Center of Public Finance and Governance
at Kyiv School of Economics

KSE | Institute



State Debt Review 2024

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Summary

In 2024, the dynamics of public debt were influenced by new external borrowings and international financial support, ongoing domestic debt issuance, and the effective restructuring of prior obligations. Over the year, total state and state-guaranteed debt rose by 14.3% ($20.8 billion), reaching $166.1 billion. This growth was primarily driven by external debt, which grew by 21.2% ($20.1 billion) to $114.9 billion (Fig. 1). Domestic debt grew at a more moderate pace of 6% ($2.5 billion) to reach a total of $44.3 billion.

External borrowing was crucial for maintaining Ukraine's macroeconomic and fiscal stability in 2024, with gross external loans totaling $31 billion. The EU led as the largest creditor, channeling $14.2 billion through the Ukraine Facility program. The IMF contributed $5.3 billion via the EFF program, while the World Bank extended $3.3 billion through the PEACE project, supporting key public services.

The increased reliance on external borrowings also affected the currency composition of the public debt. The share of debt denominated in foreign currency (FX) rose from 73% in 2023 to 75% in 2024 (Fig. 2). Specifically, 33% of the debt was denominated in euros, while 27% was denominated in US dollars.

Fig.1. State and State Guaranteed Debt Dynamics, $ billion

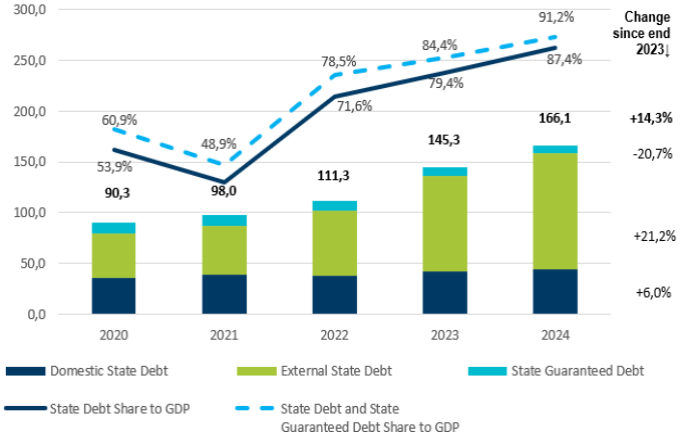
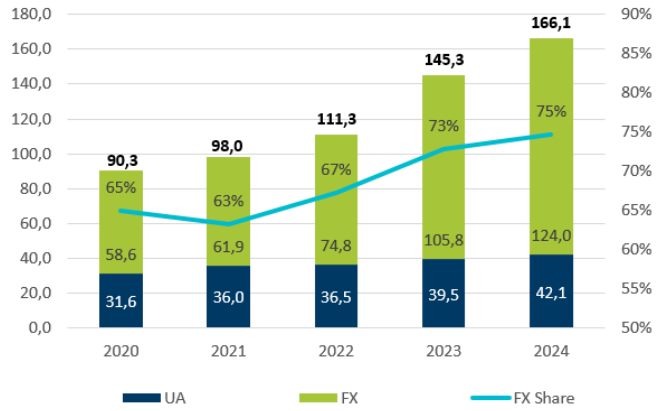


Fig. 2. State and State Guaranteed Debt, Currency Structure and Share of FX Debt



Source: Ministry of Finance, KSE Institute

Domestic borrowing supported Ukraine's budget financing, compensating external financing programs restrictions in 2024. Net inflows from bond placements reached $6.3 billion, with $15.9 billion gross issued and $9.6 billion redeemed, resulting in a 155% rollover rate. Key policy actions by the NBU and Ministry of Finance boosted demand, letting banks cover more reserve requirements with benchmark bonds and lowering deposit rates.

The increase in borrowings, as a consequence of higher defense expenditures and corresponding budget needs, led to the rise of state and state-guaranteed debt to 91.2% of the GDP — the highest level recorded in the past decade. About 67% of the debt carries fixed rates.

