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BORZENKO O.
SI "Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine"
School of Politics and International Relations, Lanzhou University (China)
PANFILOVA T.
SI "Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine"

PROBLEMS OF UKRAINE'S EXTERNAL DEBT RESTRUCTURING IN CONDITIONS OF COVID-19 PANDEMIC

The article assesses the high level of external debt which causes Ukraine's financial system vulnerability to external shocks, in particular, an ongoing pandemic of coronavirus disease (SARS-COVID-19). Ways to overcome the high level of public debt of Ukraine are proposed.
Keywords: debt restructuring, IMF, global monetary and financial crisis, COVID-19, Ukraine's debt

БОРЗЕНКО О. О.
ДУ «Інститут економіки та прогнозування НАН України»,
Школа політики та міжнародних відносин університету Ланьчжоу (Китай)
ПАНФІЛОВА Т. О.
ДУ «Інститут економіки та прогнозування НАН України»

ПРОБЛЕМИ РЕСТРУКТУРИЗАЦІЇ ДЕРЖАВНОГО БОРГУ УКРАЇНИ У ЧАС ПАНДЕМІЇ COVID-19

У статті оцінюється високий рівень зовнішнього боргу,який формує вразливість фінансової системи України до дії зовнішніх шоків,зокрема, поширення коронавірусу SARS-COVID-19 у світі. Пропонуються шляхи подолання високого рівня державної заборгованості України.

Показані схеми та приклади реструктуризації боргу показують, що в більшості країн ця процедура розпочалася з технічного дефолту – відмови або попередження про відмову від погашення певного виду боргових інструментів вчасно. Відомо, що у 2015 році уряд України реструктуризував борг перед приватними іноземними кредиторами на 15 мільярдів доларів. Багато міжнародних та вітчизняних експертів цю угоду вважають провалом або «міною повільних дій». Зрештою, оголошене «списання» у розмірі 3 мільярдів доларів перетворилося на набагато більші виплати протягом наступних двох десятиліть: уряд випускав нові цінні папери для кредиторів, прив'язаних до зростання ВВП України. Якщо економіка України зростає швидше на 3 %, то з 2021 по 2040 рік країна може дати від 5 мільярдів доларів до 20 мільярдів доларів, залежно від темпів розвитку. Тобто, чим більше зростатиме виробництво, тим більше грошей буде віддано. Така угода вбиває шанси України вийти з бідності. За цих обставин, беручи до уваги опубліковану ініціативу ЮНКТАД, уряд України повинен відновити переговори з МВФ та приватними кредиторами про реструктуризацію боргу, включаючи відстрочку виплат боргу перед міжнародними фінансовими установами (МВФ, ЄБРР, Група Світового банку тощо), принаймні рік. Можна домовитись про часткове списання боргу. У той же час необхідно розробити стратегію управління боргом, вибрати найбільш прийнятні боргові інструменти для країни та вести переговори з приватними кредиторами за схемою «облігація-облігація» або «облігація-пай"» Ми не повинні розраховувати на «простоту» переговорів з МВФ. Однак можна підготувати обґрунтовані пропозиції щодо майбутніх реформ з урахуванням національних, а не транснаціональних інтересів капіталу.
Ключові слова :реструктуризація боргу, МВФ, глобальна валютно-фінансова криза, COVID-19, заборгованість України

The global financial and economic crisis caused by the COVID-19 pandemic is spreading around the world. The health care crisis has a major impact on the socio-economic and public finance. The necessary expenditures on health care, as well as measures in the field of taxation and spending money to support the population and companies are associated with direct budget expenditures, which are estimated at 3.3 trillion dollars on the global scale[1]. A significant increase in the budget deficit and the level of public debt is projected. According to the *optimistic* IMF forecast, world GDP will decline by 3 % (+ 5.8 % in 2021) in 2020. At the same time, the World Bank is more pessimistic about the expected decline – 5.2 % (+ 4.2 % in 2021). The IMF forecasts a fall in GDP by 5.9 % in the USA in 2020 (+ 4.7 % in 2021), a fall of 7.5 % (+ 4.7 % in 2021) in the Eurozone, and growth in China by 1.2 % in 2020 (+9.2 % in 2021)[2].

