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PUBLIC EXTERNAL BORROWINGS UNDER CONDITIONS OF FORMATION OF MECHANISMS OF BALANCED DEVELOPMENT AND DECENTRALIZATION IN UKRAINE

Abstract. This paper investigates the current condition of state external borrowings and debts in the economic system of Ukraine under the conditions of formation of public mechanisms of balanced development and decentralization.

The article shows some aspects of the process of modernization of mechanisms and tools in the field of loan management and the relationship between borrowing and resource management. It has been revealed theoretical principles of the current stage of the process of reforming the management system of power under the conditions of modernization of the system of state and regional governance in Ukraine. It has been suggested the scientific provisions of the theoretical substantiation of the role of the mechanisms of state borrowing management and their impact on regional and local management in the formation of the modern economic system.

It has been determined that from the standpoint of the science of public administration, profound market changes in the national economy require updating mechanisms, certain tools of public administration and administration in order to ensure governance at all levels of government.

It has been discovered the further directions of the process of improving the modern system of public administration in the field of public borrowing and the possibility of using them in the reform.

In the conclusion, some results of the first stages of implementation of the transfer of power to the local government in terms of European practices have been presented.

Keywords: government borrowings, mechanisms and tools, public administration, regional policy.

Problem statement. An important component of public finance in the transition to developed market conditions in the national economy are external and internal

borrowing and public debt. It has to be noted that the state budget deficit, attraction and use of external borrowing programs to cover it led to the formation and significant growth of public debt in Ukraine. The large size of domestic and external debt and a significant increase in costs for its maintenance necessitate the solution of this problem, and hence the search for ways to improve the mechanisms of its macroeconomic (public) management. The experience of countries with developed market relations shows that the more burdensome the accumulated external and internal debt becomes for the state, the more its service is actively involved in the interaction with the functioning of the national economy and its financial system. This leads to the disruption of the entire system (mechanisms and tools), changes in the state course for the effective development of the national economic system and is accompanied by an urgent search for new approaches in the direction of a balanced state economic policy.

In the modern economy of Ukraine, public borrowings are increasingly becoming both a financial and a social and political problem, which has to be solved by implementing effective mechanisms and tools of public administration in this area. In addition, public debt is directly related to the problem of economic security [1].

The issue of public debt management and servicing is particularly important in the context of the economic difficulties that Ukraine has been experiencing in recent years. Solving the problem of public debt service is one of the key factors of economic stability in the country. The budgetary capacity of the state, the stability of its national currency, and thus the financial support of international financial organizations largely depend on the nature of the debt problem settlement. The need to address these issues requires finding methods to improve the mechanism of public debt management and servicing in Ukraine.

Analysis of recent research and publications. An important contribution to the study of public debt was made by Western economists: D. Ricardo, A. Smith, M. Braunrig, S. Weintraub, H. Johnson, O. Eckstein, J. Keynes, A. Laffer, A. Lerner, R. Musgrave, M. Friedman and others. The theoretical basis of public debt and issues related to its management are covered in the works of such Ukrainian scholars such as: O.D Vasylyk, V.Y. Vorotin, A.S. Galchinsky, H.N Klymko and others.

However, there are some gaps in studyings related to the problems of public debt management, the peculiarities of its formation and development in the conditions of formation of market relations in the economy of transition to a market economy. In general, public debt is the amount of debt of the state on issued and outstanding government domestic loans, as well as the amount of financial obligations of the state to external creditors.

Purpose of the article. In the current conditions of changing approaches and methods of management, the purpose of the paper is to investigate the current condition of state external borrowings and debts in the economic system of Ukraine under the conditions of formation of public mechanisms of balanced development

and decentralization.

Statement of basic materials. Depending on whether borrowings are made from internal or external sources, public debt is defined as internal or external debt. External public debt arises in connection with the attraction of foreign loans by the state. Public domestic debt reflects the subsystem of economic relations between the state (including local authorities) and creditors from among legal entities and individuals. The classic form of public internal debt is the debt of the central government and local authorities [2].

