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FISCAL RISKS AND STRATEGIC APPROACHES TO PUBLIC DEBT MANAGEMENT

Reforming the medium-term principles of public debt management in the conditions of the russian-Ukrainian war is critically important for the stability of the functioning of the public finance management system of Ukraine. In recent years, the state has faced high fiscal risks caused by both internal and external factors. In particular, the growth of public debt, its insufficiently transparent structure and limited resources for maintenance create additional pressure on public finances. The analysis of fiscal risks and the search for effective strategies to reduce the debt burden become key tasks for ensuring the functioning of the economy in the conditions of martial law and creating the potential for its post-war recovery.

The purpose of this study is to identify the main fiscal risks and to define strategic approaches to optimizing the management of public debt. The object is the structure of the state debt, its servicing mechanisms and macroeconomic consequences for the country's budget system.

Within the framework of this study, methods of analysis and synthesis were used, which made it possible to identify key aspects of fiscal policy, as well as a method of comparative analysis to assess the possibility of approximating the international experience of debt management to Ukrainian realities. Economic-mathematical modeling was used to assess the dynamics of the debt burden, which made it possible to determine the impact of debt on economic stability. The theoretical basis was the works of leading economists, in particular [1–6], who investigated the issue of public debt and its impact on economic dynamics, including under the conditions of the legal regime of martial law.

Fiscal risks in Ukraine are due to several main factors. First of all, it is a high level of external debt, which at the end of 2023 was more than 60% of the total amount of state liabilities [2; 4]. Dependence on external creditors, primarily international financial organizations such as the International Monetary Fund (IMF), limits opportunities for independent fiscal policy planning. In particular, Ukraine spends up to 17% of budget expenditures only on debt service, which exceeds the recommended indicators for developing countries [5–6].

The second important aspect is currency risks. About 70% of external debt is denominated in foreign currency, which increases the vulnerability of the economy to exchange rate fluctuations. For example, devaluation of the hryvnia by 10% automatically increases the debt burden by approximately 5% of GDP [6].

Unstable revenues to the budget due to hostilities, decline in exports and other geopolitical factors also greatly complicate the fiscal situation. According to estimates [4–5], in the short term, Ukraine may face a budget deficit that will exceed 15% of GDP.

The national debt of Ukraine consists of two main components: internal and external. The analysis shows that the share of domestic debt decreased from 45% in 2015 to 30% in 2023, which increased dependence on foreign creditors [1–3]. At the same time, the average maturity of bonds decreased from 6 to 3 years, which creates significant refinancing risks.

A high debt burden limits the state in the implementation of social programs. For example, in 2023, more money was spent on debt service than on health care and education combined [3]. Such trends create an additional risk of social instability.

Effective management of public debt involves the implementation of a number of strategic measures [1; 5–6]:

increasing the share of domestic debt will contribute to the reduction of currency risks. This is possible through the expansion of the base of domestic investors by stimulating the demand for government bonds. For example, the introduction of tax benefits for individuals who invest in government securities;

introduction of medium-term planning in the field of debt policy will reduce refinancing risks. In particular, the creation of a stabilization fund to cover unforeseen costs can provide an additional level of predictability;

diversification of financing sources involves the active use of such instruments as "green bonds" and infrastructure bonds. This will allow attracting cheaper resources for financing projects aimed at sustainable economic growth;

improving the system of tax administration and reducing the level of the shadow economy can be key factors in reducing dependence on borrowing. In particular, the introduction of electronic tax accounting systems will increase transparency and efficiency;

debt restructuring and revision of borrowing conditions will reduce the current burden on the state budget. A successful example is the debt restructuring of 2015, which made it possible to postpone payments and reduce their volume;

the proposed strategies can be used to form new policies in the field of public debt management. The implementation of these measures will help reduce fiscal risks, improve Ukraine's credit rating, and create prerequisites for economic stability.

Ukraine's fiscal challenges require a systematic approach to public debt management, which involves optimizing its structure, reducing currency risks, and strengthening budget discipline. The implementation of strategic measures specified in the study will ensure fiscal stability and create favorable conditions for sustainable economic development of the country. Successful debt management should become one of the key tools for achieving macroeconomic balance in the face of modern challenges.

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