The World Bank forecasts a decline of 6.1 % in 2020 (+4.0 in 2021) for the United States, a decline by 9.1 % (+ 4.5% in 2021) for the Eurozone, and growth by 1.0% in 2020 (+ 6.9% in 2021) for China. That is, the pandemic will seriously affect growth around the world, moreover, the developed countries will not reach the level of 2019 in the following year.

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[1] World Economic Outlook, April 2020: The Great Lockdown. Growth Projections Table. URL: https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020#Statistical%20Appendiex

[2] Budget Bulletin - Analytical Summary. April 2020, IMF. URL:https://www.imf.org/ru/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020

The World Bank's support for Europe and Central Asia in the fight against COVID-19 has already exceeded $1.4 billion[1].

For Ukraine, the World Bank forecasts a 3.5% drop in GDP in 2020, while the IMF downgraded the forecast for the Ukrainian economy in June to fall to 8.2% (–7.7% in April)[2]. The IMF believes that Ukraine's has successfully performed in macro-stabilization over the past 5 years and in the Fund's successive programmes, but the goal of strong and comprehensive growth remains elusive in the absence of sustainable and comprehensive structural reform. After the outbreak of the COVID-19 pandemic, the Ukrainian government has significantly revised and perjorated its understanding and policy of containment and stabilization. Uncertainty is high, and the economy is likely to shrink sharply as austerity measures – in Ukraine and around the world – have led to a significant drop in domestic and external demand. The budget is expected to be hit hard, with sharp cuts in revenues and large emergency spending calling for a solution to the crisis. The IMF forecasts an increase in external debt from 78.8 % of GDP in 2019 to 93 % in 2020 and 84.6 % in 2021 for Ukraine.[3]

The high level of external debt creates Ukrainian financial system's vulnerability to external shocks. Particularly, the end of 2019 and the beginning of 2020 were the peak times for the spread of SARS-COVID-19 coronavirus in the world forcing investors to reassess the risks of the international financial situation and to begin withdrawing capital from emerging markets. In modern conditions, a high level of public debt is risky and the necessity to service public debt causes the need to find resources and affects the increase in external borrowing, thus forming a debt spiral [1].

One of the methods of regulating debt processes used in times of crisis is restructuring of debt obligations in order to minimize creditors' loss and ensure fulfillment of borrowers' obligations by reducing the debt burden. Restructuring parameters are individual for each country, with some common features or patterns. There are examples of successful debt restructuring in the world[4].

Andrushchenko V., Vakhnenko T., Lerner A., Barro R., Musgrave R., Buchanan J., Modigliani F., Bondaruk T., Vakhnenko T., Zaverukha I., Zinchenko O., Kozyuk V., Rybak S. paid considerable attention to studying public external debt management and issues of external debt restructuring.

The objective of this article is to methodologically substantiate and adapt the world experience of public external debt restructuring in the context of improving the efficiency of the national external debt management system of Ukraine.

Modern economy requires concentration of significant financial resources, and therefore, it is based on the principles of credit financing. However, a situation of excessive debt burden may occur in conditions of attraction of considerable volumes of loan capital, which requires opting one of the following scenarios for the exit:

1. *Fulfillment of debt obligations* despite the need to increase taxation and reduce budget expenditures. This strategy is chosen when:

the debt load is not considered not critical enough for the situation to be corrected through adjustment of economic policy;

the political authorities expect to hold on until critical aggravation of the situation, after which they will leave the aggravated *legacy* to their political competitors.