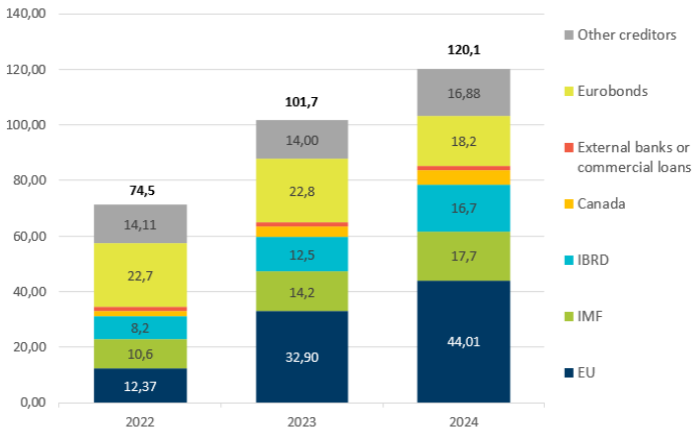
2025 continued the trend of rising state debt observed in 2024. Additionally, given the significant share of debt denominated in euros, the currency effect resulting from the euro's appreciation against the U.S. dollar in Q1 2025 was one of the key factors driving debt growth in 2025. Among the main risks emerging in 2025 is the unresolved issue of restructuring the debt related to the 2014 GDP warrants.

The increase in Ukraine's state debt is expected to continue through 2025–2028. The government will continue to rely on international borrowing, focusing on deepening cooperation with global partners and securing concessional loans, while gradually using domestic borrowing primarily for refinancing existing internal debt. However, additional loan-based military aid could raise debt further, posing fiscal risks. Active debt management and restructuring of contingent GDP-linked warrants remain key strategies to ensure sustainability. KSE Institute forecasts debt will stabilize and decline to about 91% of GDP by 2028 after hostilities end.

External Debt

External borrowing played a key role in maintaining macroeconomic and fiscal stability in 2024. Gross external borrowings in 2024 amounted to $31 billion (compared to $31.5 billion in 2023). In 2024, Ukraine received the most funds in the form of loans from EU, IMF, World Bank (Fig. 3).

Figure 3. External Debt Dynamics, $ billion



Source: Ministry of Finance, KSE Institute

In 2024, the European Union emerged as Ukraine's largest creditor, providing substantial financial support through the Ukraine Facility program. Approved by the European Parliament in February 2024, the Ukraine Facility is a €50 billion financial package spanning 2024–2027 that is made up of three components: direct budget support amounting to €38.3 billion (including €33 billion in loans and €5.3 billion in grants); a special investment instrument for risk coverage in priority sectors totaling €6.97 billion; and technical assistance for reforms and interest payments on loans, including previous ones, of €4.8 billion. The program encompasses over 150 indicators across 69 reform areas planned through 2027. In March 2024, Ukraine received the first payment of €4.5 billion. In total, Ukraine received $14.2 billion under the program in 2024.

The IMF also remained a major creditor last year, providing $5.3 billion to meet Ukraine's financial needs (IMF net financing in 2024 was $2.9 billion). In March 2023, Ukrainian authorities and the IMF reached an agreement on a new 4-year Extended Fund Facility (EFF) program. In 2024, Ukraine received three main tranches from the IMF as a result of reviews of the program in June, October, and December.

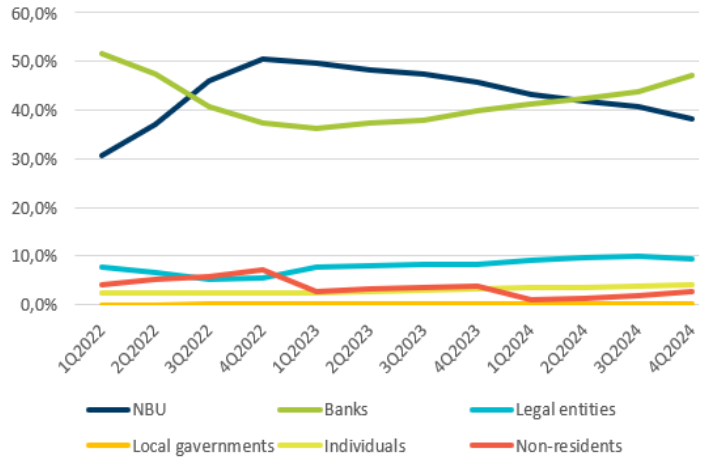
In 2024, Ukraine received a $3.3 billion loan from the World Bank under the PEACE project. The Public Expenditures for Administrative Capacity Endurance (PEACE) project is the World Bank's primary financial instrument, financed by the United States and other development partners, to support Ukraine during the ongoing conflict. It provides rapid and predictable funding to sustain critical government services, including social protection, healthcare, education, and emergency response.

