



Razumkov  
centre



Kingdom of the Netherlands

MATRA Programme

# UKRAINE'S RECOVERY: STARTING POINT AND DIRECTIONS OF GOVERNMENT ACTION

Abridged Report  
January 2023



**KYIV**



This publication has been made within the frameworks of the MATRA Programme supported by the Embassy of the Kingdom of the Netherlands in Ukraine. The opinions expressed are those of the author(s) only and should not be considered as representative of the Embassy's official position.

See the full report in Ukrainian at <https://razumkov.org.ua/images/2022/11/10/2022-MATRA-IV-KVARTAL.pdf>.

# UKRAINE'S RECOVERY: STARTING POINT AND DIRECTIONS OF GOVERNMENT ACTION

Presented at the Round Table «How the world enters 2023:  
Economic prospects for Ukraine's recovery»

Razumkov Centre, Kyiv, January 2023

Vasyl YURCHYSHYN,  
Director, Economic Programmes of the Razumkov Centre

**In its reconstruction and recovery, Ukraine cannot wait until the end of the war, which, according to many experts, may last for years. Therefore, any scenarios for the deployment of military, and then – recovery processes in Ukraine should be developed and implemented with due consideration of not only the needs of peaceful building of a new Ukraine, but also the tasks of current and future military counteraction to the aggressor.**

**At the same time, the generalised directions of action towards recovery should pursue two «macro goals» – formation of the national economy's security structure and the economy's full integration into the European economic environment.**

## 1. IN SEARCH OF THE WAYS TO RESTORE UKRAINE

The so-called **Copenhagen criteria** in the economic sphere<sup>1</sup> are among the key benchmarks for the country's reconstruction and recovery. It is primarily about achieving price stability, ensuring stability of the national currency and maintaining relatively low interest rates, overcoming the budget deficit, reducing public debt, as well as the national economy's ability to withstand competitive pressures and demonstrate adequate competitiveness in open markets. Note that the availability of (skilled) human resources is a prerequisite for competitiveness.

Therefore, the strategic direction of transformations in the economy includes **consistent achievement of labour productivity**

at the level of successful emerging economies, based on the proper quality of education, productive creativity of each member of society, and thus adequate remuneration. It is the **productive labour of skilled workers** that can bring prosperity to every household and lead to raising living standards even in difficult post-war contexts.

Regarding recovery, the vast majority of official documents, including the government's Ukraine Recovery Plan,<sup>2</sup> do not focus on the ideological, political and institutional foundations of the country's renewal (what kind of country we want to rebuild and what is the vision of such a renewed country, the importance of human capital, its quality and competitiveness), but rather offer a long list of individual objects (infrastructure, production, logistics, humanitarian and others,

<sup>1</sup> O. Snihova, How to arrange Ukraine's recovery with an eye on the EU? – <https://www.epravda.com.ua/columns/2022/05/3/686566>.

<sup>2</sup> Presented at the Ukraine Recovery Conference in Lugano, Switzerland, in July 2022, the plan includes 15 national programmes that require a total of \$750 billion in funding, including \$60-65 billion in 2022, \$300 billion in 2023-2025, and \$400 billion in 2026-2032. Moreover, \$250-300 billion are to be provided as grants – critical funding during the war to rebuild destroyed housing and infrastructure.

each requiring very large amounts of funding), the construction or creation of which will hypothetically lead to the desired result – the creation of a new European country. However, despite the genuine willingness to help Ukraine, no international investor was inspired by the government plan presented in Lugano, as it failed to present a systemic vision but only provided for huge amounts of funding, and therefore did not cause any real business interest.

New forums and meetings aimed at helping and developing Ukraine are next in line. It is appropriate for the government to prepare truly programmatic documents, rather than come up with another list of «interested» industrial and infrastructure projects.

