

PROSPECTS FOR THE RESTORATION AND RESTRUCTURING OF THE ECONOMY OF UKRAINE AFTER THE MILITARY CONFLICT

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Abstract: As a result of the military conflict in 2022, in all regions of Ukraine, the economy was destroyed, and poverty increased. More than 15 million refugees, 8 million went to European countries. Economists calculate damage. Data for September and October 2022 were used in the paper. The main donors of the Ukrainian economy are now European countries, the United States, and International Financial Institutions.

The war will end and the process of renewing the economy will begin. It is important here to have a national recovery strategy based on the study of such experiences in other countries. The only way to restoration is attracting of investment. Investments can only be involved based on safety, transparency, insurance. The goal is to restore the ability of the national economy to ensure quality life. The strategy of the post-war organization of the Ukrainian economy should be realized in accordance with the plan of its entry into EU membership.

Keywords: Ukrainian economy, military conflict in Ukraine, the renovation of Ukraine, Marsal's plan, EU membership plan, recovery of the Ukrainian economy after the crisis.

Introduction

1. The volumes of destruction and analysis of losses in all sectors of the Ukrainian economy.

War is not only the death of people and destruction, but also a stop of economics, a drop in production, poverty, and unemployment.

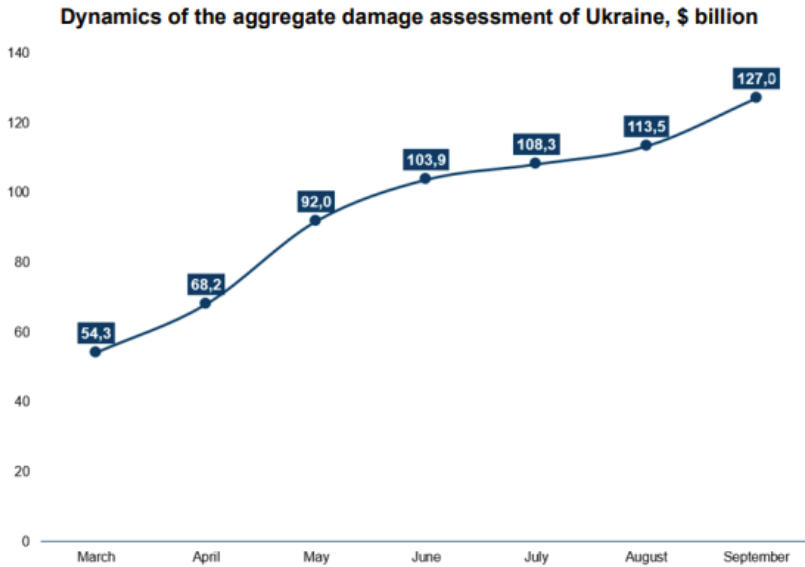
According to scientific conclusions published in the monitoring report Kyiv School of Economics [1]. "As of September 1, 2022, the total amount of direct documented damage to residential and non-residential real estate and other infrastructure amounted to more than \$127.0 billion (at replacement cost). Picture 1" [1]

The damage assessment was carried out within the framework of the National Council for the Recovery of Ukraine from the Consequences of the War by the analytical team of the Kyiv School of Economics (KSE) together with the Ministry of Community Development and Territories, the Ministry of Infrastructure, the Ministry of Health, under the coordination of the Ministry of Reintegration Temporarily Occupied Territories and in cooperation with other relevant ministries and the National Bank.

The Kyiv School of Economics report [1] says "The largest share in the total volume of damages belongs to residential buildings - 39.7% or \$50.5 billion. Compared to the beginning of June 2022, this amount increased by \$11.2 billion. According to latest data, as of September 2022, the total number of destroyed or damaged housing stock is about 135.8 thousand buildings, among them 119.9 thousand are private (individual) houses; 15.6 thousand - multi-apartment buildings; 0.2 thousand - dormitories. Compared to the beginning of June 2022, the number of damaged and destroyed residential buildings increased by 15,000. The total area of damaged or destroyed objects is 74.1 million square meters, which is 7.3% of the total area of Ukraine's housing stock.

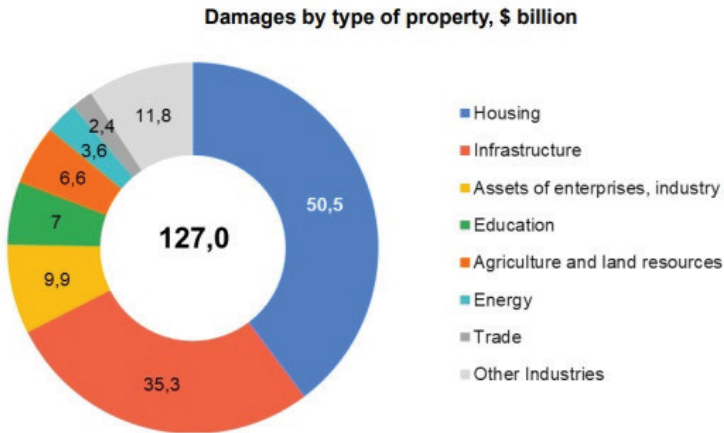
For June-August 2022, the damage caused to the railway infrastructure increased by \$1.7 billion.

Business asset damages are at least \$9.9 billion and continue growing. This is the third-largest share of infrastructure damage. In terms of industries, metallurgy suffered the most. In total, at least 412 enterprises have been damaged or destroyed since the beginning of the war, of which 64 are large and medium-sized enterprises.



