

DOI: 10.31617/1.2024(154)01
UDC: 338.23:336.123(477)=111

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COORDINATION OF FISCAL AND MONETARY POLICY IN UKRAINE

In the conditions of uncertainty and economic instability, the issue of researching approaches to strengthening the coordination of fiscal and monetary policy is becoming relevant. The aim of the research is to justify directions for strengthening the coordination of fiscal and monetary policy of Ukraine. It is hypothesized that the level of fiscal and monetary policy coordination determines the country's ability to ensure macroeconomic stability. Special and general scientific methods were used: system approach, theoretical generalization, induction and deduction, statistical, scientific abstraction. Strengthening the coordination of fiscal and monetary policy is an important stabilization tool for ensuring the adaptation of the economy to social and economic conditions, curbing inflation in order to maintain exchange rate stability, reducing fundamental price pressure and directly overcoming inflationary processes. The toolkit of fiscal and monetary policy must be considered in an inseparable unity, taking into account the synergistic effect of ensuring macroeconomic stability, which cannot be achieved exclusively by the tools of only one of the policies. The main directions of strengthening the coordination of the fiscal and monetary policy of Ukraine at this stage include: combining the tools inherent in both directions of policies, strengthening its flexibility and adaptability to socio-economic processes; synergy of policy instruments in the context of

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КООРДИНАЦІЯ ФІСКАЛЬНОЇ ТА МОНЕТАРНОЇ ПОЛІТИКИ УКРАЇНИ

В умовах невизначеності та економічної нестабільності актуалізується проблематика дослідження підходів до посилення координації фінансової та монетарної політик. Метою дослідження є обґрунтування напрямів посилення координації фінансової та монетарної політик України. Висунуто гіпотезу, що рівень координації фінансової та монетарної політик визначає здатність країни забезпечити макроекономічну стійкість. Використано спеціальні та загальнонаукові методи: системного підходу, теоретичного узагальнення, індукції та дедукції, статистичний, наукової абстракції. Вагомим стабілізаційним інструментарієм забезпечення адаптації економіки до соціально-економічних умов, стримування інфляції з метою збереження курсової стійкості, зменшення фундаментального цінового тиску та безпосередньо подолання інфляційних процесів є посилення координації фінансової та монетарної політик. Інструментарій фінансової та монетарної політик необхідно розглядати в нерозривній єдності, з урахуванням синергетичного ефекту забезпечення макроекономічної стійкості, що не може бути досягнуто винятково інструментами лише однієї із політик. Основними напрямками посилення координації фінансової та монетарної політик України на цьому етапі є: поєднання інструментарію, властивого обом напрямкам політик, посилення його гнучкості та адаптивності до соціально-економічних процесів;



ensuring debt sustainability and reducing fiscal risks; substantiation of the common strategic goals of policies, which will contribute to strengthening their coordination, in particular by developing an appropriate strategy; the development of a financial toolkit for prevention and response, within the framework of which policy instruments are used together, in particular by improving the traditional practice of applying macroprudential measures; strengthening the independence of state institutions that ensure the formation and implementation of fiscal and monetary policy by continuing institutional and legislative reforms in the relevant areas.

Keywords: fiscal policy, monetary policy, martial law, budget, expenditures, debt, price stability.

синергія інструментарію політик у контексті забезпечення боргової стійкості та зниження фіскальних ризиків; обґрунтування спільних стратегічних цілей політик, що сприятиме посиленню їх координації, зокрема шляхом розроблення відповідної стратегії; розвиток фінансового інструментарію із запобігання і реагування, в рамках яких інструменти політик застосовуються разом, наприклад завдяки удосконаленню традиційної практики застосування макропруденційних заходів; зміцнення незалежності державних інституцій, що забезпечують формування та реалізують фіскальну і монетарну політики шляхом продовження інституційних та законодавчих реформ у відповідних сферах.

