

# Transformation of the Sectors of Ukraine's Economy in the Context of Global Challenges and European Integration

YEVHENII REDZIU<sup>1</sup>

**ABSTRACT.** The article analyses international aid that is transforming Ukraine's economy during the war. It examines the main current needs of Ukraine's socio-economic sphere and identifies areas and social groups that require appropriate improvements in funding and investment. In addition, the need for advisory assistance in strengthening the foundations of democracy, the rule of law and the regulation of effective and competitive markets in Ukraine is emphasised. Thus, in the context of the effective functioning of state institutions and anti-corruption efforts, Ukraine needs to expand its participation in EU programs, more actively adopt best practices, and introduce legislation that enshrines the rule of law, facilitates the transparency of regulatory and judicial procedures, and stimulates active social and entrepreneurial development in Ukraine. It is noted that Ukraine's current agricultural and metallurgical specialization, even with extensive growth in volume, will not add significant value to GDP comparable to that of the EU. The existing agricultural and raw materials, trade, and intermediary sectors do not form the basis for or stimulate the further transformation of Ukraine's economy into a more innovative one, with a significant share of manufacturing and high added value. Therefore, the author has developed and proposed the use of clusters of programs that should be applied in Ukraine for the full transformation of its socio-economic environment and approximation to the economic structure and indicators of EU countries. In addition, optimal approaches and mechanisms for financing Ukraine are developed and suggested, which will contribute to the successful transformation of economic sectors and areas of activity, which will further facilitate faster and more complete integration into the EU. In this context, focused programs (6 clusters and 35 programs) for the qualitative restructuring of the existing domestic security, economic, and social policy systems have been selected, which are structurally complementary and reinforce each other. In addition, an algorithm for optimal phased comprehensive financing of programs and projects in Ukraine is presented to achieve strategic targets, successful transformation, and harmonious integration into the EU. The algorithm is based on a time period that includes: systematic strengthening of defence capabilities, improvement of public administration and the rule of

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<sup>1</sup> **Yevhenii Redziuk** — Candidate of Economic Sciences, Associate Professor, Senior Research Fellow at the State Institution "Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine" (Kyiv, Ukraine). Research interests: world economy and international economic relations, international finance and investments, economic integration into the EU, Ukrainian economy and globalization processes in the world. E-mail: redzyuk@gmail.com ORCID: <https://orcid.org/0009-0005-3054-2876>

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law, and then – the revival of the economy and the social sphere. The implementation of the above reforms requires political reforms, the renewal of state regional policy, and the introduction of a strategy for the socio-economic development of Ukraine based on a comprehensive audit of resource potential (human capital, material resources, financial resources, infrastructure) with appropriate measures for the gradual strengthening of regions, economic sectors, and innovation potential.

KEYWORDS: transformation of Ukraine's economy, socio-economic development of Ukraine, post-war economic recovery, international economic relations, global economy, economic European integration, international economic assistance.

## Introduction

Since the start of the full-scale invasion by the Russian Federation (RF), Ukraine's socio-economic sphere has been functioning for almost three years in conditions of unprecedented challenges to security, the social sphere and the economy. At the same time, domestic state institutions are functioning and even undergoing reform under the influence of the circumstances, the consolidation of society and the assistance of allied countries. It should be noted that military, financial and humanitarian assistance from the EU, the US, Canada, Japan and other democratic countries of the world during this period has transformed from chaotic and unsystematic to regular, with the identification of specific and complex problems, as well as with rapid response, which subsequently contributed significantly to the satisfactory functioning of state bodies and the security sector of Ukraine in the conditions of full-scale war. The prospects for Ukraine's statehood, with its demographic, economic and social challenges, and for the entire European region now depend on the proper use of assistance from partners. In our opinion, a strategically meaningful transformation of the domestic economy, its industries and spheres of activity, with the participation of international assistance, can significantly strengthen Ukraine's position and bring victory in the war closer. In this context, the presented studies are relevant and necessary for publication and use.