Domestic Debt

Ukrainian domestic government bonds were an important source of budget financing throughout 2024. Due to the limited capacity for external borrowing to fund military expenses—partly because of restrictions and extra conditions attached to concessional loans—the importance of domestic government bonds continues to increase. According to the results for 2024, the net inflow to the budget from domestic government bond placements amounted to $6.3 billion. Through 2024, the Ministry of Finance raised a gross amount of $15.9 billion via domestic government bonds and redeemed $9.6 billion, resulting in a system-wide rollover rate of 155% in all currencies.

Active mobilization of domestic borrowing and the development of the domestic debt market are the result of targeted policies implemented by the NBU and MoF. By the end of the year, the maximum yield on domestic government debt securities offered through auctions was 16.5% per annum for hryvnia-denominated bonds. The NBU lowered yields on certificates of deposit, reducing deposit rates from 16.5% to 15.5%, and adjusted its mandatory reserve requirement policy to enhance liquidity management by banks. Effective from October 11, 2024, the NBU increased the proportion of mandatory reserves that banks can cover with benchmark domestic government bonds from 50% to 60%. This adjustment was accompanied by an expansion of the list of eligible benchmark domestic government bonds. By allowing banks to cover a larger share of their reserve requirements with these benchmark government bonds, the NBU aims to stimulate greater demand for them at auctions, thereby supporting the government's objective of financing the state budget without additional inflationary pressure.

Figure 4: Domestic bond holdings, % total



Source: Ministry of Finance, KSE Institute

Such changes have also been reflected in the structure of investors. In 2024, domestic banks significantly increased their exposure by reallocating reserves into benchmark bonds—facilitated by regulatory changes—and have since largely stabilized their holdings, now representing the largest share among bondholders. There has also been a continued drop in the amount of domestic government bonds held by non-residents, showing that investors remain cautious during the war (Fig. 4).

An additional area of expansion involved engaging businesses and individuals, particularly in the purchase of military government bonds. As of January 1, 2025, the total holdings of war bonds by both individuals and legal entities reached $4.3 billion equivalent, an almost twofold increase from January 1, 2024 ($2.3 billion).

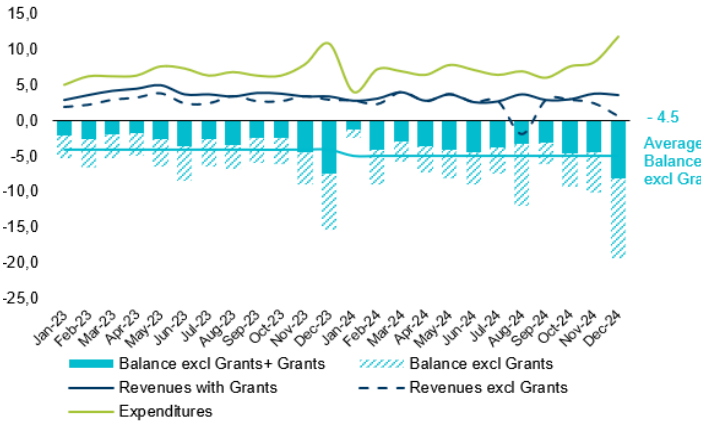
State Guaranteed Debt

The state-guaranteed debt of Ukraine continued its gradual decline, falling from $8.7 billion at the end of 2023 to $6.9 billion by the end of 2024. The primary factors driving this reduction were a $1 billion decrease in debt owed under IMF loans and the successful restructuring of state-guaranteed eurobonds. In September 2024, Ukraine completed an exchange of one series of state-guaranteed eurobonds issued by Ukravtodor, amounting to $700 million. Other components of the guaranteed state debt also experienced a steady, albeit more moderate, decline over the same period.