Source: Kyiv School of Economics

Picture 1:



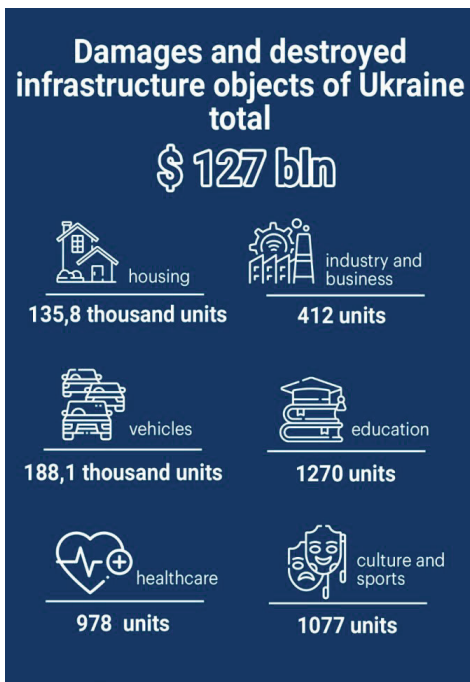
Source: Kyiv School of Economics

Picture 2.

Expecting, the actual figure may be higher, as there is currently no complete information on the state of Ukrainian enterprises located in the temporarily occupied territories. Experts estimate the damages caused to

the educational infrastructure of Ukraine at \$6.95 billion. Picture 2[1]. Compared to the beginning of June, the damages to educational institutions amounted to \$2.2 billion. This amount increased both due to the growth in the number of damaged and destroyed objects and due to the expansion of the educational infrastructure objects list, the damages of which are assessed within the framework of the project. In total, as a result of hostilities, at least 810 were destroyed and 1865 objects of educational infrastructure and 1693 were damaged. The largest number of destroyed educational institutions was recorded in Donetsk, Kharkiv, Luhansk and Kyiv regions.

Picture 3. Source: Kyiv School of Economics[1]



Compared to the beginning of June 2022, there was a significant increase in the number of destroyed and damaged infrastructure objects: from 121,000 to 136,000 objects, the number of residential objects affected by the war increased from 777 to 978 - medical facilities, from 111 to 616 - administrative buildings, from 105.2 thousand to 188.1 thousand - private cars. **Picture 3.**[1]

Since the beginning of Russia's war against Ukraine, at least 616 administrative facilities, 978 healthcare facilities, of which 24 are private health care institutions, 1270 schools, 786 kindergartens, 775 cultural facilities, 80

religious buildings, 149 tourism facilities, and 153 sports facilities, 2,910 retail outlets, 19 airports and civilian airfields, 110 railway stations, 315 of bridges and bridge crossings, 10 thermal power plants, 322 boiler houses have been damaged, destroyed or seized.

The overall damage assessment was carried out in accordance with the methodology of the World Bank, and in close cooperation with the specialized team of the World Bank, considering the significant amount of

micro-data collected by the specialized authorities, and local civil-military administrations since the beginning of the full-scale war.

The report presents detailed calculations for each of the sectors: social sector, infrastructure, ecology, productive sector, and demining, as well as a list and assessment of the most affected industrial assets and regional breakdown by the number of destroyed objects. The Kyiv School of Economics report (<https://kse.ua>) [1]

Also, unemployment and poverty sharply increased in the country. Since February 24, about 30-40% of Ukrainians lost their jobs, while the salary was reduced in more than 75% of workers. In the latest survey of the independent agency Gradus, 66% of respondents noted that their greatest need is money, 33% replied that this was work. [2]

2. The influence of the scale of destruction during the war on the financial results of the Ukrainian economy.

According to the reporting of the Ministry of Finance of Ukraine The deficit of the consolidated payment balance of Ukraine (the movement of funds in the form of payments from the country to the country) according to the results of June increased to \$2.1 billion. For comparison, in the same period last year, the surplus amounted to 753 million UAH. This is evidenced by the data of the National Bank, reports Interfax-Ukraine. [3]

The National Bank of Ukraine reported Balance of payments in September 2022. The current balance of payments account was \$1.9 billion. (In September 2021, the deficit amounted to \$0.8 billion). The surplus was formed by receiving grants from international partners and reducing investment income payments. At the same time, the negative trade balance of goods and services has expanded significantly, including at the expense of significant expenses of Ukrainian citizens who are abroad. In the nine months of 2022, the current account surplus amounted to \$8.5 billion. [4]

Exports of goods decreased by 34.9% (in August - by 47.3%), their imports decreased by 24.4% (in August - by 22.3%). Ferral and non-ferrous metals were reduced by 76.0% (compared to August 2022 by 12.7%). Exports on all other major product groups have also decreased, in particular: food products - by 8.5% (compared to August + 36.0%); including cereals - by 29.3% (compared to August + 60.1%); mineral products (including ores) - by 39.8% (compared to August + 9.7%); mechanical engineering products -

by 45.7% (compared to August - 3.1%); chemical products - by 47.3% (compared to August + 8.8%); wood and products from it - by 27.3% (compared to August - 0.2%); industrial products - by 51.4% (compared to August + 2.6%).

In September 2022, exports to Asian countries were most reduced in the nominal dimension - by \$1.2 billion. US, or 58.0%. Exports to Africa (\$501 million, or 76.4%; the share decreased from 10.9% to 4.0%). At the same time, exports to EU countries increased by \$261 million. The United States (or 11.2%), and its share in exports increased from 38.6% to 66.1%. Imports of goods amounted to \$4.9 billion.

The trade shortage was \$1.2 billion. US exports decreased by 22.9%, while the increase in services of services was estimated at 1.8 times. Imports of services increased at the expense of the costs of persons who went abroad through the war and short-term migrants - increased by 3.2 times. Instead, imports of all other services decreased by 43.4%.

