LIB MOD Zentrum Liberale Moderne

Berlin Economics
Economic Consultancy

Budget, military and humanitarian aid

SUPPORT NEEDS FOR UKRAINE 2025

by Garry Poluschkin, Oleksandra Betliy, Robert Kirchner

LibMod Policy Paper

CONTENTS

Cover image: The Verkhovna Rada, Ukrainian government building, Collab Media / Adobe Stock

EXECUTIVE SUMMARY

Since the onset of Russia's war of aggression, Ukraine has faced an increasingly challenging economic and financial environment. Prior to the war, Ukraine ran manageable fiscal deficits, financed through domestic and external markets and International Financial Institutions (IFIs) like the IMF and others. However, the war has created significant fiscal pressure, with sky-rocketing military and defence spending at a time of weakened economic activity, which led to massively increased financing needs. Ukraine's economy contracted dramatically by 28.8% in 2022, yet growth resumed in 2023 at 5.3%, with projections of 3.6% in 2024 and 3.4% in 2025. Despite this recovery, the GDP in 2027 is expected to remain around 88% of pre-war levels.

Ukraine has received substantial international support so far in the form of military, financial and humanitarian aid to support its war efforts and narrow its financing gap. This paper focuses on the financial requirements for Ukraine for 2025, including the budgetary needs and military assistance, and discusses the available instruments to meet these needs. Ukraine's state budget for 2025 continues to be under considerable uncertainty due to the ongoing war. Revenue forecasts for 2025 predict USD 49.8 billion, which is 5% above pre-war levels, but still insufficient to meet rising expenditures. Defence and security take up 56% of the budget, and overall expenditures are forecast at USD 88.2 billion, resulting in a deficit of USD 38.4 billion (20.4% of GDP excluding grants). This deficit is expected to be covered through a combination of international financial aid, domestic borrowing, and tax reforms (i.e. internal revenue mobilization).

Ukraine's defence expenditure, which accounts for a substantial portion of the budget, is supplemented by direct military aid by allies. Between January 2022 and October 2024, Ukraine received USD 130 billion in military assistance, averaging USD 46 billion annually. For 2025, combining estimated direct military and budgetary needs, Ukraine's total support requirement is USD 84.4 billion. While the G7 has committed USD 50 billion under the Extraordinary Revenue Acceleration (ERA) and even under the strong assumption of a full disbursement in 2025, there remains a gap of USD 12.8 billion to fully cover Ukraine's needs in addition to other identified sources of financing (e.g. EU, IMF, and others). The EU's share will primarily support the budget, while military equipment needs may not be fully met.

Ukraine's continued reliance on international aid to cover the budgetary and military needs as the war continues underscores the critical need for predictable, regular international support for those needs. The government has implemented a series of tax hikes and reforms, but there are limits, and the fiscal gap remains large. Additionally, the financing of military and humanitarian needs is uncertain, with significant bilateral contributions from keys allies pending. Securing this funding is vital for sustaining the war effort and preparing for reconstruction once the war ends.

1. INTRODUCTION

Since the start of the war in 2022, Ukraine has faced an extremely challenging economic and financial environment, which also led to significant shifts in its fiscal and funding dynamics. Before the war, the country maintained a relatively normal fiscal deficit, with relatively moderate military spending, and funding was primarily sourced from domestic and external private capital markets and from international financial institutions (IFIs). However, the onset of the war has translated into substantial financing needs for the budget. Key priorities now include defence expenditures on top of social and economic support, all while grappling with a reduced revenue capacity due to the war's devastating impact on the economy.

Ukraine has received substantial international support so far in the form of military, financial and humanitarian aid to support its war efforts and (partially) cover its financing gap. Data from sources like the Kiel Tracker (Trebesch et al., 2024) illustrate the scope of this external support very well. Contributions by partner countries and multilateral institutions address the immediate needs rather than the broader reconstruction efforts guided by the Build Back Better framework.

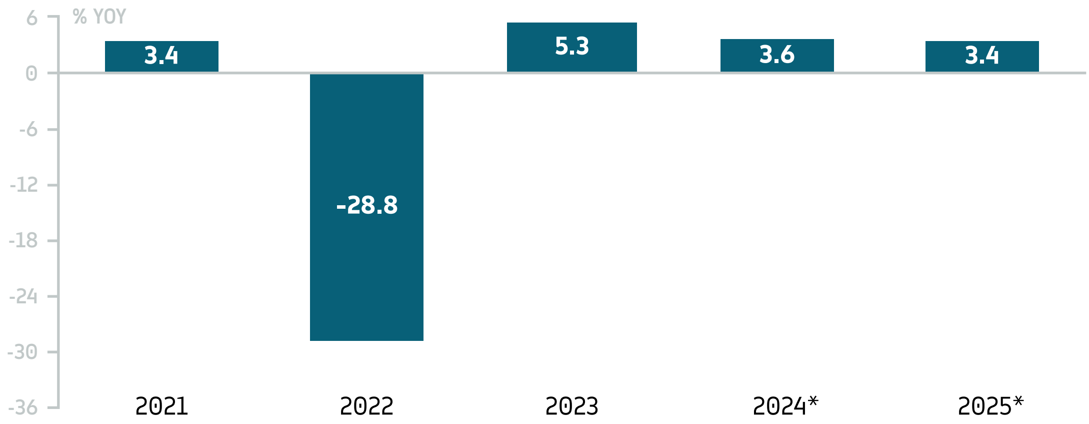
In line with this practice, this paper focuses on the estimated financial requirements for Ukraine for 2025, including the budgetary needs and military assistance. It also explores the instruments available to meet these financing requirements. This research is part of a broader project aimed at fostering parliamentary dialogue between the Verkhovna Rada in Ukraine and the Bundestag in Germany, emphasizing collaborative approaches to address Ukraine's financial challenges amidst the ongoing war.

