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Current trends in debt policy of city councils and directions of its improvement

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The need to rethink the role of urban debt policy in accordance with the growing needs of urban communities and their sustainable socio-economic development is identified. In Ukraine, the legal preconditions for the formation of cities' own debt policy and the implementation of borrowing in both domestic and foreign financial markets. The current state of local budgets and decentralization processes only highlight the need for cities to develop debt policy.

The formation of the institution of local borrowings in Ukraine is analyzed and an in-depth analysis of borrowings of city councils in 2014-2019 is carried out with the definition of three periods: 2014-2015 - increase in borrowed funds, but such borrowings were formed mainly due to debt activity of Kyiv City Council domestic local bonds; 2016–2017 - decrease in the amount of borrowed funds, which occurred under the influence of macroeconomic, political and fiscal instability; 2018-2019 - resumption of debt activity of city councils that had experience of borrowing in the previous, relatively analyzed, period and diversification of forms of local borrowing.

Based on the cluster analysis, the main characteristics of the modern debt policy of city councils of Ukraine, which is based on the differentiation of city councils-borrowers, are determined. The main borrower remains the Kyiv City Council (the share was about 67%), the activity of borrowings was noted in the following city councils: Zaporizhia, Dnipro, Lviv, Odessa, Ivano-Frankivsk. It is established that the debt policy of city councils is based on raising funds from NEFCO, state-owned banks and the Ministry of Finance of Ukraine.

Improving the debt policy of city councils of Ukraine should be based on the synergy of actions of central government agencies: (Ministry of Finance of Ukraine, Debt Agency of Ukraine, NBU, National securities and stock market commission (NSSMC)Financial Control Office, etc.) and city councils. Vectors for improving the debt policy of city councils should be an integral part of the Strategy for the Development of the Financial Sector of Ukraine until 2025 and meet its key strategic goals and directions.

Key words: debt policy, local debt, local borrowings, domestic local government bonds, external local government bonds, fiscal decentralization.

Problem statement and analysis of recent research. The decentralization processes implemented by the Concept of Local Self-Government Reform and Territorial Organization of Power in Ukraine dated 01.04.2014 № 333-r [1] created the preconditions for fiscal decentralization of local self-government bodies. At the same time, the increase in delegated powers is accompanied by an increase in the right to receive tax and non-tax revenues from capital transactions and to reform the system of intergovernmental transfers. The consequences of decentralization were a decrease in the share of local budget revenues in the revenues of the Consolidated Budget of

Ukraine (2014 - 50.8%, 2015 - 45.2%, 2016 - 46.8%, 2017 - 49.4%, 2018 - 47.5% [2], 2019 - 43.5% [3]), which contradicts the provisions of current legislation and indicates the need for local authorities to find alternative sources of funding for community needs. In our opinion, such an alternative is contained in local borrowings, which are formed by concluding loan agreements (credit agreements); issues of local bonds [4].

Capital expenditures are insufficient for the needs of economic and social development. The share of capital expenditures of local budgets for the purchase of fixed capital (purchase of equipment and durable goods, capital construction (acquisition), overhaul, reconstruction and restoration, acquisition of land and intangible assets) since 2014 did not exceed one tenth of the budget expenditures: 2014. - 4.5%, 2015 - 8.6%, 2016 - 10.5%, 2017 - 8.4%, 2018 - 9.3% [2], 2019 - 10 , 5% [3].

Thus, in Ukraine, the legal preconditions for the formation of cities' own debt policy and borrowing in both domestic and foreign financial markets and the current state of local budgets only raises the need for cities to develop debt policy aimed at raising loans to finance the needs of the city community and its sustainable socio-economic development.

The conceptual foundations of the theory of urban debt policy were laid by representatives of the Ukrainian Classical School of Public Finance, among which are the scientific achievements of M. Bunhe, A. Isayev, P. Kovanka, V. Tverdokhlebova and others. Various aspects of the modern debt policy of Ukrainian cities have been studied in the works of domestic scholars.

Investigate the problems of attracting local loans, in particular L. Didenko and P. Holovenko justify the need to increase information awareness of Ukrainian territorial communities on local borrowing [5, p. 62–64]; S. Yushko, E. Zolotukhin - the possibility of abolishing the taxation of domestic local bonds for residents of Ukraine or taxation at reduced tax rates [6, p. 118]; O. Maksymchuk - elimination of legislative restrictions on the implementation of external borrowing depending on the categories of local councils [7, p. 105]; O. Kvasnytsia - creation of the Local Debt Management Agency, which will function as an issuing and credit agency, which will include representatives of the regions of Ukraine, which will have a special status, special tasks and the right to issue bonds to raise funds for lending budget investment programs. for socio-economic development of regions [8, p. 114]; N. Piontko - creation of institutions for financing local authorities [9, p. 126]; Ye. Zolotukhin - introduction in Ukraine of issue of target income bonds of local loans and creation of a specialized institution to promote the development of the local borrowing market [10, p. 60]; N. Sinyutka - introduction of preferential taxation for investments in municipal securities [11, p. 29].

The debt policy of cities needs to be scientifically substantiated, taking into account the following challenges: implementation of the ratified EU-Ukraine Association Agreement in the context of decentralization, strengthening financial autonomy of city councils, the need to improve material support of urban communities and innovation and investment projects.

The aim of the study is to determine areas for improving the debt policy of Ukrainian cities based on the definition of its main trends at the present stage of fiscal policy.

Material and methods of research. The basis was the statistical materials of the Ministry of Finance of Ukraine [2, 12, 13, 14], the State Treasury Service of Ukraine [3], the National Bank of Ukraine [15], the State Statistics Service of Ukraine [16, 17].