The main factor in reducing the export of services was to reduce transport services by 29.7% (mainly due to a significant decrease in exports of air, maritime, rail and pipeline transportation services). Also reduced exports of all other services - by 20.7%, including exports of computer services - by 6.9% (in August increased by 4.5%).

Private money transfers increased by 0.7% and amounted to \$1.1 billion. USA. The salary that Ukrainians receive from abroad decreased by 21.0%, other private transfers that came through official channels decreased by 17.1%. The net inflow of foreign investment is estimated at \$200 million.

The consolidated balance of payments was \$750 million. (In September 2021 - \$2.2 billion). The planned repayment of debt to the IMF was \$625 million. USA. As of October 1, 2022, international reserves amounted to \$23.9 billion. US, which provides financing for imports of the future for 3.0 months.[4]

3. Internal factors that have a stabilizing impact on the Ukrainian economy.

Since 2014, Ukraine has held several economic and structural reforms, which played an important role in maintaining the persistence of the economy during a full-scale war.

3.1. The decentralization of the country according to the Swiss model strengthened local governments, gave more opportunities. "From the first

hours of the invasion, local governments took over territorial defense, the construction of fortifications of all lines, the transportation of people and the delivery of humanitarian goods, mutual assistance and underground. In the liberated territories today, there is a restoration - municipalities independently or with residents, with the support of central authorities or with international partners", said Oksana Prodan, adviser to the head of the Association of Cities of Ukraine on municipal issues.[5]

3.2. The digitalization of Ukraine has been carried out since 2014 and covered all spheres of the life of citizens and business. The state portal "Diya" plays a special role in the economy of Ukraine. Now almost all citizens use this portal. With the help of the portal, the damage is fixed, an application for payments, support for refugees and immigrants. During the war, this portal became one of the main tools for combating corruption.

On the portal "Diya" updated the marketplace of financial capabilities [6]. Now entrepreneurs can learn about 300+ financial programs for the development and scaling of their own business: loans, leasing, grants, state, and international support programs. On the marketplace, you can choose the required amount, interest rate, type of financing and the like using a convenient information search filter.

The preparation of the service became possible thanks to the Ministry of Digital Transformation of Ukraine, the Office of Entrepreneurship Development, and the Export national Project of Diya. The Business and the Support of International Partners within the IFC project - the International Corporation "Financial Inclusion" for Economic Growth in Ukraine", which is being implemented in partnership with the State Secretariat from the State Secretariat of Economic Affairs of Switzerland (SECO) and the UK Effective Management Fund (GGF). [6]

3.3. According to the Ministry of Finance of Ukraine, the banking system of Ukraine on the eve of the war was in good shape. There was enough live money on the accounts of banks (in the form of residues on correspondence accounts and deposits of the NBU). This is what made it possible to survive the outflow of cash through the panic of the first days[7].

It is noted that not a single bank has fallen. From February to April, the NBU issued 125 billion hryvnias of refinancing to banks, and reduced hryvnia pressure due to foreign exchange and import restrictions. Cashless payments from the beginning of the invasion have passed without problems. It is expected that the volume of problem loans will

grow. The economy was reduced by almost 50% - this is also an approximate assessment of the losses of the banking sector. Likely, after the shock experienced, the system will transform. Private banks will greatly depend on the refinancing loans of the NBU. And the share of the state in the sector will increase.[7]

Section snippets

1. Current support for the economy of Ukraine during the war.

Currently, the destruction of civil infrastructure, housing, schools, and enterprises throughout Ukraine continues. At this stage, it is impossible to attract private investment funds. Therefore, so far, the main donors of support for the economy of Ukraine, the service of its external debt, the budget and the banking system are state and international funds and budgets of the countries of the European Union, the UK, the USA, and other developed countries, as well as the funds of Ukrainian diasporas.

However, as soon as it becomes clear that the war is coming to an end, private investment funds themselves will show interest. **Therefore, I would divide the restoration of the economy into three parts:** this is **current support** for the Ukrainian economy in the process of war and daily destruction, a **transition period** and **post-war recovery**.

The current support of the Ukrainian economy during the war was mainly aimed at strengthening the banking system of Ukraine and filling out the budget, the creation of one-time payments to citizens who do not have sources of existence and prevent the humanitarian catastrophe, as well as financing urgent restoration work of Ukrainian civil infrastructure to prevent the migration crisis in Europe in the winter.

The allocation of funds, including donations, interest free loans and grants with their subsequent control are targeted and allocated immediately after each destruction of the vital infrastructure of Ukrainian cities, such as power plants and transformer substations, thermal stations, units supplying water and provide sewage.

As of September 1, since the beginning of the war, Ukraine received \$17.4 billion grants and loans from foreign partners, of which 4.7 billion dollars in August. Picture 4 [8]. The Ukrainian economy cannot independently withstand the fall caused by a Russian attack, so it needs support from partners.



Picture 4. "Budget deficit, debt repayment and foreign financing".

Source: The Center for the Economic Strategy of Ukraine (<https://ces.org.ua>) [8], data from the Ministry of Finance Ukraine.

In general, since the beginning of the war, foreign assistance has covered 55% of the need for additional financing of the budget (deficiency and repayment of debts). It is the volume that could not be collected in the form of taxes and duties. In general, from the beginning of a full-scale war, foreign financing has covered 36% of the state budget expenditures. The rest are tax and customs revenues (34%), the printing of the NBU hryvnia (20%), military bonds (10%). In August, international partners received \$4.7 billion in loans and grants. Thus, for the first time since the beginning of the war, foreign financing completely covered budget needs within one month that reached \$4.2 billion.