A number of scholars have analysed the transformation of Ukraine's industries and spheres of activity in the context of global challenges and European integration: T. Bohdan, O. Borzenko, I. Burakovsky, I. Ganguli, F. Waldinger<sup>2</sup>, E. Carletti, Y. Gorodnichenko<sup>3</sup>, V. Heyets, V. Gorbulin<sup>4,5</sup>,

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<sup>2</sup> Ina Ganguli, Fabian Waldinger War and Science in Ukraine. National Bureau of Economic Research. Cambridge. July, 2023. URL: <https://www.nber.org/papers/w31449>

<sup>3</sup> Elena Carletti, Yuriy Gorodnichenko, Harold James, Jan-Pieter Krahnem, Vladyslav Rashkovan, Alexander Rodnyansky, Ilona Sologoub *Ukraine's Reconstruction: Policy Options for Building an Effective Financial Architecture*. Centre for Economic Policy Research (CEPR). 17 Apr 2024. URL: <https://cepr.org/publications/books-and-reports/ukraines-reconstruction-policy-options-building-effective-financial>

T. Kachka, A. Kosenko, D. Lukyanenko<sup>6</sup>, J. Masters<sup>7</sup>, V. Sidenko, O. Soskin<sup>8</sup>, J. E. Stiglitz<sup>9</sup>, A. Filipenko, and others. More specifically, T. Bohdan and O. Borzenko focused their attention on research into international financing and Ukraine's debt problems during the full-scale invasion; V. Heyets, V. Gorbulin, and D. Lukyanenko focused their work on the problems of social adaptation and improving the security of Ukrainians during the full-scale invasion, as well as on the formation of an optimal development strategy during the shock state of Ukraine's economy and in the context of increasing geopolitical risks; E. Carletti, Y. Gorodnichenko, J. Masters, A. Kosenko, and J. E. Stiglitz focus in their scientific works on the mechanisms of compensation and restoration of Ukraine's economy during the war and in the post-war period. The contribution of these scholars is significant, but the existential challenges posed by the full-scale invasion of Ukraine by the Russian Federation require a thorough reassessment of internal reforms, as well as the forms, approaches and methods of assistance from external partners that would contribute to the transformation of Ukraine's industries and spheres of activity in the context of global challenges and European integration. This will provide prospects for the formation of optimal strategies for Ukraine's socio-economic recovery.

The purpose of this article is to identify approaches, mechanisms and programmes for Ukraine's cooperation with international partners and allies during a full-scale invasion, to analyse Ukraine's socio-economic situation, and to justify optimal ways of developing the domestic economy in conditions of martial law and post-war recovery.

### **Current approaches, mechanisms and programmes of financial, investment and advisory assistance for Ukraine**

Optimal approaches, mechanisms and programmes of financial, investment and advisory assistance for Ukraine, as the experience of this full-scale war has already shown, depend, in our view, on regularity, transparency, predictability, adequacy and targeting. In this context, we

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<sup>4</sup> V. Gorbulin *How to defeat Russia in the war of the future*. Bright Books. 2021. — 243 p.

<sup>5</sup> V. Gorbulin, V. Badrak *Russia's War Against Ukraine*. Bright Books. 2024. — 302 p.

<sup>6</sup> Lukyanenko, D.G., Poruchnyk, A.M., Stolyarchuk, Ya.M. *International Economics*. Kyiv: KNEU, 2014. 762 P.

<sup>7</sup> Jonathan Masters *How Frozen Russian Assets Could Pay for Rebuilding in Ukraine*. Council on Foreign Relations July 24, 2023. URL: <https://www.cfr.org/in-brief/how-frozen-russian-assets-could-pay-rebuilding-ukraine>

<sup>8</sup> Soskin, O. I. "Ways to implement Ukraine's geo-economic model in the Eurasian space." *Economy and State*, no. 7 (2012): 4–9.