Budget Financing

The deficit in 2024, including $11.8 billion in grants, amounted to $33.8 billion, which is 7.4% ($2.7 billion) lower than in the previous year. Excluding grants, the deficit stood at $45.6 billion, also lower than in 2023 ($48.3 billion). Budget revenues (excl. grants) increased by 7.8% to $66 billion in 2024 while expenditures expanded by 1.7% y-o-y, reaching $111.7 billion (Fig. 5). Defense spending remained the government's top priority, with defense sector allocations holding at $57.4 billion. Even excluding grants, the budget deficit was in line with the $46 billion planned in the initially enacted Law on State Budget for 2024. **In 2024, just 59% of budget expenditures**—totaling $111.7 billion—**were funded by domestic revenues,** not counting foreign grants as part of revenues. An additional 5.5% was financed internally through the issuance of domestic government bonds. The remaining needs were met by external sources: 26% came from foreign loans and 10.5% from grants.

Figure 5. State Budget Balance, $ billion



Source: Ministry of Finance, KSE Institute

International donor support remained a vital component of Ukraine's fiscal stability in 2024 (Fig. 5). The country secured $11.8 billion in external grants, underscoring the sustained commitment of global partners. In 2024, Ukraine received the largest share of its external grants from the United States, totaling $6.3 billion. Additionally, $4.7 billion was provided by the European Union, including support through the Ukraine Facility program. Other notable contributors included Japan ($772 million) and Norway ($295 million).

Country Credit Rating

On March 8, 2024, S&P Global Ratings lowered its FC long-term sovereign credit and issue ratings on Ukraine to 'CC' from 'CCC'. The outlook on the long-term sovereign FC rating is negative. At the same time, they affirmed their 'C' short-term FC rating and 'CCC+/C' LC long- and short-term sovereign credit ratings on the sovereign. The outlook on the long-term LC rating is stable. S&P affirmed Ukrainian national scale rating at 'uaBB' and transfer and convertibility assessment remains 'CCC+'. The negative outlook on the FC long-term rating reflects risks to Ukraine's commercial debt service, given the government's debt-restructuring plan.

On December 6, 2024, Fitch Ratings affirmed Ukraine's Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) at 'Restricted Default' (RD). Ukraine remains in the process of restructuring its external commercial debt. The organization explains this decrease by the fact that after the successful completion of its Eurobond debt exchange in September 2024, the government ordered temporary suspensions of payments on an external commercial loan, Ukrenergo's state-guaranteed Eurobond, and GDP warrants.

Debt Service

In September 2024, Ukraine successfully completed the restructuring and settlement of thirteen series of Eurobonds and one series of state-guaranteed Eurobonds issued by Ukravtodor. This transaction aimed to restore debt sustainability, maintain macro-financial stability, and increase state budget resources amid ongoing Russian military aggression. The restructuring process involved exchanging approximately $20.5 billion (around $24 billion including capitalized interest) of existing bonds for eight new series of Eurobonds with a nominal value of $15.2 billion. As a result, Ukraine's sovereign and sovereign-guaranteed debt was reduced by about $9 billion, representing a nominal debt reduction of 37%. This restructuring is one of the largest state debt write-offs in recent years. Debt service payments decreased by 93%, leading to savings of $11.4 billion over the next three years, while servicing and repayment costs until 2033 will decline by 77%, resulting in total savings of $22.8 billion. The agreement aligns with the IMF's debt sustainability objectives and was approved by Ukraine's creditor group. This restructuring significantly strengthens Ukraine's fiscal position during a period of heightened security and economic challenges.

