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Financing Ukraine's Recovery in the Context of Structural Transformation of International Economic Relations

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ANNOTATION. The article considers the issues of financing the economic recovery of Ukraine through the prism of relations and cooperation with international financial institutions (IFIs), in particular with the World Bank. The growing role of IFIs and other partners in the implementation of sectoral, cross-sectoral and systemic investment projects is substantiated. The author reveals the peculiarity of the formation of a new structure − the "framework" of international economic relations, when cooperation in the "donor-beneficiary" link in difficult and unstable periods is in the form of a partnership, taking into account the rapidly changing conditions for financing priority investment projects in the interests of the beneficiary. The author discloses and analyzes the total and current required amounts of recovery financing within the framework of the Rapid Damage and Recovery Needs Assessment (RDNA 2 and 3) carried out by the World Bank in the last two years. The activities of the World Bank are shown as one of the basic institutions of the international financial system. Key sectoral priorities for recovery are emphasized. The dynamics of the volumes and sources of financing of the general fund of the state budget during the military years 2022–2024 with a breakdown of debt and grant financing is shown. The fragmentation of grant-giving partners in the country context is analyzed. The provision of grants in the aggregate of sources of financing of the state budget is a partnership manifestation of current international economic relations and cooperation of Ukraine with donors and providers of financial resources. The article shows an indication of Ukraine's cooperation with the World Bank as one of its institutional partners. The essence of joint investment projects is revealed. The practical aspects of investment policy are shown through the possibilities of solving the problem of asset management and overseeing the use of recovery funds. It is emphasized that the formation of a new economic structure should be the target and result of recovery. Given the diversity of needs and opportunities for financing the recovery, the emphasis of the financial policy of resource provision is shifting from allocation of necessary resources to prioritization of their distribution and control over their use.

KEYWORDS: financing, financial resources, international loans, foreign investment, international financial organizations, international financial security, state budget, asset management, international cooperation, financial policy.

Introduction

The current and postwar recovery of Ukraine's economy is one of the main issues in modern financial policy. Relevant assessments and forecasts have

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recently been at the forefront of various analytical platforms. The international expert community has well-established information and communication platforms where areas for coordinating partnerships and tools to support Ukraine's economy are being developed. These include conferences in Lugano (2022), London (2023), and recent forums in Davos. A conference on Ukraine's recovery has already been announced and is expected to be held in the Italian capital of Rome on July 10–11, 2025.

The annual meetings of the IMF and the World Bank are certainly significant, with recovery issues on the agendas of these meetings. A new structure, a "framework" of international economic relations is being formed with a focus on financial recovery issues. Recovery financing policy is becoming part of global financial security policy.

The stabilization aspects of the "framework" and the possibilities for recovery have not been fully resolved, and this is already in the third year of the war. Nor can they be resolved in a proactive manner, because the priority and possibilities of solving the problems are constantly changing. The growing volume of needs is not implicitly linked to the ability to fulfill the tasks. The puzzles here are of different configurations. Cooperation between financial donors and beneficiaries is built on both a bilateral and collective basis.

As the task horizon changes as we approach it, Ukraine's economic recovery is expected to be long. This makes it difficult to plan and finance the recovery. The allocation of financial resources requires a change in approaches to managing them in terms of prioritizing their distribution to projects and monitoring the use of investments in stages.

The problem of multidimensional possibilities of financing Ukraine's recovery in the context of international cooperation and domestic resource provision is studied in the papers of such researchers as Borodina O., Buryachenko A., Dukha A., Lukyanenko D., Lyashenko V., Pidoricheva I., Stetsenko B., Starchenko H., and others. However, the congruent issue of financing Ukraine's recovery projects in the light of the latest transformation of the system of international economic relations remains insufficiently developed.

The foregoing determines the relevance and purpose of this article, which aims to study the peculiarities of financing Ukraine's economic recovery projects by international and domestic partners in the context of changes in modern international economic relations.

Main part

The outbreak of a full-scale war on February 24, 2022, was a force majeure and a mega-challenge for the country's financial system, breaking the cycle of pre-war development. While Ukraine's gross domestic product (GDP) in

2021 was measured at $200 billion, the largest in the modern history of the country's independence, in subsequent years, the indicators of such macro dynamics are extremely volatile.

