



Zentrum
Liberale
Moderne

Support for Ukraine:

BALANCING MILITARY AND FINANCIAL AID

Policy Brief by Oleksandra Betliy,
Leading Research Fellow, IER

LibMod Policy Paper

CONTENTS

Introduction	3
What is the source of Ukraine's resilience?	4
Why is military aid important?	5
What kind of emergency reconstruction assistance is needed?	6
How can we help Ukraine prepare for major reconstruction?	7
Conclusions	9

About the author

Oleksandra Betliy has over 20 years of experience in developing and implementing economic policy measures. She is a Leading Research Fellow at the Institute for Economic Research and Policy Consulting (IER) in Kyiv. She has been involved in numerous international technical assistance and research projects. Her work focuses on the analysis and evaluation of financial, social, health and labour market policies, as well as the development of related strategies. She is also a co-author of IER's regular macroeconomic forecasts.

INTRODUCTION

Ukraine has two ways of calculating the duration of the war: more than 4,350 days since Russia began its aggression in 2014, and more than 1,400 days since the full-scale invasion on February 24, 2022. Throughout this period, Ukraine has demonstrated resilience, implemented reforms, and worked closely with international partners. Military and financial support from international donors, including both states and organizations, has been essential to Ukraine's perseverance amid the war.

During the full-scale war, international partners have frequently expressed solidarity and a commitment to help Ukraine achieve victory, though actions have sometimes lagged behind these statements. This is a common challenge for governments worldwide. In the fall of 2022, at a conference in Berlin, Chancellor Olaf Scholz stated that "the best reconstruction is the one that should not happen," highlighting the urgency of a Ukrainian victory. At the Ukraine Recovery Conference in 2025, Chancellor Friedrich Merz stressed, "we must stop these drones and missiles that are flying at you." Between these remarks, Ukraine has suffered years of human and territorial losses, as well as extensive infrastructure damage requiring hundreds of billions of euros for reconstruction. Only in 2025, after the United States ended its active military support, did European Union countries fully recognize their responsibility to provide military aid to Ukraine, though valuable time had already been lost.

Ensuring stability and reconstruction requires a balanced approach that includes military assistance, urgent repairs, and preparation for large-scale recovery efforts. These elements are examined in detail in this paper.

What is the source of Ukraine's resilience?

Russia's aggression against Ukraine has been ongoing for nearly 12 years, with almost four years of full-scale war. Ukraine has endured throughout these four years, despite international partners expecting it to fall within three days or a week. Ukraine's formula for resilience consists of several key components.

First, Ukraine's effective government has played a crucial role. From the first day of full-scale war, February 24, 2022, the government took decisive actions to ensure the country's survival. All branches worked with international partners to secure political, military, and financial support. The government promptly applied for EU membership, and on June 23, 2022, the European Council granted Ukraine candidate status after swift preparation of the necessary documents. Negotiations on EU accession officially began on June 25, 2024. Additionally, reforms implemented between 2014 and 2021 have strengthened Ukraine's resilience.

Another element of the resilience formula is a robust and adaptive society. Today, Ukraine has a population of approximately 31 million, although more than five million people have been compelled to leave in search of safety. Ukrainians continue to work despite nightly shelling and air raid sirens, support the armed forces, and assist those in need. Major construction projects include building underground schools and shelters in educational and medical institutions to maintain access to essential services.

Ukrainian businesses have adapted to the challenges of full-scale war, including military risks, labor shortages, limited electricity, reduced demand, and supply chain disruptions. Generators are now common in both manufacturing and the service sector. Large enterprises have installed cogeneration units (which produce both electricity and heat) or solar panels to increase energy independence. As a result, cities continue to function, with generators keeping offices, businesses, and elevators operational during power outages. The service sector remains resilient, with cafes, hairdressers, and offices reopening quickly after shelling and

From the first day of full-scale war, February 24, 2022, the government took decisive actions to ensure the country's survival. All branches worked with international partners to secure political, military, and financial support.

during power cuts, even with damaged infrastructure. However, a prolonged war leads to greater exhaustion and mental health challenges for the population. Increased military aid can help Ukraine achieve victory more quickly.