<sup>9</sup> Andrew Kosenko, Joseph E. Stiglitz *Europe's Powerful Tool Against Russia*. Project Syndicate. Mar 4, 2025. URL: <https://www.project-syndicate.org/commentary/russian-frozen-assets-220-billion-in-europe-must-go-to-ukraine-by-andrew-kosenko-and-joseph-e-stiglitz-2025-03>

can mention the political crisis in the US House of Representatives, which essentially blocked funding for Ukraine's most important military, financial and humanitarian programmes from October 2023 to April 2024. Ukraine also waited a very long time for the actual launch of the EU's long-term support programme, Ukraine Facility, which only began to receive funding on 20 March 2024, although it would have been more appropriate to launch it in the summer or autumn of 2022. Repeated refusals to provide Ukraine with various Western means of striking the enemy, followed by their provision 1-1.5 years later, testify to political short-sightedness and a lack of principles, approaches and transparent mechanisms in military-technical cooperation between NATO countries. In addition, regular promises of military-technical assistance from Western countries are very often fulfilled too late and not by all countries that have made commitments (the Czech initiative to manufacture and provide Ukraine with 1 million 155 mm calibre shells). Furthermore, on 15 November 2024, Ukrainian President Volodymyr Zelenskyy said in an interview with Ukrainian Radio that Ukraine had not received half of the weapons officially allocated by the United States, while the situation with other programmes – humanitarian and financial – was somewhat better<sup>10</sup>.

With this approach, is Ukraine an ally, a strategic partner, or a territory with excess population that needs to be exhausted by war as much as possible? In our view, the demographic, environmental and economic catastrophe in modern Ukraine is an existential threat to the whole of Europe and will lead to further geopolitical turbulence with a large proportion of military, terrorist and criminal challenges in Eastern and Central Europe. Therefore, funding programmes from Western countries, and especially from EU countries, must be systematic and targeted, with clear budgetary parameters and accountability. Ukraine's security cannot be financed on a residual basis or on the principle of "giving something unnecessary and old so that Ukraine can fight back, but not win," because then everyone loses – continental Europe, the US and the UK will lose their geopolitical positions in the world<sup>11</sup>.

It should also be noted that the aggressor country, the Russian Federation, plans to increase its military spending to \$145 billion by 2025, while Ukraine can only allocate approximately \$50 billion from its budget.

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<sup>10</sup> On the 100th anniversary of Ukrainian Radio: Volodymyr Zelensky honours employees with awards. *Ukrainian Radio*. <https://ukr.radio/news.html?newsID=105819>; <https://flot2017.com/stan-zsu-zakhyst-enerhetyky-tramp-ta-myрни-perehovory-z-rf-pro-shcho-hovoryv-prezydent-zelensky-v-novomu-interv-ii/>

<sup>11</sup> "Russia will spend \$145 billion on defence in 2025 — Reuters." *NV*, 30.09.2024. <https://nv.ua/ukr/world/countries/viy-na-proti-ukrajini-rosiya-u-2025-roci-planuye-zbilshiti-vitrati-na-oboronu-na-25-50454894.html>; "Defence forces will receive full funding in 2025." *Ministry of Finance of Ukraine. Ukrinform*. 11 December 2024. <https://www.ukrinform.ua/rubric-economy/3936806-sili-oboroni-otrimaut-povne-finansuvanna-u-2025-roci-minfin.html#:~:text=%D0%97%D0...>

The above analysis with examples shows the existing comprehensive shortcomings in the organisation and financing of programmes that increase Ukraine's defence and security capabilities, and also reveals the vulnerability of EU countries in the context of a full-scale war. Therefore, in our opinion, the most urgent funding is needed for programmes of joint production of the most effective and modern weapons; for joint scientific research in the military-technical sphere; and for regular training of Ukrainian and allied troops in modern combat methods; to improve logistics and scale up military-technical production; to launch more systematic and effective joint ventures with EU countries in the defence sector, etc.

### **A comprehensive approach to financial, investment and advisory assistance, taking into account the risks involved**

A full-scale Russian invasion remains a key risk to Ukraine's economic, financial and investment development in 2024-2025. There are still risks of a further decline in economic potential, in particular due to the loss of people, territories and production facilities.