Ключові слова: фіскальна політика, монетарна політика, воєнний стан, бюджет, видатки, борг, цінова стабільність.

JEL Classification: E50, E52, H32, O23.

Introduction

In conditions of uncertainty, society faces the task of reforming the financial system and its components, while modernizing the state financial mechanism, financial policy tools and its components in order to ensure macroeconomic stability (Demyanishin, 2021; Horyn, 2020). Large-scale military operations in Ukraine cause new challenges, intensifying the issue of researching financial instruments and finding ways to strengthen the coordination of fiscal and monetary policies, which will contribute to ensuring macroeconomic stability. Ukrainian and foreign researchers are dealing with the problem of strengthening the coordination of fiscal and monetary policies. The question of the influence of fiscal and monetary policies on macroeconomic stability and the possibility of attracting direct foreign investment is disclosed in the works of Ferreira de Mendonça, Tiberto, 2024; Seelajaroen et al., 2020; Michaud & Rothert, 2018.

Strengthening coordination between the central bank and public administration bodies, increasing trust in these institutions contributes to the improvement of the investment climate; the quality level of implementation of relevant policies is a significant driver of internal flows of foreign direct investment (Ferreira de Mendonça & Tiberto, 2024). Lack of trust in the central bank reduces its ability to effectively use monetary policy tools to stabilize the economy (Seelajaroen et al., 2020). Balanced fiscal policy, which avoids the accumulation of unacceptable levels of public debt, can stimulate investment. On the other hand, an insufficiently justified fiscal policy leads to the instability of financial flows and the reduction of capital inflows (Michaud & Rothert, 2018; Cavallo, 2019).

Zymovets's monograph (2010) is devoted to the study of the financial policy of Ukraine in the context of strengthening the relationship between

fiscal and monetary policies. The researcher notes that fiscal and monetary policies should be subordinated to a common strategic goal that will contribute to the sustainable growth of a socially inclusive economy. Vavdiuk, Koretska, Galushchak (2019) point out that the multi-directional toolkit of fiscal and monetary policies is not aimed at stabilizing economic indicators. It is substantiated that monetary policy is more effective when it is implemented by an independent central bank. It is important that public authorities delegate the authority to formulate and implement monetary policy to an independent public financial institution (Svensson, 2018). At the same time, it is determined that in the conditions of the strengthening of crisis processes, coordination between state authorities and the National Bank in the context of attracting external financing should be strengthened, since under these conditions, the main financial resource is not taxes, but loans, grants and financial aid (Danylyshyn, 2018; Danylyshyn, 2024).

In connection with the dynamic changes in the institutional environment taking place in the economy of Ukraine, it is necessary to constantly increase the effectiveness of the tools of fiscal and monetary policies, to strengthen their role in ensuring macroeconomic stability and improving the well-being of citizens (Nikiforova, Tkachuk, 2020; Kovalenko, 2019). An important condition for strengthening the coordination of fiscal and monetary policies is the development of a strategy that takes into account the institutional components of these policies, the opportunities and threats of the internal and external financial and economic environment (Chugunov, Makohon, 2019). To strengthen the processes of economic integration, it is necessary to increase the quality level of fiscal and monetary institutions, while it is advisable to implement the policy of progressive fiscal consolidation with a reduction in the influence of fiscal dominance, which will contribute to increasing the level of effectiveness of the inflation targeting regime (Chugunov et al., 2019).

At this stage of the development of public relations, the study of issues related to the use of green instruments of fiscal and monetary policies has been updated. Features of the use of the appropriate toolkit are disclosed in the works of Ramlogan, Nelson, 2023; Chishti et al., 2021. Researchers Ramlogan and Nelson (2023) note that, due to the introduction of green instruments of fiscal and monetary policies, it is possible to significantly reduce the level of environmental pollution and contribute to adaptation to climate change and, accordingly, mitigation of its consequences.