At the same time, military, financial, and humanitarian aid from partners remains essential to Ukraine's resilience. Since 2023, financial aid has covered half of the state budget, funding all civilian expenditures, while internal sources have supported defense and security. This does not include military aid, which helps reduce infrastructure damage and casualties, thereby lowering future reconstruction needs. Despite these efforts, significant destruction persists, creating an urgent need for reconstruction and continued support from international partners, especially Germany.

The service sector remains resilient, with cafes, hairdressers, and offices reopening quickly after shelling and during power cuts, even with damaged infrastructure.

During the full-scale war, Ukraine received financial assistance from international partners totaling 167 billion US dollars (equivalent)¹, of which 1.7 billion came directly from Germany. Of the total amount of assistance, 77 billion US dollars was provided through various EU support instruments. For comparison, Germany's general government deficit in 2024 exceeded 100 billion euros.

According to data from the Kiel institute², total aid from various countries to Ukraine rarely exceeds 1 percent of each country's annual GDP. For example, bilateral aid from Germany to Ukraine during the years of full-scale war amounts to 0.6 percent of annual GDP (that is, not total GDP for this period), and this is primarily vital military aid.

German allocations to Ukraine

Total allocations	22.495 bn € (Rank: 2) 0.602% of GDP (Rank: 14)
Humanitarian allocations	3.374 bn € (Rank: 2) 0.090% of GDP (Rank: 11)
Financial allocations	1.448 bn € (Rank: 6) 0.039% of GDP (Rank: 14)
Military allocations	17.673 bn € (Rank: 2) 0.473% of GDP (Rank: 13)

1 https://www.mof.gov.ua/uk/news/ukraines_state_budget_financing_since_the_beginning_of_the_full-scale_war-3435

2 <https://www.kielinstitut.de/topics/war-against-ukraine/ukraine-support-tracker/>

Why is military aid important?

Military aid includes several key elements, primarily equipment and supplies for the front lines. Ukraine must defend its territory and people. While EU support was more effective early in the war, it was insufficient. Today, the war has entered a new technological phase – it is now a war of drones and robotic systems. Ukraine has valuable experience in this area, which is still developing in EU countries. Sharing expertise and supporting new developments in Germany are essential. Joint ventures between Ukrainian and German companies can leverage combined knowledge and improved access to financing. Such partnerships should be established in both countries.

Ukraine currently lacks the funds to expand effective solutions developed and tested near the front lines, while the arms race continues to accelerate. The Danish model of military support addresses this challenge by purchasing weapons, such as drones, directly from Ukrainian companies and sending them to the front. This approach not only expedites equipment delivery but also creates jobs in Ukraine, generates tax revenue, and strengthens the country's economic stability.

Traditional weapons, including ammunition and long-range missiles, remain essential. Civil society and the government have urged Germany to supply Taurus missiles, but the issue remains complex politically. These weapons are critical for targeting military sites, such as launch centers deep within Russian territory, to prevent large-scale attacks. For example, in January 2026, Russia's coordinated missile and drone strikes left thousands without electricity, water, or heating. Ukrainian Strikes on Russia's oil refineries and weapons factories have already demonstrated a significant impact on the Russian economy. Access to long-range missiles will further enhance the effectiveness of these operations.

In 2024, Russian drone and missile attacks destroyed half of Ukraine's thermal power generation, causing frequent outages. Repair costs have far exceeded the investment needed for adequate air defense.

Air defense is another critical area of military assistance. Ukraine lacks sufficient systems to protect cities and key infrastructure, including energy facilities, seaports, and railways. Protection requires not only Patriot and Iris missile systems for large sites, but also turrets, electronic warfare, anti-drone guns, and interceptors for mobile defense groups. In 2024, Russian drone and missile attacks destroyed half of Ukraine's thermal power generation, causing frequent outages. Repair costs have far exceeded the investment needed for adequate air defense.