2. ECONOMIC BACKGROUND

After nominal GDP in US dollars more than doubled between 2015 and 2021, reaching USD 200 billion for the first time in 2021, Russia's full-scale war led to an unprecedented economic decline. GDP fell by 28.8% YOY in real terms in 2022. Since 2023, the Ukrainian economy is back on the growth path. It grew by 5.3% YOY in 2023. Also for 2024 and 2025, the German Economic Team (GET) and the Institute for Economic Research and Policy Consulting (IER, Kyiv) (Betliy et al., 2024) forecast positive growth, however with a slightly lower rate of 3.6% and 3.4%, respectively. These growth rates will remain short of the pre-war levels in the medium-term, reaching only around 88% of pre-war levels in real terms in 2027 under the medium-term forecast of the International Monetary Fund (IMF). However, this forecast is subject to a large degree of uncertainty.

Economic resilience and moderate recovery are secured and supported by international assistance, which covers almost all fiscal spending, which do not relate to defence and security items. As a result, this allows the growth to be driven by the recovery of consumption and investment. However, the damages to the energy infrastructure curb a stronger recovery. These damages already amounted to USD 16 bn in May 2024[1] and mainly affected power generation. In contrast to the challenges of the winter of 22/23, when electricity transmission infrastructure was mainly affected, the current need of repairs to power generation facilities is more protracted and costly. Total direct damages to infrastructure were recorded at USD 155 billion already by January 2024 (Kyiv School of Economics, 2024a) requiring large public and private investment for immediate repairments and rebuilding. However, investment depends on the availability of financial resources.

1 Source: Kyiv School of Economics, 2024c



Real GDP development

Source: State Statistics Service of Ukraine, *Forecast IER, GET

The establishment of Ukraine sea corridor in September 2023 became a positive development. After 9M2024, exports increased by 36% YOY in terms of volume. But the prices of the main export goods fell in 2024 compared to the previous year. As a result, export revenues stagnate while imports are estimated to return to their pre-war level by the end of 2024.
In view of these developments, the exchange rate is on a downward trend. Since the end of 2023, the National Bank has allowed for more flexibility. At the same time, it is prepared to intervene in case of unfavourable exchange rate dynamics. Foreign exchange reserves stood at USD 39 billion at the end of September 2024. This level is sufficient to manage the depreciation of the exchange rate, while continuously reducing exchange controls in line with the National Bank's strategy. Inflation reached a low of 3.2% in April 2024 but accelerated to 11.2% in November 2024, far above the National Bank's target. Rising electricity tariffs, food prices and the above-mentioned devaluation are the reasons for this development.

During these challenging times, the main tool to keep the military, economic and social policy as well as repairment activities on float is thereby fiscal policy. The fiscal situation will however remain difficult. Meeting the financing needs is a necessary condition for Ukraine's resilience during the war.

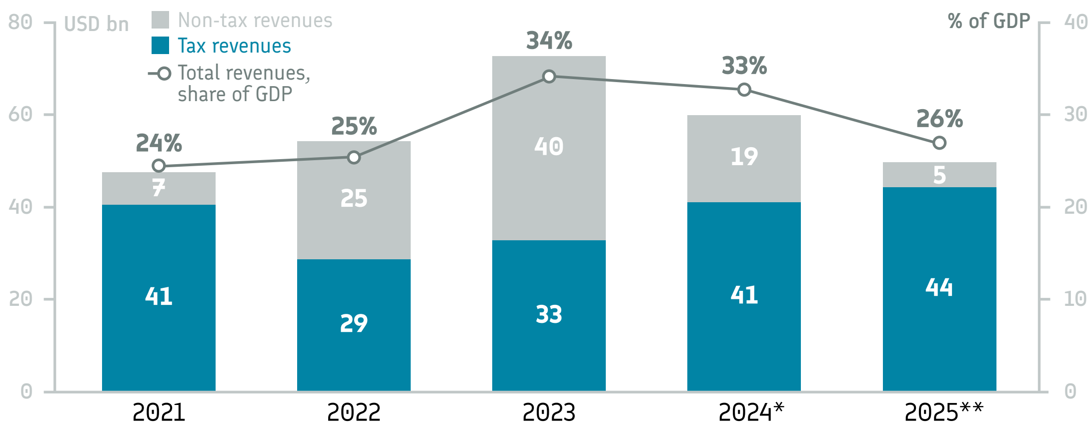
Conclusion 1: Ukraine is back on a growth path since 2023. However, the war-related factors keep affecting the development. Thus, Ukraine will not reach pre-war levels in the medium-term.