The research used a correlation method to assess the density of ties and test the hypothesis of the relationship between the dynamics of borrowing of city councils with the dynamics of macroeconomic and fiscal indicators. To determine the direction and density of the correlation, the linear Pearson correlation coefficient (r, formula 1), the coefficient of determination (R2, formula 2), and the Chaddock scale were used [18, p. 212].

$$r = \frac{\sum(x-\overline{x})(y-\overline{y})}{\sqrt{\sum(x-\overline{x})^2 \sum(y-\overline{y})^2}}, \quad (1)\ [18, \text{p. } 211]$$

where x – is the value of the factor feature;

$\overline{x}$ – the average value of the factor feature;

y – the value of the productive feature;

$\overline{y}$ – the average value of the productive feature.

$$R^2 = r^2. \quad (2)\ [18, \text{p. } 212]$$

In the process of scientific research for analytical alignment used a linear line (formula 3):

$$Y_t = a + bt, \quad (3)\ [18, \text{p. } 283]$$

where Y_t – theoretical levels of the trend;

a – the initial level of the trend at the time or period taken as the beginning of the time;

b – average absolute increase;

t – a conditional sign of the times.

To verify the adequacy of the constructed trends, the coefficient of determination (approximation) (R2, formula 4) was used:

$$R^2 = \frac{\sigma_Y^2}{\sigma_y^2}, \quad (4) \text{ [18, p. 289]}$$

where σ_Y^2 – is the variance of the theoretical levels of the time series;

σ_y^2 – variance of empirical levels of the time series.

In the process of scientific research, cluster analysis was also used (Ward's method) in order to form clusters among the city councils that carried out borrowing.

Research results and discussion. According to the provisions of the Budget Code of Ukraine dated 08.07.2010 № 2456-VI, cities have the right to make local internal borrowings, local external borrowings by obtaining loans (loans) from international financial organizations. Other local external borrowings can be made by Kyiv, Sevastopol city councils, city councils of cities of regional significance [19]. The provisions of Article 16 of the Budget Code of Ukraine have been amended several times in terms of requirements for cities that have the right to carry out external borrowing: 2001-2010 - city councils of cities with a population of over 800 thousand inhabitants according to official state statistics; 2010–2014 - city councils of cities with a population of over 300 thousand inhabitants; from January 1, 2015 - city councils of cities of regional significance.

Other provisions of the Budget Code of Ukraine dated 08.07.2010 №2456 – VI limit the total amount of local debt, which may not exceed 200% (for the city of Kyiv - 400%) of the average annual projected amount of development budget revenues (excluding local borrowings and capital transfers (subventions) from other budgets), determined in accordance with the indicators for the next two planned budget periods in the forecast of the relevant local budget [19]. Expenditures of the local budget for servicing local debt may not exceed 10% of expenditures of the general fund of the local budget during any budget period when servicing local debt is planned.

City councils are also limited in the purpose of local borrowing: the first condition - the financing of the development budget; the second condition is the use for the creation, growth or renewal of long-term strategic facilities or facilities that ensure the implementation of the tasks of city councils aimed at meeting the interests of the population of territorial communities of cities [19].

If the payment schedule is violated in the process of making payments on repayment and servicing of local debt, the relevant city councils are not allowed to make new local borrowings for the next three years.

The generalization of the main provisions of the legislation that should be the basis for the formation of urban debt policy is shown in Figure 1. Thus, it can be argued that there is institutional support for debt policy of domestic cities, but in the presence of financial and non-financial constraints.

The institution of local borrowing in Ukraine was founded in 1995, when four Ukrainian cities (Kyiv, Kharkiv, Donetsk, Dnipropetrovsk) became issuers of local bonds, but in the following years the number of issuing cities grew actively and "by mid-1998 10 cities of Ukraine placed municipal bonds in the amount of UAH 200 million "[24]. The first borrowings of cities took place in conditions of imperfect legal framework, lack of a developed stock market, high cost of borrowing, lack of experience in debt management of local financial authorities and, as a consequence, the default of some city councils.

Activation of debt activity of local authorities was observed in 2003 [25, p. 23]. According to the Register of Local Borrowings and Local Guarantees published by the Ministry of Finance of Ukraine (Fig. 2), we can conclude that the size of borrowing by domestic cities and the lack of a single trend in debt policy in the long run.

According to the analysis of the activity of city councils in the borrowing market, the leading borrower was the Kyiv City Council. Since 2013, the Kyiv City Council has borrowed about 2/3 of all local borrowings made by issuing domestic local bonds (2003, 2004, 2008, 2012, 2014, 2015, 2016), external local loan bonds. 2003, 2004, 2005, 2011), loans in foreign financial institutions (2007, 2018). Other city councils also formed their own debt policy in the early 2000s, including Kharkiv, Odesa, Donetsk, Zaporizhia, and Lviv.

We will conduct a detailed analysis of urban borrowing in 2015-2019, which corresponds to the current stage of implementation of fiscal decentralization, macroeconomic environment, social and political reforms of society (Fig. 3).

The total amount of borrowings of cities in the studied period in hryvnia equivalent was in 2014 - 2685.4 million, in 2015 - 5203.2 million, in 2016 - 2173.5 million, in 2017 - 1170.5 million, in 2018. - 7445.2 million, 2019 - 5753.6 million; in dollar equivalents amounted to 207.3 million in 2014, 235.6 million in 2015, 84.5 million in 2016, 44.1 million in 2017, 278.0 million in 2018, 2019 - 227.5 million. Significant fluctuations in official exchange rates contribute to the search for cash flow equivalence, so some calculations of the empirical estimate were made in dollar terms.

