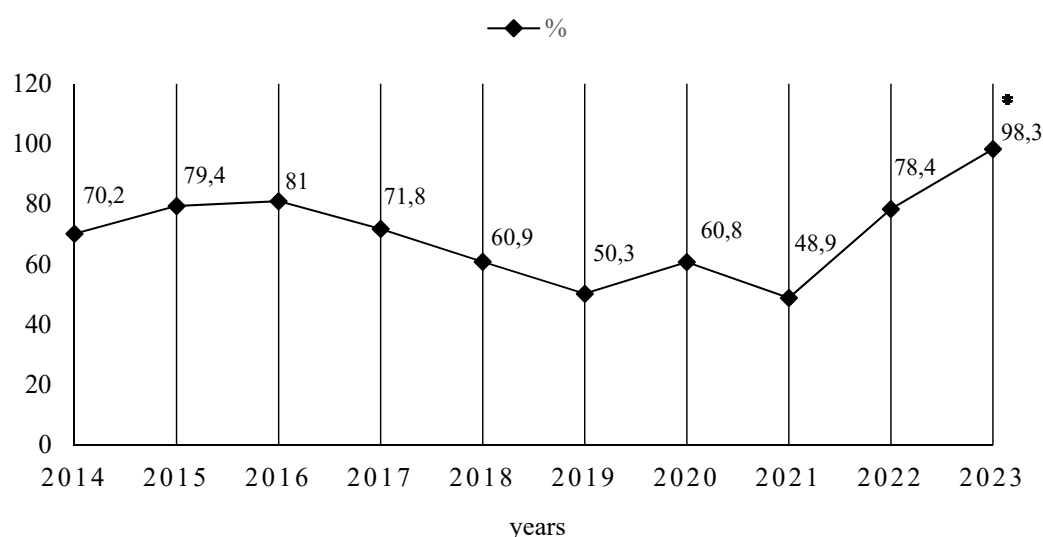
Materials of international databases, including the International Monetary Fund, analytical reports of the Ministry of Finance of Ukraine, the Ministry of Economy of Ukraine, the State Statistics Service of Ukraine, and state institutions became the information basis for the preparation of the article. The logic of the research consists in considering the debt trajectory of

Ukraine during the last 10 years, determining the main effects of a full-scale war on the state of public finances and the debt burden of Ukraine in 2022–2023, substantiating the possibility of applying mechanisms tested in world practice to reduce the debt burden, with an emphasis on the need to increase share of international grant aid, in particular, on the use of experience in the implementation of MP for Ukraine.

The structure of the main part of the research includes four sections, the first of which is devoted to the analysis of indicators of the debt trajectory of Ukraine in 2014–2023, the second to the peculiarities of the impact of the war on the state of public finances and debt dependence of Ukraine in 2022–2023. The third section highlights the global experience of reducing debt load and grant aid. In the fourth, the mechanism for ensuring the transparency and efficiency of the use of international aid is revealed.

1. Debt trajectory of Ukraine in 2014–2023

Before a full-scale war, the problem of public debt was not critical, and the level of public debt remained under control. During 2014–2018, the level of public debt fluctuated between 70.2% (at the end of 2014) and 60.9% (2018), and only in 2016 there was a short-term increase in the level of public debt to 81% of GDP. In the following years, the positive trend towards reducing Ukraine's debt dependence continued, which is confirmed by the reduction of the relative level of public debt to 48.9% of GDP in 2021 (*Figure 1*).



*estimated by the IMF

Figure 1. Dynamics of the relative level of public debt of Ukraine during 2014–2023, % of GDP

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget web portal for citizens, n.d.).

At the same time, in the same year 2021, the USA had a level of public debt to GDP of 137.2%, Japan – 234.4%, France – 112.9%, Great Britain – 101.9% (Myhal, 2023). Although these indicators significantly exceeded the normative indicator of the state debt level of 60% of GDP for EU countries, this did not significantly prevent these developed countries from remaining the flagships of the world economy.

The dynamics of the state and state-guaranteed debt of Ukraine, starting from 2014 (annually), is presented in *Figure 2*.