The condition of public debt, on the one hand, depends on the annual operations associated with obtaining new loans, and, on the other hand, the size of repayments and interest payments on these loans. Government loans are credit relations between the state and individuals and legal entities, as a result of which the state receives a specified amount of money for a specified period for a fixed fee, they are a common form of mobilization of financial resources. The amount of the state loan is included in the amount of the country's public debt. With their help, temporarily free funds of legal entities and individuals are mobilized to finance the needs of the state. Government loans, on the one hand, caused by the state budget deficit, on the other hand, cause a further increase in the budget deficit, which is associated with the payment of interest on previously issued loans, the need to pay the capital amount of debt. The issuance of loans allows the government to cover the budget deficit and expand financing of government needs. However, the issuance of government bonds without careful and comprehensive consideration of all factors and circumstances could threaten economic security, crowding out private investment and much more.

From the analysis of foreign and domestic sources, it has to be noted that all areas of research on the problem of public debt can be divided into two. The first direction is the study of A. Lerner, who, considering the consequences of public debt, distinguished two parts of it - internal and external debt. We agree that domestic debt cannot be seen as a burden passed on to future generations, and external debt only becomes a burden when borrowed funds go to current goals and do not create new value and wealth. External loans raised to finance industrial or agricultural production, so spent productively, create an opportunity to repay interest and at the same time increase national wealth. This view, with some adjustments, can be applied to the conditions of Ukraine's transition economy.

The second direction is justified by the Keynesian approach to strengthening macroeconomic management and regulation of aggregate supply and demand, stimulating consumption in the long run, which encourages to consider public debt in the context of "effective demand" and its undoubted stimulation.

Examining the economic preconditions for the formation of public debt, we note that the budget deficit arises as a result of crises in the economic and political life of the state and leads to the formation and growth of public debt. The budget deficit increases public debt, and debt growth, in turn, requires additional budget

expenditures to service it and thus increases the budget deficit. The deficit may be related to the need for significant public investment in economic development. In this case, it reflects not the crisis of social processes, but state regulation of economic conditions, the desire to ensure progressive changes in the structure of social production. The deficit may reflect the crisis in the economy, its collapse, the inefficiency of financial and credit relations, the inability of the government to control the financial situation in the country. In this case, the budget deficit is an extremely threatening phenomenon, which requires the implementation of not only urgent economic measures to stabilize the economy, financial recovery of the economy, but also appropriate policy decisions [3].

The analysis of the main legislative acts on the formation and servicing of public debt in Ukraine showed the need for further improvement and supplementation. Ensuring a stable and scientifically sound legal framework is the main prerequisite for regulating and reducing public debt.

Regarding economic indicators, it should be noted that according to the Government, as of the beginning of 2021, the state and state-guaranteed debt of Ukraine amounted to UAH 1,997.75 billion or USD 82.95 billion, including: state and state-guaranteed external debt - UAH 1,159.84 billion (58.06% of the total amount of state and state-guaranteed debt) or USD 48.16 billion; public and state-guaranteed domestic debt - UAH 837.91 billion (41.94%) or USD 34.79 billion.

Ukraine's public debt amounted to UAH 1,758.01 billion (88.00% of the total public and state-guaranteed debt) or USD 73.00 billion. The state external debt amounted to UAH 91.20 billion (46.61% of the total amount of state and state-guaranteed debt) or USD 38.67 billion. The state domestic debt amounted to UAH 826.81 billion (41.39% of the total amount of state and state-guaranteed debt) or USD 34.33 billion.

The state-guaranteed debt of Ukraine amounted to UAH 239.74 billion (12.00%) or USD 9.95 billion, including: state-guaranteed external debt - UAH 228.64 billion (11.44%) or USD 9.49 billion; state-guaranteed domestic debt - UAH 11.10 billion (0.56%) or USD 0.46 billion.