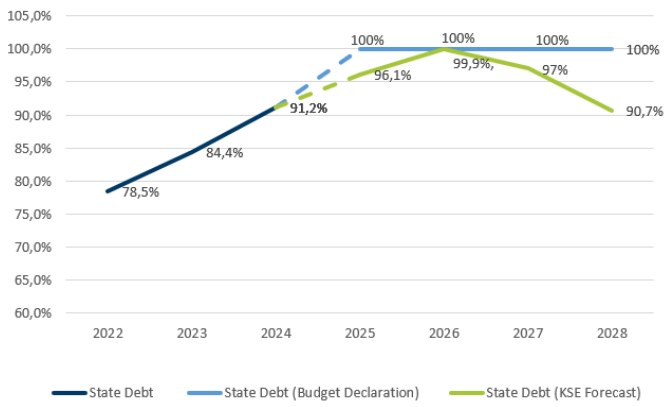
Ukraine spent 11.7% ($7.7 billion) of budget revenues (excluding grants) on interest payments for domestic and external state debt in 2024 (Table 2). Most of this amount ($5.2 billion) went into the servicing of domestic debt. The cost of domestic borrowing in 2024 was considerably higher than that of external borrowing—7.5% compared to 3.7%. This disparity can be attributed to the postponement of commercial debt payments, the highly concessional terms of newly secured external financing, and the elevated interest rate environment for the national currency. This also confirms the soundness of the government's intention to shape future debt policy by prioritizing the attraction of concessional external financing to maintain debt sustainability and enhance control. Such an approach minimizes debt servicing costs, reduces refinancing risks, and ensures greater predictability.

It was expected that Ukraine would spend 18.6% of GDP or $35.4 billion on the service (interest and principal payments) of the state debt in 2024. Most of it ($20.7 billion) was supposed to be paid for external debt, while $14.7 billion went to internal creditors. However, the state made no actual repayments on external commercial loans denominated in US dollars and euros, amounting to a total of $15.1 billion. Instead, new Eurobonds were issued in the same amount to exchange for the existing Eurobonds as part of the transaction, in accordance with Cabinet of Ministers Resolution No. 865 of July 31, 2024, "On transactions with state debt and state-guaranteed debt in 2024." The existing Eurobonds are considered redeemed as of the end of the year. **As a result, Ukraine spent 10.7% of GDP or $20.3 billion on the service (interest and principal payments) of the state debt in 2024, which is in line with spending amounts in previous years.**

Projections

The trend of increasing public debt is expected to continue in the medium term. According to the Law on the State Budget for 2025, the public and state-guaranteed debt is expected to amount to $195.6 billion. The Budget Declaration for 2026-2028 sets the target debt policy indicator in the medium term as maintaining the total debt-to-GDP ratio at a level not exceeding 100% of GDP. Therefore, the Government does not foresee a reduction in the level of public debt in the near term. The state budget financing is planned through both external and internal borrowings. Special attention will be focused on continuing cooperation with international partners and attracting long-term concessional financing. Some restrictions will also be implemented for obtaining state-guaranteed loans, which is likely to contribute to the continued trend of reducing the volume of state-guaranteed debt in the coming years (Fig. 6).

Figure 6. State Debt Forecast, % of GDP



Source: Ministry of Finance, KSE Institute

According to the KSE Institute Ukraine Macroeconomic Handbook, July 2025, state debt as a share of GDP is expected to rise further in 2025-26, reaching approximately 100%, before declining to 91% by the end of 2028. Thus, the KSE forecast expects a faster stabilization of the debt situation following the end of hostilities. However, if Ukraine's partners were to provide additional military support—which is critically needed by Ukraine—and it were granted in the form of loans, this could have an additional impact on the debt, significantly increasing its amount.

The issue of defense funding represents the greatest risk to the stability of the national debt. Defense and security spending in Ukraine has risen dramatically during the full-scale war. According to the KSE Institute's research on Critical Defense Funding Gaps During and After the War, defense and security spending needs will be at least ~$70 billion/year for the remainder of the war—but Ukraine will likely require $100 billion or more to maintain a sufficient military posture. While defense needs will remain high during and after the war, current commitments for foreign budgetary support indicate a sharp drop in disbursements in the coming years and a marked shift towards loans. Disbursements of $58.4 billion are planned in 2025, largely under the G7's ERA initiative and the EU's Ukraine Facility, which front-loaded disbursements. Financial support is set to decline sharply in the following years—to $18.4 billion in 2026, $14.9 billion in 2027, and $1.4 billion in 2028. In addition, assistance will almost entirely consist of loans (vs. grants) after 2025, which has negative implications for debt sustainability and means that debt service will increasingly crowd out other critical budget items, including defense spending. Ukraine's government debt has already increased dramatically during the war. Thus, for any future assistance schemes, it is critical to ensure that debt remains sustainable.