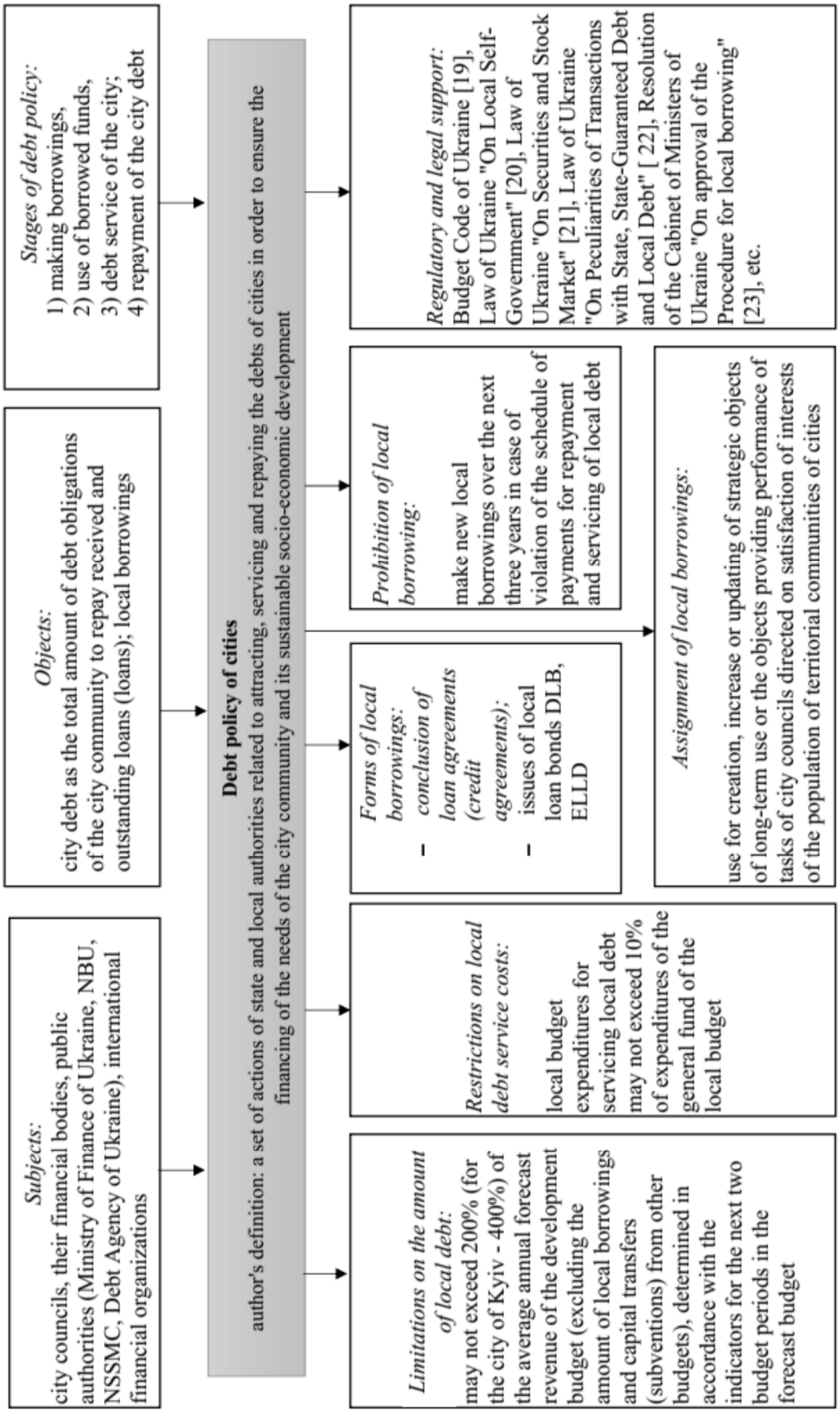


Fig. 1. **Debt policy of Ukrainian cities in accordance with the provisions of the Budget Code of Ukraine and the authors' developments.**

Source: built by the authors on the basis of their own research.

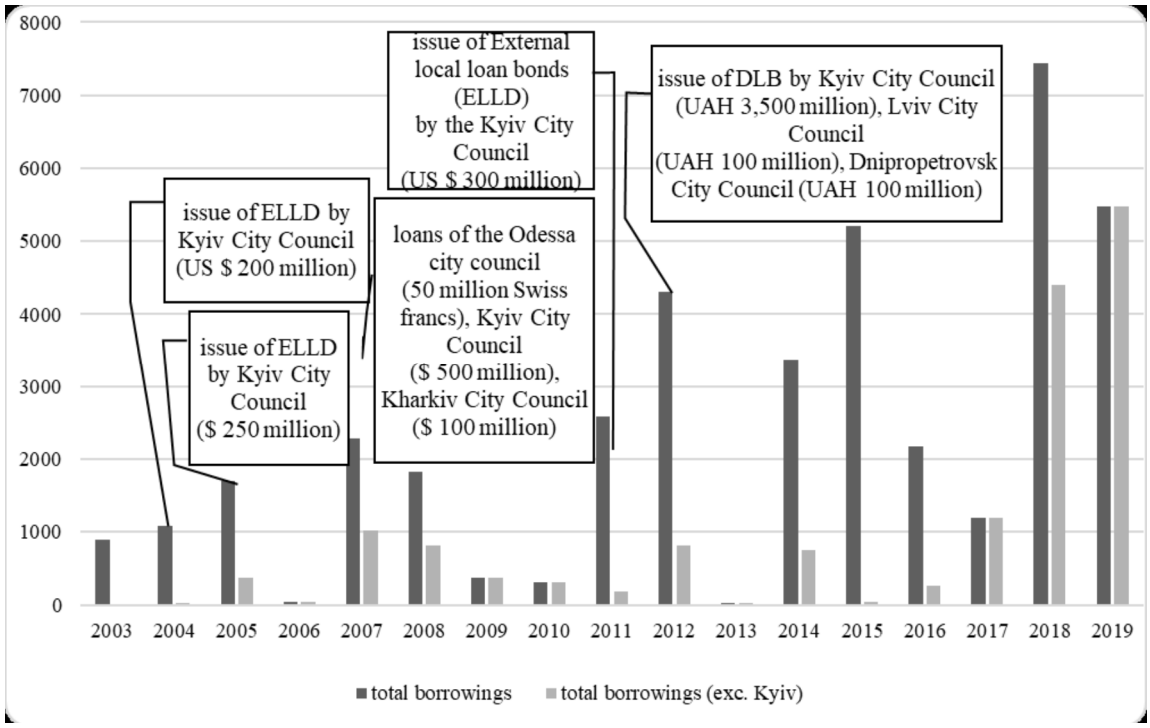


Fig. 2. **Borrowing of city councils of Ukraine in 2003–2019, UAH million**

Source: built according to the Ministry of Finance of Ukraine [12, 13].