2. *Announcement of a sovereign default,* which will unilaterally delay the debt payment. As this automatically leads to a loss of confidence on the part of foreign creditors and investors, declaring default is a logical solution for the current political power, provided that:

it has sufficient political will to radically change its economic policy and a real roadmap for actions (including alternative sources of financing) and will return to negotiations with creditors in the future in more favourable conditions;

it does not expect a long political life, but believes that the savings due to the temporary cessation of external debt service will be sufficient to hold on for some time, and then transfer the problem of debt repayment as a '*poison pill*' to its political competitors.

3. *Carrying out debt restructuring*, which will allow postponing the debt payment with the consent of the creditors and on negotiated by all parties terms. In this case, the authorities will have to conduct difficult negotiations (with the IMF, creditors and investors) in order to prove to them that the economic situation in the country is really tipping over into uncontrolled default. Therefore, in the interests of all parties a programme of reforms should be implemented to significantly improve the situation over time, and to repay the existing debts with some compensation for losses of creditors. Such a strategy is chosen when the political power:

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[1] World Bank Support for COVID-19 Exceeded $1.4 billion for Europe and Central Asia; Anna Bierde is Appointed as the New Vice President for the Region. URL: https://www.vsemirnyjbank.org/ru/news/press-release/2020/05/04/covid19-support-to-europe-and-central-asia-from-world-bank-tops-1-billion-as-anna-bjerde-becomes-regional-vice-president

[2] Ukraine. Request for Stand-By Arrangement – Press Release; Staff Report; fnd Statement by the Executive Director for Ukraine. IMF Country Report No. 20/197. June 2020. P.4..

[3] Ukraine. Request for Stand-By Arrangement – Press Release; Staff Report; fnd Statement by the Executive Director for Ukraine. IMF Country Report No. 20/197. June 2020. P.4.

[4] Buchheit L., Chabert G., DeLong Ch., Zettelmeyer J. How to Restructure Sovereign Debt: Lessons from Four Decades. // Peterson Institute for International Economics, Working Paper 19-8, May, 2019, p. 2.

– counts on long-term rule and understands that the debt problem will still have to be solved by it – and the later, in the more unfavourable conditions;

– has its *own* clear reform programme, political and human resourcing [2].

The choice of a strategic scenario for Ukraine thus depends on the results of the analysis of the political and economic situation. Quarantine and related restrictions will have a serious negative impact on the state of Ukraine's economy and budget system. Lockdowns, stopping the production of certain goods and reducing the volume of services have led to: reduction of wages and gross profit. In turn, falling incomes and, consequently, consumer spending will lead to a reduction in indirect tax revenues. According to the State Treasury Service of Ukraine, the execution of the state budget for 4 months of 2020 is only 88.4 % of the planned. At the same time, revenues from customs authorities amounted to only 73.3 % (Table 1).

Table 1

Execution of the state budget of Ukraine in January-April 2020, *UAH billion*

Indicator	Planned for January-April 2020	Actually in January-April 2020	According to the plan	
			+-	%
General fund				
Tax authorities (Tax collection)		188 963.7		
VAT refund		-51 452.8		
Receipts (balance)	149 165.2	137 511.0	-11 654.2	92.2
Customs authorities	115 759.6	84 842.6	-30 916.9	73.3
Total for tax and customs authorities	***264 924.8***	***222 353.6***	***-42 571.2***	***83.9***
Other ministries and departments	50 498.3	48 853.3	-1 644.9	96.7
Including the NBU	42 722.5	42 722.5	0.0	
Reverse grants ****	2 921.2	2 920.0	-1.1	100.0
Total general fund (balance)	*318 344.2*	*274 126.9*	*-44 217.2*	*86.1*
Total special fund	38 032.6	40 856.9	2 824.3	107.4
Including budgetary institutions' own revenues	13 883.6	18 813.2	4 929.6	135.5
State budget (balance)	**356 376.8**	**314 983.9**	**-41 392.9**	**88.4**

Source: State Treasury Service, official website. https://www.treasury.gov.ua/ua/file-storage/2020-5

The budget condition is quite critical in general. External public debt is constantly exceeding Ukraine's foreign exchange reserves, and as of March 31, 2020, it is compensated only by 50.4% (Table 2).