Paying tribute to the scientific achievements of scientists in the relevant field, it should be noted the insufficient level of attention paid to the assessment of fiscal and monetary policies precisely in the conditions of increased uncertainty. Large-scale military actions on the territory of Ukraine require the development of new and improvement of the existing tools of fiscal and monetary policies, strengthening of their coordination. The aim of the research is to justify directions for strengthening the coordination of fiscal

and monetary policies of Ukraine. It is hypothesized that the level of fiscal and monetary policy coordination determines the country's ability to ensure macroeconomic stability. Accordingly, strengthening the coordination of fiscal and monetary policies will contribute to its provision.

To achieve the aim of the research, a complex of special and general scientific methods was used, such as: a systematic approach, with the aim of identifying key challenges for fiscal and monetary policy and determining directions for ensuring macroeconomic stability; theoretical generalization, disclosure of the content of approaches to fiscal and monetary policy, directions of their coordination; inductions and deductions – establishment and assessment of interdependencies between fiscal and monetary policy; statistical and grouping – for the analysis of indicators of fiscal and monetary policies; scientific abstraction, to substantiate the conclusions of the conducted research.

The main part of the article consists of three parts, in which the principles of coordination of fiscal and monetary policies are consistently considered, the peculiarities of their coordination in countries with developed and transformational economies are analyzed, and directions for strengthening the coordination of fiscal and monetary policies of Ukraine are highlighted.

1. Principles of fiscal and monetary policy coordination

The strategic goal of state institutions that ensure the formation and implementation of fiscal and monetary policies is to achieve macroeconomic stability as a necessary prerequisite for the sustainable growth of a socially inclusive economy. However, each of the state institutions uses its tools in the process of solving the assigned tasks. The combinatorial toolkit of the mutual influence of fiscal and monetary policies on economic processes and on each other depends on the characteristics of the economic environment, the volatility of economic dynamics, the structure of state and guaranteed state debt, access to the international market of financial resources, etc.

State authorities determine the principles of the formation and implementation of fiscal policy, in particular regarding the optimal level of taxes and public expenditures. The central bank, as a monetary regulator, determines monetary policy by setting interest rates. Accordingly, coordinated decisions of these institutions provide an opportunity to ensure macroeconomic stability and reduce imbalances in the economy.

Forming fiscal policy, state authorities ensure redistribution of public wealth, satisfaction of social and economic interests of members of society, and increase in welfare. At the same time, it is important not to exceed the acceptable level of budget deficit and public debt in the context of solving the set tasks. Public debt, on the one hand, stimulates and limits the actions of public authorities, on the other hand, through it; the decisions of the central

bank in the context of management through monetary instruments affect the stability of public finances. Accordingly, the public debt is a compatible link that combines and determines the interaction of fiscal and monetary policies.

The implementation of a tight monetary policy can cause the emergence and strengthening of problematic issues in the field of fiscal regulation, as it leads to an increase in the cost of servicing the public debt and slows down the pace of economic growth. The strengthening of the national currency due to the increase in interest rates can have a positive effect on the public debt, especially in foreign currency. The implementation of a soft fiscal policy leads to the growth of public debt and the acceleration of inflationary processes. This increases the risks of not achieving inflation targets. A significant increase in the state debt in the future leads to the strengthening of problematic issues regarding its maintenance, taking loans by the state administration bodies from the national bank for the purpose of financing the budget deficit and forced emission. Under such conditions, the pressure of debt obligations on the balance sheet of the central bank increases, while monetary policy is aimed at minimizing the cost of servicing the public debt.

Thus, solving the problems of fiscal and monetary policy depends not only on the effectiveness of one's own policy tools, but also on the validity of another. In particular, failure, to take into account the basic principles of monetary policy by state authorities, leads to a decrease in the effectiveness of its tools, prevents the achievement of price stability and containment of inflationary processes. At the same time, the revival of inflationary processes complicates the achievement of fiscal goals. Achieving macroeconomic stability as a necessary prerequisite for the sustainable growth of a socially inclusive economy requires the coordination of actions between state institutions that ensure the formation and implementation of fiscal and monetary policies.

