THEORETICAL BASIS OF THE FORMATION OF EFFICIENT MACROECONOMIC POLICY AND EXTERNAL BORROWING MANAGEMENT SYSTEM IN UKRAINE

Abstract. This paper investigates the issues of the formation of mechanisms and instruments of state policy in the field of the development and implementation of programs of external borrowing and financial assistance to Ukraine in context of globalization.

The article shows the ways and methods for public administration of the formation of the development and implementation of programs of external borrowing and financial assistance to Ukraine in context of globalization.

It has been proved that public administration and its component which is state regulation towards external borrowing and financial assistance to Ukraine
are one of the most important aspects for public administration and management of the national economic system.

It has been determined that the importance of studying of the mechanisms for public administration of external borrowing and financial assistance is owing to the fact that it is one of the key elements of sustainable development of the national economy and an efficient approach for state formation in Ukraine. In general, insufficient scientific and theoretical development of managerial aspects of state policy making, mechanisms, tools (methods) in the sphere and implementation of external borrowing programs and financial assistance to Ukraine have led to the selection of the topic of the article and formed the directions for further research of this issue under conditions of globalization.

The further analysis has shown that since 2000 all the Programs of the Cabinet of Ministers of Ukraine, approved by the Resolutions of the Cabinet of Ministers of Ukraine, implement measures of an effective mechanisms of cooperation of the public administration authorities with donors and international organizations towards implementation of financial assistance to Ukraine.

It has been discovered that the science of public administration has a lack of scientific knowledge and studies of the management system in the field of formation and realization of external borrowings and financial assistance to Ukraine. A few scientific and theoretical developments of this issue could be found in the researches of specialists who changed their area of study from economics into the science of state administration.

It has been concluded that the main reasons for the increase in the external debt in 2018 of public and government guaranteed debt are budgetary financing through public borrowing, including by attracting funds from the European Union and the capitalization of new and old state-owned banks.

**Keywords:** public administration, public regulation, external debt and borrowings, financial assistance, globalization.
важливістю як одного з провідних напрямів сталого розвитку національної економіки та ефективного шляху державотворення в Україні. В цілому, недостатня науково-теоретична розробка управлінських аспектів формування державної політики, механізмів, інструментів (методів) в сфері та реалізації програм зовнішніх запозичень і фінансової допомоги Україні зумовили вибір теми статті та сформували напрями подальших досліджень цієї проблематики за умов глобалізації.

Проведений аналіз засвідчив, що починаючи з 2000 року всі Програми діяльності Кабінету Міністрів України, які затверджуються Постановами Кабінету Міністрів України, впроваджують заходи дієвого механізму співпраці органів державного управління з донорами та міжнародними організаціями з питань реалізації фінансової допомоги України.

Проаналізовано та визначено, що конкретними дослідженнями системи управління в сфері формування та реалізації зовнішніх запозичень і фінансової допомоги Україні наукова державне управління майже не займалась. Деякі науково-теоретичні розробки цієї проблеми можливо знайти в дослідженнях фахівців як прийшли до державного управління з економіки.

Обґрунтовано, що основні причини збільшення системою управління зовнішніми запозиченнями в 2018 році державного та гарантованого державою боргу — здійснення фінансування бюджету за рахунок державних запозичень, у тому числі за рахунок залучення коштів від Європейського Союзу та до капіталізації нових і старих державних банків.

Ключові слова: публічне управління та адміністрування, державне управління та регулювання, зовнішній борг і запозичення, фінансова допомога, глобалізація.

ТЕОРЕТИЧЕСКИЕ ОСНОВЫ ФОРМИРОВАНИЯ ЭФФЕКТИВНОЙ МАКРОЭКОНОМИЧЕСКОЙ ПОЛИТИКИ И СИСТЕМЫ УПРАВЛЕНИЯ ВНЕШНИМИ ЗАЙМАМИ В УКРАИНЕ

Аннотация. Исследуются вопросы формирования механизмов и инструментов государственной политики в сфере разработки и реализации программ внешних заимствований и финансовой помощи Украине в условиях глобализации.

Раскрыты пути и методы государственного управления формирования сферы разработки и реализации программ внешних займов и финансовой помощи Украине в условиях глобализации.

Доказано, что государственное управление и его составляющая государственное регулирование в сфере формирования внешних заимствований и финансовой помощи Украине — одна из важнейших проблем общественного управления и администрирования в национальной хозяйственной системе.

Определено, что необходимость исследования механизмов государственного управления внешними заимствованиями и финансовой помощи вызвана его важности как одного из ведущих направлений устойчивого развития национальной экономики и эффективного пути государства в Украине.
В целом, недостаточная научно-теоретическая разработка управленческих аспектов формирования государственной политики, механизмов, инструментов (методов) в сфере и реализации программ внешних заимствований и финансовой помощи Украине обусловили выбор темы статьи и сформировали направления дальнейших исследований этой проблематики в условиях глобализации.

