Money, finance and credit

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THE PROCEDURE OF SERVICING PUBLIC DEBT IN UKRAINE AND DIRECTIONS FOR ITS IMPROVEMENT

Debt servicing is a complex of government measures for placing bonds and other securities, repaying loans, paying interest on them, clarifying and changing the terms of repayment of issued loans, defining the terms and procedure for issuing new government securities.

The debt service is provided by the Ministry of Finance of Ukraine through the banking system. To finance the costs of placement, payment of income and repayment of debt of the Government of Ukraine within the State Budget, a fund is created for servicing the national domestic debt. This fund is credited with the amount of 50% of privately owned property of state-owned enterprises.

Repayment of loans is carried out at the expense of budgetary funds.

In the context of significant public debt, the government resorts to refinancing the public debt, that is, repayment of debt by issuing new loans.

Refinancing can also be used when servicing external debt, provided that the country's reputation in the international financial market, as well as economic and political stability, will not be in doubt.

When servicing external and internal debt, the ratio of servicing is determined.

For external debt, it is calculated as the ratio of all debt payments to government foreign exchange earnings, expressed as a percentage. A favourable service level is considered to be a 25% service factor.

The Verkhovna Rada of Ukraine establishes the marginal size of Ukraine's national internal debt, its structure, sources and maturities, together with the approval of the State Budget of Ukraine.

Public debt management methods are:

1) conversion is a change in the yield on a loan (usually downwards);

2) consolidation – an increase in the timing of a previously issued loan;

3) unification of loans is a combination of several loans into one when bonds of previously issued multiple loans are exchanged for bonds of a new loan;

4) bonds exchange – several previously issued bonds equate to one new bond;

5) postponement of loan repayment is generally performed when new loans are used only to service previously issued loans. This method differs from consolidation in that it carries over not only the maturity date but also the suspension of payment of income;

6) debt cancellation – the state completely abandons its debt obligations, which can be caused by its financial insolvency.

For today, the urgent task for Ukraine is to reduce the debt load and improve the public debt management system. Measures should be taken to improve debt risk management, improve the forecasting of debt policies and coordinate them with fiscal, fiscal and monetary policies. The implementation of these tasks involves [1, p. 64-65]:

– improving the legislative support for the formation and servicing of public debt;

– development of sound strategy for attracting loans, both internal and external;

– conducting an inventory of public debt;

– changes in the structure of public debt and its transfer to longer-term servicing;

– reducing the cost of borrowing and, accordingly, the cost of servicing public debt;

– development of a full-fledged sector of municipal securities (local bonds) in order to diversify the directions of investing in the debt markets;

– continuation of the practice of prohibiting the provision of state guarantees in obtaining loans by business entities, prohibiting restructuring or writing off debt on loans attracted under state guarantees;

– monitoring and forecasting of the state, preparation of draft political decisions regarding the volume, structure, value and other parameters of the national debt.

References:

1. Kravchuk N.Ya. Restructuring of external debt. Finance of Ukraine. 2001. №10. Pp. 63–71.