In the socio-economic sphere, in order to ensure sustainable development and Ukraine's integration into the European space, it is necessary to develop a comprehensive approach to financial, investment and advisory assistance, taking into account the existing risks, focused on the effective use of resources and the achievement of strategic goals:

I. Financial assistance should include the following approaches:

1) targeted financing for the rapid restoration of critical infrastructure, the development of key economic sectors and the implementation of reforms;

2) macro-financial assistance to stabilise the economy, support the budget and foreign exchange reserves;

3) grant programmes to support small and medium-sized enterprises (SMEs), regional recovery and development funds, and environmental and social project funds.

The mechanisms may include:

a) the expanded Ukraine Facility programme, the EU's macro-financial assistance (MFA) programme, IMF and World Bank programmes, and national EU assistance programmes for Ukraine: provision of concessional loans and grants conditional on the implementation of reforms or projects agreed upon and transparent to civil society; creation of recovery funds to attract resources through special post-war reconstruction funds (e.g. the Ukraine Recovery Fund);

b) investment platforms: creation of joint platforms with international financial institutions such as the European Investment Bank (EIB) and the EBRD;

c) provision of budget support through transparent control mechanisms by international auditors; promotion of decentralisation: financing of local projects, including infrastructure development and housing programmes, social sphere; coordination with other donors to avoid duplication of efforts.

II. Investment assistance is appropriate in the following areas:

✓ attracting foreign direct investment (FDI) under preferential terms and security guarantees;

✓ focus on priority sectors: defence industry, engineering, energy, agriculture, digitalisation, transport and housing infrastructure, pharmaceuticals and healthcare;

✓ stimulating the private sector to create jobs and develop innovation.

The optimal mechanisms for investment assistance will be:

▪ ensuring a system of security and the rule of law among investors and citizens of Ukraine at the level of EU countries;

▪ introducing attractive customs and tax rates, transparent regulation of entrepreneurial activity aimed at its revitalisation;

▪ guarantees for investors: insurance of investments against political and military risks through agencies such as MIGA (Multilateral Investment Guarantee Agency);

▪ industrial parks: creation of special economic zones with tax and regulatory incentives for innovation-oriented businesses, as well as for small and medium-sized businesses;

▪ support for export-oriented industries: provision of subsidies to increase the competitiveness of Ukrainian goods on EU markets.

Specific programmes already in place in the EU that could be used to attract investment for Ukraine's economic recovery: 1) European Green Deal: investment in renewable energy sources, energy efficiency and environmental initiatives; 2) Digital transformation: financing innovation in IT, cybersecurity and e-government; 3) Investment in human capital: support for education programmes, retraining of personnel and modernisation of the healthcare system.

III. Consultative and technical assistance from EU countries is necessary to build a sustainable political and democratic system in Ukraine (rather than an ochlocracy or oligarchy) that aims to produce responsible and strategically oriented political elites. On this basis, it will be possible to establish the rule of law, successfully combat corruption and create stable state institutions. It is also necessary to adopt the EU's experience and approaches in the following areas:

1) transfer of European experience in market reforms, public finance management and the fight against corruption;

2) technical support for the harmonisation of legislation with EU standards;

3) development of institutional capacity for effective management of reforms.

The mechanisms for the full use of advisory and technical assistance from EU countries are:

- ❖ the introduction of EU norms, rules and laws, their adaptation and adoption into Ukrainian legislation;

- ❖ Twinning programmes: partnerships between Ukrainian and European authorities for the exchange of experience;

- ❖ advisory missions: involving EU experts in consultations in key sectors (justice, the judiciary, public service, ecology, finance, innovative development);

- ❖ training programmes: internships for Ukrainian specialists in EU structures;

- ❖ introduction of transparent competitions and procedures for socially, politically and publicly significant positions in Ukraine, as well as systems of public control over their standard of living and lifestyle, with an effective mechanism for removal from office for non-compliance with moral and social norms and corrupt practices.

Ukraine's institutional development is partly carried out through programmes such as SIGMA (support for improving public administration); anti-corruption support programmes to strengthen the rule of law, fair justice and transparency of these processes. Ukraine's educational initiatives in the Erasmus+ programme are also used. However, in the context of the effective functioning of state institutions and anti-corruption efforts, Ukraine needs to expand its participation in EU programmes, more actively adopt best practices, introduce legislation that enshrines the rule of law, facilitates the transparency of regulatory and judicial procedures, and stimulates active social and entrepreneurial development in Ukraine.