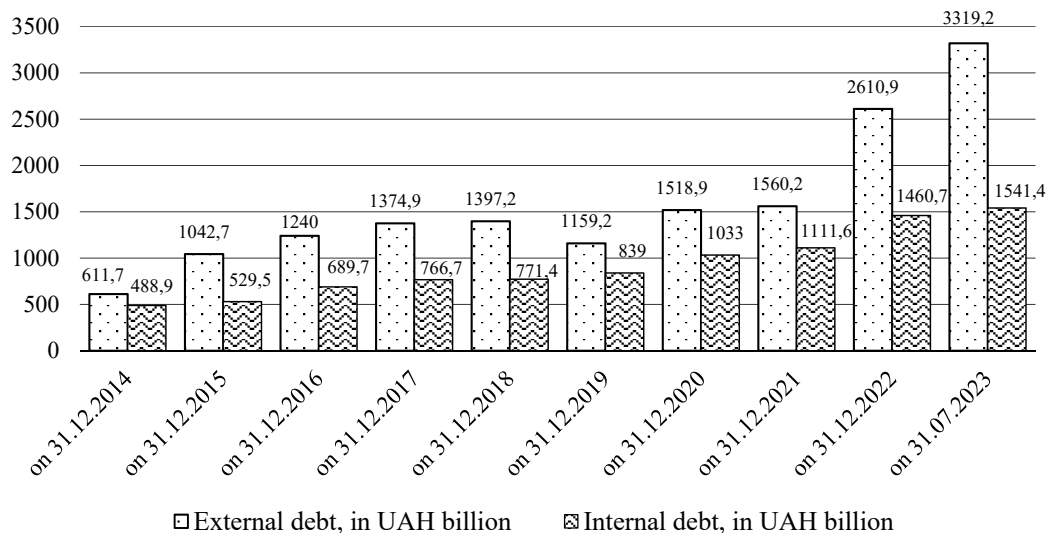


Figure 2. Dynamics of external and internal debts of Ukraine for 2014–2023, UAH billion

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget website for citizens, n.d.).

2. The impact of the war on the state of public finances and debt dependence of Ukraine in 2022–2023

With the beginning of the war, due to the need to finance military needs and increased costs to support citizens who lost their homes and jobs, government spending began to grow at a high rate. The state's ability to generate budget revenues has significantly decreased, which prompted an urgent search for sources of funding for state expenditures. During March–December 2022, UAH 562.9 billion or 46.4% was raised from external sources, which became the main source of financing the state budget in 2022. At the same time, 33% of the budget financing was provided by the NBU through the direct purchase of military bonds, 20.6% of the financing was raised by the government at auctions with placement of OVDP, most of which were purchased by commercial banks. During 7 months of 2023, the volume of state debt continued to increase (*Figure 3*), mainly due to external borrowing.

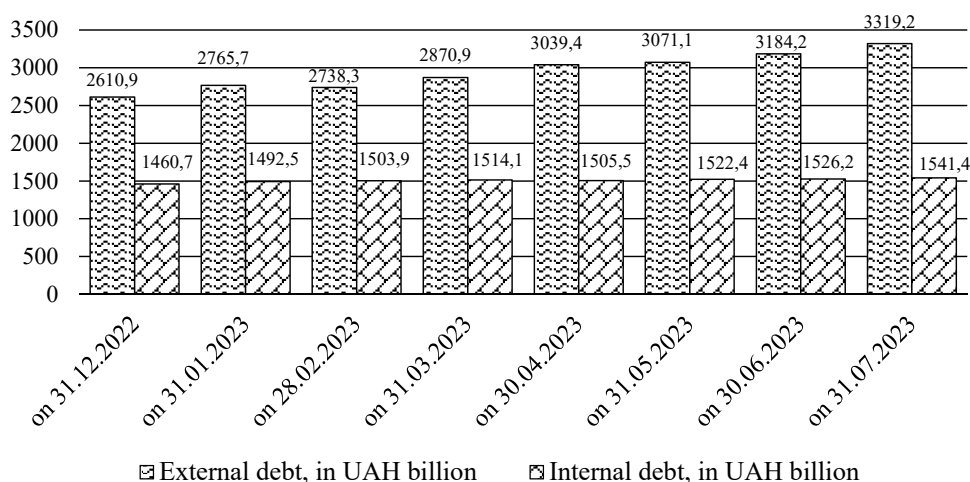


Figure 3. Public debts’ increase of Ukraine during 2023

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget web portal for citizens, n.d.)