Implementation of the programme goals of restoring the socio-economic potential destroyed by the war will be possible if systemic **directions and tasks** are identified combining both short- (current, urgent) and long-term (strategic) outlines. These may include the following:

- ✓ **sustainable macroeconomic environment** (growing economy; declining inflation; stable national currency; balanced foreign debt position);
- ✓ **further loss of investment potential rendered impossible**;<sup>3</sup>
- ✓ consistent **improvement of living standards** and well-being;
- ✓ **favourable environment for business in general, and for small and medium-sized enterprises in particular** (primarily

by reducing pressure and restrictions on all legitimate economic activities);

- ✓ **integration strengthening** based on further openness of the country,<sup>4</sup> accelerated inclusion of Ukraine in European transcontinental networks and projects.

These and other similar systemic tasks are presented in numerous interesting project proposals (variants of a modern Marshall Plan for Ukraine) with varying degrees of specificity and detail:

- ✓ «United for Ukraine» (U4U) initiative of European parliamentarians;<sup>5</sup>
- ✓ Ukraine's Recovery in the Spirit of the Marshall Plan platform;<sup>6</sup>
- ✓ International economists' Blueprint for the Reconstruction of Ukraine;<sup>7</sup>
- ✓ EU's Ukraine Solidarity Trust Fund;<sup>8</sup>
- ✓ Strategic developments of the National Institute for Strategic Studies;<sup>9</sup>
- ✓ Project «Ukraine 2022: how not to waste the chance to become a strong state»,<sup>10</sup> etc.

It is important to note that these and similar programmes focus not only and not even so much on how to address the consequences of the war, but also on **how to support Ukraine** (starting now!) **in building a new competitive and balanced socio-economic environment**<sup>11</sup> that will allow Ukraine to take its rightful place quickly and

<sup>3</sup> The level of investment in the structure of Ukraine's GDP in recent years has not exceeded 13-18%, which is extremely deficient to ensure and maintain real long-term growth.

<sup>4</sup> The country's openness is an important factor in its involvement in modern value chains, global and regional integration. Higher integration means higher FDI inflows, and thus higher productivity and stronger competitive positions of national producers in domestic and global markets.

<sup>5</sup> Founding meeting of, «United for Ukraine» network. – <https://www.youtube.com/watch?v=GuGk9D8zVa0>.

<sup>6</sup> Ganster R., et al. Designing Ukraine's Recovery in the Spirit of the Marshall Plan. – <https://www.gmfus.org/news/designing-ukraines-recovery-spirit-marshall-plan>.

<sup>7</sup> A blueprint for the reconstruction of Ukraine. – <https://voxeu.org/article/blueprint-reconstruction-ukraine>

<sup>8</sup> EU to develop Ukraine Solidarity Trust Fund to accumulate funds for rebuilding country after war. – <https://euneighbourseast.eu/news-and-stories/latest-news/eu-to-develop-ukraine-solidarity-trust-fund-to-accumulate-funds-for-rebuilding-country-after-war>.

<sup>9</sup> See for example, Y.Zhalilo, What should the ideology of post-war economic recovery be like? – <https://thepage.ua/ua/experts/yakoyu-maye-buti-ideologiya-povoyennogo-ekonomichnogo-vidnovlennya>.

<sup>10</sup> Ukraine 2022... – <https://uifuture.org/publications/ukrayina-2022-yak-ne-vtratyty-svij-shans-staty-sylnoyu-derzhavoyu>.

<sup>11</sup> Connolly K. Pete Buttigieg calls for new Marshall plan to rebuild Ukraine. – <https://www.theguardian.com/world/2022/may/20/pete-buttigieg-says-us-backs-new-marshall-plan-to-rebuild-ukraine>.

confidently in the global community. This approach is clearly welcome, and now it is important not to squander the accumulated potential.

**Time** is another important factor that can determine the effectiveness of the country's recovery. Today, given the destruction of many enterprises and infrastructure facilities, as well as the loss of professional staff in most cases, it is clear that, *first*, even the simple rebuilding of «traditional» industries will take too long, and *second*, with the high unemployment rate, there will likely be a significant shortage of workers with the necessary qualifications.