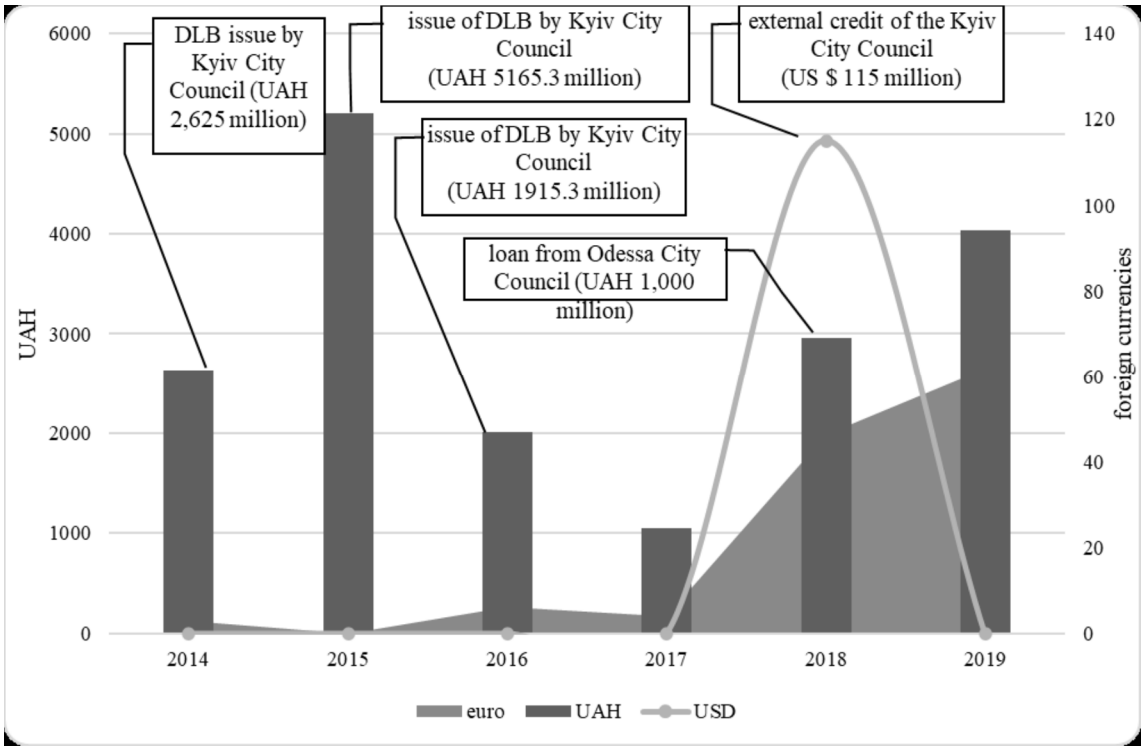


Fig. 3. **Borrowing of city councils of Ukraine in 2014–2019 by borrowing currencies, million money. from**

Source: built according to the Ministry of Finance of Ukraine [12, 13].

The dynamics of urban borrowing was contradictory, but it is possible to periodize: 2014–2015 - increase in borrowed funds, but such borrowings were formed mainly due to the debt activity of the Kyiv City Council through the issuance of domestic local bonds; 2016–2017 - decrease in the amount of borrowed funds, which occurred under the influence of macroeconomic, political and fiscal instability; 2018–2019 – resumption of debt activity of city councils that had experience of borrowing in the previous, relatively analyzed, period and diversification of forms of local borrowing.

Determining the trend for the total amount of borrowings of local councils in 2014–2019 indicates the inability to describe the main trends using a linear equation (R2 = 0.01); for the total amount of borrowings of the Kyiv City Council (R2 = 0.61); for the total amount of borrowings of other city councils, except the Kyiv City Council (R2 = 0.82). Parameter = 46.64 (formula 5), which is equal to the average annual growth of borrowings of other city councils, except the Kyiv City Council (RMC) and indicates a steady trend of increasing borrowing and the formation of active debt policy.

$$RMC_{2014/2019} = -88{,}09 + 46{,}64t \qquad (5)$$

Based on the periodization of borrowing, proof or refutation requires a statement about the relationship between the dynamics of borrowing of city councils and the dynamics of macroeconomic, fiscal indicators (Table 1).

Correlation analysis was used to determine the lack of close connection between the dynamics of borrowings of the Kyiv City Council and any macroeconomic and fiscal indicators. The formation and implementation of debt policy by the Kyiv City Council took place regardless of macroeconomic trends, at the same time, in the dissertation research N. Syniutka points out: "investment and debt policy of the richest municipality of Ukraine are deeply dependent on political influences" [26, p. 133].

The presence of a correlation between the dynamics of borrowings of other city councils, except the Kyiv City Council, and the dynamics of macroeconomic and fiscal indicators in 2015–2019 indicates the presence of a very strong direct relationship with GDP (r = 0.96) (in the long run). also proved the presence of a strong direct connection, Fig. 4), a direct strong - local budget expenditures (r = 0.87, Fig. 5), a direct noticeable - public debt (r = 0.61), the reverse strong - with a deficit local budgets (r = -0.69) and the share of transfers in local budget revenues (r = -0.84, Fig. 5).

Thus, the empirical assessment of the relationship between the dynamics of borrowing of other city councils, except the Kyiv City Council and the dynamics of macroeconomic and fiscal indicators indicates a strong strong link with GDP dynamics and, consequently, the intensification of local council borrowing during economic growth. Additional factors stimulating the intensification of local council borrowing are the increase in local budget expenditures and the decrease in transfers in local budget revenues.

Current trends in the formation of debt policy by city councils of Ukraine are determined by the priorities of the use of forms of borrowing, the currency of borrowing, interest rates and other features.

In 2003–2009, the main borrowing tools used by cities were domestic local bonds (DLBs), but in the period under study, the issue of domestic local bonds became an isolated case (Table 2).