3. BUDGET FOR 2025

The Ukrainian government has prepared a state budget, which is subject to considerable uncertainty due to war-related risks. The underlying macroeconomic forecast assumes conservative growth rates of 3.5% YOY in 2024 and 2.7% YOY in 2025. As a result, nominal GDP is projected to rise to USD 188 bn. Inflation is estimated to average 9.7% YOY in 2025, which is higher than the IMF's (IMF, 2024) estimate of 9.0%, the National Bank of Ukraine's (2024) estimate of 9.5% or the aforementioned GET and IER forecast of 7.6%. The state budget was finally approved by the Verkhovna Rada on 19 November (Ministry of Finance, 2024a). Once again, security and defence are set as priority throughout the full year 2025. In our analysis, we focus only on the state budget and exclude subordinate local governments.

3.1 Budget revenues

The revenue side of the budget reflects the economic challenges. Total revenues, excluding financial assistance in the form of grants, decline in 2022 but rebound in 2023 due to economic recovery. In 2024, however, the Ukrainian government expects total revenues to fall to USD 60 bn.



Development of state revenues

Sources: Verkhovna Rada, Ministry of Finance of Ukraine, Kyiv School of Economics, *Ministry of Finance of Ukraine (2024b) forecast, **final state budget law (Ministry of Finance, 2024d), Note: revenues do not include grants for 2024 and 2025

For 2025, total revenues are planned at USD 50 bn [2] (26% of GDP), only 5% above the pre-war level in USD nominal terms[3]. The budget law already takes into account that the tax increases, which were recently approved by the Parliament and signed by the President into the law. In particular, the following main tax increases are to be implemented in 2025:

- Increase of the military levy from 1.5% to 5%
- Extension of the military levy to the simplified tax system
- Tax increase for non-bank financial institutions from 18% to 25% and for banks from 25% to 50%
- Presumptive taxation of fuel stations

According to estimates by the IMF (2024) and the Ministry of Finance of Ukraine for draft law 114-16d (2024), these four measures would generate UAH 127 billion (USD 2.8 billion) in 2025.

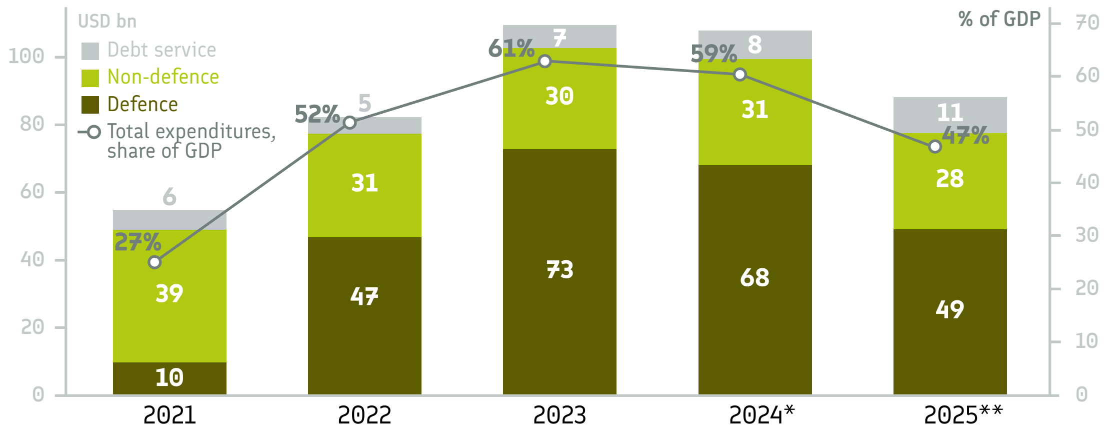
2 Moreover, planned figures do not consider in-kind military assistance which is partially reflected in budget revenues due to the special fund of the budget, when such aid is accounted for in actual figures. When military assistance is put at the balances of military units it's accounted as 'own revenues', which is part of the special fund budget revenues and expenditures. Special fund revenues and expenditures from military assistance of kind cancel out each other without impact on deficit.

3 In real terms, a decline by 51%.

The approved bill does not include a VAT increase. However, the IMF states that an increase in the main VAT rate would support the accumulation of tax revenues for the budget and, in particular, enforcement from the informal sector. The IMF therefore supports an increase in the VAT (IMF, 2024, p. 17). In addition, the IMF identifies scope for further reform efforts to reduce tax evasion and avoidance (IMF, 2024, p. 17). Reforms of the Ukrainian State Customs Service and the State Tax Service are also mentioned.

3.2 Budget expenditures

While revenues have barely increased, expenditure almost doubled in 2022 and further increased in 2023. For 2024, expenditures are expected to further increase in UAH terms but slightly decline in USD terms. A further decline is expected to USD 88 bn in 2025.