Therefore, the recovery process should actually aim at **creating a new economic environment** and new types of activity. Along with the construction of production and infrastructure facilities, the task of **training professional staff**, especially those who will be involved in new enterprises, is becoming increasingly relevant. Of course, the advantages of small and medium-sized enterprises are obvious in this context of transformation.

## **2. THE SECURITY COMPONENT.**

During its rebuilding, Ukraine will have to address a number of issues that may prove difficult to combine. On the one hand, the country will be exposed to its dangerous neighbour's aggressive intentions for decades to come. In such circumstances, the economic readiness of domestic and international entrepreneurs will be extremely limited. On the other hand, the country must immediately create a competitive economic and investment environment with strong exports of goods and services, thus creating new well-paid jobs.

The risks of aggressive Russian attacks remain high even for Ukraine's regions that are geographically remote from the aggressor, and therefore the recovery strategy should build on a **security rather than a peace basis**, while strengthening of the civilian environment by defence and security structures should be an important component of any plan. To this end, a network of military bases with foreign partners (currently prohibited by law,

but easily adjusted in the short term) and training centres with foreign instructors should become a sign of a healing Ukraine. At the same time, the goal will be **to «connect» regional capitals and key infrastructure facilities** (nuclear power plants, airports, railway junction stations) **with the relevant security structures, military bases and centres**. Second, this «connection» will be ensured by a **modern communication network**, taking into account the capabilities of the secure and satellite Internet, including Starlink.

This clearly necessitates the **militarisation of the economy** and a significant strengthening of the security sector. The defence industry, geared towards production of the widest possible range of weapons, either independently and/or in collaboration with foreign companies, can become the engine of economic development during this period. Gradually, this will give Ukraine the opportunity not only to provide its Armed Forces with everything they need, but also to take a worthy place in the rapidly expanding global arms markets and to receive decent benefits from arms exports. It does not matter which domestic enterprises are involved – private or state-owned, large or small, etc. – they should all be efficient and effective for society.

Combining the resistance to global and national threats with accelerated full-scale industrial renewal and ensuring the competitiveness of its products in world markets is the task for the **defence industry**, namely the production of modern weaponry at joint ventures with partner countries that can be supervised by US or UK companies. By combining production of modern weapons, including domestic developments, some of which can be exported, with training centres or bases that introduce broad training and retraining programs for the Armed Forces of Ukraine, and by creating analogues of standard weapons, Ukraine simultaneously gains leadership in promoting its products through proven **experience in practical application**.<sup>12</sup>

To facilitate this process, Ukraine's security sector should complete its transition to NATO standards, which includes a high level of

<sup>12</sup> M.Sunhurovsky, «New Ukraine in the post-war world» in Geopolitical and geoeconomic changes shaped by Russian aggression and renewal of the place of Ukraine in the world, the Razumkov Centre, 2022.



standardisation and unification of military and dual-use products. In the meantime, the **active presence of partners** at all stages of the country's recovery will help reduce corruption and support more rational and effective decision-making.

In this context, the significance of **foreign direct investment** (FDI) is also being renewed, as the policy of attracting FDI has not been properly implemented so far.<sup>13</sup> Meanwhile, it should be borne in mind that:

- ✓ FDI inflow to a country today is no longer just an economic factor of development, as it increasingly **gains security implications**. Moreover, FDI is becoming the best defence against the aggressor's encroachments – the higher the volume of FDI, primarily from developed or large emerging economies, the more secure a particular country can feel from an uninvited imperial aggressor;<sup>14</sup>
- ✓ although the war in Ukraine still rages, investment decisions cannot be postponed. The search for investment proposals in industry and the agricultural sector, the creation of new logistics chains and transport corridors, including the export ones, and the formation of a basis for human capital renewal already require significant investments. Unfortunately, they will hardly come from domestic sources, which have been mostly destroyed and lost.