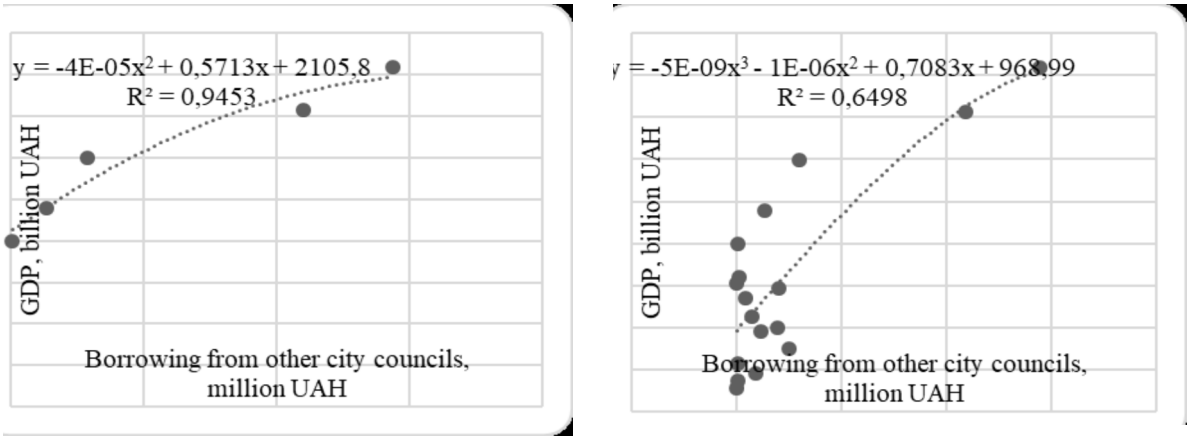
The issue of domestic local bonds was carried out by the Kyiv City Council in 2014 by borrowing UAH 2,625 million, in 2015 - UAH 5,165.3 million, in 2016 - UAH 1,915.3 million; Lviv City Council - UAH 440 million in 2018; Ivano-Frankivsk City Council - UAH 300 million in 2018; Kharkiv City Council - UAH 500 million in 2019, Lviv City Council - UAH 300 million. in 2019. A distinctive feature of the current state of the local borrowing market is the lack of circulation of domestic local bonds on the domestic stock market, bonds are purchased by commercial banks with state capital. At the same time, PJSC “Ukreximbank” repurchased the issue of domestic local bonds of the Kyiv City Council in 2015 and 2016, PJSC “State Savings Bank of Ukraine” - Lviv City Council in 2018 and 2019, PJSC “Ukrgasbank” - Ivano-Frankivsk City Council Council in 2018 and Kharkiv City Council in 2019

The last issue of an external local loan bond (ELLB) was carried out in 2011, which indicates a lack of demand for bonds of Ukrainian cities on the stock exchanges of Europe and the world. In 2017–2019, cities attracted loans from state-owned banks (PJSC «Ukrgasbank» and PJSC «Oschadbank») and loans from the Ministry of Finance of Ukraine. The change in the priorities of borrowing by Ukrainian cities took place in 2012 and was finally approved in 2018-2019. Since 2012, cities have been attracting loans from the Northern Environmental Finance Corporation (NEFCO), which implements only green growth and climate projects, as well as energy efficiency projects. [27]. The number of loans granted to NEFCO in 2014 - 5,2015 - 7, 2016 - 13, 2017 - 8,2018 - 14,2019 - 16, which indicates the activity of city councils in the direction raising funds for the implementation of energy efficient projects and thermal modernization of buildings of educational institutions, health care, etc.

Table 1 – **Dynamics of key macroeconomic and fiscal indicators**

	Local borrowings, UAH million	including:		GDP, UAH million	Public debt, UAH billion	Borrowing of the Government of Ukraine, UAH million	Deficit of local budgets, UAH million	Expenditures of local budgets, UAH million	Share of transfers from the State Budget of Ukraine in local budget revenues,%
		borrowing of the Kyiv City Council	borrowing from other city councils						
2014	2685,4	2625,0	60,4	1586915	947,0	322653,4	6 022,3	225 626,8	56,4
2015	5203,2	5165,3	38,0	1988544	1334,3	514094,5	14 269,3	280 084,0	59,1
2016	2173,5	1615,3	558,3	2385367	1650,8	307664,9	15 448,2	350 515,2	53,4
2017	1170,5	-	1170,5	2983882	1833,7	478699,1	5 756,4	496 090,7	54,3
2018	7445,2	3026,8	4418,4	3560596	1860,3	286572,9	-8 540,6	570 583,7	53,2
2019	5753,6	-	5753,6	4085831	1761,4	425696,5	5 720,7	566 248,6	46,4

Source: based on the data of the Ministry of Finance of Ukraine [2, 3, 12, 13, 14], the State Statistics Service [16].



a) 2015–2019 b) 2003–2019

Fig. 4. **The impact of GDP on the formation of debt policy of city councils, except for the Kyiv City Council, in 2015-2019.**

Source: built according to the Ministry of Finance of Ukraine [12, 13], the State Statistics Service [16].