Table 2

Dynamics of external public debt (including guaranteed) and gold and foreign exchange reserves (GFER) of Ukraine from 2009 to 2020, in million dollars

As of	External public debt (including guaranteed)	(GFER)	(GFER)/ external public debt
31.12.2009	26 519	26 505	99.9%
31.12.2010	34 760	34 576	99.5%
31.12.2011	37 475	31 795	84.8%
31.12.2012	38 659	24 546	63.5%
31.12.2013	37 536	20 416	54.4%
31.12.2014	38 792	7 533	19.4%
31.12.2015	43 445	13 300	30.6%
31.12.2016	45 605	15 539	34.1%
31.12.2017	48 989	18 808	38.4%
31.12.2018	50 462	20 820	41.3%
31.12.2019	48 941	25 302	51.7%
31.03.2020	49 456	24 924	50.4%

Source: https://index.minfin.com.ua/ua/finance/debtgov/foreign/

Following the results of the first quarter of 2020, the main indicators of external stability testify that the crisis scenario is developing. The main risks include[1]:

– low level of international liquidity of the country: the volume of international reserves is equal to 50.4 % of external debt;

– devaluation of the hryvnia (average for the month) from 24.12 in January to 26.41 UAH for $1 in March 2020;

– reduction of international reserves: as of 01.01.2020 the volume of international reserves amounted to 25.3 billion dollars, as of 01.04.2020 it was 24.9 billion dollars;

– the risk of underperforming state budget revenues from customs duties due to a faster reduction in imports compared to exports of goods: merchandise imports in January–March 2020 decreased by 528 million dollars to 13021 million dollars compared to the same period in 2019, while commodity exports decreased by only

[1] Balance of Payments in March 2020. NBU website.URL:. https://bank.gov.ua/files/ES/State_m.pdf

5 million dollars up to 11267 million dollars. There was a slight reduction in the trade deficit in January–March 2020 to –898 million dollars compared to –1,835 in the first quarter of 2019.

– outflow of funds on the financial account: in general for January–March 2020, the net outflow amounted to 387 million dollars, while the net inflow amounted to 490 million dollars for the same period in 2019;

– net outflow on banking system operations with portfolio and other investments amounted to $410 million and was formed by: payments on previously placed Eurobonds in the amount of $285 million; net increase in the "currency and deposits" external position under by 124 million dollars; and net payments on loans and borrowings in the amount of 79 million dollars. Banks sold $75 million worth of non-resident securities.

– he risk of failure to meet the plan for repayment of public debt on domestic and foreign liabilities (UAH 346.0 billion), as the government plans to provide debt financing through new borrowings in the amount of UAH 642.7 billion. (UAH 377.6 billion for internal borrowings, UAH 265.0 billion for external borrowings)[1]. The volume of payments on public debt service for 2020 is projected at UAH 144.798 billion.

The international experience of debt restructuring deserves attention. There are several ways of restructuring through 1) conversion, 2) securitisation, 3) conversion, and 4) debt write-off. Debt conversion was used in restructuring of Ukraine's public external debt in 2015. During the crisis of 2015, Ukraine managed to reduce the value of debt and not to declare default. In the context of spreading global crisis phenomena in Ukraine, lack of external financing and beginning of the debt crisis, the Government and the NBU (National Bank of Ukraine) are forced to use anti-crisis measures. In order to avoid possible problems with timely settlements with external creditors in 2016–019, Ukraine partly restructured its external debt (14 issues of Eurobonds) for a total of about 18 billion dollars. This external debt restructuring provided for the following actions: immediate write-off of about $3.6 billion; exchange of 9 issues of Eurobonds worth about 15 billion dollars for new issues of Eurobonds with an extension of their maturity from 2015–2023 to 2019–2027; increase of the coupon rate on new bonds from 7.22 % to 7.75 %.