Given the high risks that adversely affect **external investment decisions**, the following measures seem appropriate:

- ✓ concluding **investment insurance agreements** by Ukraine (investment guarantees) in donor countries (US, EU, Japan);
- ✓ with the participation of international donors, setting up a fund to **insure political and military risks** for foreign investors, as well as to support domestic exporters and investors in international markets.

### 3. TRANSFORMATIONS FOR DEVELOPMENT. REDUCING GOVERNMENT INTERVENTION.

Post-war accelerated economic growth and development, including in the social and humanitarian spheres, are only possible if the Ukrainian state's economic policy is implemented in line with a clear and consistent strategy aimed at ensuring reliable protection and security of the homeland, securing guarantees in the social and humanitarian spheres, and de-regulating the economy and creating a favourable investment climate.

It is reforms in public administration, as well as restored and renewed institutions (rule of law, anti-corruption, and the like) that will play a crucial role in supporting the formation of a new socio-economic space. Introduction of these institutions and strict monitoring of the results of their implementation should be a priority as soon as the active phase of the war ends. They will serve as a basis for building a competitive economy and also indicate the approximation of the Ukrainian regulatory environment and business practices closer to understandable European standards and traditions, thus sending a clear signal to potential investors about their opportunities in the new Ukraine.

The post-war economic policy should be characterised by the minimum possible interference of the state in private business, which will lay the foundation for a consistent general **reduction of the role of the state** in managing economic processes, and thus preventing «irrational» (unverified, uncoordinated, openly politicised) decisions capable of limiting the economic freedoms of citizens and businesses.

In this context, it will be important to observe the transformational «framework»:<sup>15</sup>

- ✓ introducing a human-centred approach that will allow directing efforts and influences to meet human needs rather than the interests of business project participants (including politicised ones);

<sup>13</sup> ...rather, surrogate instruments such as «investment nannies» are being introduced.

<sup>14</sup> See for example, Kazakhstan is not «the next one» – <https://razumkov.org.ua/statti/kazakhstan-ne-nastupnyi>.

<sup>15</sup> 'Marshall plan' for Ukraine – a pathway to the Western community? – Batory Foundation, July 2022.

- ✓ reducing the size of the government in economic activity, primarily through de-regulation, privatisation, and active involvement of the private sector in the performance of state tasks, including in defence and security;
- ✓ mitigating the growing systemic risks and the enormous decapitalisation of the economy, which create key obstacles to restoring employment to pre-war levels and related social development indicators;<sup>16</sup>
- ✓ considering external effects that may harm the environment and contradict the vital needs, as well as recognise the interests of partner countries;
- ✓ achieving energy security and balance of resources, consumption and export needs.

The reduced role of the state should also be expected in the foreign economic sphere. Renewed attempts to restrict imports in order to reduce trade deficits, which the Ukrainian authorities have occasionally made in the past, do not appear rational and balanced, since imports are an integral part of economic growth and well-being. The inappropriateness of any trade restrictions on imports is explained by Ukraine's integration needs and the widest possible access to open European markets.

Moreover, Ukraine is already enjoying competitive advantages in the form of a significant devaluation of the hryvnia, as well as low wages of domestic workers, which are generally notably lower than European wages, and have become even lower as a result of the above-mentioned devaluation.

It should be noted that significant aid (non-repayable resources) from developed countries allows Ukraine to increase imports, including technological, also avoiding excessive risks of macroeconomic imbalances. Therefore, the task of economic policy is not to restrict imports, which itself will have a restraining

effect on growth and well-being, but to use imports to scale up consumption and investment in a situation where the domestic economy is badly distorted by aggression.

This will intensify institutional changes aimed at mitigating the economic environment, in particular in terms of:<sup>17</sup>

- ✓ inadmissibility of government interference in economic decision-making by businesses;
- ✓ focus of state resources on the tasks of protecting the country and providing social support for the population initiated at the beginning of the war, which will help reduce the amount of redistribution of resources through the budget and tax system.