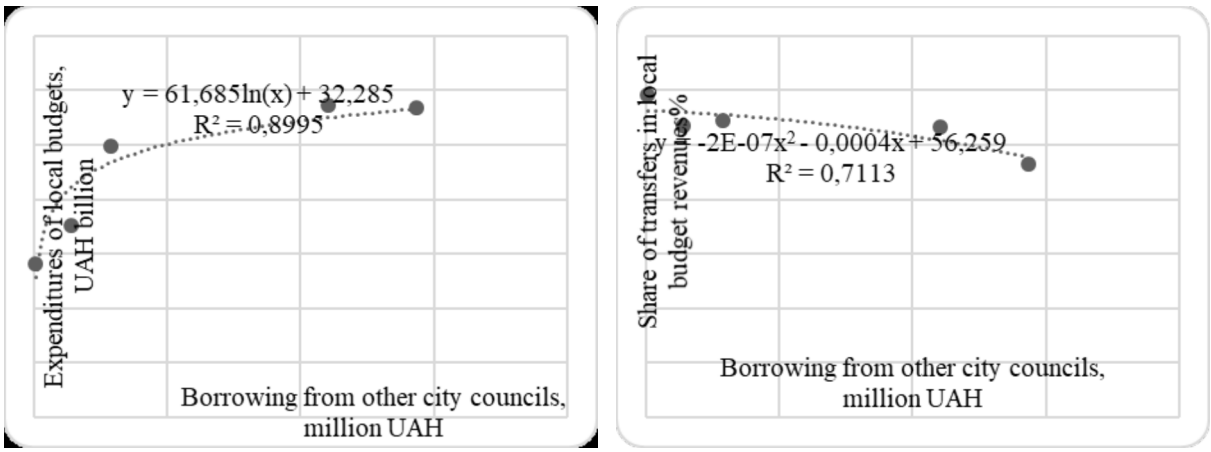


Fig. 5. **The impact of fiscal trends on the formation of debt policy of city councils, except for the Kyiv City Council, in 2015-2019.**

Source: built according to the Ministry of Finance of Ukraine [12, 13], the State Statistics Service [16].

Table 2 – **The main forms of borrowing of city councils of Ukraine in 2014–2019**

	2014	2015	2016	2017	2018	2019
Domestic local bonds (DLB)	1	3	1		5	3
External local loan bonds (ELLD)	-	-	-	-	-	-
Loans from domestic commercial banks	-	-	-	1	6	8
Loans from foreign commercial banks and financial institutions	-	-	-	-	1	-
Loans from international financial organizations	5	7	13	8	14	17
Loans from the Ministry of Finance of Ukraine	-	-	-	-	4	2

Source: built according to the Ministry of Finance of Ukraine [12].

Thus, the composition of borrowed forms by local councils of Ukraine in the long run was volatile and the reform took place in the direction of reducing the share of funds raised from market forms of borrowing (domestic and foreign local bonds) and increasing the share of loans from the Northern Environmental Finance Corporation (NEFCO) and government loans. sector (commercial banks with state capital and the Ministry of Finance of Ukraine). At the end of the study period, the priority among the forms of borrowing were loans from the Northern Environmental Finance Corporation (NEFCO), loans from state banks and the Ministry of Finance of Ukraine.

The interest rate on borrowing is the next criterion that determines the trends in the formation of debt policy by city councils, the availability of debt financing and the debt burden on the city budget, which fluctuated at 0.02-0.7%. Debt service expenditures in 2014 corresponded to 0.7% of all expenditures, which amounted to UAH 1,457.9 million [14], in 2015 - 0.6% (UAH 1,667.3 million [14]), in 2016 - 0.09% (UAH 311.0 million [2]), in 2017 - 0.02% (UAH 122.1 million [2]), in 2018 - 0.12% (UAH 656.9 million [2]]), 2019 - 0.15% (UAH 848.4 million [3]).

In 2003–2010, the interest rate almost doubled, indicating a rise in the price of borrowed funds. Since 2010, there has been a decrease in interest rates and keeping them at 14–15% with short-term fluctuations and 11–14% over the last two years (Table 3).

The lowest interest rates were 3% on loans from the Northern Environmental Finance Corporation (NEFCO) granted in both hryvnias and euros, which is in line with the financial corporation's credit policy.

The maximum level of interest rates ranged from 15.2% in 2014-2015 to 22.4% in 2018. The experience of local borrowings in Ukraine shows that high interest rates on borrowings from city councils obtained through loans from state banks (2018). : PJSC JSB “Ukrgasbank” - 17.6, 18.01 and 22.4%; 2019: PJSC JSB “Ukrgasbank” - 18.4 and 19.5%; PJSC “Oschadbank” - 19.5%), issue of domestic local bonds (in 2018 - 17.5 and 17.89%, in 2019 - 17.7 and 18%) [27].

Based on the calculations, it was found that interest rates on borrowings of city councils in recent years have decreased due to loans from the Northern Environmental Finance Corporation (NEFCO), provided at 3% per annum, while attracting funds from commercial banks or other investors at 18-19% per annum , which creates an additional debt burden on city budgets and proves the existence of an inverse strong relationship between the weighted average interest rate on borrowing and the amount of borrowing (r = -0.73, Fig. 6).

Table 3 – **The main characteristics of interest rates on borrowings of city councils of Ukraine in 2014–2019,** %

	2014	2015	2016	2017	2018	2019
Maximum interest rate	15,2	15,2	15,3	17,5	22,4	19,5
Minimum interest rate	3,0	3,0	3,0	3,0	3,0	3,0
Weighted average interest rate on hryvnia borrowings	15,1	15,1	14,7	16,5	18,5	18,3
Weighted average interest rate on foreign currency borrowings	6,0	-	6,3	6,3	5,9	3,1
Weighted average interest rate on all borrowings	15,0	15,1	14,0	15,5	10,9	13,7

Source: built according to the Ministry of Finance of Ukraine [12], the National Bank of Ukraine [15].

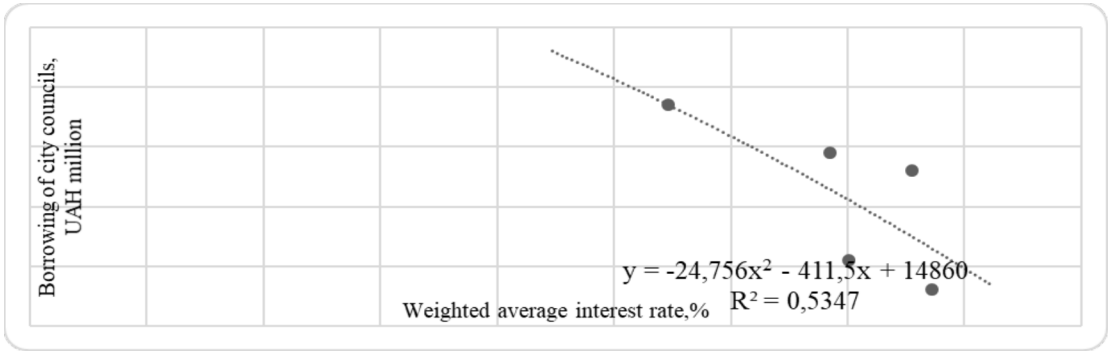


Fig. 6. **The impact of the weighted average interest rate on borrowing on the formation of debt policy of city councils, except for the Kyiv City Council, in 2015-2019.**
Source: based on data from the Ministry of Finance of Ukraine [12]