Assessment of damage and recovery needs. According to the International Monetary Fund (IMF), as a result of the hostilities and the contraction of business activity, Ukraine's economy has significantly "sagged" – GDP fell by 29.1 per cent in 2022. That year's inflation reached 26.6 per cent, which required urgent regulatory intervention, including additional funding for public spending and a tightening of the National Bank of Ukraine's (NBU) monetary policy. According to the Ministry of Finance of Ukraine (MoF), the military actions of the opposition in the first quarter of the war cost Ukraine USD 10 billion (or UAH 300 billion) monthly[2]. The financial system of the state in the current conditions of war is functioning in a constant state of force majeure.

Since then, the restart of Ukraine's financial system on an expanded resource basis to ensure financial and price stability in wartime has become a top economic priority for the Government, IFIs, and the NBU. At the same time, the issues of resource adequacy to cover the growing budget expenditures, contain inflation, preserve the purchasing power of the hryvnia, and countercyclical regulation of money circulation have become a priority.

The economy and financial system of the state were urgently reconfigured to a military mode. The channels of financing the needs of resisting aggression are different – first of all, the state budget with debt or non-debt resources, loans, grants, non-repayable financing, and targeted donations from legal entities and individuals. The needs to finance military expenditures were met by domestic revenues and borrowings, while resource support from international partners was directed to civilian purposes.

In percentage terms, Ukraine's economy in 2023 showed growth of 5 per cent compared to the previous year, and in the current year of 2024 a positive result is expected in the range of 3-4 per cent, with the World Bank forecasting growth of 3.2 per cent and the NBU forecasting growth of 4 per cent.

Despite these macroeconomic developments, imbalances in the country's economy and financial system remain insurmountable. This is due to military operations, disruptions in logistics, loss or contraction of industrial potential, energy and other infrastructure.

The destruction is significant, especially in the non-financial corporations' sector, including energy, industry, and transportation. Officially published estimates of total losses as of the end of 2023 amounted to USD 499 billion.[3]

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[2] Volodymyr Zelenskyy held a meeting on the development of the Ukrainian economy in wartime. URL: https://www.president.gov.ua/news/volodimir-zelenskij-proviv-naradu-shodo-rozvitku-ukrayinskoy-74037 [In Ukrainian]

[3] Shmyhal names Ukraine's total losses as a result of the war. URL: https://warnews.novyny.live/shmigal-nazvav-sukupni-vtrati-ukrayini-vnaslidok-viini-153299.html [In Ukrainian]

The World Bank noted in February 2024 that: "direct damage in Ukraine has reached almost USD 152 billion".[4] According to the Kyiv School of Economics, as of July 2024, indirect losses amounted to USD 1 164 billion[5].

Economic and environmental losses are significant. The amount of environmental damage due to Russian aggression has increased fivefold in 2023[6], including the estimated amount of damage due to the explosion of the Kakhovka hydroelectric power plant at UAH 55 billion with the loss of two-thirds of water intake. The World Bank estimated the loss of housing stock at 10 per cent of the pre-war level. According to the Confederation of Builders of Ukraine, at least 5.7 million cubic meters (11.9 million tons) of concrete, 39.3 million cubic meters (14 billion pieces) of bricks, and 45 million square meters of tiles will be needed to rebuild the war-damaged housing stock alone. To meet these needs, it will be necessary to deploy powerful production of building materials, the payback period of which will be one of the highest in the world."[7]

The amount of damage is growing every day[8], and their accurate estimates are possible only after de-occupation. War-related constraints on life are quite significant, for example, 23 per cent of Ukraine's territory remains mined.[9]

Under these circumstances, the process of economic recovery in Ukraine requires significant funding, including from international financial institutions. At the London 2023 conference, Ukraine presented the "WebuildUkraine" initiative, which is intended to unite all international partners involved or planning to join the recovery. The World Bank noted that "Ukraine's economic prospects remain conditioned by donor support and the duration of the ... invasion"[10].