De-regulation in Ukraine widely introduced during the war, including reduced administrative and tax pressure, abolished licensing, and inspections, eliminated fines and the like, has made a significant contribution to supporting business and should therefore **remain intact for a longer period**, at least until the war actually ends.

The government, along with the business community, should already conduct a thorough analysis of the feasibility of bringing back certain agreed regulatory and fiscal measures, and establish an open procedure for the renewal of «peacetime» norms. Under such conditions, businesses will receive a clear signal about the direction of government action, while the **dominance of de-regulation «sentiment»** can serve as a powerful incentive for post-war economic recovery.

De-regulation is also important because it is easier and more effective to implement it not at the level of industrial giants, whose exceptional significance is likely to end, including due to the competitive need for rapid reconstruction and adaptation, but rather at the level of small and medium-sized enterprises (SMEs).<sup>18</sup> The benefits of supporting SMEs also stem from the fact that it is much easier

<sup>16</sup> V.Zymovets, On macrofinancial constraints, principles and tasks of the state policy to overcome the consequences of Russian military aggression – [https://razumkov.org.ua/images/2022/08/17/tezy\\_zymovets.pdf](https://razumkov.org.ua/images/2022/08/17/tezy_zymovets.pdf).

<sup>17</sup> These restrictions basically consolidate a component of the long-term economic policy that limits the possibility of future «reversal» of provisions on the reduced role of the state in the country's economy.

<sup>18</sup> Such businesses have repeatedly proved their capability for rapid structural changes, as well as ability to maintain competitiveness, provide employment and generate income. See: T.Bohdan, Reconstruction of the economy: directions, levers, institutions. – <https://www.epravda.com.ua/columns/2022/04/25/686208>.

to arrange their relocation from the eastern to the western regions, although the capacity of the latter to accommodate enterprises from the affected regions is quite limited.<sup>19</sup>

Moreover, it is SMEs that often demonstrate rapid adaptive and innovative capabilities, and there are reasons to assert that they are the ones that need priority attention – institutional, legal, advisory, financial and the like – within Ukraine reconstruction projects and **should receive a significant share** of international economic (production) assistance.

Unlocking the potential of SMEs primarily concerns the regional level (oblast, rayon, city) and should provide for the urgent launch of broad SME development programmes on the ground, including business incubators (e.g., through start-up support foundations), as well as assistance to municipal and regional business associations of partner countries in establishing contacts with SMEs in their respective countries.

Reduced role of the state, de-regulation, and the effective use of international assistance will be mostly successful and impactful for the country's economy if designed to **grow in a digitalised environment**. Therefore, it is safe to say that any recovery efforts should be incorporated into a digitalisation strategy agreed with the leaders in the information and communication spheres, primarily the US and UK.

Digitalisation has already become a **sign of modern times**, bringing significant benefits, and continuing to spread to all areas of human activity, despite the periodic crises. However, in addition to the undeniable advantages (speed of processes, convenience, accessibility, cost-effectiveness), it also carries risks associated with unfair and/or uncontrolled use, which can cause material losses or even threaten human safety. The relevance of this policy area will increase as Russia continues its «hybrid» war against civilized humanity. Above all, it is about ensuring safe access, the use of personal, business and public data, as well as information confidentiality.

#### 4. PRIVATISATION AND CONCESSIONS IN INFRASTRUCTURE

As noted, Ukraine's investment needs significantly exceed the amount that the state will be able to generate in the coming years. Even with substantial support from partners, the state will hardly have resources for large-scale, fundamental changes. Therefore, the **private sector will play an increasingly important role** in addressing the recovery challenges, where programmes and projects that are most effectively integrated into trans-European production and logistics networks can be implemented.

The **importance of privatisation** is not so much in filling the budget or maintaining employment, but in **forming the institution of an effective private owner**. Therefore, successful privatisation processes and investment expansion, including the admission of international investors, are mutually reinforcing. Companies with foreign investments are usually better integrated into international networks, enjoy better technological support and have higher qualifications of staff, which allows them to keep technological advantages.