The policy of active debt management will be continued in the years ahead. A key feature of 2025 is the resolution of obligations related to GDP warrants issued in 2015. That year, Ukraine completed a successful sovereign debt restructuring totaling $15 billion, which included a partial 20% debt write-off. As part of this transaction, GDP-linked warrants were issued—i.e., debt instruments with payments contingent on the country's economic growth rates. The Ministry of Finance has initiated negotiations regarding the restructuring of payments under these instruments. However, to date, no agreement has been reached with creditors. A payment was scheduled for June 2, 2025, based on economic growth performance in 2023; nevertheless, pursuant to a government resolution dated August 27, 2024, a moratorium on payments related to these warrants has been imposed and will remain in effect until the completion of the restructuring process. Therefore, the state debt will also be contingent upon the resolution of issues related to these debt instruments. A successful restructuring will contribute significantly to a reduction in the debt burden over the medium to long term.

The Emergency Revenue Acceleration (ERA) Loans for Ukraine, a $50 billion financing program initiated by the G7 countries, will constitute a significant source of financial support in 2025-2027. This mechanism provides financing secured by guarantees from the frozen assets of the Central Bank of Russia. According to KSE projections, Ukraine is expected to receive $25.8 billion through this mechanism in 2025, including $22.8 billion in loans and $3 billion in grants—$19.9 billion from the EU (loans), $2.9 billion from the UK (loans), and $3 billion from the US (grants). These funds will cover 67.2% of the budget deficit (excluding grants). The remaining resources under the ERA mechanism are also expected to be disbursed in 2026 and 2027.

Table 1. State Debt and State Guaranteed Debt of Ukraine for the last 5 years, $ billion

Indicators	2020	2021	2022	2023	2024	% of Total	Change over 2024	Change, %
Total state debt and state guaranteed debt	*90.3*	*98.0*	*111.4*	*145.3*	*166.1*	*0*	*20.8*	*18.6*
State Debt	***79.9***	***86.6***	***101.6***	***136.6***	***159.2***	***100.0***	***22.6***	***16.5***
Domestic Debt	*35.4*	*39.0*	*38.0*	*41.8*	*44.32*	*27.8*	*2.5*	*6.0*
Government securities issued at the domestic market	*35.3*	*38.9*	*38.0*	*41.8*	*44.3*	*27.8*	*3.8*	*9.1*
in UAH	*30.4*	*34.5*	*34.9*	*38.4*	*40.5*	*25.4*	*2.1*	*5.4*
in FX	*4.9*	*4.3*	*3.0*	*3.4*	*3.8*	*2.4*	*0.5*	*13.7*
Other liabilities	*0.1*	*0.1*	*0.0*	*0.0*	*0*	*0.0*	*-0.0*	*0.0*
External Debt	*44.5*	*47.7*	*63.6*	*94.8*	*114.9*	*72.2*	*20.1*	*21.2*
IFO Loans and Bilateral loans	*19.0*	*22.9*	*39.3*	*70.5*	*95.2*	*59.8*	*24.7*	*35.1*
EU	*4.7*	*5.0*	*12.4*	*32.9*	*44.0*	*27.6*	*11.1*	*33.7*
IBRD	*5.3*	*6.2*	*7.8*	*12.0*	*16.2*	*10.2*	*4.2*	*35.0*
IMF	*6.0*	*8.8*	*10.6*	*14.2*	*17.7*	*11.1*	*3.5*	*24.3*
Canada			*1.8*	*3.7*	*5.1*	*3.2*	*1.4*	*38.5*
Other creditors	*3.0*	*2.9*	*6.1*	*6.5*		*4.7*	*0.4*	*5.6*
Eurobonds	*23.4*	*22.9*	*22.7*	*22.8*	*18.2*	*11.4*	*-4.6*	*-20.0*
External banks or commercial loans	*2.2*	*1.9*	*1.7*	*1.6*	*1.5*	*0.9*	*-0.1*	*-4.2*
State Guaranteed Debt	***10.4***	***11.3***	***9.9***	***8.7***	***6.9***	***100.0***	***-1.8***	***-20.9***
Domestic Guaranteed Debt	*1.1*	*1.8*	*2.0*	*1.8*	*1.7*	*24.6*	*-0.1*	*-6.1*
Domestic banks or commercial loans	*0.3*	*1.2*	*1.7*	*1.6*	*1.5*	*21.7*	*-0.1*	*-6.3*
Portfolio Guarantees		*0.1*	*0.8*	*0.8*	*0.8*	*11.6*	*-0.0*	*-3.3*
Securities issued at the domestic market	*0.9*	*0.6*	*0.3*	*0.2*	*0.1*	*1.4*	*-0.1*	*-52.4*
External Guaranteed Debt	*9.2*	*9.5*	*7.9*	*6.9*	*5.2*	*75.4*	*-1.7*	*-24.8*
IFO Loans	*7.8*	*6.8*	*5.2*	*4.2*	*4.2*	*60.9*	*-0.0*	*-0.7*
IMF in NBU's FX Reserves	*6.7*	*5.6*	*3.7*	*2.1*	*1.1*	*15.9*	*-1.0*	*-48.4*
EBRD	*0.4*	*0.3*	*0.6*	*1.1*	*1.1*	*15.9*	*-0.0*	*-1.4*
Securities issued at the external market (Bonds of Ukravtodor and Ukrenergo)		*1.5*	*1.5*	*1.5*	*0.8*	*11.6*	*-0.7*	*-47.5*
External banks or commercial loans	*1.3*	*1.1*	*1.0*	*1.0*	*1.0*	*14.5*	*-0.0*	*-2.1*
Other liabilities	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*1.4*	*-0.0*	*-8.5*
Share of GDP								
Total state debt and state guaranteed debt, %	*60.9*	*48.9*	*78.5*	*84.4*	*91.2*			
State Debt, %	*53.9*	*43.3*	*71.6*	*79.4*	*87.4*			
State Guaranteed Debt, %	*7.0*	*5.6*	*6.9*	*5.0*	*3.8*			

