

FINANCIAL MANAGEMENT APPROACHES TO REFINANCING AND DEBT SUSTAINABILITY IN CRISIS PERIODS

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Abstract. In times of economic and geopolitical turmoil, maintaining debt sustainability becomes a central challenge for both states and enterprises. The 21st century has witnessed multiple waves of sovereign and corporate debt crises – from the global financial crisis of 2008 to the sovereign defaults in emerging economies during the COVID-19 pandemic and the ongoing war in Ukraine. Financial management strategies, particularly those related to refinancing and restructuring, play a crucial role in stabilizing economies, preserving liquidity, and restoring access to capital markets.

This paper examines financial management approaches to refinancing debt in crisis conditions, with a focus on the Ukrainian experiences of 2015 and 2024, as well as corporate cases such as MHP and KSG Agro. The aim is to identify best practices in managing refinancing processes and to analyze how these strategies contribute to long-term debt sustainability.

Debt refinancing refers to replacing an existing debt obligation with a new one under different terms, typically to reduce interest costs, extend the maturity, or adjust the repayment schedule in response to changing market conditions. In theory, refinancing improves liquidity and mitigates short-term solvency pressures; however, excessive reliance on it may lead to a "refinancing trap," where entities continuously roll over debt without addressing underlying structural imbalances.

Ukraine's recent experience with debt management illustrates the critical role of refinancing during crises. The sovereign debt restructurings of 2015 and 2024 were driven by the dual shocks of financial

instability and war-related fiscal pressures. In 2015, Ukraine restructured approximately USD 15 billion of sovereign and state-guaranteed debt, achieving a 20% nominal haircut and extending maturities until 2027. The introduction of GDP-linked warrants was a financial innovation designed to align creditor returns with the country's economic recovery.

In 2024, amid the ongoing full-scale war and disrupted revenues, Ukraine negotiated another major restructuring of USD 20.5 billion in sovereign eurobonds. The agreement included a 37% nominal write-off, a temporary interest rate reduction, and extended maturities up to 2036. According to the Ministry of Finance of Ukraine, this operation generated USD 11.4 billion in debt service relief between 2024 and 2027. The rapid completion – within five months – was supported by a 97% creditor approval rate, reflecting high confidence in the government's debt management credibility.

From a financial management standpoint, both restructurings share several key features:

1. Creditor coordination and transparency. Negotiations were based on open communication, the disclosure of macroeconomic data, and adherence to IMF frameworks.

2. Debt sustainability analysis (DSA). The restructuring terms were designed in line with the IMF's DSA thresholds to ensure long-term solvency.

3. Instrument diversification. The inclusion of GDP-linked warrants and other contingent instruments allowed risk sharing between Ukraine and its creditors.

These practices demonstrate that effective refinancing in crisis conditions requires a balance between fiscal prudence

and innovative financial engineering.

While sovereign refinancing attracts greater attention, corporate debt management during crises is equally vital for economic stability. Ukrainian corporations such as Myronivsky Hliboproduct (MHP) and KSG Agro provide relevant examples.

Case of MHP. MHP, one of Ukraine's leading agribusiness companies, faced USD 500 million in eurobond obligations maturing in 2024. In light of war-related risks and limited market access, the company implemented a refinancing strategy supported by international financial institutions, including the EBRD, IFC, and the U.S. International Development Finance Corporation (DFC). Through a combination of buybacks at 85–95% of par value and new financing totaling USD 400 million, MHP successfully avoided default and maintained access to global capital markets.

This case highlights the role of external institutional support and proactive liability management in ensuring corporate debt sustainability. MHP's financial management approach emphasized early engagement with creditors, maintaining investor trust, and aligning repayment terms with future cash flow projections [4].

Case of KSG Agro. KSG Agro, another Ukrainian agricultural holding, faced approximately USD 100 million in debt during the 2014–2015 crisis. The company suffered severe asset losses, including over 30,000 hectares of farmland in Crimea. Through negotiations with UniCredit Bank and other creditors, KSG Agro successfully reduced its total debt burden to USD 42 million – a nearly threefold decrease.

This restructuring maintained the company's operational continuity and laid a foundation for a gradual recovery. The KSG Agro case highlights that flexible restructuring, asset revaluation, and partial

debt forgiveness can be effective tools for restoring solvency in distressed enterprises.

Therefore, effective refinancing during crises requires proactive risk assessment, transparent communication, and strategic coordination. Businesses should identify vulnerabilities in advance through financial ratio analysis and scenario planning, maintain open dialogue with creditors to build trust, and diversify funding sources by engaging international financial institutions to reduce refinancing costs. At the sovereign level, refinancing must be consistent with fiscal and macroeconomic objectives. Ongoing post-restructuring monitoring ensures compliance and restores market confidence. Overall, refinancing functions not only as a financial transaction but as a comprehensive management process that integrates economic planning, negotiation, and risk control.

In Ukraine's case, the IMF's Extended Fund Facility (EFF) program established the analytical foundation for assessing debt sustainability, while multilateral lenders provided guarantees and bridge financing. This coordination between sovereign and institutional actors exemplifies how multilevel financial management – spanning government, corporate, and international spheres – can stabilize economies under extreme conditions.

Thus, refinancing and debt sustainability are important components of effective crisis management. Ukraine's experience shows that transparent negotiations, institutional coordination, and innovative financial instruments can transform debt restructuring into a proactive recovery strategy. Success at both the sovereign and corporate levels depends on strategic foresight, financial discipline, and robust communication that strike a balance between short-term relief and long-term stability.

Keywords: financial management; debt refinancing; debt sustainability; crisis management; sovereign restructuring; corporate debt.

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