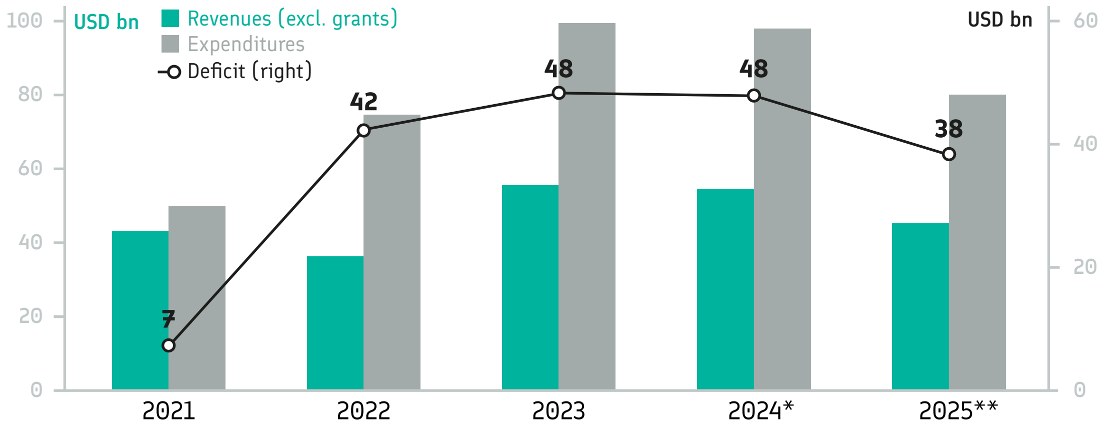


Development of state expenditures
Sources: Ministry of Finance of Ukraine (2024b), Kyiv School of Economics (2024b),
*Ministry of Finance of Ukraine forecast, **final state budget (Ministry of Finance, 2024d)

The most important sector is defence and security spending. The Ministry of Finance of Ukraine allocates 56% of government spending (26% of GDP) to these policy areas. While the ongoing war requires a high level of resources to be allocated to defence and security, non-defence spending is planned at the lowest level for the last five years. These sectors include essential spending on social services (for vulnerable groups), public administration and economic support (e.g. the loan subsidy programme). Expenditures for different sectors were already cut. For example, Ukraine and its official creditors have a standstill agreement on debt, and separately Ukraine and private foreign investors agreed on a debt restructuring. As a result, Ukraine was able to reduce its debt service payments for 2025. Moreover, together with the IMF, Ukraine has already stepped-up reform efforts to streamline certain programmes in the economic policy sector (e.g. reducing the fiscal cost of the loan subsidy programme '5-7-9'; IMF, 2024). Nevertheless, the IMF argues that further reform steps are needed.

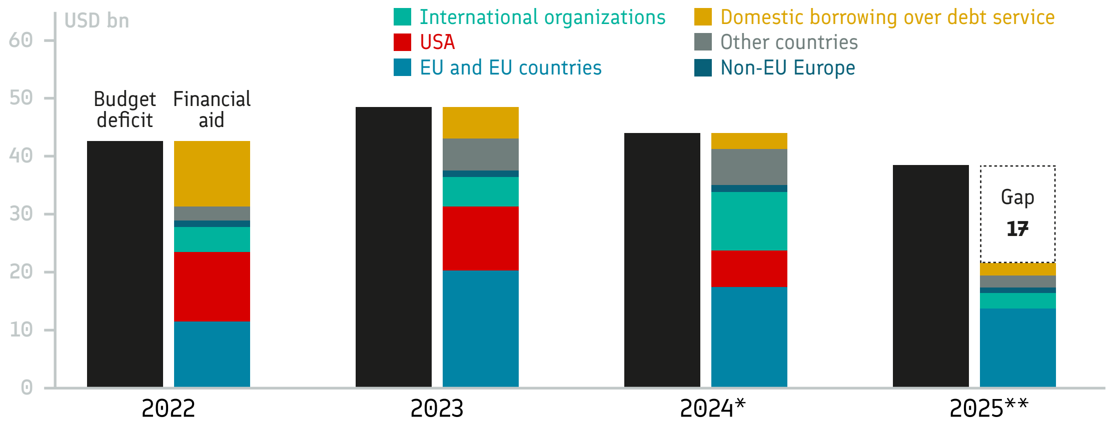
3.3 Budget deficit and sources of financing

In total, according to the submitted Budget law revenues (excluding grants) are planned at USD 49.8 bn based on the official exchange rate forecast, while expenditures at USD 88.2 bn in 2025.



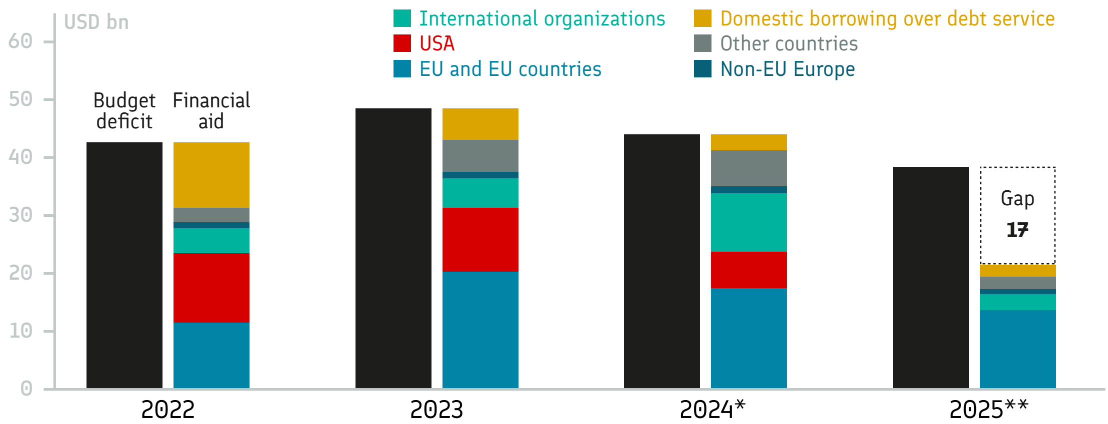
Development of the budget deficit (excluding grants)
Sources: Ministry of Finance of Ukraine (2024b), Kyiv School of Economics,
*Ministry of Finance of Ukraine forecast, **final state budget law (Ministry of Finance, 2024d)

For 2025, the estimated deficit of USD 38.4 bn (20.4% of GDP) is the lowest since the start of the war and is in line with the IMF baseline and GET/IER forecasts. In the baseline scenario, the IMF assumes that war activities will slow down in the last quarter of 2025. However, there is a considerable uncertainty. Therefore, the IMF also published a downside scenario, which assumes that the reduced war activity in mid-2026 will lead to a budget deficit of 26% of GDP in 2025. Prior to the outbreak of full-scale war, to finance the deficit, Ukraine relied on domestic and external borrowing on international capital markets and limited international assistance from partner countries. Since February 2022, access to the international capital market has been closed.