In addition, effective EU assistance to Ukraine should be based on a comprehensive approach that combines support for security and defence capabilities, financial stabilisation, investment promotion and advisory support. The main focus should be on reforming institutions, ensuring transparency and harmonisation with European standards, which will contribute to Ukraine's long-term integration into the EU.

### **Optimal clusters and programmes for Ukraine's socio-economic development during the war and post-war periods**

In our opinion, targeted assistance from EU partners should create passionate people in the social sphere and state building and activate innovation-oriented entrepreneurship in Ukraine. In addition, financial,

investment, and technical assistance under the influence of these programmes should contribute to the qualitative restructuring of the existing agricultural and raw materials profile of the domestic economy into a military-innovation one. Even with extensive growth in volume, Ukraine's current agricultural and metallurgical specialisation will not add significant value to GDP comparable to that of the EU. Over the last 20-30 years, 55-60 per cent of Ukraine's GDP has been generated in the agricultural-raw materials and trade-intermediary sectors, which are not highly productive and do not generate high added value<sup>12</sup>. In addition, the aggressive dominance of commodity imports in Ukraine stifles domestic production. As a result, Ukraine's GDP is very low compared to EU countries; moreover, the domestic economy is largely dependent on external market conditions for its raw material exports (Table 1).

Table 1

**GDP OF UKRAINE AND EASTERN EUROPEAN COUNTRIES  
PER CAPITA FOR THE PERIOD 2015-2023 (USD)<sup>13</sup>**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Ukraine</b>	<b>2125</b>	<b>2188</b>	<b>2638</b>	<b>3097</b>	<b>3662</b>	<b>3752</b>	<b>4828</b>	<b>4576</b>	<b>5181</b>
Czech Republic	17830	18575	20636	23,425	23,665	22,993	26,823	27227	30427
Estonia	17,402	18,295	20438	23166	23582	23,565	27698	28114	29824
Lithuania	14264	15,008	16,885	19186	19616	20382	23850	25,079	27103
Slovakia	16,391	16563	17585	19486	19382	19553	21766	21,279	24,470
Latvia	13786	14332	15695	17865	17883	18096	20930	21508	23184
Hungary	12717	13105	14621	16425	16786	16132	18755	18356	22147
Poland	12560	12379	13816	15505	1570	15819	18050	18733	22113
Romania	8977	9404	10728	12494	12958	13047	14947	15692	18419
Turkey	11,050	10,970	10696	9569	9215	8639	9743	10675	12986
Belarus	5967	5040	5786	6360	6838	6543	7490	7995	7829
Moldova	2750	2847	3453	4156	4405	4376	5275	5715	6651

An analysis of Table 1 shows that Ukraine's GDP per capita is several times (4-6 times) lower than that of the vast majority of its neighbouring countries. In Turkey, despite significant inflation in 2020-2024, GDP per

<sup>12</sup> Official website of the State Statistics Service of Ukraine. Production and distribution of gross domestic product by type of economic activity. <https://www.ukrstat.gov.ua>.

<sup>13</sup> Official site of The World Bank Group. GDP per capita (current US\$) — Ukraine. 12.09.2024. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=UA-PL-TR-HU-CZ>

capita is 2.5 times higher than in Ukraine. Only Belarus (which is under sanctions) and Moldova have slightly better indicators than Ukraine. When compared to highly developed EU countries (Germany, France, Italy, the Netherlands, Sweden, Austria), the gap in this indicator is 8-12 times. These indicators show that the efficiency of markets, entrepreneurial infrastructure and labour productivity in Ukraine are significantly inferior to other countries in the European region. The full-scale war since 2022 has only exacerbated the existing problems in the domestic economy.