Another direction of accelerated transformations in the property sector is the use of **public-private partnership mechanisms**. This primarily concerns concessions, through which the state or local community can grant a private investor the right to create, build and manage (in most cases) infrastructure facilities (for a specified period or with subsequent full redemption) for a certain fee. Therefore, the acceleration of infrastructure recovery largely depends on the level of concessional «content».

It is clear that that war damaged and destroyed much of Ukraine's logistics structure, even in areas far from the combat zone. As a result, all modes of transport – air, sea, land, and to a lesser extent road – have actually fallen to a catastrophic level and will hardly have any potential for accelerated recovery due to both «natural» limitations (destruction) and the existing risks of new enemy attacks, and thus investment losses.<sup>20</sup>

<sup>19</sup> Historically, the right-bank Ukraine (regions on the right bank of the Dnipro river) is more agrarian, while the left bank is more industrially developed. Therefore, the intention to locate industrial enterprises on new territories should consider additional requirements for infrastructure, roads, new logistics in providing resources, availability of free land, access to water, etc. Although there are already good examples of relocation, these are rather exceptions that confirm the objective difficulties.

<sup>20</sup> First of all, this concerns air transportation, meaning that this mode of transportation is unlikely to resume in the coming years.



Nonetheless, even apart from specific «visa-free regimes», the EU continued to adopt decisions, sending clear signals to Ukraine about its acceptability for European countries. For example, in June 2022 the heads of states and governments of the Three Seas Initiative (TSI), which brings together twelve EU countries located between the Baltic, Black and Adriatic Seas, allowed Ukraine's participation in all TSI projects as a partner country.<sup>21</sup> The European Commission also added Ukrainian logistics routes to the four Trans-European Transport Network (TEN-T) paths. In particular, the North Sea-Baltic Corridor was extended to Ukraine, creating favourable conditions for the development of the country's transport infrastructure.<sup>22</sup> At the same time, funding is expected for the eastward extension of Via Carpatia, while some «exotic» transportation projects are also being considered.<sup>23</sup> It seems that now is perhaps the best time to fill such projects with Ukrainian content.

Speaking of transport infrastructure, the restoration of transport should by no means be a return to post-Soviet networks. Then, the pace of this restoration and ensuing transportation from Ukraine to Europe will determine the possibility for accelerated economic recovery of the country as a whole.

And finally, priority funding today should be given not to motor roads (projects that have been largely criticised), but to the structural renovation of rail transport, which, as mentioned, should be linked to and based on both security factors and the country's European integration objectives. Safe renovation refers

to the construction and «switching» of the railway infrastructure from post-Soviet gauge (1,520 mm wide) to standard European gauge (1,435 mm wide) and should begin directly from Ukraine's eastern borders.<sup>24</sup> In other words, it is about prioritising the new railway infrastructure, rather than starting another «Big Construction» project.

## 1.5. TAX INCENTIVES FOR HOUSEHOLDS

There have been years-long discussions about the need for institutional strengthening of the stability, transparency and predictability of the country's fiscal system. The military budget pointed at the necessary direction of such changes. As a first step, it seems appropriate to **limit the possibilities** of revising tax legislation and tax rules that may **increase tax pressure** or those that have not been reliably confirmed by the practice of developed or successful emerging economies.<sup>25</sup>

A **sharp decline in employment** and an increase in both official and actual unemployment are important consequences of the Russian aggression – various estimates suggest that 30 to 40% of workers have lost their jobs. The recovery of employment will be long, so household resources will hardly improve in the short term. Therefore, it is necessary to at least increase tax fairness through the tax system.

The following areas of tax reform should have a positive impact on household income:

- ✓ transformation of the current system of personal income tax by introducing

<sup>21</sup> O. Kuniyskiy, Three Seas leaders agreed on a partnership for Ukraine – <https://www.dw.com/uk/lidery-initsiatyvy-trokh-moriv-pohodyly-partnerstvo-dlia-ukrainy/a-62195728>.