2. Peculiarities of fiscal and monetary policy coordination in countries with developed and transformational economies

In countries with developed and transformational economies, different approaches to coordination of fiscal and monetary policies are distinguished. At the same time, in the vast majority of countries, the coordination of fiscal and monetary policies is mostly ensured through the application of the inflation targeting regime.

The inflation targeting regime in the process of implementing monetary policy means, on the one hand, evading the fixed exchange rate regime, and on the other hand, the use of classical monetary instruments: the base rate, market operations and macroprudential regulations. When applying the base rate, the effect of the transmission mechanism of the interest channel on inflation is strongly limited by uncontrolled factors of

price growth in the form of import inflation and fiscal incentives, as well as permanently high price expectations among economic agents. This may arise in connection with structural problems of the economy: a significant level of dependence of the country's export revenues on the sale of raw materials and a significant share of the imported component in consumption. Price expectations can be related to systematic exchange rate fluctuations that affect devaluation expectations. Due to the insufficient level of flexibility of the toolkit of minimum reserve requirements, the central bank is used by the banking system occasionally and quite often the expected and perceived inflation in countries with a transformation economy exceeds the level of official price growth.

The implementation of a countercyclical fiscal policy stimulates the economy, taking into account the cyclicity of economic processes. At the same time, the soft fiscal policy causes the national bank to increase the discount rate and increase the costs of servicing the public debt. This motivates to carry out fiscal consolidation, reduce expenses and look for additional sources of filling the revenue part of the budget. At the same time, in the conditions of recession, the state administration bodies increase the budget deficit in order to stimulate the rate of economic growth.

In countries with a transformational economy, the stability of state institutions is quite low, accordingly, in the process of policy coordination, the level of intervention of public administration bodies in the policy of the central bank increases. In the structure of public debt, debt denominated in foreign currency mostly prevails, which increases vulnerability to changes in the exchange rate, and there are significant differences in the correlation between inflation and economic growth rates. An economic recession is mostly accompanied by a devaluation of the exchange rate and a revival of inflationary processes, while in countries with a developed economy is deflation.

At this stage, significant amounts of public debt and public budget deficits in countries with a transformational economy lead to the use of the "fiscal dominance" approach, which increases inflationary processes, increases the cost of borrowing and the volatility of cyclical economic development. At the same time, the issue of finding a financial and budgetary toolkit aimed at ensuring the implementation of an effective, independent monetary policy and avoiding fiscal dominance arose. In countries with developed economies, coordination of fiscal and monetary policies involves constant monitoring and exchange of information between relevant state institutions, which allows the central bank to achieve inflation targets and influence the money supply.

Thus, in countries with a transformational economy, approaches to coordination of fiscal and monetary policies often consist in ensuring the interests of some state institutions by others. Accordingly, the approach of "fiscal dominance" and subordination of the Central Bank to state

administration bodies is implemented. The application of the "fiscal dominance" approach quite often increases the risks of a significant increase in the budget deficit and currency risks under the conditions of a significant share in the structure of the state debt of debt obligations denominated in foreign currency, which increases the vulnerability to changes in the exchange rate.

3. Directions for strengthening fiscal and monetary policy coordination in Ukraine

Ukraine has extensive experience in implementing a soft fiscal policy and at the same time a stimulating monetary policy under a fixed exchange rate. This led to the strengthening of macroeconomic imbalances and crisis processes in the field of financial and economic relations, as it created an illusion of financial stability, which stimulated the accumulation of debts, in particular those denominated in foreign currency. At the same time, the strengthening of exogenous and endogenous factors caused negative changes in the financial and budgetary sphere and a decrease in the ability to face challenges. The limitation of market financing intensified devaluation processes and reduced the effectiveness of monetary policy tools. Accordingly, the question of finding an effective toolkit of both fiscal and monetary policy, strengthening coordination between them is relevant throughout the entire period of formation of Ukraine as an independent state.