As of the end of March 2023, the external debt was about 65% of the state and guaranteed debt. More than half of it are preferential long-term loans from donors and other countries (EU, IBRD, IMF, Canada and EIB – the largest creditors of the state), which are provided on exceptionally favorable terms with a repayment period of up to 35 years, grace periods for repaying the body of the loan up to 10 years and at low interest rates (Figure 4).

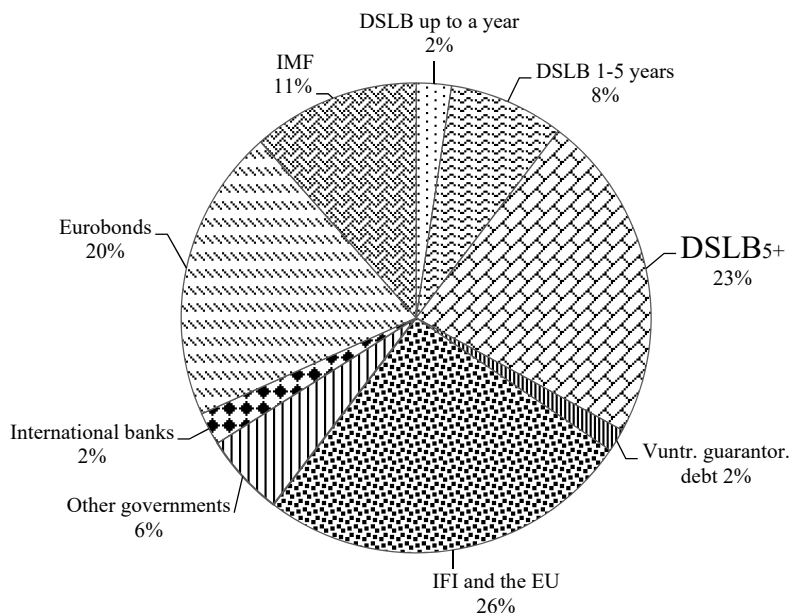


Figure 4. The structure of the state and guaranteed debt of Ukraine, March 31, 2023

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget web portal for citizens, n.d.).

There is also debt for Eurobonds and commercial loans from banks and other foreign financial institutions. The largest domestic creditor of the government, which holds almost half of DSLB, is the National Bank of Ukraine, and about 30% is held by state banks, the rest is distributed among private commercial banks, companies, non-residents and the population.

According to the Law of Ukraine on the State Budget of Ukraine, in 2023, the maximum amount of public debt was to be UAH 6.2 trillion or USD 152.3 billion, according to the forecast rate of the IMF (1 USD = 40.7 UAH). According to IMF estimates, by the end of 2022, the ratio of public debt to GDP should be 81.7% (according to the Ministry of Finance, the public debt of Ukraine increased to 78.5% of GDP), and in 2023 – to 98.3%. The state spends more than half of its funds on national defense and security, and its own revenues are only enough to cover them. To finance all other areas, including education, health care, the government resorts to attracting funds in the form of grants and loans.

According to the Ministry of Finance of Ukraine, during January–June 2023, the State Budget of Ukraine was financed by UAH 879.1 billion, of which UAH 593.4 billion was provided by external sources (*Table 1*).

Table 1

Funding of the State Budget of Ukraine for January–June 2023, UAH billion

State Budget Financing Sources of Ukraine	Internal sources	External sources
DSLB Placement	285.7	–
Macro-financial assistance in accordance with the Memorandum of Understanding between Ukraine and the EU		357.0
Funds from the IMF under the four-year EFF Enhanced Financing Program		131.4
Government of Canada loan		64.2
IBRD loan (as part of the project "Supporting public expenditures to ensure sustainable public administration in Ukraine")		18.3
MAR loan		16.1
IBRD loan (as part of the project "Acceleration of Investments in the Agriculture of Ukraine")		4.8
IBRD loan (as part of the project "Strengthening the health care system and saving lives")		1.3
IBRD loan (within the framework of the project "Additional financing of the Project to improve health care at the service of people")		0.2
Together for January–June 2023	879.1	

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget website for citizens, n.d.).