Forecast for the budget deficit (excluding grants)
Sources: Ministry of Finance of Ukraine (2024b), IMF, GET/IER,
*Ministry of Finance of Ukraine, **final state budget law (Ministry of Finance, 2024d)

As a result, Ukraine relies on domestic borrowing and largely on foreign assistance. In addition, domestic borrowing over the refinancing of debt service repayments is expected to account for an additional USD 2 bn[4]. Ukraine issues government bonds. At the same time, the National Bank of Ukraine incentivises commercial banks to enter the market, while avoiding direct monetary financing of the budget after 2022 because of its negative impact on macro-financial stability. This year, Ukraine has already received financial assistance of USD 27 bn until mid of November 2024, and additional assistance of USD 14 bn is expected. In 2025, the IMF expects budget aid amounting to USD 19 bn (IMF, 2024, p.33).

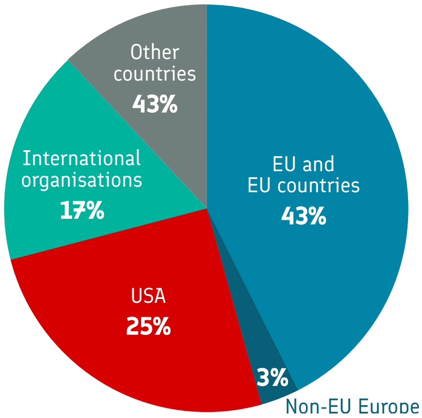


Domestic and external sources to close the budget gap

Sources: Ministry of Finance of Ukraine (2024b), IMF, GET/IER,
*Ministry of Finance of Ukraine, **final state budget law (Ministry of Finance, 2024d)

This estimate includes the financial aid expected from partner countries and institutions but excludes the G7 Extraordinary Revenue Acceleration (ERA). The G7 ERA will be separately discussed in chapter 5. External financial support is directed towards current budget expenditures. Since the beginning of the full-scale war until end of 2024, Ukraine will have received ca. USD 115 bn (Ministry of Finance, 2024, IMF, 2024). The greatest share of external financing has come from the EU and its member states, with the US accounting for another 1/4 of the financial assistance disbursed and expected to be disbursed by end-2024. International organisations will have provided USD 16.9 bn by the end of this year since February 2022. However, part of their share will be used to repay previous loan agreements with international organisations, such as the IMF, for which debt service will continue.

4 Domestic borrowing is expected at UAH 579 bn while debt service at UAH 481 bn. The difference of UAH 98 is equivalent to USD 2 bn (Ministry of Finance of Ukraine, 2024a).



Sources of disbursed and expected external financial aid 2022-2024

Sources: Ministry of Finance of Ukraine (2024b), IMF, GET/IER,
*Ministry of Finance of Ukraine,
**final state budget law (Ministry of Finance, 2024d)

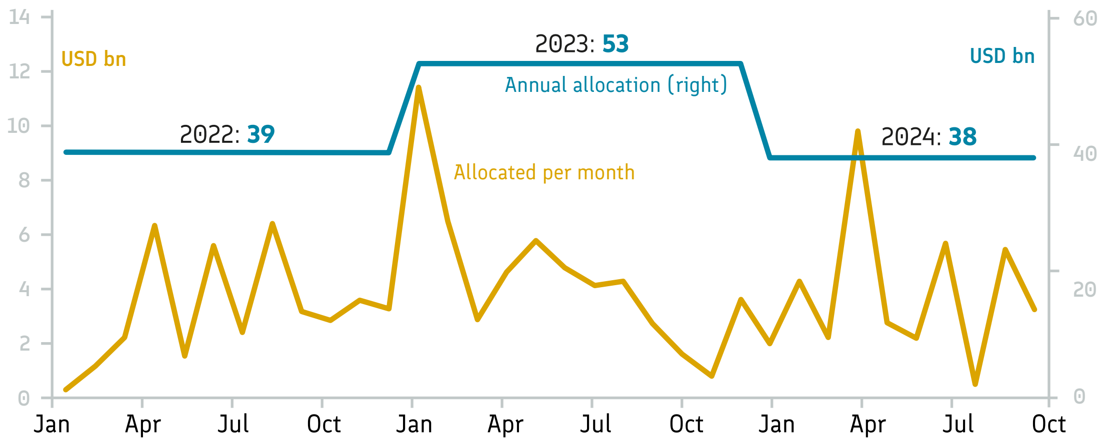
In 2025, the deficit is estimated at USD 38.4 bn. Thus, the currently expected financial assistance is not sufficient to close the budget deficit. This leaves a budget gap of USD 16.8 bn (see chart above). If the gap is not covered by either domestic or external sources, Ukraine will need to further increase tax revenues, and/or reduce expenditures or resort to other measures, e.g. by printing money, similar to 2022. On the revenue side, tax increases incorporated in the revenue estimate for 2025 will raise about USD 3 bn. To close the gap of USD 16.8 bn however, massive additional tax increases would be required, and, on the expenditure side, Ukraine would need to make additional savings in key policy areas.