It should be noted that today the most used model of attracting and using funds, in particular in terms of deregulation coming to Ukraine from abroad is determined by the government's strategy to maximize financial revenues from foreign sources, including international financial institutions [4]. In order to reduce public debt, it is necessary to implement effective measures to optimize debt, in particular to ensure public policy on the optimal size of public debt, which is possible by legislatively establishing appropriate amounts of domestic and external debt on a given date for macroeconomic indicators. It is important to constantly improve the system of public administration and public debt service by extending the term of debt turnover and debt restructuring.

As for 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.

We note and in this context agree with the opinion of experts from the O. Razumkov Center, that the main trend of recent years in the world economy is the undisguised manifestation of state protectionism in the national economy. The task of achieving a balance between the two main trends: the spread of free economic development and trade and state protectionism needs to be addressed. This is manifested in economic policy in the United States, and in the exit of Great Britain from the European Union, and in the trends in the referendum in Spanish Catalonia [3, p. 44]. With Russia's direct military aggression on the eastern border, the complication of political relations with Hungary, Romania, and Ukraine, it is necessary to develop its own system of management and regulation in the formation and implementation of external borrowing and financial assistance programs for Ukraine.

According to experts, the main reasons for the increase in the external borrowing management system in 2021 of public and state-guaranteed debt are the financing of the state budget through government borrowing, including by attracting funds from the European Union and the recapitalization of PJSC "The State Export-Import Bank of Ukraine" , PJSC "State Savings Bank of Ukraine" and PJSC CB "PRIVATBANK" and significant devaluation of the national currency.

It has to be noted that the indicator of the effectiveness of government borrowing (as well as debt policy in general) is the dynamics of their value. The growth of the weighted average interest rate on Domestic Bonds in 2021 was facilitated by a significant reduction in the volume of loans from IFIs and limited access to foreign markets. A significant problem in the implementation of government borrowing is the high cost of borrowed resources and the prospect of its growth given the expectations of the structural liquidity deficit of the banking system.

External borrowings of previous years in the short term contributed to the exchange rate stabilization of the state currency and made it possible to increase Ukraine's international reserves. Attracting external borrowings in the short term not only does not have a negative impact on the parameters of national monetary policy, but on the contrary in connection with the increase in supply in the foreign exchange market can be considered as a factor of exchange rate stabilization of the state currency. Given that exchange rate dynamics is a significant factor influencing inflation expectations and inflation imports, it can be stated that external borrowings also contain operational anti-inflation potential, which in the context of inflation management expands the NBU's ability to pursue flexible monetary policies favorable to economic growth.

It should also be borne in mind that in the medium and long term, external borrowing may lead to increased outflows abroad in the form of servicing and repayment of external debt, which, as the experience of many countries (including Latin America), will have a negative impact on the balance of payments and,

consequently, the exchange rate. Devaluation increases the amount of external debt during its transfer to the national currency of Ukraine and increases the cost of servicing external public debt.

Thus, the problems of forming an effective state policy in the field of formation and implementation of programs of external borrowing and financial assistance to Ukraine need urgent solution. The solution of these problems takes place in 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.

Our observations show that with the real improvement of mechanisms for regulating external borrowing and assistance to Ukraine, the NBU was forced to use monetary policy instruments to compensate for cyclical (annual) liquidity fluctuations caused by uneven cash execution, which regularly destabilize the foreign exchange market.

In this situation and in order to improve the quality of borrowing management and coordination of fiscal and monetary policy, the National Bank must comply with its obligation to avoid any form of fiscal dominance, including direct or indirect support of budget expenditures, and this will be positive. to influence the improvement of regulation of external borrowings.

External borrowing contributes to the formation of a postponed "depressive trap". After all, the funds withdrawn by fiscal means for servicing and repaying the debt are lost for the domestic market, which acts as a brake on the economy, and the braking influences of fiscal policy are intensifying. The share of GDP used to repay and service external debt is deducted from productive use for the needs of the national economy.