According to the estimates of the Ministry of Economy of Ukraine, the size of the state debt in 2023 will exceed the nominal size of the gross domestic product and will amount to 102% of GDP, provided that the

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promised funds are received in the form of loans, which means an increase in the debt burden on the budget, problems of peak payments in the conditions of a protracted war. So far, Ukraine has managed to keep the debt burden at a manageable level of less than 80% of GDP, and thanks to the help of partners and the support of creditors during the war, the issue of debt payments is not yet acute, but everything may gradually change, in particular in 2024–2027, the forecast payments on Ukraine’s external debt will amount to 6% of GDP in 2022, and the problem of peak payments appears to be much more important than the issue of the general level of indebtedness relative to the size of the economy.

According to the Ministry of Finance of Ukraine, an increasing share of resources can be attracted in the form of non-refundable financial aid (grants), which are a tool for covering the budget deficit without increasing the country’s debt burden. A large amount of international financial support in the form of grants (USD1 7.7 billion from February 2022 to March 2023) made it possible to slow down the growth of the debt burden. From the beginning of the full-scale war until the end of 2022, Ukraine received UAH 480.6 billion in grants, thanks to which social needs, wages, medical services, and assistance to temporarily displaced persons were financed (*Table 2*). In some months (in particular, in July and September 2022), up to 100% of the received aid came in the form of grants, which is a positive trend.

Table 2

Loans and grants received by Ukraine in 2022

Month	Grant funds		Credit funds	
	UAH billion	%	UAH billion	%
March	3.6	3.6	95.4	96.4
April	6.6	19.9	26.5	80.1
May	30.9	52.6	27.9	47.4
June	38.0	38.6	60.5	61.4
July	81.9	99.9	0.1	0.1
August	109.9	64.0	61.8	36.0
September	73.1	100.0	0.0	0.0
October	0.0	0.0	135.9	100.0
November	0.0	0.0	94.7	100.0
December	136.0	69.4	69.4	30.6

Source: calculated by the authors based on data (Official website of the Ministry of Finance of Ukraine, n.d.; State budget website for citizens, n.d.).

According to the Ministry of Finance of Ukraine, in January–July 2023 the funds received by Ukraine in the form of international aid (grants) – UAH 317.2 billion, while the largest donor of grant support in January–July 2023 is the United States of America (UAH 310.8 billion). In 2023, Ukraine

received USD 9.7 billion in direct budget support from the United States in the form of grants (Government Courier, 2023).

Ukraine also received funding from Germany on an irrevocable basis. Spain, Finland, Ireland, Switzerland, Belgium, Iceland with a total volume of up to UAH 6.4 billion. The funds are directed to the State Budget of Ukraine through the World Bank trust fund within the framework of the PEACE project. The purpose of the project is partial compensation of state budget expenditures, in particular, social and humanitarian expenditures that are not related to the security and defense sector. In September 2023 through this target fund, the State Budget of Ukraine received a grant from the USA in the amount of USD 1.25 billion, which is part of the fifth additional financing within the framework of the World Bank project "Supporting public expenditures to ensure sustainable public administration in Ukraine" (PEACE in Ukraine). The purpose of the project is partial compensation of state budget expenditures, in particular, social and humanitarian expenditures that are not related to the security and defense sector. Funding raised is directed to provide pension payments, payments to employees of the State Emergency Service, salaries of medical workers who provide services under the medical guarantee program, civil servants and teaching staff (Official website of the Ministry of Finance of Ukraine, n.d.).

The general picture is complemented by the data of the Kiel Institute of World Economy, given by Bohdan (2023b), according to which estimates of the value of military, financial and humanitarian aid from allied states during February 24, 2022 – May 31, 2023, amounted to EUR 165.4 billion in terms of liabilities. This amount covers military, humanitarian and financial assistance of state institutions; it does not include private donations, expenses for the maintenance of refugees and aid to Ukraine from international organizations. If to the specified EUR 165.4 billion of aid, state aid is added, taking into account the costs of maintaining refugees in host countries (EUR 57.9 billion), the amount of support for Ukraine will amount to EUR 222.4 billion. These amounts refer to bilateral aid to Ukraine from allied states and do not include funding from international institutions – the IMF, the World Bank, the United Nations and the EBRD, which additionally allocated EUR 12.8 billion to Ukraine.