A significant share of 4.7 billion. August funds were transferred to Ukraine by the United States - 3 billion of the dollars of a grant, which the partners transferred to the Independence Day of Ukraine. In addition, the EU in early August provided Ukraine with 1 billion euros of credit funds - the first part of the package of macro financial assistance in the amount of 9 billion euros. The second part of the assistance in the amount of 8 billion is delayed, although it should have arrived by September. Picture 5.



Picture 5. "TOP of financial assistance donors to Ukraine".

Source: The Center for the Economic Strategy of Ukraine (<https://ces.org.ua>) [8], data from the Ministry of Finance Ukraine.

Also, funds for supporting the financial stability of Ukraine in August were received from Canada (a loan of 350 million US dollars for the purchase of gas before the heating season), Italy (200 million euros of credit) and the World Bank (\$120 million). Albania finds the opportunity to transfer to Ukraine 1 million euros of an emergency grant. Analysts emphasize that grants for Ukraine are preferable, since they will not need to be returned in the future, but due to the urgency of needs, we simply have no right to refuse loans.

Ukraine should still receive about \$16 billion from different countries and international financial organizations. Now the most likely is the opening of a new IMF support program. Such a program will help not only receive significant amounts of funding, but also increase the prediction of revenues to the budget and facilitate the raising of funds from other countries. [9] Максим Самойлюк, Center for the Economic Strategy of Ukraine.

The reconstruction of Ukraine was discussed at an international expert conference in Berlin 25 October 2022, hosted by the German G7

Presidency and the EU Commission[10]. "Ukraine cannot manage it alone. The European Union cannot manage it alone either. It can only be achieved by the entire global community, which is now lending its support to Ukraine", stressed Federal Chancellor Olaf Scholz and EU Commission President Ursula von der Leyen at the international expert conference on reconstruction assured Ukraine of long-term assistance: "One should be careful about making historical comparisons, but this amounts to no less than the creation of a new Marshall Plan for the 21st century. It is a task that will take generations and must begin now".

Russia's war against Ukraine, had already caused many hundreds of billions of euros worth of damage, and the destruction was immeasurable, said Scholz, adding that reconstruction would take decades. As the Federal Chancellor stressed: "Ukraine is not alone in this war, however. It can rely on the support of the international community". [10]

EU Commission President von der Leyen described the reconstruction as a "colossal undertaking". "It was not possible to wait until the end of this horrific war before starting reconstruction, she said, it was important to look at what could be repaired right away, such as schools. In addition, she noted, Ukraine needed regular financial support to be able to pay teachers, doctors, and pensions". she said. [10]

The global community has been providing support for Ukraine for several months. The G7 states, the European Union and its members have raised over 35 billion euros in emergency aid alone to date. The international community has imposed tough sanctions on Russia, supplied weapons to Ukraine and provided support for Ukraine's economy, while millions of refugees have been taken in by several countries. [10]

The CEPR PRESS Centre for Economic Policy in London, which has combined a group of scientists from around the world, has developed a modern strategy for the restoration of Ukraine after the war "A Blueprint for the Reconstruction of Ukraine" [11], which can become an analogue of the Marshall plan. They study successful experience in investing in the restoration of the destroyed economies of European countries after the Second World War, the success of the recovery of Indonesia after the 2004 tsunami, the recent restoration of the global economy after the crisis in the pandemic. As negative examples, the unsuccessful experience of investing in Afghanistan and the failure of the Haiti restoration after an earthquake in 2010 due to many factors, such as corruption, the scatter of

funds and sources of financing, weak control, government noninterest and lack of security. The document is brought to specifics and can be used as an action plan.

From the whole work, I would single out several basic ideas. "Principles of reconstruction. One should distinguish three stages of reconstruction: A. Emergency response (akin to the response to a natural disaster hitting a country) B. Rapid restoration of critical infrastructure and services C. Laying foundations for future growth and modernization. Each of these stages has different objectives and requirements. The emergency response is a set of measures usually taken after major natural disasters. The second stage aims to revive the basic functions of the economy and the government. The third stage is meant to put the country on a rapid, sustained growth trajectory" ([11] Page 7). "Grants rather than loans. The country destroyed by the war will unlikely be able to service and repay additional debts in the short run. A focus on loans (which is the main type of funding for WB, EBRD, EIB, etc.) will increase the risk of a debt crisis in the future. Grants accounted for 90% of Marshall Plan disbursements."

"EU integration: Aid should create incentives for Ukraine to align its regulatory/legal environment to the EU standards (including anti-corruption frameworks), to promote free trade, and to attract foreign direct investment (FDI). The success of aid will critically depend on Ukraine's ability to export to the EU and other markets. The aid should direct Ukraine to become a member of the EU. Just like the Marshall Plan and the impetus it provided for regional integration (through the Organization for European Economic Cooperation) were instrumental in building confidence about the future of post-WWII Europe, EU integration would send a vital signal about a long-term commitment to market-based democracy in Ukraine."