Table 4 – **Results of cluster analysis of borrowings of Ukrainian cities in 2014–2019 by the amount of borrowings**

Cluster	Number of cities, their share in the total	The average amount of borrowing, million US dollars	City councils
I	1/1,8%	626,9	Kyiv
II	3 /5,3%	77,3	Zaporozhye, Dnieper, Odessa
III	10 /17,5%	9,9	Kharkiv, Ivano-Frankivsk, Mariupol, Vinnytsia, Lutsk, Khmelnytsky, Sumy, Chernivtsi, Melitopol, Energodar
IV	40 /70,2%	0,4	other 40 city councils
V	3 /5,3%	31,4	Lviv, Ternopil, Kryvyi Rih

Source: built according to the Ministry of Finance of Ukraine [12].

Table 5 **– Results of cluster analysis of borrowings of Ukrainian cities in 2014–2019 by the number of borrowings**

Cluster	Number of cities, their share in the total	Number of borrowings	City councils
I	2/3,5%	6	Kyiv, Ivano-Frankivsk
II	7/12,3%	3-4	Zaporizhia, Odessa, Lviv, Dnipro, Lutsk, Sumy, Khmelnytsky,
III	13/22,8%	2	Kharkiv, Vinnytsia, Melitopol, Ternopil, Slavutych, Pryluky, Bila Tserkva, Pokrov, Kropyvnytskyi, Kryvyi Rih, Fastiv, Rivne, Chernivtsi
IV	35/61,4%	1	other 35 city councils

Source: built according to the Ministry of Finance of Ukraine [12].

Table 6 **– Results of cluster analysis of borrowings of Ukrainian cities in 2014–2019 by the amount of borrowings**

Cluster	Number of cities, their share in the total	The average amount of borrowing, million US dollars	Number of borrowings	City councils
I	1 /1,8%	626,9	6	Kyiv
II	5 /8,8%	55,6	4-6	Zaporizhia, Dnipro, Lviv, Odessa, Ivano-Frankivsk
III	13 /22,8%	8,4	2	Kharkiv, Ternopil, Kryvyi Rih, Vinnytsia, Chernivtsi, Melitopol, Slavutych, Rivne, Pryluky, Bila Tserkva, Pokrovsk, Kropyvnytskyi, Fastiv
IV	35 / 61,4%	0,8	1	Cherkasy, Horyshnoplavska, Izyumska, Zhytomyr, Kremenchug, Varaska, Konotop, Chernihiv, Myrhorod, Berdychiv, Kolomyia, Baraniv, Chortkiv, Kamyansk, Balakliia, Nikopol, Ovruch, Uzhgorod, Uman, Netishyn, Olevsk, Trostyanets, Terniv, Vyshneve, Nizhyn, Pervomaisk, Bakhmut, Myrnograd, Energodar, Kaniv, Kremin, Korosten, Irpin, Lubny, Mariupol
V	3 / 5,3%	8,9	3	Lutsk, Sumy, Khmelnytsky

Source: built according to the Ministry of Finance of Ukraine [12].

However, the conducted empirical assessment of borrowings in different areas and the identified trends should be supplemented by an analysis of the propensity of city councils to borrow. According to the current legislation, all city councils (460 in total, including special status, national and regional significance - 189 [17]) can borrow, but in 2014-2019, only 57 city councils exercised this right in the presence of differentiation for the volume of borrowings (Table 4), their number (Table 5), the volume and number of borrowings at the same time (Table 6, Fig. 7).

Improving the debt policy of city councils of Ukraine should be based on the synergy of the following state bodies: Ministry of Finance of Ukraine, Debt Agency of Ukraine, National Bank of Ukraine, National Commission on Securities and Stock Market, National Commission for State Regulation of Financial Services Markets, State Treasury Service of Ukraine, Financial Control Office, etc. Vectors for improving the debt policy of city councils should be an integral part of the Strategy for the development of the financial sector of Ukraine

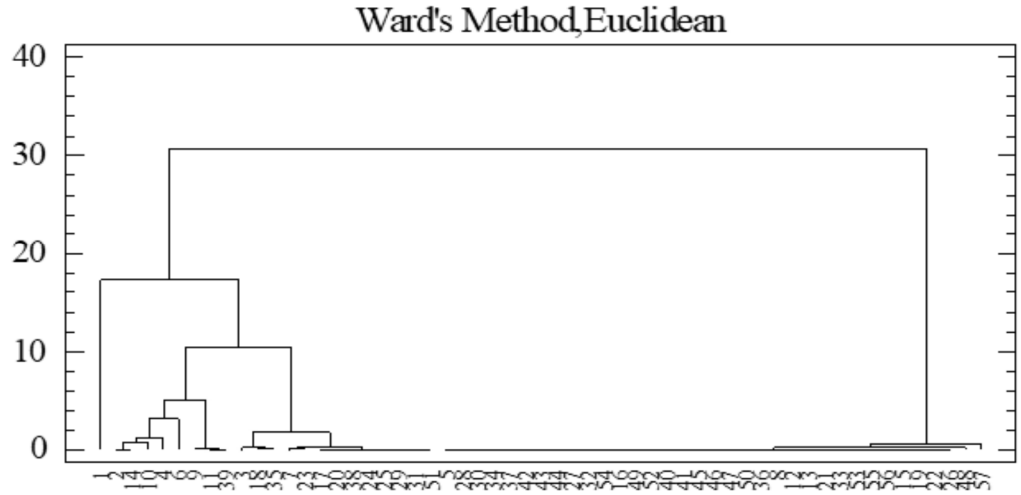


Fig. 7. **Dendogram of city councils by volumes and frequency of borrowings in 2015-2019.**

Source: built according to the Ministry of Finance of Ukraine [12].