Thus, the full-scale war caused an active accumulation of public debt, contributed to the intensification of grant-credit support from external creditors, and stimulated a significant increase in the yield of foreign loan bonds and the issuance of internal military bonds by the Government.

3. World experience in debt reduction and grant assistance

Repko and Samoiluk (2023) consider attracting international aid in the form of grants and cheap and long loans as factors for reducing the debt burden; the policy of "financial repression", when debt rates are lower than inflation, economic growth; primary budget surplus; debt restructuring;

as well as privatization of state assets and reparations from the aggressor country. Agreeing with this vision, we note that not all of the proposed tools can be used before the end of the hot phase of the war, in particular economic growth, budget surplus, privatization of state assets, and can be used only after its end.

3.1 International practices of settling debt crises

Debt restructuring is an effective tool for resolving debt crises. In his research, T. Bohdan cites IMF data, which show that during 1950–2021, 709 cases of restructuring in 115 countries were recorded in the world. The average percentage reduction in the debt ratio after restructuring was 15% of GDP in emerging market countries and 18% of GDP in low-income countries (Bogdan, 2023a). The same opinion is held by Eon Drea (Drea, 2023): "Uncomfortable as it may be, Brussels and Berlin know very well that it was the debt relief granted to Germany in the late 1940s that laid the foundation for Europe's postwar economic miracle: a return to economic growth that eventually led to the establishment of the prosperous European Economic Community in 1957" (Drea, 2023).

The historical experience of countries that have experienced armed conflicts over the last dozen years (Afghanistan, Iraq, Egypt) shows that such countries actively use debt restructuring under the conditions of its partial write-off. Thus, in 2010, the World Bank, the IMF and the creditor states approved a decision to ease Afghanistan's external debt in the amount of USD 1.6 billion. The USA is a war-torn country. The total amount of debt relief consisted of writing off the nominal amount of debt payments under the global Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative and the debt to the Paris Club of Creditors, which in November 2003 decided to give Iraq 80% debt relief and called on other commercial and official creditors to write off the debt on comparable terms. As a result of concerted actions, the stock of debt to the Paris Club of Creditors alone was reduced by USD 7.8 billion.

In 1991, 20.2 billion dollars were written off to Egypt as US foreign debt for participation in the anti-Iraq coalition during the Persian Gulf War. The Paris Club agreed to reduce Egypt's debt by 50% over three years, subject to progress on reforms agreed with the IMF. 15% of Egypt's debt was to be written off immediately, 15% after 18 months and 20% at the end of the 3-year term (Bogdan, 2023a).

Based on a comprehensive analysis of debt sustainability, Bohdan established what should be the amount of debt discounting/write-off to restore the stability of Ukraine's financial position. The overall assessment of risks based on three forecast scenarios made it possible to conclude that the implementation of the assumptions of the base scenario and the negative scenario will lead the country to a debt crisis. Only the application of

corrective policy measures in the form of positive shocks (increase in grants + debt write-off) is highly likely to ensure the solvency of the state and maintain macro-financial stability, which cannot be disagreed with (Bogdan, 2023a).

Given the unprecedented nature of the destruction caused and the fall in Ukraine's GDP, there are reasons to insist on writing off most of Ukraine's debt to international organizations, including the IMF and the World Bank. The second component of the restructuring program should be the application of discounts of 50–60% to the nominal amount of debt for bond loans of private creditors.