The problem of coordination of fiscal and monetary policies was most fully manifested in the conditions of the monetary strategy of inflation targeting. At the same time, the target inflation rate was set jointly by state authorities and the National Bank, which required their close cooperation.

The transition to the application of the inflation targeting regime in Ukraine was carried out in 2016. In order to increase the level of transparency of monetary policy, a Road Map was developed, which defines the tasks of the National Bank to create the necessary conditions for the effective application of the inflation targeting regime. In particular, actions to ensure the strengthening of coordination of state authorities with the National Bank and the International Monetary Fund have been determined (NBU, 2016).

The decision of the Council of the National Bank of Ukraine dated December 21, 2016 regarding the "Basic principles of monetary policy for 2017 and the medium-term perspective" (NBU Council, 2016) established inflation targeting as a monetary policy regime. According to the "Basic principles of monetary policy for 2018 and the medium-term perspective", it is determined that the inflation targeting regime contributes not only to the stabilization of inflationary processes, but also to the stimulation of economic growth rates (NBU Council, 2017). In 2019–2021, in accordance with the basic principles of monetary policy, the policy of targeting inflation and maintaining a floating exchange rate was continued; accordingly, monetary

policy was not aimed at achieving a certain level of the exchange rate, which did not exclude the possibility of conducting currency interventions in order to accumulate international reserves (NBU Council, 2018).

Large-scale military activities in Ukraine, which began with the invasion of the Russian army on February 24, 2022, led to the transition to the implementation of a prudent fiscal and eclectic monetary policy, which involves the use of combinatorial monetary instruments depending on the circumstances. In order to increase the flexibility of policies, amendments were made to the Regulation on State Registration of Regulatory Acts of Ministries and Other Executive Authorities, according to which it is determined that "in urgent cases related to the introduction of martial law in Ukraine or in some of its localities, which require an immediate decision, the subject of rule-making may issue the relevant normative-legal act without coordination with the subjects of rule-making and/or with other interested bodies, except for normative-legal acts related to budget receipts and/or expenditures subject to agreement with the Ministry of Finance" (CMU Resolution No. 172, 2022). At the same time, the following were strengthened: cooperation between state authorities and the National Bank in the context of attracting external financing from partner countries and international organizations; economic pressure on the aggressor country, in particular through the introduction of financial sanctions.

In April 2022, the "Basic Principles of Monetary and Credit Policy for the Period of Martial Law" was approved (NBU Council, 2022). It was determined that in the conditions of martial law, the primary task is to ensure the needs of the security and defense sector, the uninterrupted functioning of critical infrastructure facilities and the state finance system. Increasing uncertainty in the context of large-scale military operations makes it impossible to implement the monetary strategy of targeting inflation. It is envisaged to strengthen the flexibility of monetary policy and its adaptability to socio-economic processes, the use of anti-crisis measures, the development of financial instruments for prevention and response with the aim of improving the traditional practice of applying macroprudential measures, maintaining the appropriate level of liquidity of the banking system, and introducing administrative restrictions on the movement of capital.

It was determined that the National Bank, in the event of an urgent need to ensure the uninterrupted functioning of the state finance system, can provide financial support to the State Budget of Ukraine by purchasing securities of state authorities of Ukraine on the primary market. Taking into account the risks of monetizing the deficit of the State Budget of Ukraine, the need to finance only critical budget expenditures in limited amounts has been determined. In 2022, internal government loan bonds (IGLB) in circulation, by the amount of the principal debt of the National Bank, amounted to UAH 704.5 billion (*Table 1*).