It should be noted that the role of the state budget as a security institution of capability has increased significantly in such conditions. Public borrowing

[4] World Bank. 2024. "Updated assessment of Ukraine's needs for recovery and reconstruction." URL: https://www.worldbank.org/uk/news/press-release/2024/02/15/updated-ukraine-recovery-and-reconstruction-needs-assessment-released#

[5] Indirect financial losses of Ukraine's economy exceed $1.164 trillion in lost revenue – KSE estimate as of July 2024. URL: https://kse.ua/ua/about-the-school/news/nepryami-finansovi-vtrati-ekonomiki-ukrayini-perevishhuyut-1-164-trln-vtrachenogo-vitorgu-otsinka-kse-stanom-na-lipen-2024-roku/ [In Ukrainian]

[6] The amount of damage caused by Russian aggression to the environment increased 5 times over the year. URL: https://www.rbc.ua/rus/news/suma-zbitkiv-vid-agresiyi-rf-dovkillya-rik-1693148806.html [In Ukrainian]

[7] Tymoshenko A. Private investment in post-war reconstruction of Ukraine: how the world is ready to help. https://mind.ua/openmind/20260132-privatni-investiciyi-v-povoennu-vidbudovu-ukrayini-yak-svit-gotovij-dopomogti

[8] For expert statistics on the destruction, *see*: Maksymchuk L. Over $150 billion: experts named the level of destruction as a result of the war in Ukraine (infographic). https://focus.ua/uk/voennye-novosti/597062-ponad-150-mlrd-eksperti-nazvali-riven-ruynuvan-vnaslidok-viyni-v-ukrajini-infografika. [In Ukrainian]

[9] In Ukraine, 139 thousand square kilometers of territory remain mined. URL: https://interfax.com.ua/news/general/1029157.html [In Ukrainian]

[10] The pace of economic recovery in Ukraine will slow down this year. URL: https://www.ukrinform.ua/rubric-economy/3851225-tempi-vidnovlenna-ekonomiki-ukraini-cogoric-spovilnatsa-do-32-svitovij-bank.html#: [In Ukrainian]

and debt security of the state have become subordinated to higher goals – preserving the independence of the state, when "Ukraine's resilience to external aggression is formed both by the functioning of the security and defense sector and by its economic potential"[11]. The issues of securing the state as a sovereign, protecting people and their livelihoods are always a priority, where economic and financial components are among the main ones in the state management of martial law.

To what extent are the financial needs for recovery assessed as sufficient?

During the conference in Lugano (4-5.07.2022), estimates of the necessary resources for the country's recovery reached USD 750 billion.[12] At the same time, Ukraine presented a draft National Recovery Plan. Within the framework of this plan, the annual needs for the necessary financial resources were estimated at USD 30–100 billion per year, which were significantly variable with a threefold gap in the boundaries of quantitative estimates. These estimates were subsequently refined.

In 2022, GLOBSEC, a think tank for security and development (Slovakia), opened a representative office in Kyiv, launching the Ukraine and Eastern Europe program, which focuses on research and recommendations for Ukraine's recovery and its European future. The GLOBSEC Tatra Summit forums are held annually in Slovakia to address important issues of economic stability and recovery.

At the Spring Meetings of the IMF and the World Bank in April 2023, the work of the Ukrainian delegation focused on mobilizing funds for the recovery and reconstruction of Ukraine. The World Bank's estimates of the required amount of financial support were announced – USD 411 billion, which were calculated as part of the RDNA 2 (Second Rapid Damage and Needs Assessment). According to the IFI, also in April 2023, the then estimated cost of recovery in terms of current annual needs reached USD 14.1 billion, of which USD 3.3 billion (23.4 per cent of the annual needs) had already been mobilized from the state budget of Ukraine.

Subsequently, in 2024, the World Bank raised its estimates of the cost of reconstruction and recovery in Ukraine to USD 486 billion[13] (under the next RDNA 3), which is more than double the size of Ukraine's pre-war economy in 2021. The Ukrainian government has also raised its estimates of the financial resources needed for recovery: "the Government of Ukraine

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[11] Stetsenko B., Buriachenko A., Zahozhai K., Prysniak S. 2023. Debt security of Ukraine: key imperatives of martial law. *Modeling the development of the economic systems*. 1 (Mar 2023), 194–199. DOI: https://doi.org/10.31891/mdes/2023-7-27 [In Ukrainian]

[12] Ukraine's recovery plan. URL: https://recovery.gov.ua. [In Ukrainian]

[13] Updated assessment of Ukraine's needs for recovery and reconstruction. URL: https://www.worldbank.org/uk/news/press-release/2024/02/15/updated-ukraine-recovery-and-reconstruction-needs-assessment-released#. [In Ukrainian]

estimates the needs for rapid recovery in 2024 at approximately USD 15 billion"[14].