Almost all of the debt written off ($ 3.2 billion) **new** for Ukraine securities were issued (the Verkhovna Rada passed a special law) – GDP warrants (VRI). The amount of payments on them is tied to the dynamics of GDP growth. At growth rates up to 3 % payments are not made; from 3 to 4 % they are 15 % of each additional percentage of GDP growth; more than 4 % per year will account for 40% of each additional percentage of GDP growth (until 2038). A five-year grace period was envisaged: until 2025 inclusive, payments may not exceed 1 % of GDP. In addition, the parties agreed that the mechanism of payments on GDP warrants works only when Ukraine's GDP exceeds $125 billion. *The state's liabilities for GDP warrants will amount to 19.42 billion dollars* (*at the rate of 1 dollar of 27 hryvnias*) *during 2020–2024* (Table 3) [7].

Table 3

Projected payments on Ukraine's public debt repayment (2020–2024), bln dollars

Payments	2020	2021	2022	2023	2024	Total (2020–2024)
Ukraine's public debt	16.65	11.98	8.03	8.02	10.02	54.7
National external debt	6.66	5.32	4.37	4.29	6.78	27.42
Repayment	4.77	3.64	2.83	2.88	5.30	19.42
Commercial loans	2.73	2.52	1.49	1.46	2.77	10.97
Official loans	0.18	0.06	0.08	0.08	0.1	0.5
Loans provided by MFIs	1.85	1.06	1.25	1.33	1.32	6.81

Source: compiled by the author from www.mof.gov.ua (MINFIN)

Panic in world markets due to the spread of the coronavirus and the collapse of oil prices have led to another sharp drop in the value of GDP warrants and Eurobonds of Ukraine. As a result, as of March 9, 2020, GDP warrants cost about 81.8 % of the face value, although on March 2 they cost 90 %, and on February 17 they were estimated at 107.5 % of the face value. Eurobonds maturing in 2020 are now quoted at a rate of about 4.9 % per annum, in 2021 – 5.7 %, in 2022 – 6 %, in 2023 – 6.9 % and in 2025 – 7.3 % per annum. The yield on securities maturing in 2025 has reached 7.6 %, in 2026–2027 – 7.7–7.9 %, and the most “long-term” securities maturing in 2032 – 8.3 % [8]

Restructuring of external debt, which in Ukraine has a multi-credit nature, can be used by domestic borrowers as a tool for crisis management. Effectively completed restructuring of external debt on financial instruments to raise funds in international markets will allow the borrower to reduce interest costs, because in case of default, as a rule, in addition to the margin and floating interest rate, an additional interest rate is applied. An analysis of world experience shows that the restructuring of Eurobond liabilities generally consists of four successive stages: notifying investors of the events that necessitated the restructuring, appointing advisors and negotiating with investors, formally presenting the terms of debt restructuring and their legal consolidation. The issuer needs to assess the effectiveness of a particular restructuring optionamong all the variety of models, parameters and characteristics of loan restructuring processes in international financial markets. In the process of restructuring multi-credit indebtedness, covenants, which are additional conditions in credit agreements that limit credit risks, play an

[1] Law of Ukraine "On the State Budget of Ukraine for 2020". Annex 2. URL: https://zakon.rada.gov.ua/laws/show/294-20

extremely important role. Analysing the application practice one can divide the whole set of covenants into three groups: negative, positive and financial. A properly constructed set of covenants can minimize the risks of restructuring multi-lender loans in international markets, thus improving the efficiency of restructuring for the issuer[9].