Table 1

The structure of IGLB in circulation, by the amount of the principal debt, %

Year	NBU		Banks	Legal entities	Local communities	Natural persons	Nonresidents	
	UAH billion	% of GDP						% in the structure of state domestic bonds
2022	704.5	13.45	34.73	51.12	7.72	0.13	2.16	4.15
2023	690.0	–	41.30	43.90	8.69	0.12	3.26	2.73
2024	685.0	–	41.19	43.16	9.26	0.13	3.57	2.70

Source: Authors' calculations based on data from the NBU, n.d.

In 2022, in order to ensure the sustainability of the public finance system under martial law, the NBU promptly transferred part of the distributable profit to the State Budget of Ukraine based on the results of the previous year. At the same time, during the period under review, a decrease in the share of relevant funds in the structure of both non-tax revenues of the state budget and revenues in general was observed (*Table 2*).

Table 2

Funds transferred by the NBU to the State Budget of Ukraine in accordance with the Law of Ukraine On the National Bank of Ukraine, UAH billion

Indicators	2015	2016	2017	2018	2019	2020	2021	2022
Funds transferred by the National Bank of Ukraine	61.8	38.2	44.4	44.6	64.9	42.7	24.4	18.8
Non-tax revenues of the state budget	120.0	103.6	128.6	164.7	186.8	213.0	175.4	346.6
Share of funds transferred by the NBU in non-tax revenues, %.	51.50	36.82	34.51	27.09	34.75	20.06	13.93	5.42
State budget revenues	534.7	616.3	793.4	928.1	998.3	1076.0	1296.9	1787.7
Share of funds transferred by the NBU in revenues, %.	11.56	6.19	5.59	4.81	6.50	3.97	1.88	1.05

Source: Authors' calculations based on data from the Ministry of Finance, n.d.; NBU, n.d.

In order to stabilize inflation expectations and reduce the risk of adverse secondary effects associated with the weakening of the exchange rate in June 2022, the discount rate was increased from 10% to 25%. At the same time, in 2023, the discount rate was reduced to 22% in July, 20% in September, 16% in October, and 15% in December. In the future, it is expected to loosen exchange control and move to a more flexible exchange rate. Easing price controls and increasing the consistency of monetary policy with fiscal policy measures will support the operation of the transmission mechanism and help contain inflation. In the future, the recovery of economic growth is predicted, but the risks of a decrease in the forecast indicator remain significant. According to forecasts, the level of economic growth will be 3.6% in 2024, 5.8% in 2025, and 4.5% in 2026. The consumer price index (at the end of the period) is 8.6% in 2024, 5.8% in 2025, and 5% in 2026 (NBU Board, 2024). At the same time, the intensification of military operations may lead to a decrease in the rate of economic growth, significant inflation and social tension.

A significant problem of ensuring macroeconomic stability in Ukraine is the presence of a constant positive fiscal impulse, which causes a number of negative externalities. In particular, the dynamics of the state debt and expenditures of the State Budget of Ukraine for 1992–2023 are characterized by almost constant growth. During the martial law, the share of expenditures of the State Budget of Ukraine, state and guaranteed state debt in GDP increased significantly. Approaches to budget expenditures and debt borrowing have been changed accordingly. The task of increasing the degree of validity of the indicators characterizing the level of financial sustainability of the budget, and strengthening financial and budgetary discipline have become important. In order to optimize the procedure for making expenditures from the state budget, economical and rational use of budget funds, improvement of approaches to determining the effectiveness of budget programs and strengthening the transparency of the budget process, the "Methodical recommendations on the formation of budget programs by the main managers of state budget funds" was adopted (Order of the Ministry of Finance of Ukraine No. 465, 2023). In particular, the requirements for effective indicators and ensuring the interconnection of budget programs with strategic tasks of state policy are defined. The primary tasks of the fiscal policy, taking into account the limitation of own internal revenues and the fact that almost all of them are directed to the financing of the security and defense sector, are: attraction of external borrowings under the conditions of long-term preferential financing; increase in state grants; creation of conditions for the development of the internal capital market; activation of relations with investors and search for additional sources of budget financing. In particular, the peculiarities of taxation of banks have been changed. In accordance with the Law of Ukraine "On Amendments to the Tax Code of Ukraine Regarding the Specifics of Taxation of Banks and Other Taxpayers"