In the economic literature, Keynes (1940) in his book „How to pay for the war" argued for a combination of tax increases and borrowing to finance the war effort of the Allies during World War II, rather than one of the two. Thus, Ukraine's decision to raise taxes moderately while continuing to borrow follows these recommendations.

Conclusion 2: The tax revenues are not sufficient to cover the rising expenditures.
As a result, Ukraine has become reliant on financial aid. The budget deficit is expected at USD 38.4 bn while the financial aid and domestic borrowing is expected at USD 21.6 bn. As a result, the uncovered gap amounts to USD 16.8 bn.

4. DIRECT MILITARY SUPPORT

Ukraine spends 56% of its budget on defence and security. In addition, Ukraine receives various assistance programmes that are explicitly aimed at providing military equipment and capabilities. These are not financed through the Ukrainian budget. For example, the US provides direct budget support via USAID while its military/security assistance is provided via the Department of Defence (Ukraine Oversight, 2024). Besides, the EU and its member states provide financial assistance through the 'Ukraine Facility', while military assistance for the purchase of military equipment is financed separately through the 'European Peace Facility' (Bundesregierung, 2024; Trebesch et al., 2024). Since January 2022 to October 2024, military assistance amounting to approximately USD 130.4 billion was allocated (Trebesch et al., 2024). In average, Ukraine received USD 46.0 billion annually (USD 3.8 billion per month).



Allocated military aid 2022 to Oct-2024
Sources: Trebesch et al., 2024

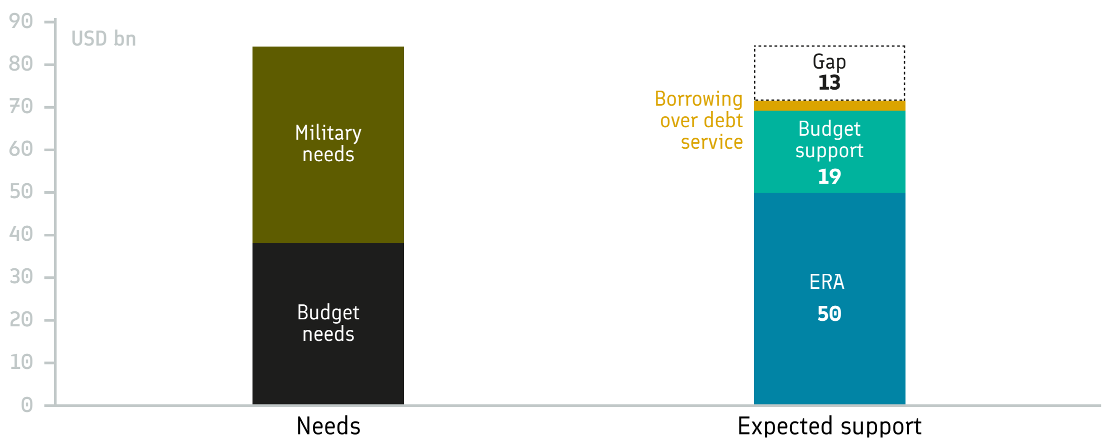
As a result, the total financing needs for Ukraine should not take only the budget needs into account, but in addition also the military needs. In chapter 3, the budget deficit was estimated at USD 38.4 bn. If we take the yearly average military aid of USD 46.0 bn[5] into account, Ukraine will need USD 84.4 bn of military and budget financial aid.

Conclusion 3: Between January 2022 and October 2024, Ukraine received direct military aid amounting to USD 46.0 bn per year. If we add this estimate to the budget needs, Ukraine's needs increase to USD 84.4 bn.

5 We are not implying that this ex-post average amount is the correct one from a military point of view (which is doubtful, judging from the current military perspective) but rather use it as a point of reference to keep total international support at least on the same level as before.

5. THE G7 EXTRAORDINARY REVENUE ACCELERATION LOAN (ERA)

During the G7 summit in Italy, the preparation of an Extraordinary Revenue Acceleration Loan (ERA) for Ukraine amounting to USD 50 bn was announced. This scheme will provide an advance loan repaid from extraordinary profits based on frozen Russian sovereign assets (House of Commons, 2024). While the G7 announcement includes support to Ukraine's "budgetary, military and reconstruction assistance" (the White House, 2024), the EU stated that its share will cover pure macro-financial assistance (European Commission, 2024). Though part of it can be applied to purchase military equipment by Ukraine, it does not finance the direct transfer of military equipment by its member states. From the previous chapters, the military and budget needs are estimated at a total of USD 84.4 bn in 2025. The budget aid (excluding ERA) and borrowing is expected at USD 21.6 bn. Under the ERA, the IMF (2024) assumes a disbursement of USD 19 bn in 2025 and the remaining part in 2026 and 2027. However, even under the strong assumption[6] that the total amount of USD 50 bn would be disbursed already in 2025, a gap of USD 12.8 bn remains uncovered for 2025.