A separate question arises regarding the timing of the recovery: how fast is it possible? Despite the conditional nature of such estimates, official data allow for a comparative comparison. If we compare the figures for total and annual (current) volumes, we have the following scenario. As noted above, for 2023, these are USD 411 billion and USD 14.1 billion, 29.1 times multiple. If the unit of the calculation period is defined as 1 year, does this mean that the reconstruction is expected to last 29 years? An analysis of the 2024 estimates shows that the multiplicity increases to 32.4 years (USD 486 billion / USD 15 billion). It is more than obvious that such reconstruction periods are neither optimistic nor acceptable. These figures are presented in the table below.

Table 1

TOTAL AND CURRENT REQUIRED RECOVERY FUNDING AS PART OF A RAPID ASSESSMENT OF DAMAGE AND RECOVERY NEEDS (RDNA 2 AND 3)*

Sequence of rapid assessment of losses and needs	The total required amount of financing for recovery, billion USD	Annual (current) required amounts of recovery funding, billion USD	Ratio of total and current required financing for recovery, times
RDNA 2 (2023)	411	14,1	29,1
RDNA 3 (2024)	486	15	32,4

**Source:* compiled by the author based on data of the Ministry of Finance of Ukraine

On June 20, 2023, the European Commission proposed to create a special fund for Ukraine worth up to €50 billion for the period from 2024 to 2027 in the form of grants and loans. On October 3, members of the European Parliament approved the revision of the budget for 2021–2027 and the creation of a new Ukrainian fund.[15]

Along with government funding, domestic corporations and entrepreneurs are investing in recovery projects. According to Forbes, in 2022–2023, the 20 largest private investors invested UAH 173 billion (USD 5 billion) in the development of Ukraine's economy[16]. In June 2024, 20 Ukrainian banks, with the assistance of the NBU, signed a memorandum of understanding to finance

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[14] Reconstruction of the destroyed. URL: https://www.kmu.gov.ua/diyalnist/priorytety-uriadu/vidbudova-zruinovanoho [In Ukrainian]

[15] The European Parliament agreed to create a 50 billion euro fund for Ukraine. URL: https://nv.ua/ukr/world/geopolitics/fond-dlya-ukrajini-na-50-mlrd-yevro-u-yevroparlamenti-pogodili-propoziciji-50358458.html [In Ukrainian]

[16] 20+5 largest investors in Ukraine. URL: https://forbes.ua/ratings/205-naybilshikh-investoriv-kraini-08052024-21006 [In Ukrainian]

energy recovery with a base lending rate of 13.5 per cent per annum. According to the NBU, in the partial second half of 2024, Ukrainian banks "received applications from businesses for lending to energy infrastructure restoration projects totaling UAH 68.6 billion and started financing UAH 8.3 billion."[17] In terms of lending to households for energy needs, banks have a gross loan portfolio of UAH 479 million.

Partners and recovery priorities

The issue of recovery priorities by economic sector focuses on the most important tasks identified by the Government of Ukraine. In particular, these are: restoration of energy infrastructure; restoration of damaged and destroyed housing; humanitarian demining; restoration of critical and social infrastructure; support for small and medium-sized businesses[18]. These are sectoral projects. London 2023 has also raised important cross-sectoral issues: macroeconomic stability, resilience and security, infrastructure, housing, energy, climate protection, green recovery, health, and education. At the same time, systemic issues of public administration, security, demography, and migration remain important. In June 2023. the Government of Ukraine approved the first 159 restoration projects.[19]

The amounts and sources of financing of public expenditures in the general fund of the state budget are available on the MoF website and provide sufficient information for analysis and generalization.

In 2024, the general fund of the state budget of Ukraine received an estimated USD 57.4 billion. For reference: in 2022, USD 51.3 billion was attracted from various sources, and in 2023 – more than USD 57.9 billion. These sources are mainly borrowed and debt. The share of grants (non-debt financing) in 2024 was estimated at 22.1 per cent. For reference: in 2022, the share of grants amounted to 22.5 per cent of the total funding of that year. It should be noted that in 2024, grants were provided in full by the United States (USD 8.314 billion), Japan – USD 723 million (16.7 per cent of its total funding), and the EU – USD 3.2 billion (18.4 per cent of its total funding). That is, during the war years, international financial assistance was proportionate both in terms of monetary amounts and in terms of the terms of financing (debt/non-debt financial instruments).