The Government of Ukraine has developed several new projects to modernize state and regional governance, in particular in the context of decentralization. In our opinion, it will be very difficult to do this without updating the entire borrowing system. The task of researchers is to provide an advice on how to improve such a system and bring these proposals to public administration decision-making authorities. Modernization of governance at the regional and local levels of government must be carried out in accordance with the following principles: rule of law; openness, transparency and public participation; ubiquity of local self-government; subsidiarity; availability of public services; accountability and control of authorities and officials of local self-government to the territorial community; control of local self-government authorities by executive bodies in matters of observance of the Constitution and laws of Ukraine; legal, organizational and financial capacity of local self-government; state support of regional administration and local self-government; partnerships between the state and local self-government and sustainable development of territories.

It should be noted that the directions of reform provide for the transition to a

new decentralized model of organization of state and regional government, and this is impossible without real resources. The main task of such areas is the analysis of current problems in the field of management, definition of the basic administrative and legal approaches, organizational, financial bases of their decision, coordination in time with reforming of administrative-territorial system. The key issue of the reform areas is the substantiation of proposals to ensure democratic and effective governance at the regional and local levels, the introduction of a mechanism for optimal self-sufficient functioning of local governments.

The modern Ukrainian science and practice of public administration are beginning to form approaches and implement separate tools at the regional and local initiative, which take into account multidisciplinary tasks: ensuring social stability and attracting resources to the regions. In this context, we believe that it is the borrowing management mechanisms that need to be significantly adjusted. This probably needs to be done with the renewal of international agreements and declarations to Ukraine, in particular in the field of international technical assistance and integration.

The local budgets, which are growing due to the modern decentralization process and the state fund for regional development, do not yet address the issues of effective regional and local management. Updated budgets require powerful resources. Today, the logic of regional and local development, in particular strategic planning and interaction with the central government, has been violated in national governance. Undoubtedly, a difficult problem is subsidies. Thus, the subsidy of 5,419 local government budgets is over 70 percent, 483 territorial communities are 90 percent maintained at the expense of the state budget. Such a difficult situation regarding subsidies and the implementation of permanent financial support through the district budgets of small territorial communities using the system of equalization subsidies is burdensome for the state budget and hinders the development of small towns and large settlements in Ukraine.

Unlike other developed countries, Ukraine lacks effective and efficient institutions of economic development at the regional, municipal and local levels. The declaration of modernization intentions has not yet led to qualitative changes in the management system at these levels.

Conclusions. The reforms of public administration initiated in Ukraine at various levels and territorial organization of power form new framework conditions and requirements for strengthening the role of government in Ukraine in ensuring the quality of life, unconditional greater economic responsibility and strengthening its resource capacity. As a result, national and regional authorities have been given additional powers to ensure sustainable social and economic development, and new opportunities have emerged to improve the quality of life of the population through the use of additional resources, appropriate economic policies and development strategies. We believe that public borrowing under the conditions of decentralization

of power should significantly update the capacity of regional and local government and provide real financial support for the development of the territories of Ukraine.

The world practice of recent decades shows that updating the tools of public administration and forms of economic policy in the context of globalization and multilevel integration should be based on fundamentally new - flexible and coherent management forms and models, in particular in public borrowing and finance. Under modern conditions of reforming the management system at the regional and local level, it is necessary to improve and theoretically develop the directions of transformation and their organizational and legal support in Ukraine in terms of interaction with resource provision.

The most important in the practical sense in solving the problem of modernization of the national governance system and regional economic policy are the tasks of consistent formation of the logic of updating modern economic policies of regions with the development of a set of functional mechanisms of modernization based on benefits from multilevel integration and initiative of Ukrainian regions.

By joining the Council of Europe, Ukraine has committed itself to developing local democracy. The European Charter of Local Self-Government was ratified without reservation and the Congress of Local and Regional Authorities of Europe began to monitor compliance with the provisions of the Charter. Today, the resource component of this interaction is important.

Ukraine's integration into European structures requires the development and implementation of a model of regional governance that would meet the principles of regional policy of the European Union on the basis of financial cooperation, generally accepted practice of internal interregional cooperation and international cooperation, promoting new forms of cooperation in the center-region format, in particular in the field of resource provision of formation.

Implementation of administrative and local self-government reform gives a chance to create the necessary conditions for dynamic, balanced development of territories in Ukraine, elimination of major regional disparities, return to real local self-government with the help of the world community.

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