Проведенный анализ показал, что начиная с 2000 года все Программы деятельности Кабинета Министров Украины, утверждаются Постановлениями Кабинета Министров Украины, внедряют меры действенного механизма сотрудничества органов государственного управления по динарами и международными организациями по вопросам реализации финансовой помощи Украине.

Проанализированы и определены, что конкретными исследованиями системы управления в сфере формирования и реализации внешних заимствований и финансовой помощи Украине наука государственное управление почти не занималась. Некоторые научно-теоретические разработки этой проблемы можно найти в исследованиях специалистов пришедших к государственному управлению по экономике.

Обосновано, что основные причины увеличения системой управления внешними заимствованиями в 2018 году государственного и гарантированного государством долга — осуществление финансирования бюджета за счет государственных заимствований, в том числе за счет привлечения средств от Европейского Союза и к капитализации новых и старых государственных банков.

Ключевые слова: публичное управление и администрирование, государственное управление и регулирование, внешний долг и заимствования, финансовая помощь, глобализация.

Problem statement. The current process of spreading globalization trends requires increasing attention both to the internal factors of fiscal and macro-economic balancing and to the external influence on the economic growth of the national economic system. In addition, the external economic components and characteristics are directly related to the internal economic ones, namely macroeconomic regulation (balancing) requires rational and coordinated use of monetary, fiscal and structural policy instruments in the country.

In the current conditions of change of authorities and tools (instruments) of public administration and regulation to more public (transparent) mechanisms, the urgency of searching for fundamentally new theoretical foundations for forming an effective macroeconomic policy is enhanced, on the basis of which the welfare of the state as a whole social and economic organism in the context of management in the field of formation and implementation of external borrowing and financial assistance to Ukraine, which will be discussed in this article.
Analysis of recent research and publications. It should be noted that the science of public administration has a lack of scientific knowledge and studies of the management system in the field of formation and realization of external borrowings and financial assistance to Ukraine. A few scientific and theoretical developments of this issue could be found in the researches of specialists who changed their area of study from economics into the science of state administration — V. Vakulenko, V. Vorotin, N. Chala, O. Kilievich, V. Kuybida, V. Martynenko, V. Yurchishin and others. However, these issues are not well researched in the scientific literature on public administration and hence there is an importance of engaging in conducting of a comprehensive study towards the issue of public administration reform, in particular systematic analysis of features, determination of the main directions of increasing the effectiveness and efficiency of the management system in the field of formation and realization of external borrowing and financial assistance to Ukraine.

The purpose of the article. In the current conditions of changing approaches and methods of management, the purpose of the paper is to clarify the interpretation of the concepts of “management of external borrowing”, “public management in the field of financial assistance”, “management mechanisms” and “public management in the field of external and internal borrowing” as economic and managerial categories, the definition of which is related to the use of modern methods for public administration in the country.

Statement of basis materials. The globalization of economical, political, cultural and other social relations has sharply posed the problem of finding an effective system of regulation of the entire set of these closely interdependent relations, in particular in the context of formation and realization of external borrowings and financial assistance to Ukraine. Such a challenge has recently emerged from the science and practice of government regulation. For many years, the basis for the prosperity of national economies has been natural resources, inextricably linked to a particular territory [1, p. 240]. Development under conditions of global transformation of economic relations is carried out by means of state regulation. The state is given a leading role in creating economic incentives for economic operators' interest in economic growth, guarantees for political, economic, defense, and environmental security.

State regulation of the economy which is the influence of the state in face of state institutions on economic processes, is carried out, as a rule, within the limits of state economic policy, in particular fiscal and borrowing. In a market-based society, economic activity is free and depends on the overall economic process, which in turn is subject to some state regulation and requires financial support.

Economic development of a country, formation of an effective social and economic system, organization of management and management of the economy can be successful when all transformations contradict objective economic rules. In this regard, a rational combination of the influence of the market mechanism and government regulation plays an important role in economic growth, enhancement of
competitiveness, development of each country.

Expansion of functions of a state in modern conditions of management with unconditional preservation of market freedoms, institutions, mechanisms is largely determined by the complication of transformation of social and economic processes. A number of fundamental problems cannot be effectively resolved only through market mechanisms. For example, in Ukraine, this concerns the development and strengthening of the agricultural sector, which is one of the key sources of economic growth and the solution of problems related to global changes in the domestic economic system.

The most common requirement for the validity of state policy, and economic policy in particular, is its responsibility to the civilization process, its main trends. Moreover, its effectiveness is determined by the level of realization of these trends and processes. From that point of view, Ukraine’s macroeconomic policy should be shaped by the effects of global transformations using financial mechanisms.