Budget and military needs and its financing

Sources: Trebesch et al., 2024, Ministry of Finance of Ukraine (2024a), IMF, final state budget law (Ministry of Finance, 2024d)

However, the share of ERA, that can be used for the transfer of military needs remains unclear. The EU announced that their support will focus on budget needs. Thus, the budget needs will be fully covered by the expected support including ERA but not the direct transfer of military equipment. Therefore, the availability of needed military equipment in line with previous years seems not fully ensured via the ERA for 2025.

Part of the USD 13 billion gap can be met through aid commitments in bilateral security agreements and policy frameworks. However, the commitments of the largest and second largest contributors – the US and Germany – remain unclear. President-elect Trump has not yet explicitly outlined his policy. In Germany, the prospect of re-election has also put a question mark over the concrete level of military commitments for 2025.

Conclusion 4: The ERA provides an additional instrument to finance Ukraine's combined needs. The G7 members will provide USD 50 bn in aid in addition to the financing of USD 21.6 bn. The military and financing needs are however estimated at USD 84.4 bn. Assuming that the total ERA amount is disbursed for Ukraine's needs in 2025 already, a gap of USD 12.8 bn still remains uncovered.

6 The US announced the disbursement of its share of USD 20 bn on 10 December (US Department of Treasury, 2024).

6. POLICY IMPLICATIONS AND OUTLOOK

This paper estimates Ukraine's military and financial needs and discusses the resources expected to be available to finance them. As the economic situation remains challenging, tax revenues are insufficient to finance rising expenditures. Ukraine has already announced steps to increase tax rates, an important step recognised by the IMF. This is in line with past international experience (Keynes, 1940). Nevertheless, the estimated budget needs of USD 38.4 bn in 2025 remain high. In addition, Ukraine is in need of continued military assistance. On an annual average, Ukraine has received USD 46.0 bn p.a. in military aid (Trebesch et al., 2024). Assuming this level of military needs also for 2025, Ukraine will need around USD 84.4 bn just to finance the level of both budget and military needs. The currently expected budget assistance and the G7 ERA are not sufficient to fully close the gap. Moreover, some questions remain as to what extent the ERA would finance the donation of available military equipment. The EU's share focuses on financial assistance. Furthermore, additional bilateral military commitments remain in question for political reasons, e.g. in the US and Germany. In addition, our estimate has not specifically included humanitarian needs in this analysis. If we include aid in the form of energy equipment to repair damaged energy infrastructure or other forms of humanitarian assistance, the additional needs should be estimated at an annual average of USD 6.7 bn[7]. In total, Ukraine's annual needs would increase to USD 91.1 bn in 2025, making their full coverage even less likely. The war creates a large degree of uncertainty. Ukraine is preparing its budget under these circumstances. The estimated needs relate to the financing of the current state budget and military needs. Without this funding, Ukraine will not be able to sustain the war effort.

Total annual needs: budget, military and energy/humanitarian

	Budget deficit USD 38.4 bn
+	**Military assistance p.a. USD 46.0 bn**
+	**Energy/humanitarian aid: USD 6.7 bn**
=	**Total needs USD 91.1 bn**

Sources: own calculation based on annual averages since 2022

In addition, it is clear that every day of war increases Ukraine's reconstruction needs. These have already been estimated at USD 486 by January 2024 (World Bank et al. 2023). However, the full extent of reconstruction needs will not be known until the war is over. Ukraine will need assistance beyond the annual estimate above. It is crucial that Ukraine and its international partners consider support programmes that are not only sufficient for the plans drawn up, but also predictable and regular, so that the Ukrainian government can implement these plans without delays. All in all, the financing of current budgetary and military needs is a prerequisite for the reconstruction of Ukraine according to the defined goals of sustainability and "Build Back Better". Ukraine and its partners have established consensus on this (World Bank et al., 2023).