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(Law of Ukraine No. 3474-IX, 2023), the rates of bank income tax have been revised: in 2023, the establishment of an increased basic income tax rate is foreseen in the amount of 50% (in previous years, the rate was 18%); in 2024 – 25%; a ban has been imposed on the inclusion in 2023 of outstanding tax losses of previous years in the reduction of the object of taxation with the right to such inclusion, starting from the reporting periods of 2024 until they are fully repaid. In 2023, revenues from income tax of banking organizations, including branches of similar organizations located in Ukraine, amounted to UAH 14.2 billion (8.9% in the structure of revenues from corporate income tax).

The assessment of the index of consumer prices, state budget expenditures, state debt, and real GDP shows that the increases in state budget expenditures, state debt, and inflation have a negative impact on the rate of economic growth. A significant achievement of the fiscal and monetary policy of Ukraine is the provision of an acceptable level of public debt and a low level of inflation against the background of economic growth in the relevant periods. At the same time, in the conditions of financial and economic crisis, martial law, there is a significant drop in real GDP, increase in inflationary processes and increase in public debt (*Table 3*).

Table 3

Real GDP and the main indicators of fiscal and monetary policy

Period	State budget expenditures		State and guaranteed public debt		Real GDP, %	Consumer price index (to December of the previous year), %
	UAH billion	in % of GDP	UAH billion	in % of GDP		
1992–1996	8.9	30.50	10.0	41.49	86.16	2 535.68
1997–2001	27.9	19.74	65.1	47.60	101.92	116.24
2002–2006	86.0	22.07	79.5	23.96	107.46	108.36
2007–2011	259.0	25.00	300.3	28.67	100.96	112.98
2012–2016	498.2	27.69	1 140.5	60.61	97.24	116.18
2017	839.5	28.16	2 141.7	71.84	102.4	113.7
2018	985.9	27.69	2 168.4	60.91	103.5	109.8
2019	1 075.1	27.03	1 998.3	50.24	103.2	104.1
2020	1 288.1	30.51	2 551.9	60.44	96.2	105.0
2021	1 491.2	27.36	2 672.1	49.02	103.4	110.0
2017–2021	1 135.9	28.15	2 306.5	58.49	101.7	108.52
2022	2 705.7	51.65	4 075.5	77.79	71.2	126.6
2023	4 014.4	–	5 519.5	–	102.8	105.1
2022–2023	3360.1	–	4797.5	–	87.0	115.9

Source: calculated by the author based on data (Ministry of Finance, n.d.; NBU, n.d.).

In October 2023, the "Medium-term strategy of public debt management for 2024-2026" was adopted (Decision of the Cabinet of Ministers of Ukraine No. 1117, 2023). In accordance with this strategy, it is determined that the important task is to cover the financing needs in order to ensure spending on the security and defense sector and create conditions for the economic reconstruction of Ukraine. Achieving the specified goal involves increasing the efficiency of the mechanism for managing state and guaranteed state debt, optimizing its structure in terms of the ratio of servicing costs and risks in order to restore an acceptable level of debt burden, strengthening cooperation with international partners in order to obtain access to preferential external financing, which will contribute to ensuring fiscal and debt sustainability. Accordingly, in the medium term, the growth of public debt is expected. In particular, according to the forecasts of the International Monetary Fund, the share of the state and guaranteed state debt of Ukraine in the GDP in the medium term will exceed 100%, and payments for debt service will exceed 12% (Ilchenko, 2023).