It is known that a post-industrial revolution which is unique in terms of transformation. Today, it is no longer possible to train a highly qualified specialist in various fields without knowledge of the theory of state regulation in post-industrial society, including in the field of government borrowing and financial support.

V. Vorotin notes that in the 21st century the main issues in the world economy are global, transformational, integration, economic, financial and monetary problems. The process of globalization in the world economy are forcing scientists to seek the answers to the question: what role should the state play? What should be the main areas of state regulation? For the current condition of state regulation of economic processes in Ukraine is characterized by dismantled centralized planning and slow implementation of indicative (advisory) planning and market reforms. A number of changes has been done in the years of transformation of Ukrainian economy into a market economy, however, obviously still not enough to build one.

Ukraine, like other former Soviet Union states, has embarked on a deep transformation crisis when it began its transition to a market economy. Ukraine had to decide which type of a market economy should be built, whether a copy of the market economy established in developed economies, or to create a market economy scheme similar to 20th century? This is due to the considerable effort, a lack of time and overcoming theoretical difficulties [2, p. 3].

From the economic point of view, for the first eight months of 2018 the volume of government and government guaranteed debt decreased by 1.2% (by UAH 25 billion) — to UAH 2.1 trillion. The decrease in government and government guaranteed debt could be explained by the gradual recovery of economic activity and the negative balance of debt financing operations (a significant delay in the resumption of financing from the International Monetary Fund and as a result of non-receipt of other planned official financing, including from the European Union and the World Bank).

It should be noted that according to the State Budget Schedule in the first
half of 2018, the Ministry of Finance of Ukraine planned to attract UAH 139 billion to the General Fund of the State Budget (UAH 83 billion — internal and UAH 56 billion — external borrowings). The borrowing plan was fulfilled by 60% — UAH 84 billion was attracted to the domestic market during the period. In the first half of the year, public debt was repaid by UAH 104.8 billion (including UAH 81 billion of domestic debt and UAH 24 billion of external debt). The negative balance of borrowings was UAH 20.8 billion.

Total volume of repayments of public debt in the first half of 2018 was UAH 160.1 billion. Government debt expenditures accounted for 12.1% of total public budget expenditures, compared with 14.4% in the first half of 2017. However, the share of public debt payments in budget expenditures (which include budget expenditures, loans, debt repayments and securities purchases) has increased: from 20% in the first half of 2017 to 28.3% in the first half of 2018.

As of August 31, 2018, the public and publicly guaranteed debt of Ukraine reached UAH 2117 billion (or $ 74,85 billion), including: public and publicly guaranteed external debt — UAH 1344 billion (63.5% of the total public and guaranteed debt) government debt), or $ 47,54 billion; government debt and government guaranteed domestic debt — UAH 772.3 billion (36.5%) or USD 27.3 billion.

The national debt of was UAH 1830 billion (86.5% of the total amount of public and government guaranteed), or $ 64,71 billion. Public external debt amounted to UAH 1071 billion (50.6% of the total amount of public and government guaranteed), or $ 37,87 billion. State internal debt was UAH 759 billion (35.9% of the total amount of government and government guaranteed debt), or USD 26.8 billion.

Government guaranteed debt was UAH 286.8 billion (13.5%), or USD 10.14 billion, including: guaranteed external debt — UAH 273.6 billion (12.9%), or USD 9.67 billion; guaranteed domestic debt — UAH 13.2 billion (0.6%) or USD 0.47 billion.

The significant decrease in public debt in 2018 is due to the fact that Ukraine has made several payments to repay the IMF’s principal debt to the amount of 111.5 million Special Drawing Rights (hereinafter — SDRs), in particular: February 05 — 257.25 million SDRs; March 02, 2018 — SDR 114.33 million; May 04, 2018 — 257.25 million SDRs; 01 June 2018 — 114.33 million SDRs; August 03, 2018 — 257.25 million SDRs; August 31, 2018 — 114.33 million SDRs.

In the conditions of non-fulfillment of the plan of external borrowings in the estimated amount of USD 2.5 billion in 2018, including the non-receipt of tranches from IMF loans, the main focus in government borrowing policy was on Ukraine’s domestic government bonds. One of the consequences of not fulfilling the external borrowing plan is the private placement of bonds for approximately USD 720 million in August with high yields (9.2%) and a significant increase in yields on domestic currency and UAH borrowings. This private placement was driven by the need to fulfill debt service payments without reducing reserves.

With regard to the dynamics of the ratio of public debt to GDP, since 2013
in Ukraine the growth of public debt has outpaced the growth rate of gross domestic product. This is what we see in Table.