3.2. The experience of implementing the Marshall Plan and new approaches to financing post-war reconstruction

Considering the international experience, emphasis is placed on the experience of countries after the Second World War, reparations as a source of financial resources and grants as a long-term source of financial resources. Recently, at various levels, it is increasingly possible to hear about PM for Ukraine. The experience of the implementation of the PM requires careful study in the context of the possibility of introducing certain of its tools for the recovery of Ukraine. Undoubtedly, the PM for Ukraine will be significantly different, if only because the PM had one US donor and 17 recipient countries. Ukraine will receive aid from a large number of donors, but the main principles – the validity and expediency of requests, the transparency of the distribution of funds provided by donors, the clarity of accounting and analytical support, the targeted use of received funds – must be respected. Only this will make it possible to minimize corruption and achieve the necessary level of trust between donors and the recipient – Ukraine. The following indicators are particularly important for the study: the achievement of the objectives of the PM was ensured by a combination of 90% grants and 10% loans, as well as by regulating the use of funds from auxiliary partnership funds in local currency. During 1948–1952, the United States provided aid to Europe in the amount of more than USD 13 billion, of which grants amounted to more than 11 billion, and loans – more than 1 billion (Nestor, 2022, pp. 90–91).

Taking into account the existing global experience of using international technical assistance, more and more researchers note the need to use this tool in the conditions of Ukraine. In particular, Larikova draws attention in her research to the fact that "in order to restore the competitiveness of the domestic economy disrupted by military actions, it is necessary to provide compensation for the damage caused and the restoration of damaged and destroyed objects" (Larikova, 2022, p. 81). Already in 2022 aid from the USA, EU, Germany, Canada, and Great Britain accounted for a third of the expenditures of the consolidated budget of Ukraine. During 2023, aid is provided for almost all sectors of the economy and social life by more

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than 20 countries, as well as such international organizations as the UN, World Bank, EBRD. The scale and sources of assistance are indicated by the data in the *Table 3*.

Table 3

Financial, humanitarian and military aid to Ukraine from allied states in
24.02.2022–31.05.2023, EUR billion (obligations to provide)

A country or group of countries	Financial Aid	Humanitarian help	Military aid	Help together
EU, collective institutions and member states	32.8	7.6	28.0	68.4
Anglo-Saxon countries	31.6	4.3	51.3	87.2
including USA	24.3	3.6	42.8	70.7
Great Britain	3.9	0.3	6.6	10.7
Canada	3.4	0.4	1.5	5.3
Australia	0.0	0.0	0.1	0.1
Total bilateral donors	71.3	13.7	80.4	165.4
Multilateral donors (IMF, UN, EBRD, World Bank Group)	12.8	0.0	0.0	12.8

Source: (Bohdan, 2023b).

Western researchers insist that the situation with Ukraine requires new approaches. We fully agree with E. Drea's opinion that "economically devastated Ukraine needs a debt agreement to achieve future peace – and grants, not loans" (Drea, 2023). T. Ash and A. Garrard (2023) suggest a creative approach to the issue of Ukraine's debt, stressing that public and private sector creditors should work together. The scale of Ukraine's post-war recovery, according to scientists, "will require a creative approach to debt and its sustainability, as well as a higher level of partnership and trust between official and private creditors." Researchers insist on the "inevitable need for a large financial contribution due to frozen Russian assets" (Ash & Garrard, 2023). In addition, they consider a combination of traditional debt relief measures with a new monetary component as one of the solutions.

Proceeds from the new lending will ensure positive cash flows from the private sector over the duration of the IMF's Extended Financing Facility program, provide liquidity to manage public liabilities, and provide significant capital to finance the budget. The understanding of the private sector role is achieved that will play in the financing of Ukraine's public sector starting in 2024, which inextricably links the settlement of legacy debt with new monetary commitments, which is critical to restoring Ukraine's credit rating and complementing future private investment initiatives into the real sector of the economy (Ash & Garrard, 2023).

4. How to ensure the transparency and efficiency of the use of international aid

What stands in the way of further expansion of assistance to Ukraine? In addition to the fact that considerable hard diplomatic work is needed to attract international aid, to create an atmosphere of trust and cooperation with potential partners, it is extremely important to ensure transparency and efficiency of the use of the funds involved. Not having a comprehensive answer to the question of how to ensure this, we note that we can agree with T. Larikova, who considers one of these obstacles to be the irregularity of the order of cooperation of international donors, central and local authorities on attracting international technical assistance (Larikova, 2022). Recipients and beneficiaries of international aid – both humanitarian and technical – can be ministries, other central bodies of state administration and local self-government.