Therefore, in order to ensure macroeconomic stability and protect the most vulnerable sections of the population, it is necessary to raise the quality level of the formation and implementation of financial policy components. Important tasks are: strengthening the adaptability of fiscal and monetary policies to economic processes, their flexibility to respond to crisis phenomena and support economic activity; application of anti-crisis measures, development of financial instruments for prevention and response to maintain the appropriate level of liquidity of the banking system; strengthening the system of risk-oriented banking supervision; improvement of the monetary transmission mechanism and, in general, the traditional practice of applying macroprudential measures.

An important role should be played by the study of the best global practice of coordinating fiscal and monetary policies in order to obtain a synergistic effect from their interaction. It is necessary to significantly increase the quality level of fiscal and monetary policy tools, which will actualize the development of an appropriate strategy, which will reflect the common strategic goals of the policies, which will contribute to strengthening their coordination. At the same time, the strategy of strengthening the coordination of fiscal and monetary policies should be based on the continuation of institutional and legislative reforms in the relevant areas. Given that increased hostilities could lead to significant inflation, a combination of eclectic monetary policy and prudent fiscal policy is necessary to curb inflation and restore reserves. It is necessary to improve the rules of access to information, to strengthen the independence of state institutions that ensure the formation and implementation of fiscal and monetary policy, taking into account the need to expand macroprudential measures and capital control tools. It is necessary to strengthen trust in state institutions, increase the effectiveness of the mechanism of managing state

and guaranteed state debt, and the quality of state spending. In order to curb domestic demand and inflation, it is expedient to further optimize government spending. It is expedient to increase the quality level of fiscal and monetary policies, strengthen their coordination in the context of ensuring debt sustainability, reduce fiscal risks, optimize the structure of public borrowing, taking into account rates, yield, term of their circulation and repayment currency.

Conclusions

The study results of approaches to the coordination of fiscal and monetary policies indicate that the level of their coordination affects the country's ability to ensure macroeconomic stability. The toolkit of fiscal and monetary policy must be considered in an inseparable unity, taking into account the synergistic effect of ensuring macroeconomic stability, which cannot be achieved exclusively by the tools of only one of the policies. The main directions of strengthening the coordination of the fiscal and monetary policies of Ukraine at this stage include: the combination of tools typical of both areas of implementation of fiscal and monetary policies, strengthening its flexibility and adaptability to socio-economic processes; synergy of fiscal and monetary policy instruments in the context of ensuring debt sustainability and reducing fiscal risks; substantiation of common strategic goals of fiscal and monetary policies, which will contribute to strengthening their coordination, in particular by developing an appropriate strategy; the development of financial tools for prevention and response, within which fiscal and monetary policy tools are used together, in particular by improving the traditional practice of applying macroprudential measures; strengthening the independence of state institutions that ensure the formation and implementation of fiscal and monetary policy through the continuation of institutional and legislative reforms in the relevant areas.

Strengthening the coordination of fiscal and monetary policies in Ukraine is a complex and multifaceted problem that requires significant efforts of both state institutions that ensure the formation and implementation of fiscal and monetary policies, as well as the international community. Sound fiscal and monetary policies will contribute to ensuring macroeconomic stability and post-war recovery of Ukraine. At the same time, the post-war recovery of Ukraine involves the implementation of a complex of fiscal and monetary policy measures, increasing the level of effectiveness of their tools. Prospects for further scientific research consist in the formation of the main directions of raising the quality level and strengthening the coordination of fiscal and monetary policies, in particular in the context of ensuring debt sustainability and reducing fiscal risks.

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The author received no direct funding for this study.

Makohon V. Coordination of fiscal and monetary policy in Ukraine. *Scientia fructuosa*. 2024. № 2. S. 4-19. [https://doi.org/10.31617/1.2024\(154\)01](https://doi.org/10.31617/1.2024(154)01).

Received by the editorial office 02.02.2024.

Sent after revision 16.02.2024.

Accepted for printing 23.02.2024.

Published online 11.04.2024.