<sup>22</sup> Y. Bolzhelarskiy et al., Restoration of local cross-border railway connections as a way to solve the global problem of transport systems integration. – <https://www.railway.supply/uk/vidnovlennya-lokalnih-transkordonnih-zaloznichnih-spoluchen-yak-shlyah-virishennya-globalnoi-problemi-integracii-transportnih-sistem>.

<sup>23</sup> For example, Poland and Ukraine are implementing a cross-border pipeline project to deliver Ukrainian vegetable oils to the port of Gdansk, which will partially unblock Ukrainian food exports.

<sup>24</sup> ... which will make it much more difficult for Russia to transfer military supplies and equipment in the event of a repeat invasion. See Depuis o. The rails of war: An EU railway initiative for the defence of Ukraine. – <http://www.leuropeen.eu/2022/07/26>

<sup>25</sup> Also, any discussions and intentions to «improve» the budgetary and tax system should freeze. First of all, this should concern **the «initiatives» to introduce the so-called exit capital tax**. There are no evidence-based arguments for replacing the income tax with it. This is due to:

- ✓ lack of an economic basis, mechanisms for implementation and control, as well as compensatory sources (a sharp drop in budget revenues at least in the first 3-5 years);
- ✓ lack of experience and practice of implementation. Estonia, the first EU country to introduce such a tax, can hardly be viewed as a role model. Estonia practiced strict budget constraints (which has never been the case in Ukraine) and set up the Currency Board (rigid exchange rate fixation);
- ✓ Ukraine has already announced a policy of gradual and consistent openness of capital flows. Unqualified innovations will yet again increase investors' incentives to flee;
- ✓ the country benefits not only from inward investment, but also from investment abroad, which is a direct «outflow», or exit). It is useless to force investment in the country via restrictions.



taxation of income not only of individuals, but also of the **total family income**;

- ✓ in this case, the amount of **taxable income** (both individual and total family income), in line with European practice, **will exclude expenses that will make income impossible**, in particular:<sup>26</sup>
- ✓ expenses for meeting minimum living needs, including a certain money for housing;
- ✓ expenses for supporting children, persons with disabilities, and expectant mothers;
- ✓ expenses for receiving education in a certain category of educational facilities;
- ✓ expenses for covering additional needs of the elderly and expenses for compulsory social insurance.

At the same time, various options for increasing tax or administrative pressure on household incomes **should be limited** as much as possible, in particular in terms of introducing indirect methods of control over citizens' spending, such as the so-called tax on person's expenses. It was actively promoted by the fiscal authorities before the war, and

there is a high probability of attempts to reintroduce it in the post-war period.

**Concluding remarks.** It is clear that Ukraine is facing new and complex challenges,<sup>27</sup> but this is not a reason for pessimism. The country had long been at the crossroads of its civilizational choice, deciding between the Euro-Atlantic and Eurasian (pro-Russian) paths of development. Today, our choice is clear, and Ukraine simply must seize the chance to become economically friendly country for its Euro-Atlantic partners.

Ukraine will be a new country, with a new socio-political identity, a new sense of a just society, and new dimensions of human dignity. Most likely, it will have a clear awareness of mistakes and losses that ultimately became one of the factors of the invasion. And it will begin writing a new modern, just and humane history of a European country.

Moreover, through its courageous struggle for independence, Ukraine has enhanced the understanding by many countries of the world of the priorities of human development, showed the importance of protecting freedom and justice, strengthened the acceptance of civilizational values by the international community, adjusted priorities and partnerships, and encouraged the formation of renewed alliances and institutions, already making a significant contribution to modern civilization.

<sup>26</sup> The approach to determining the tax base, which guarantees tax exemption for a certain (subsistence) «minimum» income, not only reduces the tax burden on low-income recipients, but also increases the efficiency of administering taxes.

<sup>27</sup> Geopolitical and geoeconomic changes shaped by russian aggression and renewal of the place of Ukraine in the world./ Razumkov Centre, 2022.