"Reconstruction offers a unique opportunity to radically upgrade Ukraine's productive capacity to bring it close to the technological frontier, lay foundations for long-term growth, and integrate Ukraine even more tightly into the global economy. Aid should be focused on increasing the productivity capacity of the economy and stimulating a high investment rate (e.g., on new machinery/equipment, infrastructure, training/human capital, technical assistance, etc.), as well as through strengthening human capital. The Russian invasion has damaged education for many young people, and this needs to be addressed as a top priority." ([11] Page 8,9)

"To ensure that Ukraine owns reconstruction, the agency should use the following principles: A. Matching funds: The Ukrainian government or businesses should cover a fraction of the cost of reconstruction to ensure that they have skin in the game. This was done under the Marshall Plan by allowing recipient governments to sell merchandise and commodities delivered as aid to the private sector; receipts were then deposited into 'counterparty fund' accounts, whose release was controlled by the US government. B. Joint decisions: The Ukrainian authorities formulate requests; to minimize corruption and help with compliance, the agency reviews and approves (or recommends changes to) the requests; once a funding request is approved (and the aid agency provides a 'commitment letter'), the recipient has some freedom/flexibility in determining suppliers (local or international). The agency disburses funding to designated Ukrainian financial intermediaries to ensure compliance and accountability.

The experience of the Marshall Plan suggests that aid was effectively spent even in Italy where corruption risks were high. Society there and in other European countries was strongly invested in the reconstruction effort. There is strong reason to think that the same will be true of post-war Ukraine.([11] Page 9, 11)

On November 15, 2022, the Prime Minister of Ukraine Денис Шмигаль said that almost half of the country's energy system was disabled as a result of Russian missile strikes. Economic assistance with the aim of the current restoration of destruction came immediately. On November 24, 2022 "The European Bank for Reconstruction and Development (EBRD) has approved a financing package that will bring €372 million to support Ukraine's electricity transmission company, Ukrenergo, to make swift emergency repairs of damages caused by heavy bombings of civilian power infrastructure during Russia's war on Ukraine and to keep the country's energy system stable as winter sets in." Reports Vanora Bennett on the official website of European Bank for Reconstruction and Development (EBRD)[12] "The EBRD will make a sovereign guaranteed loan of €300 million including two components. Up to €150 million is for equipment procurement to implement emergency repairs to the Ukrainian power transmission system. A further €150 million consists of capital structure support. Separately, the emergency repairs part of the loan will be supplemented by a grant for up to €72 million provided by The Netherlands. This will be blended into a single €372 million package to

support the immediate transmission infrastructure restoration needs of Ukrenergo. EBRD investments in Ukraine are made with the support of donors and partners. The United States of America, which has contributed US\$500 million to the EBRD's Crisis Response Fund and is strongly committed to addressing the impact of the war on Ukraine, will support up to 50 per cent of the EBRD's loan with a funded guarantee." [12]

"Urgent repairs on Ukraine's electricity network are an immediate priority for the EBRD. The Ukrainian people and businesses need continued access to electricity to go through the winter. With this important financing, we will help Ukrenergo perform swift emergency repairs of damaged equipment, high voltage substations and transmission lines. It will ensure the continued provision of vital power transmission services during the heating season for Ukrainian households, businesses, and communities," said EBRD President Odile Renaud-Basso.[12]

"We are working to commit the loan funds at the earliest opportunity, given that the winter season has already started, and the stability of the country's energy system is strategically important," said Managing Director for Eastern Europe and the Caucasus Matteo Patrone[12]. The EBRD has a unique role to play in this crisis. After more than 30 years of promoting economic transition in Ukraine, the Bank's emergency response to the war focuses on support for the country's economy today and preparing for reconstruction in future.

The Bank's actions complement those of other international financial institutions helping the Ukrainian government, as well as those of humanitarian agencies. As well as bolstering energy security, EBRD funding for Ukraine goes towards trade finance to maintain the flow of essential goods, food security and vital infrastructure. EBRD funding is also used to help refugees in neighboring countries and to assist the municipalities hosting them.

As part of more than €1 billion provided to Ukraine so far this year, the EBRD earlier repurposed a €147.2 million infrastructure loan to Ukrenergo as emergency liquidity funding, with risk-sharing for the first €50 million tranche from the European Union's EFSD (European Fund for Sustainable Development), the financing arm of the EU External Investment Plan and from the United Kingdom for the second tranche.

In October, during a visit to Kyiv to meet Ukraine's Volodymyr Zelenskyy, President Renaud-Basso told the Ukrainian President of the Bank's

determination to support Ukraine while it defends itself against Russia's aggression and pledged that the EBRD will commit up to €3 billion over 2022-2023 to help Ukraine's businesses and economy keep functioning. [12]

2. Transitional period. Preparation for the end of the war and the search for sources of financing recovery.

The world expresses the willingness to provide financial support in the restoration of Ukraine. What sources of financing for the restoration of the economy are outlined and begin to work today. Consider several of them.

2.1. Preparation of global investments. Even though the Marshall plan has not yet been developed and has not been adopted, on November 24, 2022, "the European Parliament supported the proposal of the European Commission to allocate 18 billion euros in 2023 in 2023, voting for the relevant amendments to regulatory legislative acts that will allow you to implement a new Macrophin-Plus formula" is reported on the website of the Ministry of Finance of Ukraine.[13] ("Financial Rammstein")

2.2. Trials for the purpose of obtaining reparations. The inevitable source of financing for the restoration of the Ukrainian economy will be Russian reparations, as well as frozen currency reserves of Russia and oligarchs. General assets make up at least 1 trillion dollars, but getting these funds is a complex process. However, the first steps have already been taken. Various types of assets of the Russian Federation and oligarchs in the UK, the European Union, Switzerland, and the USA were arrested. An important decision is also made that gives a precedent for further trials: The UN General Assembly on Monday 14 November 2022 adopted a resolution that calls for Russia to pay war reparations to Ukraine, as ambassadors met to resume their emergency special session devoted to the conflict. [14]

