Alona Lebedieva: Ukraine Needs an Economy of Action, Not Endless Restructuring


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KYIV, UKRAINE, June 5, 2025 /EINPresswire.com/ -- The credit rating agency Moody's has affirmed Ukraine's credit rating at "Ca" with a stable outlook. The report highlights the long-term consequences of the war for the country's economy: despite GDP growth of 2.9% in 2024 and a projected 2.5% in 2025, recovery will remain limited due to labor shortages, security risks, and ongoing attacks on critical infrastructure, especially the energy sector.

Among the key factors noted by the market is the absence of payments on GDP warrants that were due on June 2, 2025. These instruments were issued in 2015 as part of a major sovereign debt restructuring and stipulate payments if Ukraine's real GDP growth exceeds 3% annually. In 2023, growth reached 5.3%, thus triggering the payment clause, with estimated payouts exceeding $665 million. The payment was not made. However, thanks to agreements with creditors reached in August 2024, the final version of the deal excluded the cross-default clause, which helped Ukraine avoid an automatic default on other debt instruments, including Eurobonds.

According to Alona Lebedieva, founder of the Ukrainian industrial and investment group Aurum Group:

“The increase in Ukraine's public debt is not a sign of systemic crisis. The current level — around 100% of GDP — is the result of an unprecedented scale of international financing amid full-scale war. If in early 2022 the public debt stood at $111.4 billion, by May 1, 2025, it had reached $178 billion. A significant portion represents financial aid from international partners, without which the country would not have been able to maintain financial stability. The natural consequence of this is increased debt burden.”

Given the current financing structure, there is still room for debt maneuvering, as Ukraine continues to receive assistance — mostly in the form of loans. However, this only underscores the need to revise the principles of debt policy.

“What matters is not how much we borrow, but how those funds are used. If they are spent on consumption or inefficient expenditures, this only deepens the structural weakness of the economy. But if debt resources are channeled into infrastructure, energy, and technology, they lay the foundation for future growth,” Lebedieva emphasizes.

In her view, the logic behind GDP warrants — paying for growth — appears contradictory in the context of a protracted war, when the key task is mobilization-driven recovery. A paradox arises: as soon as the economy begins to show positive dynamics, it triggers the risk of capital outflows. As a result, such debt instruments turn into a constraint, rather than a stimulus for development.

At the same time, Lebedieva cautions against dramatizing the fact of rising debt:

“History shows that in 1945, the UK’s public debt reached 250% of GDP — and that didn’t wipe it off the economic map of the world. But had the British decided at the time not to allow such debt levels — say, by cutting back production of Spitfire fighters or Lancaster bombers, or reducing equipment purchases from the US — it’s quite possible that Britain might have disappeared from the world map altogether. The parallels with Ukraine today are rather clear.”

She argues that investor and partner confidence depends not only on nominal GDP figures or the budget deficit level. Above all, it’s a matter of capacity to implement deep structural changes. Critically important indicators include growth in localized production, energy autonomy, and volumes of reinvested capital. These factors form the basis for strengthening the revenue side of the budget, reducing the deficit, and lowering the need for further sovereign borrowing.

In the current environment, the key task is not merely to avoid technical default, but to change the very logic of economic policy. Alona Lebedieva is convinced that post-war debt policy must serve not to patch budget holes, but to drive strategic breakthroughs — through investments in advanced technologies, energy, innovative manufacturing, and export competitiveness.

This implies an active role for the state in shaping a favorable investment climate, developing infrastructure, and supporting research and entrepreneurship. In her view, particular attention should be paid to developing the domestic capital market — as a tool for long-term financial resilience and economic sovereignty.

“Technical defaults or credit downgrades are not a sentence — they’re a symptom. The response must not be another restructuring, but deep economic transformation. Only then will debt become not a limitation, but a tool for development,” she concludes.

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