

UDC 339.7:336

**Diana Zavadska**

*Doctor of Economics, Associate Professor of Banking Department,  
Odessa National Economic University (Ukraine)*

### PROBLEMS OF INTERNATIONAL LENDING OF UKRAINE'S ECONOMY

**JEL classification:** F340; G210

In the current conditions of innovation development in Ukraine, issues related to the expansion of funding for innovative projects of national importance, which are formed and implemented in priority areas to address systemic problems in the socio-economic development of the country, become especially relevant. In the long run, they will ensure sustainable economic growth and economic diversification. The transition to an innovative model of Ukraine's development is ensured by measures of modernization of economy, import substitution, and active integration into the world economic space. This requires significant investment. Ukraine is in such a financial and economic situation that one of the instruments to get out of it, along with the rigorous implementation of reforms, can only be fruitful cooperation with international financial organizations. At the same time, the format of such cooperation should be based solely on the national interests of the country.

Ukraine is a member of such international financial and lending organizations as the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, and the European Investment Bank. It is these institutions that are actively operating to provide financial, technical assistance and lending. In addition, Ukraine cooperates with other international financial organizations, whose functions include financing economic development and supporting innovation and investment activities of regional economies. The existing models of financing the industrial development of Ukraine's economy with the participation of international financial organizations are given in Fig. 1.

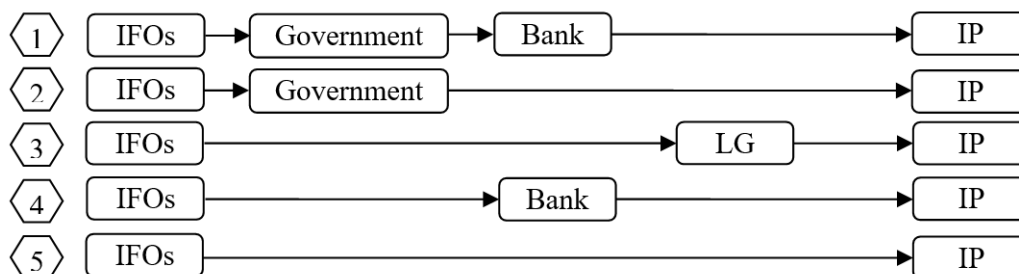


Fig. 1. Schemes of financing industrial development in Ukraine with the participation of international financial organizations\*

*Source: compiled according to the data [1; 2]*

\* IFOs – International financial organizations; LG – Local governments; IP – investment or innovation programs and projects, enterprises.

For example, consider the models of financing with the participation of banks.

Given that the National Bank of Ukraine does not analyze the participation of banks in external financing processes, the data of the Ministry of Economic Development and Trade and the Ministry of Finance of Ukraine were used in the study. Among the total number of donor support programs and projects for the formation of effective industrial policy in Ukraine, it is possible to assess the participation of banks in the implementation of the Strategy for Small and Medium Business Development.

Thus, the Eastern Partnership implements several flagship initiatives aimed at promoting the development of small and medium-sized enterprises, energy, environment, emergencies, integrated border management and sustainable municipal development. According to these initiatives, donor support is provided for the innovative development of the European Union, in particular at the expense of international financial organizations. According to the Strategic Assistance Program of the European Union to Ukraine, the development of SME enterprises belongs to sector 2 “Economic development and market development, including private sector development and business climate improvement”.

The main initiators of the program are the European Bank for Reconstruction and Development with funding from the European Union, the Swedish and US governments, the European Investment Bank, Kreditanstalt für Wiederaufbau, the German-Ukrainian Fund, the WNISEF direct investment fund established by the US Agency for International Development (USAID), the European Investment Fund and the European Union. The partner banks in the external financing schemes are Oschadbank JSC, Ukreximbank JSC, UkrGasBank PJSC, Raiffeisen Bank Aval JSC, Ukrsibbank JSC, Megabank JSC, ProCredit Bank JSC, Kredobank JSC and Creditvest Bank JSC.

According to the analysis of the above flagship initiatives, we will identify the main problems:

1. Potential opportunities for cooperation between international financial organizations and state-owned banks in terms of financing innovative development in Ukraine are not implemented.

First, among the presented number of lending programs for SMEs, only one is aimed at supporting enterprises that are focused on innovative development (investing in new technologies). The initiators of the program are the European Investment Fund and the European Union (InnoFin EU Finance for innovators program). Secondly, according to the experience of leading countries, the function of cooperation with international financial organizations to attract sponsors is entrusted to the state bank, the Bank of Development, as one of the main partners in the country, the organizer of financing national projects. The participation of the Bank of Development in the processes of lending to industrial development envisages a radical increase in the efficiency of the use of loans from international financial organizations and the prevention of their rise in cost for Ukrainian enterprises. That is, financing the reduction of loans cost through the Bank of Development for priority industries is equated to protected budget expenditures and cannot be reduced. This helps to increase investors' confidence in the consistency of national policy.

In Ukraine, the Bank of Development has not been established yet. Control over the implementation of state programs for affordable lending to SMEs from January 11, 2020 is entrusted to the “Fund for Entrepreneurship Development”.

2. Institutional unpreparedness of domestic economic agents, in particular banks, to participate in the implementation of an innovative model of economic development.

Areas of institutional support of Ukraine's competitiveness related to ensuring economic growth in industry (introduction of modern innovative industrial technologies), increasing the innovation component and modernization of industry (conducting research and development in priority areas of science and technology, modernization of the industrial sector) are not marked as the priority ones for financing by International Financial Organizations in Ukraine. Therefore, the search for financing both domestically and abroad remains a topical issue.

### **References**

1. *Пріоритети допомоги ЄС Україні : взаємовигідний рух назустріч* / Громадська організація «Інститут економічних досліджень та політичних консультацій». URL: [http://www.ier.com.ua/files/publications/Books/2018/IER\\_Priority\\_reform\\_report\\_6.07.2018\\_1.pdf](http://www.ier.com.ua/files/publications/Books/2018/IER_Priority_reform_report_6.07.2018_1.pdf) (дата звернення: 18.02.2021).
2. *The mechanisms of financing energy efficiency projects in Ukraine*. IFC, 2017. 69 p. URL: [https://www.energy-community.org/dam/jcr:feab9576-867d-4998-8714-047a046e5d7f/EECG\\_042017\\_UNDP\\_Mechanisms.pdf](https://www.energy-community.org/dam/jcr:feab9576-867d-4998-8714-047a046e5d7f/EECG_042017_UNDP_Mechanisms.pdf) (access date: 18.02.2021).