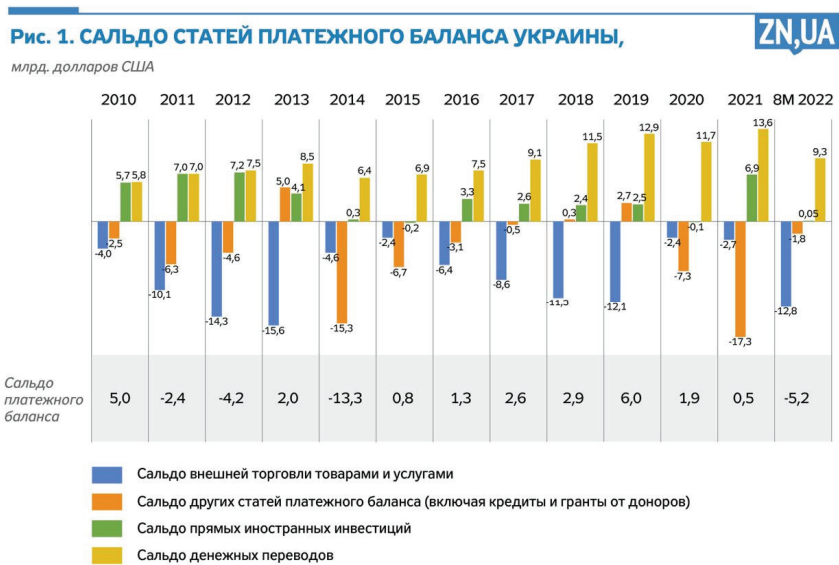
2.3. Donations for special accounts for restoring the economy of Ukraine. Now, to raise funds, the authorities use the United24 platform (U24) [15], where funds are divided into three directions: protection, humanitarian, and medical care, as well as the reconstruction of Ukraine.

The site works: residents of almost 90 countries have joined the global initiative. From May 01, 2022, the platform raised more than 200 million dollars. In addition, they consider the possibility of receiving grants, preferential loans, and private investments. Ukraine has already received

\$3 billion in the form of the United States World Bank and the US Agency for International Development.

2.4. Green bond market. At the beginning of 2022, the government approved the concept of the introduction and development of the green bond market in Ukraine. The document defines several directions and tasks that will contribute to the development of this market in Ukraine, including the support of issuers and the introduction of appropriate incentives. So, the issuer of such bonds, among others, may be the local governments.

2.5. Cash transfers of migrants and diaspora. "Payment balance statistics proves that money transfers are the highest source of the net inflow of currency to Ukraine and filling in gold and foreign exchange reserves." - believes Андрій Гайдуцький, Doctor of economic sciences, expert on migration policy in his article [16]



Рассчитано по данным Национального банка Украины

Picture 6. "Saldo of articles of the payment balance of Ukraine."

Source: <https://zn.ua>. Saldo of money transfers is yellow on the picture.

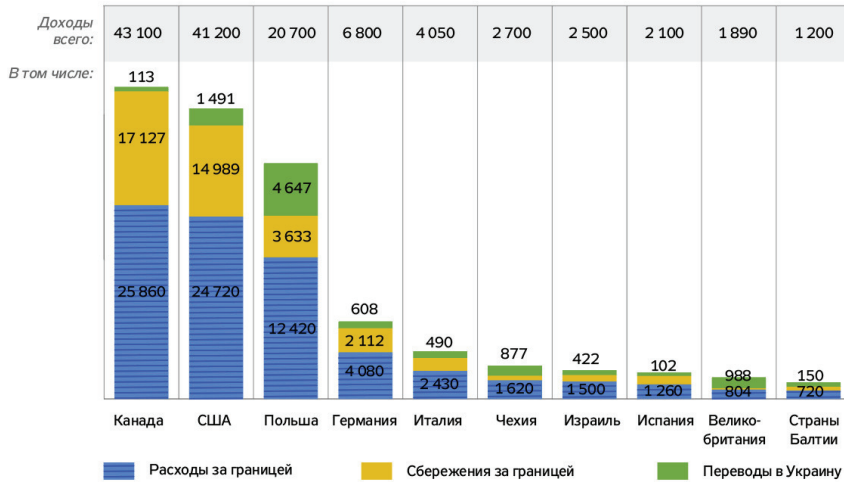
Андрій Гайдуцький writes that: "In 2021, Ukrainian migrants and diaspora abroad earned more than 140 billion dollars, of which only 14 billion transferred to Ukraine. Picture 6. Due to the lack of programs and mechanisms for attracting income of Ukrainian migrants and diaspora,

Ukraine has noticed About \$50 billion in 2021. These funds were accumulated by them in the countries of residence and employment. Only in the top 10 countries, natives from Ukraine had about \$40 billion in the form of accumulations. Every year, hundreds of thousands of Ukrainians show courage and go abroad in search of higher incomes and for self-realization. Each year, the power of the host countries shows the courage to thank Ukrainians for their willingness to work in these countries. For example, in 2018, Ukrainians even received a reward in Poland as a collective hero of the Polish economy, because there they already form more than 10% of the country's GDP. In 2022, the authorities of Europe and North America showed the courage to accept millions of Ukrainian refugees, organize financial assistance to them and assist in finding work. Accepting countries understand that today they are refugees, but tomorrow they are already workers, and the day after tomorrow they themselves will become employers. Therefore, in 2023, the authorities of these countries form programs and financing with the aim of further socio-economic integration. As a result, already in 2025, the annual income of Ukrainian migrants and diasporas will grow to \$200 billion and exceed the income of Ukrainians in Ukraine. 200 million dollars are transferred to their homeland in about five calendar days. This is the unique advantage of translations over investment. If, in general, people from Ukraine have only two countries to choose from where to direct their savings (a country of employment or a native country), then a foreign investor has almost 200 countries to choose to compete with which Ukraine needs to compete daily and, unfortunately, not on equal terms." [16]

In his articles, АндрійГайдуцький reveals the strategy to attract capital of migrants and Ukrainian diaspora to the development of the country. At the same time, he indicates the experience in this area of countries such as Israel, Mexico, India, the Philippines, Kenya and believes that Ukraine should adopt it.