External debt restructuring in today's Ukrainian economy should free up financial resources that can be used to support primarily those businesses that have suffered losses due to the SARS-COVID-19 epidemic, as well as to support promising sectors of the national economy ensuring long-term growth. The government can release funds planned for interest and repayment of a part of the debt – either entirely (subject to write-off) or for a certain period (postponement, loan extension or conversion of loans by replacing with new debt obligations) – the amount will depend on specific conditions. However, it is too early to discuss it before even starting negotiations on restructuring. As a prerequisite for successful restructuring, the Government should prepare an action programme identifying the directions of allocating the freed funds and also proving that economic growth will be achieved as a result. Currently, there are three basic models of debt restructuring involved in international financial markets: parametric, mandatory and counter-provision of property. In the case of a parametric model, the parameters of the existing debt are subject to adjustment. Most often, there the maturity of the existing debt obligations can be extended and (or) the value of obligations can be decreased due to voluntary reduction of creditors' claims. The parametric model may include, among others, early repayment of the contractual part of the debt (usually 10-25%). Due to its relative simplicity, the parametric model has become especially widespread in restructuring syndicated loans and partially closed bond issues[1].

The mandatory model is used mainly in the restructuring of Eurobond loans and involves reaching an agreement between creditors and the debtor, as a result of which the latter assumes certain additional obligations. The specified agreement is fixed, as a rule, in two ways: either by conclusion of contracts of purchase and sale of bonds, or by presentation of the offer in the dates provided by the agreement [6]. The implementation of both options presupposes the existence of a preliminary agreement between the issuer and investors which regulates the restructuring procedure. Quite often, the application of the mandatory model is accompanied by a special condition according to which the issuer is released from the obligation to repurchase Eurobonds from the investor provided that they are not in sufficient quantities on his account. This condition encourages the investor to refrain from selling Eurobonds on the secondary market during the restructuring process. The contract of sale may provide for the actual delivery of the entire number of Eurobonds from the issuer to the investor. This procedure is usually called "*strong investor protection*". Instead, in some cases, the parties are limited to delivering from the investor to the issuer only the number of Eurobonds that are subject to actual redemption on the date of execution.

On the other hand, in order to protect its own interests, the issuer may insist on application of a special scheme when all redeemed Eurobonds are concentrated on the account of the technical structure created specifically for this case. Thus, the rights of all investors are concentrated within one company which has a confidentiality agreement with the issuer.

One option for a mandatory restructuring model is to place an offer to purchase Eurobonds on a date set by the parties. This version of the mandatory model compensates for shortcomings of the previous one, as the offer is addressed to all investors, not just those who own Eurobonds at the time of debt restructuring. However, the voluntary acceptance of the offer should be considered a disadvantage of this option. The second option of counter-provision of property is investors' admission to participate in the issuer's capital. It includes replacing default Eurobonds with ordinary or preferred shares of the issuer. In this way, investors receive permission to manage the issuer, often making this type of restructuring the most profitable and reliable. For the issuer, this type of restructuring is extremely undesirable and dangerous. It is usually agreed by issuers in extremely poor financial condition[2].

An important argument in favour of external debt restructuring is that debt restructuring and prolongation during economic downturns serve the purpose of stabilizing the economy, as they prevent a sharp decline in aggregate demand. The strategy of public debt management should be focused on structural reforms of the economy in accordance with the national interests of the state and its financial security; management should be long-term, strategic, and aimed at increasing the maturity of debt and reducing the cost of debt service. In practical terms, it is necessary to introduce effective debt management for the duration of the crisis caused by the coronavirus pandemic (2020), to develop and implement in practice a scientifically sound strategy of external debt restructuring which would be in line with strategic national interests.

Three main issues may be exacerbated in the sovereign debt restructuring negotiations. First, debtors and some creditors may have their own reasons not to want a quick solution. External motives can interfere, especially on the part of the debtor. Sovereign debtors are governments that respond to political incentives, and so a confrontational approach, while not helping to reach an agreement, can be popular with voters and political allies. Second, there is almost always an asymmetry of information between the debtor and his creditors. Sovereign debtors know their ability to repay debts better than creditors (because they are in a better position to assess how realistic

[1] Secretariat for the Implementation of the Law of Ukraine №1414-VIII «On Financial Restructuring» URL:https:// zakon.rada.gov.ua/laws/show/1414-19/

[2] Masyna O.P., Debt Restructuring inInternational Financial Markets: Methodological Aspects. Economic Journal-XXI. 2012. № 5-6. pp. 21-23.