7 In total, Ukraine received USD 18.9 bn between Jan-22 and Oct-24, i.e. on average USD 6.7 bn p.a.

7. LITERATURE

- Betliy, O. et al. (2024): "Macroeconomic outlook 2024 – 2025", German Economic Team Forecast Series 01 2024, https://www.german-economic-team.com/publikation/macroeconomic-outlook-2024-2025/
- Bundesregierung (2024): "The arms and military equipment Germany is sending to Ukraine", https://www.bundesregierung.de/breg-en/news/military-support-ukraine-2054992
- Cabinet of Ministers (2024): "Ministry of Finance: Parliament approves draft state budget for 2025 in first reading", 31 October 2024, https://www.kmu.gov.ua/en/news/minfin-verkhovna-rada-pidtrymala-u-pershomu-chytanni-proekt-derzhbiudzhetu-na-2025-rik
- European Commission (2024): "Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine", 2024/0234, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=COM:2024:426:FIN
- House of Commons (2024): "Financial Assistance to Ukraine Bill", https://publications.parliament.uk/pa/bills/cbill/59-01/0048/en/240048enlp.pdf
- IMF, (2024): "Fifth review under the Extended Arrangement under the Extended Fund Facility", Country Report 24/314.
- Keynes (1940): "How to Pay for the War", MacMillian and Co.
- Kyiv School of Economics (2024a): "$155 billion — the total amount of damages caused to Ukraine's infrastructure due to the war, as of January 2024", https://kse.ua/about-the-school/news/155-billion-the-total-amount-of-damages-caused-to-ukraine-s-infrastructure-due-to-the-war-as-of-january-2024/
- Kyiv School of Economics (2024b): "Ukrainian Draft Budget for 2025: Main Characteristics and Strategic Priorities", https://kse.ua/wp-content/uploads/2024/10/Digest_-Draft-Budget-for-2025.pdf
- Kyiv School of Economics (2024c): „Damages and losses to Ukraine's energy sector due to Russia's full-scale invasion exceeded $56 billion — KSE Institute estimate as of May 2024", https://kse.ua/about-the-school/news/damages-and-losses-to-ukraine-s-energy-sector-due-to-russia-s-full-scale-invasion-exceeded-56-billion-kse-institute-estimate-as-of-may-2024/
- Ministry of Finance (2024a): "Бюджет 2025 року", https://mof.gov.ua/uk/budget_of_2025-770
- Ministry of Finance (2024b): "Morgan Stanley Investor Meeting", 24 October 2024, https://mof.gov.ua/storage/files/MS%20presentation%20-%2024%20October%202024-.pdf
- Ministry of Finance (2024c): "Sources of Ukraine's state budget financing since beginning of the full-scale war", 13 November 2024 https://mof.gov.ua/storage/files/Financing_en_v14112024%20(1).pdf
- Ministry of Finance (2024d): "Ukraine's state budget 2025", https://mof.gov.ua/storage/files/Ukraine%20State%20Budget%202025.pdf
- National Bank of Ukraine (2024): "Inflation Report: Summary October 2024" https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-jovten-2024-roku
- Trebesch et al. (2024): "The Ukraine Support Tracker: Which countries help Ukraine and how?" Kiel Working Paper, No. 2218, 1-75.
- UK Government (2024): "UK to stand with Ukraine for as long as it takes, PM to tell NATO", Press release 10/2024, https://www.gov.uk/government/news/uk-to-stand-with-ukraine-for-as-long-as-it-takes-pm-to-tell-nato
- US Department of Treasury: (2024): "Treasury Department Announces Disbursement of $20 Billion Loan to Benefit Ukraine, To Be Repaid with Proceeds Earned from Immobilized Russian Sovereign Assets", Press Release, https://home.treasury.gov/news/press-releases/jy2744
- The White House (2024): "G7 Leaders' Statement on Extraordinary Revenue Acceleration (ERA) Loans" https://www.whitehouse.gov/briefing-room/statements-releases/2024/10/25/g7-leaders-statement-on-extraordinary-revenue-acceleration-era-loans/
- World Bank (2023): "Ukraine – Third Rapid Damage and Needs Assessment (RDNA3): February 2022 – December 2023", https://documents.worldbank.org/pt/publication/documents-reports/documentdetail/099021324115085807/p1801741bea12c012189ca16d95d8c2556a

About the authors

Robert Kirchner is member of the Management Board at the private, research-oriented company, Berlin Economics, that has specialised in providing consultancy service to governments for more than 15 years. He is the Deputy Team Leader of the „German Economic Team", which carries out economic policy advice for high-ranking decision-makers in Ukraine and six other countries on behalf of the German Federal Ministry for Economic Affairs and Climate Action). Moreover, he is Team Leader of the project "Low Carbon Ukraine" supporting the Ukrainian government to promote the transition towards a low-carbon economy. This project is part of the International Climate Initiative (IKI) and is funded by the Federal Ministry for Economic Affairs and Climate Action (BMWK) on the basis of a decision adopted by the German Bundestag. After studying Economics at the University of Potsdam and at the Warwick Business School, he worked as a Research Assistant at the University of Potsdam. His research and consulting activities focus on areas of macro-financial stability, with a particular focus on transition economies.

Garry Poluschkin is Consultant at Berlin Economics. He is the Project Manager for Ukraine in the high-level government advisory project "German Economic Team". Jointly with Mr Kirchner, he has published a number of articles on Ukraine's economy, including for the ifo Institute, the German Council on Foreign Affairs and VoxUkraine. Both are co-authors of the forthcoming book "Freiheitsschauplatz" on Ukraine's path since its independence. Mr Poluschkin studied Empirical Economics at the University of Osnabrück and the University of Durham. During his studies, he worked at the Deutsche Bundesbank, the ifo Institute and the Institute for Economic Structures Research.

Oleksandra Betliy is Leading Research Fellow at Institute for Economic Research and Policy Consulting (Kyiv, Ukraine). Oleksandra Betliy has experience in both economic policies development and their implementation. She has 20-years of experience working as an analyst and more than 10-years of experience of project coordination at the Institute for Economic Research and Policy Consulting (IER). Oleksandra was also involved as an expert on a number of international technical assistance and research projects. This includes projects conducted by the World Bank, the European Training Foundation, and the UNDP. Moreover, in November 2018 – March 2020 she served as an advisor to the Minister of Finance acting as a chief economist of the Ministry of Finance. In this position, she was involved in the elaboration and implementation of budget, tax, and customs policies.

Zentrum Liberale Moderne

This paper examines the significant fiscal challenges Ukraine faces due to Russia's ongoing war of aggression

In 2025, the country's projected budget deficit is primarily driven by high defense and security spending alongside insufficient revenue. International aid remains essential, yet a substantial gap persists even after current commitments.

To sustain its war effort and prepare for post-war recovery, Ukraine urgently requires predictable and consistent financial and military support from international partners, coupled with continued domestic fiscal reforms.

Supported by

Federal Foreign Office

Published December 2024 by

Zentrum Liberale Moderne
Reinhardtstraße 15
10117 Berlin
Germany

+49 (0)30 - 13 89 36 33
info@libmod.de

www.libmod.de