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[17] Banks have started financing energy infrastructure restoration projects worth UAH 8.3 billion in six months – results of a bank survey. URL: https://bank.gov.ua/ua/news/all/banki-za-piv-roku-rozpochali-finansuvannya-proyektiv-z-vidnovlennya-energetichnoyi-infrastrukturi-na-sumu-83-mlrd-grn--rezultati-opituvannya-bankiv [In Ukrainian]

[18] Reconstruction of the destroyed. URL: https://www.kmu.gov.ua/diyalnist/priorytety-uriadu/vidbudova-zruinovanoho [In Ukrainian]

[19] Zerkalo Tyzhnya. "Ukraine Approves First 159 Recovery Projects." *ZN.UA*, July 30, 2023. https://zn.ua/ukr/ECONOMICS/v-ukrajini-zatverdili-pershi-159-proektiv-vidnovlennja.html. [In Ukrainian]

The role of IFIs and other partners in financing recovery

International partnership has become a key feature of the restructuring of international economic relations. For Ukraine, the World Bank has been one of the leading financial and advisory partners since 1992, when a cooperation agreement was signed. The share of the World Bank's financial resources amounted to 25 per cent of all revenues to the general fund of the state budget of Ukraine in 2024. In general, since February 2022, the World Bank Group (structurally, it is: IBRD – International Bank for Reconstruction and Development, IDA – International Development Association, IFC – International Finance Corporation, MIGA – Multilateral Investment Guarantee Agency, ICSID – International Center for Settlement of Investment Disputes) has mobilized more than USD 56 billion of financial support for Ukraine. Of this amount, more than USD 46 billion, or 82.1 per cent of the mobilized amount, has already been received by Ukraine[20]. Among other international banking institutions, the European Bank for Reconstruction and Development (EBRD) has financed projects in Ukraine worth more than EUR 6 billion since February 2022.

Since the beginning of the full-scale war, the World Bank has launched 7 projects in Ukraine aimed at providing emergency support and recovery. These include social support for the population, restoration of energy, transport and logistics infrastructure, damaged housing, support for the healthcare system and access to essential medical services, support for the education sector, restoration and support for agriculture (PEACE, INSPIRE, Re-Power, RELINC, HOPE, HEAL, ARISE projects). The largest donors to joint projects with the World Bank are the United States, Japan, the United Kingdom, and Norway.[21]

In 2024, Ukraine's cooperation with the World Bank was marked by several central messages. In the beginning of November, 2024, the World Bank's Board of Directors approved a new systemic project in Ukraine, Supporting Recovery through Reasonable Fiscal Governance (SURGE). At the stage of approval, the planned total project volume is about USD 750 million for 2024–2027. This includes a USD 450 million loan from the IBRD's Trust Fund for Assisting Ukraine with Necessary Credit Support (ADVANCE Ukraine) and a USD 300 million loan from the Special Program for Ukraine and Moldova (SPUR) of the World Bank's Crisis Management

[20] Financial support mobilized for Ukraine since February 24, 2022. URL: https://www.worldbank.org/uk/country/ukraine/brief/world-bank-emergency-financing-package-for-ukraine

[21] Sergii Marchenko noted the support of the World Bank during a meeting with the Bank's management. URL: https://mof.gov.ua/uk/news/sergii_marchenko_noted_the_world_banks_support_during_a_meeting_with_the_banks_management_ukraine_has_already_received_about_37_billion_to_state_budget_through_wb_projects_since_february_2022-4854 [In Ukrainian]

Facility. The use of the financial instrument "Program-for-results" (PforR) is being introduced.

In addition, in order to implement the institutional reforms supported by SURGE, the investment project "Strengthening the Government's Capacity to Implement Fiscal Reform" (STRONG) was approved, which will be financed with a grant of USD 10 million from the Multi-Donor Trust Fund for Support, Recovery, Rehabilitation and Reform of Ukraine (URTF).

In November 2024, a grant agreement was signed with the World Bank under the Public Expenditure Support for Enhanced Accountability and Responsiveness in Ukraine (PEACE in Ukraine) project. This agreement is aimed at partial compensation of state budget expenditures, in particular, social and humanitarian expenditures not related to the security and defense sector. The agreement on this grant provides for Ukraine's attraction of a tranche under the PEACE in Ukraine Project, consisting of: USD 1.35 billion – a grant from the United States of America; EUR 10.8 million – funds from the Multi-Donor Trust Fund for co-financing the Second Development Policy Loan for Economic Recovery Program for Ukraine.