A cluster analysis of city councils that borrowed in 2015–2019 shows that the main borrower is the Kyiv City Council, as the capital has a special status and can successfully issue and place debt securities. The city councils that have accumulated about a quarter of all borrowings include: Zaporizhia, Dniprovska, Lviv, Odesa, Ivano-Frankivsk. Accordingly, the debt policy of these city councils determines the debt policy of the municipalities of Ukraine in general and forms the demand for financial resources.

Conclusions. Summarizing the above, it should first be noted that the debt policy of city councils is formed and implemented in conditions of macroeconomic, political and social instability. The main characteristics of the modern debt policy of city councils of Ukraine are borrowing by obtaining loans from NEFCO, loans from state banks and the Ministry of Finance of Ukraine; reduction of interest rates for the use of borrowed funds and strengthening the differentiation of city borrowers' councils. The main borrower remains the Kyiv City Council (the share was about 67%), the activity of borrowings was noted in the following city councils: Zaporizhia, Dnipro, Lviv, Odessa, Ivano-Frankivsk. until 2025 [28] and meet its key strategic goals and directions.

Prospects for further research are a scientific justification for improving the formation and implementation of debt policy of city councils in the context of growing needs of socio-economic development of communities.

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Сучасні тенденції формування боргової політики міських рад та напрями її удосконалення

Бойко С.В., Драган О.А., Ткаченко К.В.

Визначено необхідність переосмислення ролі боргової політики міст відповідно до зростаючих потреб громад міст та сталого їх соціально-економічного розвитку. В Україні законодавчо сформовані передумови для формування містами власної боргової політики та здійснення запозичень як на внутрішньому, так і зовнішньому фінансових ринках. Сучасний стан місцевих бюджетів та процеси децентралізації лише актуалізують необхідність розробки містами боргової політики.

Проаналізовано становлення інституту місцевих запозичень в Україні та проведено поглиблений аналіз запозичень міських рад у 2014–2019 рр. з визначенням трьох періодів: 2014–2015 рр. – збільшення розміру запозичених коштів, проте такі запозичення формувалися переважно за рахунок боргової активності Київської міської ради шляхом випуску облігацій внутрішньої місцевої позики; 2016–2017 рр. – зменшення розміру запозичених коштів, що відбувалося під впливом макроекономічної, політичної та фіскальної нестабільності; 2018-2019 рр. – відновлення боргової активності міських рад, що мали досвід запозичень у попередньому, відносно аналізованого, періоді та диверсифікація форм місцевих запозичень.

На основі кластерного аналізу визначено основну характеристику сучасної боргової політики міських рад України, яка базується на диференціації міських рад-позичальників. Основним позичальником залишається Київська міська рада (частка становила близько 67 %), активність здійснених запозичень відмічено у таких міських радах: Запорізька, Дніпровська, Львівська, Одеська, Івано-Франківська. Встановлено, що боргова політика міських рад базується на залученні коштів від НЕФКО, державних банків та Міністерства фінансів України.

Удосконалення боргової політики міських рад України має відбуватися на основі синергії дій центральних державних органів: (Міністерство фінансів України, Боргове агентство України, НБУ, НКЦПФР Офіс фінансового контролю тощо) та міських рад. Вектори удосконалення боргової політики міських рад мають бути невід'ємною частиною Стратегії розвитку фінансового

сектору України до 2025 р. та відповідати ключовим її стратегічним цілям і напрямам.

Ключові слова: боргова політика, місцевий борг, місцеві запозичення, облігації внутрішньої місцевої позики, облігації зовнішньої місцевої позики, фіскальна децентралізація.

Современные тенденции формирования долговой политики городских советов и направления ее совершенствования

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Определена необходимость переосмысления роли долговой политики городов в соответствии с растущими потребностями общин городов и обеспечения их социально-экономического развития. В Украине законодательно сформированы предпосылки для формирования городами собственной долговой политики и осуществления заимствований как на внутреннем, так и внешнем финансовых рынках. Современное состояние местных бюджетов, процессы децентрализации только актуализируют необходимость разработки городами долговой политики.

Проанализировано становления института местных заимствований в Украине и проведено углубленный анализ заимствований городских советов в 2014–2019 гг. с определением трех периодов: 2014–2015 гг. – увеличение размера заемных средств, однако такие заимствования формировались преимущественно за счет долговой активности Киевского городского совета путем выпуска облигаций внутреннего местного займа; 2016–2017 гг. – уменьшение размера заемных средств, что происходило под влиянием макроэкономической, политической и фискальной нестабильности; 2018–2019 гг. – восстановление долговой активности городских советов, имевшие опыт заимствований в предыдущем периоде и диверсификация форм местных заимствований.

На основе кластерного анализа определены основные признаки современной долговой политики городских советов Украины, которая базируется на дифференциации городских советов-заемщиков. Основным заемщиком остается Киевский городской совет (доля около 67%), активность осуществленных заимствований отмечено в таких городских советах: Запорожский, Днепровский, Львовский, Одесский, Ивано-Франковский. Установлено, что долговая политика городских советов базируется на привлечении средств от НЕФКО, государственных банков и Министерства финансов Украины.

Совершенствование долговой политики городских советов Украины должно происходить на основе синергии действий центральных государственных органов: (Министерство финансов Украины, Долговое агентство Украины, НБУ, НКЦБФР, Офис финансового контроля и т.п.) и городских советов. Векторы совершенствования долговой политики городских советов должны быть неотъемлемой частью Стратегии развития финансового сектора Украины до 2025 г. и отвечать ключевым ее стратегическим целям и направлениям.

Ключевые слова: долговая политика, местный долг, местные заимствования, облигации внутреннего местного займа, облигации внешнего местного займа, фискальная децентрализация.

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