Managers of budget funds as budget institutions can receive international assistance in monetary, material form or in the form of performance of works, provision of services. If a specific goal is not specified in the contract, the issue of target orientation is decided by the head of the institution according to the priority needs. The accounting of used funds is assigned to the duties of the recipient – manager of budget funds. Thus, legal and organizational gaps in the regulatory framework, designed to ensure clear accounting and analytical support for the targeted use of the aid received, inhibit the processes of its further increase. In order to ensure the transparency of the evaluation indicators of the targeted and effective use of the involved international aid, it is necessary to develop Methodological recommendations for the accounting and analytical support of the involvement and use by managers of budgetary funds of international technical aid and other relevant regulatory documents.

It should be noted that work is underway to ensure monitoring, control and minimization of corruption when using international aid. In particular, the Law of Ukraine dated 14.04.2022 No. 2192-IX provides that during the period of martial law in Ukraine, grants for budget support, attracted from foreign countries, foreign financial institutions and MFIs, are credited to the general fund of the State Budget of Ukraine (Law of Ukraine " On Amendments to Chapter VI "Final and Transitional Provisions" of the Budget Code of Ukraine and Chapter XX "Transitional Provisions" of the Tax Code of Ukraine", 2022). Amendments to the relevant concluded international treaties of Ukraine are carried out by the Ministry of Finance of Ukraine by decision of the Cabinet of Ministers of Ukraine. On December 14, 2022, the European Parliament and the Council of the European Union adopted the Regulation on the creation of an instrument for providing support to Ukraine for 2023 (Regulation (EU) 2022/2463) on providing Ukraine with Union support in the form of loans of up to EUR 18 billion, non-refundable support

depending on funding opportunities and interest rate subsidies in the context of full-scale war (Official website of the Ministry of Finance of Ukraine, n.d.). The signed Memorandum of Understanding between Ukraine as the Borrower and the European Union as the Lender provides for the allocation of any tranche of aid conditional on the satisfactory fulfillment of reporting requirements and satisfactory progress in implementing the conditions. The state authorities of Ukraine undertake to ensure to the European Union the effective, transparent and accountable use of the financial support received under this instrument.

Conclusions

The full-scale war caused an active accumulation of public debt, contributed to the intensification of grant-credit support from external creditors; and stimulated a significant increase in the yield of foreign loan bonds and the issuance of internal military bonds by the Government. The study of the world experience in the settlement of debt crises gives reason to believe that Ukraine should insist on the restructuring of the external debt on the terms of write-off, as it happened in Afghanistan, Iraq, Egypt and other countries. Given the unprecedented nature of the destruction caused and the fall in Ukraine's GDP, there are reasons to insist on writing off most of Ukraine's debt to international organizations, including the IMF and the World Bank.

The second component of the restructuring program should be the application of discounts of 50–60% to the nominal amount of debt for bond loans of private creditors. In the context of the future reconstruction of Ukraine's economy, it is worth considering that the achievement of the goals of the Marshall Plan was ensured by a combination of 90% grants and 10% loans, as well as by regulating the use of auxiliary partnership funds

It was determined that during the war, it is advisable for Ukraine to attract as much grant funding and long-term loans at preferential interest rates as possible. In addition, new approaches are needed to ensure financing of Ukraine's post-war reconstruction, in particular at the expense of frozen Russian assets, as well as attracting private capital to finance the public sector of Ukraine. Considerable persistent diplomatic work is needed to attract international aid, to create an atmosphere of trust and cooperation with potential partners, and it is extremely important to ensure transparency and efficiency of the use of the funds involved. In order to ensure the transparency of the evaluation indicators of the targeted and effective use of the international aid involved, it is necessary to develop Methodological recommendations for accounting and analytical support of the involvement and use by managers of budget funds of international aid and other relevant regulatory and legal documents.

After the end of the war, it is necessary to carry out a set of financial and budgetary measures for economic growth, recovery of the economy, and

at the same time to increase the level of effectiveness of budget expenditures and the efficiency of the use of budget funds.

The prospects for further scientific research are in the formation of the main directions of the state financial policy for the restoration of the economy, infrastructure, human potential, and management of the State Debt of Ukraine, taking into account the provisions of the budget-tax adaptive architecture, dynamic financial-budgetary, socio-economic, demographic, state and territorial balances.

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