In late 2025 and January 2026, Russia intensified attacks on power generation facilities, causing further outages for businesses and households and leading to heating and water shortages. Some families endured more than four days without electricity or heating during severe winter conditions, increasing the risk of population displacement to EU countries. Since the start of the full-scale war, thousands of educational, health, and cultural institutions have been damaged or destroyed. Greater air defense capacity could have significantly reduced this destruction.

Ultimately, it would be a smart move for Germany to commit to additional air defense systems and long-term framework contracts for ammunition and services. Developing, producing, and procuring anti-drone air defense systems are also important. This would be cheaper than repeated repairs of the infrastructure and would also generate export orders and jobs for the German defense industry.

One of the sources of support for Ukraine could be the new EU initiative to finance increased defense spending, SAFE (Security Action for Europe), because stopping Russia in Ukraine is cheaper than letting war come to the EU. Meanwhile, Russian drone threats at airports in Munich, Copenhagen, and across the Baltic and other EU states highlight the urgent need to modernize EU defense systems with advanced technology.

To achieve success, it is essential to weaken the Russian economy as much as possible. This requires reinforcing the ability to target key military and economic sites within Russia, supported by strong sanctions from the EU and international partners. These sanctions should apply not only to the aggressor but also to third countries (non-EU states), as demonstrated with restrictive measures against Russia's "shadow fleet."

What kind of emergency reconstruction assistance is needed?

Unfortunately, air defense systems cannot fully protect Ukraine, although they significantly reduce damages and losses. Therefore, Europe can assist in building protective structures, especially at energy facilities. This support should include both financial aid and materials such as gabions, protective nets, and modular solutions for backup power and heat supply, many of which are produced in Germany.

Europe can assist in building protective structures, especially at energy facilities. This support should include both financial aid and materials such as gabions, protective nets, and modular solutions for backup power and heat supply, many of which are produced in Germany.

Decentralizing the energy supply, including heat, remains a critical priority. Additional support is needed to provide or finance modular gas piston power plants and cogeneration facilities. These measures will make it harder for Russia to target small, decentralized stations that supply electricity and heat. Without such support, more refugees may be forced to leave Ukraine during winter, increasing pressure on host countries and worsening Ukraine's labor shortage.

Germany could, through KfW (Credit Institute for Reconstruction, Germany's main development bank) and government guarantees, establish a dedicated financing window for these solutions in partnership with German suppliers. This approach would both strengthen community resilience in Ukraine and promote German exports of energy-efficient technologies. Germany and other EU countries should also consider providing insurance for specialists who install, connect, and train users on these stations and facilities, as Ukraine often lacks qualified personnel for this work.

Destruction continues, with Russia at times launching as many as 50 missiles and 600 drones at Ukraine in a single night. Therefore, the ongoing support from Germany and other partners remains essential for repairing damaged infrastructure, particularly through the Energy Fund. This support should include both financing and the supply of used or new equipment to repair damaged infrastructure.

How can we help Ukraine prepare for major reconstruction?

Ukraine will eventually enter a new phase after victory. The course of this transition and the country's future development will depend on several key factors.

The first factor is the stability and reliability of security guarantees, with Germany potentially taking a leading role. Stable and legally clear guarantees are essential to attract investment, encourage Ukrainians to return, and support business growth. Ukraine must also maintain a strong, well-funded military, as Russia will likely remain a threat.

Risk insurance programs, particularly for military risks, are crucial for companies investing in Ukraine. The German Federal Ministry for Economic Affairs and Energy currently offers support for German businesses, and extending these programs to joint ventures with Ukrainian partners would be beneficial. Ongoing partnerships between German and Ukrainian cities and communities also remain important.

