

СЕКЦІЯ 1. ОСОБЛИВОСТІ ФІНАНСОВИХ ВІДНОСИН В УМОВАХ ВОЄННОГО СТАНУ

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KEY STAGES OF UKRAINE'S ECONOMIC RECOVERY PLAN IN THE POST-WAR PERIOD

Introduction. Ukraine's Recovery Plan is a potential synergy on the way to EU integration, which duly stipulates the objectives of EU integration, synchronization of the Ukrainian legislation with the Copenhagen Criteria and mutual access to markets. Post-war reconstruction is considered as a tool for achieving Ukraine's compliance with the EU rules and standards.

Purpose of the paper. To analyze the key stages of Ukraine's Economic Recovery Plan in the post-war period.

The main part. The presented Recovery Plan substantiates the definition of urgent actions and the proper assessment of financing needs. Besides primary military needs, the Government focuses on the following urgent projects: accumulation of gas reserves in storage facilities, elimination of bottlenecks in rail, road and Danube export routes to/from the EU, restoration of the destroyed social infrastructure, attracting financing sources for the state budget, providing small and medium-sized enterprises with critical wartime financing, providing agricultural producers with low-cost financing and product storage facilities, transformation of the anti-corruption system, implementation of the law enforcement reform, centralization and digitalization of state registers, digitalization of all key public services, synchronization of the antitrust legislation with European best practices, etc. [1].

The Recovery Plan looks too ambitious in terms of macroeconomic assumptions and forecasts. The Government expects that annual real GDP growth rates will exceed 7 % over the next ten years and that nominal GDP will reach 500 billion USD in 2032.

The comparative analysis of GDP of different countries based on the International Monetary Fund data [2] shows that Bosnia's nominal dollar GDP grew 3.1 times between 1996 and 2005, while Croatia's GDP grew 2 times between 1994 and 2003. The lack of reliable data on Kosovo and Afghanistan made it impossible to analyze the post-war GDP dynamics of these countries. It is interesting to mention the case of Iraq whose nominal GDP grew 13.8 times between 2003 and 2012. However, the Iraqi experience is unique in many aspects, including the fact that the country greatly benefited from the oil price boom of the early 2000s. Therefore, the Ukrainian Government's forecast for the 5-fold increase in Ukraine's nominal GDP in dollar equivalent by 2032 is super-

optimistic. On the other hand, the annual real growth rate of more than 7 % is realistic or achievable, assuming that the devastation caused by the war won't be gigantic and that the Government will successfully implement structural reforms and attract foreign aid.

Another problematic aspect of the Recovery Plan is the distribution of total financing between sectors and different programs. In some cases, it is unclear and insufficiently justified. For example, defense and security financing is supposed to be 50 billion USD, including military aid from allies obtained by Ukraine in 2022. Experience of countries that have faced armed conflicts shows that such measures are expensive and can greatly exceed the amount of official development assistance. In Bosnia and Herzegovina, for example, total Official Development Assistance payments [3] amounted to about 6.8 billion USD between 1996 and 2004, while international defense and security assistance exceeded 18 billion USD. Besides, the majority of these funds went to support international military and security formations.

Unlike the defense and security sector, one is going to allocate the significant amount of resources for the program providing businesses with access to financing (75 billion USD). The most important components of the program include: 1) development of secured financing to stimulate mortgage lending by supporting microfinance institutions and financing institutional investors (40 billion USD); 2) recapitalization of banks to support credit growth (15–20 billion USD). The choice of such priorities for Ukraine's post-war reconstruction is doubtful, and the funds for their implementation are enormous.

Another obvious disadvantage of the Recovery Plan is the duplication and insufficient coordination between different programs. Besides, it is hard to consider the priorities of some of these programs right. Let's take, for example, agriculture and ferrous metallurgy considered by the authors as value-added sectors of the economy and being entitled to a wide set of privileges. The choice of priority industries within these programs is outdated and most likely based on current business interests. The Government estimates the financing needs for the development of priority industries and agriculture at 50 billion USD. However, the Plan specifies neither the sources of their financing, nor the forms of capital inflow, nor the full range of tools for achieving the goals [4].

The Plan stipulates that the Government is going to initiate the financing of exporters, particularly using the Export Credit Agency mechanism, and enhance innovative activities by financing the cooperation between producers and scientific institutions. The establishment of the Fund for Structural Transformations of the National Economy or the Reconstruction and Development Bank is not formulated as a clear task but is mentioned only as a possibility.

According to the Recovery Plan, less than 0.1 billion USD (within the entire period) will be allocated for the system of grants for researchers focused on specific results, and less than 0.1 billion USD will be allocated for the establishment of Centers

of Excellence in cooperation with leading international centers. However, the reality is that the development of modern production is hardly possible without significant financing of research, solutions, innovations, and technology.

Conclusions. A significant disadvantage of the Recovery Plan is the lack of harmonization of various political initiatives in the context of the national budget. In particular, the economic recovery section clearly states, “Reducing the fiscal burden on businesses and the population to a level stimulating the economic growth, namely no more than 30 % of GDP”. However, the tax reduction is incompatible with huge investments in the infrastructure, compensation for losses caused by the war, and massive fiscal support for businesses in priority sectors. Undoubtedly, tax incentives can be introduced as a short-term urgent measure in emergency conditions. But the Recovery Plan is long-term and implies deep structural reforms. In such conditions, the current level of tax burden in Ukraine is fairly acceptable (compared to other European countries), and fiscal sustainability problems make the planned tax reform unreasonable. The increase in the budget deficit as a result of tax reduction is also inconsistent with the reduction in the national debt, which is specified in the Recovery Plan.

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MODERN TRENDS IN THE FUNCTIONING OF THE DOMESTIC BANKING SYSTEM DURING THE WARTIME PERIOD

Introduce. From the end of February 2022, a martial law was announced in Ukraine and initiated significant upheavals, challenges and uncertainties in the domestic banking system. But, despite the difficulties, National Bank is trying to make the neces-