It is agreed with the view of experts from the A. Razumkov Center, that the main trend of the last years in the world economy is the undisguised manifestation of state protectionism in a national economy. The challenge is to rich a balance between two major trends: the spread of free economic development and trade and state protectionism. This is reflected in the economic policies pursued by Donald Trump in the United States, the United Kingdom withdraw from the European Union and the referendum in Spanish Catalonia [3, p. 44]. As long as Ukraine affected by military aggression from Russia on the eastern border, complicating political relations with Hungary, Romania, the country must develop its own regulation system towards external borrowing programs and financial assistance to Ukraine.

It should be noted that in August 22, 2018, the Cabinet of Ministers of Ukraine adopted the Resolution on Approving the Medium-Term Government Debt Management Strategy for 2018–2020, which replaces the Medium-Term Government Debt Management Strategy for 2017–2019, approved by the Government of Ukraine in December 2017. The strategy aims to reduce the debt ratio to 60 % in 2018, to 52 % in 2019 and to the level not exceeding 49 % of GDP by the end of 2020.

According to experts, the main reasons for the increase in the external debt management system of public and government guaranteed debt is the implementation of financing the state budget through public borrowing, including by attracting funds from the European Union and the capitalization of PJSC “State Export-Import Bank of Ukraine”, PJSC “State Savings Bank of Ukraine” and PJSC “PRYVATBANK”, moreover, the devaluation of the national currency, which exchange rate for the US dollar rose from 27,2 UAH / USD by the end of 2016 to 28,1 UAH / USD by the end of 2018.

It should be mentioned that the indicator of the efficiency of public borrowing (as well as debt policy in general) is the dynamics of their value. The increase in the average weighted interest rate on government bonds in 2018 was driven by a significant decrease in MFI loans and limited access to external markets. A major problem with public borrowing is the high cost of

### Dynamics of Government Debt to GDP Ratio

<table>
<thead>
<tr>
<th>Date</th>
<th>Government Debt and Government Guaranteed Debt, billion UAH</th>
<th>GDP, billion UAH</th>
<th>Public debt / GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2014</td>
<td>584</td>
<td>1455</td>
<td>40,1%</td>
</tr>
<tr>
<td>31.12.2015</td>
<td>1101</td>
<td>1587</td>
<td>69,4%</td>
</tr>
<tr>
<td>31.12.2016</td>
<td>1572</td>
<td>1989</td>
<td>79,0%</td>
</tr>
<tr>
<td>31.12.2017</td>
<td>1930</td>
<td>2385</td>
<td>80,9%</td>
</tr>
<tr>
<td>31.12.2018</td>
<td>2142</td>
<td>2983</td>
<td>71,8%</td>
</tr>
</tbody>
</table>

* The table was built according to the NBU for 2019.
borrowing resources and the prospect of its growth, given the expectations of the structural liquidity gap of the banking system in 2019.

The recent external borrowings contributed to the exchange rate stabilization of the Ukrainian national currency and made it possible to increase Ukraine's international reserves [4]. Attracting external borrowing in the short term period positively affects the parameters of the national monetary policy, moreover, the increase in supply in the foreign exchange market could be considered as a factor for exchange rate stabilization of the UAH. Given that exchange rate dynamic is a significant factor which affects inflation expectations and inflation imports, it could be stated that external borrowing also contains operational anti-inflation potential, which, in the context of inflationary management, enhances the NBU’s ability to pursue a flexible monetary policy which further could be favourable for the economy growth.

Taking into account that the medium and long term external borrowing may lead to the increase in the outflow of foreign debt in the form of debt service repayments, which according to the experience of many countries (including Latin America), might have a negative impact on the balance of payments and, consequently, the exchange rate [5]. Furthermore, the devaluation increases the amount of external debt when it is converted into the national currency of Ukraine and increases the external debt service.

Conclusions and suggestions for future research. To conclude, it has to be noted that the problems of forming an effective state policy in the field of forming and implementing programs of external borrowing and financial assistance to Ukraine needs urgent solution. These issues must be resolved under the conditions of real coordination of fiscal and monetary policy in Ukraine and require additional measures for macroeconomic stabilization and coherence of budgetary and monetary policy.

The research findings indicate that, given the real improvement of external borrowing mechanisms and assistance to Ukraine, the NBU was forced to use monetary policy instruments to compensate for cyclical (annual) liquidity fluctuations caused by the irregularity in the monetary and monetary execution of regular currencies.

In such a situation, and in order to improve the quality of borrowing management and fiscal and monetary policy coordination, the National Bank should adhere to its obligation to avoid any form of fiscal dominance, including direct or indirect support for budget expenditures, influence the improvement of regulation of external borrowing.

External borrowing contributes to the formation of a “depressive trap” since removed fiscal means for servicing and repaying money are lost to the internal market, which acts as a brake factor for the economy, exacerbating fiscal policy brakes. The share of GDP used to repay and service external debt is removed from productive use for the development of the national economy.

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СПИСОК ВИКОРИСТАНИХ ДЖЕРЕЛ