For reference: since the beginning of the full-scale invasion, the IFIs have already attracted almost USD 28 billion and more than EUR 1.4 billion in budget support through the PEACE in Ukraine project.[22]

Practical aspects of investment management in restoration projects

It is known that there are two stages of the investment business. The first stage consists in the accumulation of resources, and the second stage reveals the opportunities, goals and tools for allocating the previously accumulated resources. These two stages only initially follow each other, and gradually investment management provides for practically synchronized operational flows of resources, both in terms of accumulation and placement, because assets must work, i.e. be capitalized in circulation. International and domestic experience and the organization of the investment process show that at the second stage, there is a need for a separate function of investment policy – management of resources when they are placed on open markets, which requires special knowledge and skills. In the business environment, this function is performed by asset management companies (AMCs). This term is official, for example, see the Laws of Ukraine "On Collective

[22] Ukraine will receive about $1.37 billion under the World Bank's PEACE in Ukraine project. The Ministry of Finance and the Bank signed a grant agreement. URL: https://mof.gov.ua/uk/news/ukraine_will_receive_about_137_billion_under_the_world_banks_peace_in_ukraine_project_the_ministry_of_finance_and_the_bank_signed_a_grant_agreement-4879 [In Ukrainian]

Investment Institutions"[23], "On Capital Markets and Organized Commodity Markets"[24].

AMCs assess risks, payback, and profitability of investments, analyze and constantly monitor the value of their own assets that are placed (placed) and become assets of investors in the secondary capital markets. Thus, AMCs are one of the main markers of investment policy.

How do we understand the peculiarities of this second investment stage in Ukraine when supporting investments of private partners in the domestic capital market with the activation of the AMCs role? And also, the possible representation of Ukrainian banks and/or other financial institutions in performing the AMCs function? What is the ownership and residency structure of such an AMCs?

It is clear that the function of managing beneficiaries' resources cannot be separated from donors' money. Whose money determines the peculiarities and transparency of its circulation. Therefore, a foreign or Ukrainian company can act as an AMC, or a special trust fund, or a development bank (which we still do not have).

In retrospect, in February 2023, there was information about a meeting between President of Ukraine V. Zelenskyy and representatives of JP Morgan, where they discussed "the creation of a bank managed by Wall Street firms that would invest in oil refineries, roads, bridges and other economic infrastructure"[25]. That is, as a possible option, non-residents have shown interest in managing assets for restoration and reconstruction when offering to provide a number of consulting services. By this fact, the structures of large international capital showed their desire and faith in the investment prospects of Ukraine.

After the appointment of the U.S. Special Representatives for Ukraine's economic recovery, P. Pritzker in 2023 and R. Verma in September 2024, the issue of investment support and consulting in this area became more manageable.

In April 2023, at the annual meetings of the IMF and the World Bank, as part of the continuing cooperation with IFIs and other donors, the World Bank's position as an institutional investor and lender in the implementation of sectoral recovery programs became more explicit.

For example, new initiatives have been announced, such as the creation of the URTF (Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund) and the SPURR (Special Program for Ukraine's Recovery and Crisis

[23] The Law of Ukraine "On Joint Investment Institutions" of July 5, 2012, No. 5080-VI. URL: https://zakon.rada.gov.ua/laws/show/5080-17#Text. [In Ukrainian]

[24] Law of Ukraine "On Capital Markets and Organized Commodity Markets" of February 23, 2006 NO. 3480-IV. URL: https://zakon.rada.gov.ua/laws/show/3480-15?find=1&text. [In Ukrainian]

[25] See: https://inventure.com.ua/uk/news/world/volodimir-zelenskij-zustrivsya-z-top-menedzherami-investbanku-jpmorgan-chase

Response) program. This complemented existing support programs to attract donor funds for the reconstruction of social, energy, and transportation infrastructure.

This means that in situations where the investor/lender is itself an institutional "non-private" player in the market (like the World Bank in this case), the issue of choosing an AMC to manage recovery resources is quite simple. The World Bank is both an important creditor/investor and takes over asset management functions in the implementation of sectoral and other projects. That is, the issue of control over the funds provided is not delegated to an external structure – AMC – but remains with the lender/investor. The World Bank does not need external services to manage its loans and investments.