Рис. 5. СТРУКТУРА ИСПОЛЬЗОВАНИЯ ДОХОДОВ УКРАИНСКИХ МИГРАНТОВ И ДИАСПОРЫ В СТРАНАХ НАХОЖДЕНИЯ В 2021 г. ZN,UA

млн. долларов США



Рассчитано по данным National Statistic Units, McKinsey Global Institute, Migration Policy Institute

Picture 7. "The structure of the use of income of Ukrainian migrants and diaspora in the countries in 2021."

Source: <https://zn.ua>

2.6. Finance levels of regional cooperation. It is assumed that partners, cities of twin or foreign corporations can send and control the use of their own funds of local budgets to the Ukrainian city or region affected by the war. The Association of the Cities of Ukraine and the Congress of the local and regional authorities of the Council of Europe signed a declaration of cooperation in the restoration of the country. A special international resource has been created to coordinate and joint actions to restore cities at municipal levels <https://www.cities4cities.eu> [17]

For example, Malaga and Płock are ready to help Zhytomyr, Vilnius will help Borodianka, Bonn to the city of Irpen, Bergamo will help the city of Bucha, New York, Boston, and Nuremberg will help restore the city of Kharkiv. Denmark proposed helping to restore the city of Nikolaev. The Danish parliament has already announced a package of assistance in 13.5 million euros to prepare the city of Nikolaev for winter. Estonia officially decided to restore the kindergarten and school in Ovruch, the region of Zhytomyr at its own expense.

3. National strategy of post-war recovery.

The post-war restoration provides unique opportunities to reset the settings and build a completely new national economy of Ukraine as part of a single economic organism as part of the European Union. Before the end of the war, it was impossible to establish a recovery framework. However, the national strategy of this process should be thought over today.

It is not enough to attract financial resources for specific projects. We need a strategy for changing the economic environment, the rejection of old and the creation of new sectors of the economy, the use of modern technologies for managing all types of resources that will allow you to build a wealthy European state and ensure openness in information. The presence of such a strategy will give a signal to serious investors that the country itself has become completely transparent and economically predicted.

3.1. Economics of "white collar". It is also important to note that the economy of Ukraine was far from perfect before the start of Russian invasion of 2014 - 2022. Over the past decades, the main idea of business in Ukraine was to take a loan, to bring in containers products from Poland, Turkey, or China, to advertise and sell it through shopping centers of the big cities like Kyiv, Kharkiv, the Dnieper, Lviv or Odesa. Now in the cities of Ukraine, the offices of numerous marketing companies and intermediary firms are empty. People who still go there to work do not understand that the war has already broken the mechanism of the economy of "white collar".

To replace the predatory economy of "white collar", it is necessary to create production capacities so that Ukrainians receive benefits from VAT, and the profit invests in a real Ukrainian economy. The Ukrainian economy should change so that an engineer with a master's diploma can receive a large salary than the reseller of another's goods that do not have higher education.

3.1. Discipline and lack of corruption for investors. Unfortunately, despite of reforms, Ukraine has not yet become a model of financial discipline and has not yet got rid of corruption. Therefore, any opacity in handling target funds and investments will provoke distrust and even a delay in financing, which is very dangerous. The quality and fair cost of construction and installation work should be ensured unhindered access of foreign construction companies to tenders and competitions for the selection of

contractors. This factor will have a positive impact on the volume of donor and investment financing.

3.3. Safety for investment. The success of the Ukrainian "Marshall Plan" and recovery strategies will fully depend on security. On the country's scale, security challenges will require ensuring the functioning of a powerful defense-industrial complex and the formation of strategic reserves, which will entail the involvement of international investments and the creation of new jobs.

3.4. The organization of the return of citizens to the places of residence from abroad and western regions of Ukraine should be carried out synchronously with the restoration of infrastructure, economic facilities, and opportunities for employment. With the rapid restoration of infrastructure and jobs, it is necessary to form favorable conditions for business in the service and development of other sectors of the economy integrated into the European and global economy.

Such a strategy should attract all possible stakeholders in the implementation of restoration tasks and lead to a positive effect. This will become an attractive factor not only for investors, but also specialists, managers from Western countries and the USA. At the same time, the use of inexpensive Ukrainian labor resources will allow you to get the required effect of improving the quality of life in a fairly short time.

3.5. Planning by industries and territories. In the post-war conditions, the market mechanisms of competition may not work correctly, so the planned balance of recovery is needed. It is necessary to highlight the sequence and volumes of financing and the development of different sectors of the economy. The basis of the engine of the Ukrainian economy you need to take the most successful direction - the agricultural sector, metallurgy and constructions.

Also, the strategy must consider the territorial balance of recovery - the distribution of financing by the sectors of the economy and effort, depending on the degree of injured region. However, financing of development should also affect the prosperous regions in which refugees adopted and organized the work of displaced enterprises during the war. An important role in the implementation of the recovery strategy will be assigned to territorial communities (like Swiss cantons) - this will require the establishment of the basics of the stability of the economy and the managerial power of communities in the context of the specific

consequences of the war, the spread of intermunicipal and interregional cooperation.