crisis programmes and reforms are, and to take into account all political aspects). At the same time, creditors can reasonably assume that governments are trying to offer too unattractive terms for debt relief. But there is a reverse problem: debtors can not be sure how much creditors are willing to change the terms of debt payment. Third, there are conflicts of interest not only between the debtor and creditors collectively, but also among creditors. The debtor's ability to repay a debt to an individual creditor or group of creditors will improve if more other creditors agree to a full debt relief. Therefore, each creditor has an incentive to avoid final approval, relying on special conditions. This is called the "creditor coordination problem" or the "holdout" problem[1] [2].

The role of the IMF in sovereign debt restructuring. Due to supervision and its role in financing, the IMF often plays a central role in the debt restructuring process through the functions enshrined in its Charter.

Thus, the IMF provides balance of payments financing "under appropriate guarantees" (for example, conditions) for a member country that implements an economic adjustment programme. The success of this programme aims to help a member country to overcome its balance of payments problem, enable it to repay its debt to the IMF, and promote stability in general, also by preventing or mitigating the spread of side effects to other countries[3].

And here, the direct reduction of production and employment (which can be offset by rapid growth in demand and, consequently, production and sales – after overcoming the pandemic) is not as dangerous as the possibility of provoking a financial crisis that will have longer-term and deeper negative effects than in 2008–09. Rapid debt restructuring, which is supported by the vast majority of creditors and provides sufficient debt relief to restore the country's solvency, can significantly reduce these costs. But this is not easy to do, even when the debtor and most creditors are negotiating honestly. In addition to the inevitable conflict of interest between creditors and the sovereign debtor, debt restructuring requires overcoming asymmetric information problems – especially regarding the debtor's ability to pay, as well as particularly attractive offers made to other creditors [5].

In preparing for debt restructuring, it is desirable: 1) to involve the IMF in this process as soon as possible, 2) to hold intensive consultations with borrowers, 3) to pay special attention to coordinating actions on certain groups of borrowers and,finally, 4) not to try to create too unattractive conditions for borrowers (similar to debt confiscation)[4] [2]. The threat of negative economic consequences caused by the coronavirus pandemic has revived talks about joint European bonds (Eurobonds) – i.e. debt, guaranteed not by individual governments, but by the EU as a whole (which increases the ability to borrow for weak economies – Italy, Spain, Greece and even France), but poses a threat to the stronger – Germany, the Netherlands and Austria who have not yet agreed to such an option). This idea is currently being discussed in the context of the need to issue the so-called "Corona bonds" – the similar joint bonds, with the difference that the funds raised should be used for costs associated with the fight against coronavirus and overcoming the negative economic consequences (employment creation, export support, promotion of small and medium-sized businesses). Moreover, the idea is put forward that such bonds should be redeemed directly by the European Central Bank – although it is illegal so far). On the other hand, Indonesia made a loan of 4.3 billion dollars for a period of 10 to 50 years in early March this year (for the first time in Asia), using the "Chinese model" of so-called ‘Pandemic bonds’[3].

The anti-crisis measures of the Government of Ukraine should also include a separate package of actions aimed at counteracting the panic and crisis in the field of credit and financial relations.

Conclusions and suggestions Taking into account domestic and foreign experience, as well as measures that are already being implemented or declared in the world, it is proposed to:

1. Announce the restructuring of public debt of Ukraine on the ‘bail-in’ principle, i.e. the joint participation of creditors, in particular:

a) to terminate the payment (but not the accrual of interest on the debt obligations of the state) – with the postponement of their payment to subsequent periods;

b) to issue new (internal and external) low and high-yield national and municipal liabilities (coronabonds) under the programme to combat the economic consequences of the coronavirus pandemic (improving the health care system, supporting small and medium-sized businesses, compensation for losses due to quarantine regime, etc.);

c) to offer creditors-holders of national and municipal debt obligations to exchange bonds of previous issues for new coronabonds;

d) to request the US Department of Treasury to provide additional limits on guarantees for external coronabonds (on the principle of "Brady bonds");

e) in connection with force majeure, to offer creditors-holders of VRI on debts of Ukraine to hold negotiations on changing the terms of "restructuring 2015".