Source: Ministry of Finance, KSE Institute

Table 2. Government Debt Redemptions, Factual and Projection for 2024, $ billion

Indicators	2020	2021	2022	2023	2024	2025E
Interest payments	**4.6**	**5.3**	**4.9**	**6.8**	**7.8**	**8.3**
Domestic	2.8	3.5	3.6	5.5	5.2	5.6
External	1.8	1.8	1.3	1.3	2.6	2.7
Share of GDP, %	*3.0*	*2.8*	*3.0*	*3.8*	*4.1*	*4.4*
Share of State Budget Revenues, %	*11.6*	*11.6*	*8.8*	*9.3*	*10.0*	*12.9*
Share of State Budget Revenues w/o Grants, %	*11.7*	*11.6*	*12.0*	*11.1*	*11.2*	*13.7*
Share of State Budget Revenues w/o Grants, Domestic, %	*7.1*	*7.7*	*9.0*	*8.9*	*7.5*	*9.2*
Share of State Budget Revenues w/o Grants, External, %	*4.5*	*3.9*	*3.0*	*2.2*	*3.7*	*4.5*
Principal and Interest payments	**19.0**	**21.0**	**19.0**	**18.7**	**20.3**	**21.8**
Domestic	11.8	15.7	16.2	15.6	14.7	16.6
External	7.1	5.3	2.7	3.2	5.6	5.2
Share of GDP, %	*12.1*	*10.9*	*11.7*	*10.6*	*10.7*	*11.6*
Share of GDP, Domestic, %	*7.5*	*8.1*	*10.0*	*8.8*	*7.7*	*8.8*
Share of GDP, External, %	*4.6*	*2.7*	*1.7*	*1.8*	*2.9*	*2.7*
Share of Gross Export of Goods, Services and Workers' Remittances, External Principal and Interest payments, %	*9.9*	*5.5*	*3.9*	*5.1*	*8.8*	*n/d*

Source: Ministry of Finance, NBU, KSE Institute