3.6. Direct investments by the sectors of the economy as a proposal for foreign and domestic capital. After the war ended, stock exchange and speculative investment will revive. However, the most popular will be private joint-stock capital, that is, attracting private capital to real business. Direct investments in private business led to the growth of private companies in the real sector. Such investments are always long-term and ensure the growth of jobs.

4. Promising sectors of the Ukrainian economy to attract direct investment

Construction. The demolition of destructions, the design and construction of housing, civil infrastructure, roads, industrial facilities in all parts of Ukraine, but mainly in the northern, eastern, and southern Ukraine, including Crimea and Donbass. The presence of a Ukrainian plan of Marshall will ensure the arrival of American, European, Turkish, and even Chinese construction companies to Ukraine. It is quite possible the targeted development of money by the companies of the country of investor. The Ukrainian construction sector will have access to the most modern construction technologies and equipment. Investments in construction will be able to quickly solve the problem of unemployment and help to speed up the process of returning refugees.

The agrarian sector. Before the war, Western companies were represented in Ukraine, focusing on the production of grains. After the war, Ukraine will be able to become a powerful manufacturer of meat and fish, fruits and vegetables, berries, honey, mushrooms, and medicinal herbs. Opportunities for investment in the cultivation of these crops on Ukrainian land are opened. The entry into force of the law on the opening of the Earth market will give a new impetus for foreign direct investments.

Technological market. Ukraine is one of the largest suppliers of software products protection against cyber threats. The growth of global threats of cybersecurity of recent years shows that everyone needs cybersecurity decisions. For example, not only browsers, but Internet giants, such as Amazon or PayPal, require strengthening. New antivirus solutions for personal computers and phones are needed.

Production. Thanks to the restoration of the economy, the shortcomings of the Ukrainian economy can be eliminated. Developed metallurgy, heavy industry and agriculture occupy most of the production, while more than half of the goods of daily consumption, and household appliances and clothing are imported. Thanks to the influence of the war, it became possible to change the mentality of consumers. If you form a demand for Ukrainian goods, specialized investors will appear who want this demand to satisfy. There is enough labor force, which is ready to refuse migration to Europe with a worthy salary in Ukraine.

Media on the internet. Thanks to the war, media products blossomed: information sites, YouTube channels, Telegram channels, blogs, analysts. Throughout 2022, Ukrainian society has learned to distinguish high - quality media and realized that information and media products cost money. The construction and development of a niche Internet resource can become a successful business.

Financial sector. After the war, the main share of banking capital will concentrate in the public sector. Western banks could make good money on financing the restoration of the Ukrainian economy. Banks already presented in Ukraine, for example, Ukrsibbank from the French group BNP Paribas, the Swedish bank SEB, the Austrian Raiffeisen bank, could increase their infrastructure.

The war destroyed the stock market in Ukraine, and this creates ample opportunities. Ukrainian technological companies can build exchanges online from scratch. And this is also a proposal for the placement of Western capital.

Conclusions

Ukraine is in a convenient geographical place of Europe, has access to the sea and large river ports, huge, explored reserves of shale gas and oil, metals, coal, has large reserves of fertile land in the world and a moderate climate, and has a powerful human potential for the successful placement of investment capital after the war.

The war will end sooner or later and the process of restoring the economy will begin. It is important here to have a national recovery strategy and analyze such experiences in other countries. The basis must be recognized as the fact that the only source of restoration of any economy is to attract investment. Investments can only be involved based on safety,

transparency, insurance. The goal is to restore the ability of the national economy to ensure a quality life.

The restoration of any material objects should not be considered as a final task. Before the war, the Ukrainian economy had many shortcomings as an inheritance from the communist past and chaotic development after the Soviets Union collapsed. Thanks to the war, Ukraine has a chance to reset of the economy. Based on the national strategy, it should be determined which objects and sectors of the economy should be restored to the pre-war state, which recreated, and which should not be restored at all.

The post-war strategy of the Ukrainian economy should be synchronized with the changes provided for by the EU membership plan. Then the restoration will be the first step in achieving the progress of Ukraine as a country - a candidate for the European community.

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IZGLEDI ZA OBNOVU I RESTRUK- TUIRANJE EKONOMIJE UKRAJINE POSLE VOJNOG SUKOB

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Rezime: Kao rezultat vojnog sukoba u 2022., u svim regijama Ukrajine ekonomija je uništena i siromaštvo je poraslo. Više od 15 miliona izbeglica, 8 miliona je otišlo u evropske zemlje. Ekonomisti izračunavaju štetu. U radu su korišćeni podaci za septembar i oktobar 2022. godine. Glavni donatori ukrajinske ekonomije sada su evropske zemlje, SAD i međunarodne finansijske institucije.

Sukob će se završiti i počće proces obnove ekonomije. Zato je važno imati nacionalnu strategiju oporavka na osnovu proučavanja takvih iskustva u drugim zemljama. Jedini put obnove je privlačenje investicija. Ulaganja mogu biti uključena samo na osnovu sigurnosti, transparentnosti, osiguranja. Cilj je vratiti sposobnost nacionalne ekonomije da osigura kvalitetan život. Strategija organizacije ukrajinske ekonomije posle sukoba treba da se ostvaruje u skladu sa planom njenog ulaska u članstvo EU.

Ključne reči: ukrajinska ekonomija, vojni sukob u Ukrajini, obnova Ukrajine, Maršalov plan, plan članstva u EU nakon sukoba, oporavak ukrajinske ekonomije posle krize.