The institutional structure of the general government sector, which monitors recovery issues and supports the circulation of relevant resources, is sufficiently focused. There is a Vice Prime Minister of Ukraine for Reconstruction, and the State Agency for Reconstruction and Development of Infrastructure of Ukraine is functioning.

At a meeting of the IMF and the World Bank in October 2024, with the participation of the Ukrainian delegation, the focus was on budget support for Ukraine in 2025, in particular through the G7 countries' Extraordinary Revenue Acceleration for Ukraine (ERA) funding mechanism in the amount of USD 50 billion. A joint statement was signed between the heads of the finance ministries on the agreement to provide Ukraine with USD 20 billion under the ERA. Also, the UK Treasury announced a proposal to raise GBP2.26 billion (USD 3 billion) to implement the ERA mechanism. Together with the World Bank, work is underway to launch two projects: "Resilient, Inclusive and Sustainable Entrepreneurship Project" and the aforementioned "Supporting Recovery through Sound Fiscal Management" project.

Ukraine has signed an agreement with the European Union to launch the Ukraine Loan Cooperation Mechanism (ULCM). This agreement will allow the proceeds of the frozen sovereign assets of the aggressor to be used to cover the principal amount of the loan raised from partners under the G7 ERA initiative, as well as interest and any other costs associated with the loan. This will create a legal framework for servicing and repaying the funds received by Ukraine, which could reach up to EUR45 billion.

The implementation of existing projects and the launch of new ones to support and rebuild Ukraine's economy in cooperation with international financial organizations continues.

The formulation of expectations and forecasts is always within the limits of acceptable values and risk assessment. In this regard, the NBU's Inflation Report is one of the best information and communication documents. For example, the October 2024 report[26] contains projections for external financial support in the following amounts 2024 – USD 42 billion; 2025 – USD 38 billion; 2026 – USD 25 billion. That is, in the three-year perspective, external funding will decrease by 41.5%. Therefore, relying on its own financing capabilities has always been the basis of public and corporate financial management.

Target orientation of recovery. The main question that is becoming increasingly clear is what do we want to achieve as a result of the implementation of recovery efforts and programs? The quantitative parameters of GDP (such as the current maximum of USD 200 billion in 2021) cannot be an acceptable benchmark. The result should be a new structure of the economy, with a predominance of high-performance technologies in the non-financial corporations' sector, digitalization of all spheres and increased digital literacy, and abandonment of the exploitation of fading raw materials sources of development. And legalization of capital – otherwise, it becomes doubtful whether we could rely on our own development opportunities, if the economy is heavily shadowed.

Conclusions

Ukraine needs a clear financial policy and sectoral model for recovery. It should include prioritization of recovery and upward development and its provision with financial resources. With safe circulation of financial capital, with motivated labor potential, with the generation of possible and sufficient cash flows from partners/donors to beneficiaries/recipients. Rebuilding and restoration should be defined not only as post-war, but also as every day, with a current step-by-step vision of project implementation in certain "mainstream" sectors. This is the "puzzle framework" of the recovery management map, where the effectiveness of the financial policy of recovery processes determines their viability.

Ukraine's financial needs and opportunities for economic recovery are multidimensional. The inability to meet these needs from own sources prompts the attraction of external resources. This is the ABC of building any balance sheet. In this regard, cooperation with international financial organizations, donors, private lenders, and investors is essential. The role of international organizations in the recovery process is growing. From an operational perspective, institutional and intergovernmental loans are managed by lenders together with the recipients (beneficiaries), while private capital deployment requires specialized asset management services.

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[26] NBU Inflation Report, October 2024: https://bank.gov.ua/admin_uploads/article/IR_2024-Q4.pdf?v=10 [In Ukrainian]

A separate aspect is the issue of using the aggressor's frozen assets for compensation and recovery purposes.

The issue of financial policy for recovery resources is shifting from the plane of accumulation of funds to the plane of control over the resources allocated for recovery purposes. The World Bank's increased involvement in recovery projects as an institutional lender and investor shows that it is possible to combine the functions of a resource provider and an asset manager. This shift in emphasis on the concentration of management functions is positive both in terms of countercyclical wartime challenges and the World Bank's positioning as one of the core institutions of the international financial system.

There are still significant risks to the development of Ukraine's economy. These include the duration of the war, human and material losses, the energy crisis and demographic problems, labor outflows, and the shadow economy. These risks affect the circulation of financial capital, the positions of donors and recipients of financial resources, and the opportunities and prospects for financing recovery projects.

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