2. We need to buy time until the whole world reboots its own economies because of the possibility of external debt restructuring. The current coronavirus pandemic has posed unprecedented challenges to national

[1] Buchheit L., Chabert G., DeLong Ch., Zettelmeyer J. How to Restructure Sovereign Debt: Lessons from Four Decades // Peterson Institute for International Economics, Working Paper 19-8, May, 2019, p. 2.

[2] Buchheit L. etc. Op.cit, pp.23-24

[3] Murdoch S., Jefriando M. Indonesia Sells Asia's first 50-year Dollar Bond to Fight Pandemic // Reuters, April 7, 2020. URL: https://www.reuters.com/article/health-coronavirus-indonesia-bonds/update-2-indonesia-sells-asias-first-50-year-dollar-bond-to-fight-pandemic-idUSL4N2BV0XC

economies. The changes that have taken place in international relations have led to reduction in trade and economic relations between the countries, and now the risks of their further complication remain high. The money released through the restructuring of Ukraine's external debt can help solve the problem of unemployment of laid-off workers, as well as the launch of production facilities of domestic industries. In addition, the Government can develop a programme to support certain sectors of industry encouraging corporations to increase production through the public procurement system.

3. Subject to successful negotiations to defer repayment of loans to international creditors for at least 2020-2021, the Government of Ukraine may convert $2.6 billion in non-resident repayment of IGLBs by exchanging IGLBs for *coronabonds*; bonds with a maturity of 3-5 years and a coupon rate fixed or pegged to the minimum value between the discount rate and inflation. A similar procedure for the conversion of Ukraine's domestic liabilities was already conducted in 1998 through the exchange of IGLBs for CIGLBs (conversion bonds). At the moment, the conversion of debts can give up to UAH 75 billion savings on government debt payments, and this resource under a certain scheme can be monetized in favour of the national reserve anti-crisis fund. It is possible to introduce taxation of income from IGLB redemption and its abolition with participation in the conversion, the introduction of the Tobin tax on the purchase of currency in case of repatriation of the amount of IGLB repayment abroad. In this case, non-residents will have to decide what is more profitable for them: to insist on repayment and pay taxes, as well as a special tax on withdrawal of capital abroad, or voluntarily agree to the conversion of obligations and exchange their IGLB portfolio for a new issue of *coronabonds*.

Conclusions and Recommendations for Ukraine. These schemes and examples of debt restructuring show that in most countries this procedure began with a technical default – a refusal or warning to refuse to repay a certain type of debt instruments on time.

It is known that in 2015 the Ukrainian government restructured its debt to private foreign creditors by $15 billion. This agreement is considered by many international and domestic experts to be a failure or a 'slow-action mine'. After all, the announced 'write-off' of $3 billion turned into much larger payments over the next two decades: the government issued new securities to creditors pegged to Ukraine's GDP growth. If the Ukrainian economy grows faster than 3 %, then from 2021 to 2040 the country can give from 5 billion dollars up to $20 billion, depending on the pace of development. That is, the more production grows, the more money will be given. Such an agreement kills Ukraine's chances of escaping poverty.

Under these circumstances, taking into account the published UNCTAD initiative, the Ukrainian Government should resume negotiations with the IMF and private creditors on debt restructuring, including the postponement of debt payments to international financial institutions (IMF, EBRD, World Bank Group, etc.) for at least a year. It is possible to negotiate the partial write-off of the debt. At the same time, it is necessary to develop a debt management strategy, choose the most acceptable debt instruments for the country and negotiate with private creditors under the "bond-bond" or "bond-share" patterns.

We should not count on the "simplicity" of negotiations with the IMF. However, it is possible to prepare sound proposals for future reforms, taking into account national rather than transnational capital interests.

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