Ukraine's path to EU membership is a key aspect of reconstruction. Significant reforms are required to align with the EU acquis. Between 2015 and 2019, Ukraine demonstrated its ability to implement major reforms, such as public procurement and decentralization. Transparency has improved considerably. Since 2020, Ukraine has introduced digital public administration tools that help reduce corruption and inefficiency. For example, the Prozorro electronic procurement system enables real-time analysis of purchases for overpricing and non-competitive practices. Most transactions from state and local budgets are publicly accessible, except for defense and security spending during wartime. Other public registries also remain open. This transparency empowers civil society activists, who have zero tolerance for corruption, to investigate, file complaints with law enforcement, and advocate for more efficient public spending. The ongoing reform of the Accounting Chamber, launched in 2025, will further enhance audit quality.

Many past and ongoing reforms have been made possible through technical assistance from the EU and other countries. This support benefits the government, local authorities, and civil society organizations, which play a vital role in policy and decision-making. For example, GIZ (German Society for International Cooperation) is instrumental in Ukraine's European integration efforts. Considering the varied approaches to implementing directives and regulations in EU countries, it seems important to create a platform for sharing knowledge and experiences.

Ukraine's EU membership will enhance security and serve as a strong incentive for investors. As a result, the need for large-scale reconstruction assistance from international partners will decrease.

The reforms will create a stronger investment climate for German companies in Ukraine, supporting the development of both countries. However, it is essential to provide Ukraine with access to EU enlargement preparation funding, as many reforms require financial resources to establish new institutions, certification centers, and laboratories.

Ukraine's EU membership will enhance security and serve as a strong incentive for investors. As a result, the need for large-scale reconstruction assistance from international partners will decrease.

Staff shortages and skills gaps in the labor market remain a significant challenge. This is where Germany's experience with dual vocational education (apprenticeship) could be useful for Ukraine. There is a need to establish effective adult/lifelong education and retraining programs. It would be valuable if Ukrainians who have found temporary refuge in Germany could acquire skills relevant to Ukraine's reconstruction, though this may conflict with Germany's own labor needs. However, the large-scale reconstruction will take longer and be more difficult if Ukrainians do not return home. If Germany can launch pilot dual training programs in energy and construction with competency recognition, this would also help train personnel for joint projects by German companies in Ukraine.

Conclusions

Ukraine's resilience today is the result of effective governance, a determined population, adaptive businesses, and substantial international support. Balancing defense and reconstruction is not a matter of choosing one over the other, but of minimizing overall costs. Each euro invested in military aid, including air defense, saves lives and reduces future reconstruction expenses. Additionally, military aid, support for critical infrastructure, and participation in reconstruction create opportunities for German businesses and generate jobs in Germany.

A key priority for international aid is ensuring sustainable, long-term, and predictable Western support for Ukraine, especially from Germany. This requires integrating aid into medium-term plans and budgets. Therefore, the provision of a separate 100 billion euros Ukraine Reserve within the European Union's Multiannual Financial Framework for 2028 to 2034 is a positive step, but it will not be sufficient for full recovery and reconstruction, even if a lasting peace is achieved. Private sector involvement remains essential. Additional funding is needed to support Ukraine's European integration. Ongoing support should also include framework contracts for military aid, such as air defense, ammunition, service,

Each euro invested
in military aid,
including air defense,
saves lives and reduces
future reconstruction
expenses.

and training. Joint defense and industrial projects between Ukraine and EU countries are important, as the EU remains vulnerable to potential Russian aggression, evidenced by Russian drones entering EU airspace. Insurance against military risks is critical for business development. Expanding institutional mechanisms for rapid financing, such as specialized funds and KfW, is also necessary. Predictable, long-term support will lower overall costs, strengthen Ukraine's resilience, and provide stable demand, jobs, and technological advancement for the German economy.



Zentrum
Liberale
Moderne

Published January 2026 by

Zentrum Liberale Moderne
Reinhardtstraße 15
10117 Berlin
Germany

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

www.libmod.de