Unfortunately, the existing agricultural, raw materials, trade and intermediary sectors do not form the basis for or stimulate the further transformation of Ukraine's economy into a more innovative one, with a significant share of manufacturing and high added value. Therefore, the author has developed and proposed the use of clusters of programmes that should be applied in Ukraine for the full transformation of its socio-economic environment and approximation to the economic structure and indicators of EU countries. The proposed clusters take into account Ukraine's resource capabilities and potential, the capacity for international assistance, as well as current geopolitical and geo-economic challenges (Table 2).

Table 2

PROGRAMME CLUSTERS PROPOSED FOR IMPLEMENTATION IN UKRAINE<sup>14; 15; 16</sup>

Programme cluster	Programme name	Expected outcome	Implementation period
1	2	3	4
I. Security and defence capability	1.1. Provision of weapons and ammunition in accordance with the needs of the Armed Forces of Ukraine 1.2. Development of Ukraine's military-industrial complex 1.3. Military-technical cooperation and joint research 1.4. Training, preparation and retraining of Ukrainian troops on the	1.1. Qualitative and quantitative improvement of the combat capability and firepower of the Armed Forces of Ukraine 1.2-1.3. Modernisation and integration of Ukraine's military-industrial complex into that of NATO countries 1.4. Reducing losses and improving the management of the Armed Forces during wartime and in the post-war period 1.5. Reduction of Russia's	2025-2030

<sup>14</sup> Empirical expert assessment by the author, taking into account the scale of military aggression, economic indicators and GDP of Ukraine; EU capabilities; data: CMU, World Bank, International Monetary Fund, EBRD.

<sup>15</sup> Redziuk, E.V. Formation of competitive clusters in Ukraine in the context of global challenges. *Collection of scientific works "Strategy of Economic Development of Ukraine"*, KNEU named after V. Getman. — Volume 53, Kyiv, 2023. — pp. 63-77. DOI <https://doi.org/10.33111/sedu.2023.53.063.077>

<sup>16</sup> Redziuk Y. Leading risks of geopolitical and geoeconomics for business activity in Ukraine during the war. *Actual problems of International Relations*. Vol. 1 No.159 (2024). — pp. 138-145. DOI <https://doi.org/10.17721/apmv.2024.159.1.138-145>

Programme cluster	Programme name	Expected outcome	Implementation period
1	2	3	4
	<p>modern technical base of NATO countries</p> <p>1.5. Strengthening sanctions and control over the export and import operations of the aggressor country</p> <p>1.6. Optimisation of logistics and scaling up of weapons and ammunition production for Ukraine</p>	<p>military-technical and economic potential</p> <p>1.6. Quantitative increase in ammunition and weapons at the disposal of the Armed Forces of Ukraine, improvement of operational efficiency and delivery accuracy</p>	
II. Strengthening democracy, the rule of law and effective European integration	<p>2.1. Renewed public administration</p> <p>2.2. Transformation of electoral law and the electoral system for political and state authorities</p> <p>2.3. Improving the rule of law, the judicial system and prosecutorial oversight in Ukraine</p> <p>2.4. Strengthening anti-corruption policy mechanisms</p> <p>2.5. Implementation of effective European legislation</p>	<p>2.1. Introduction of new management procedures, improvement of transparency and sustainability of the institutional structure of state authorities, professionalisation of state power</p> <p>2.2. Increasing the transparency of elections, expanding political participation of citizens, strengthening the connection between voters and elected officials, professional selection of the best of the best for senior positions in the state</p> <p>2.3. Improving the quality of court decisions, simplifying access to justice, competitive selection of judges, transparency and accountability of courts and prosecutors to civil society</p> <p>2.4. Reducing the level of corruption and the shadow economy in the country, reducing tolerance for corruption, improving the work of anti-corruption institutions (NABU, SAP, VAS)</p> <p>2.5. Improving the rule of law and justice, environmental standards and policies, transparently regulated green and basic energy, transforming antitrust policy, simplifying and harmonising rules for business, introducing EU standards in transport</p>	2025-2027

Programme cluster	Programme name	Expected outcome	Implementation period
1	2	3	4
III. Sustainable and modern infrastructure	3.1. Energy 3.2. Transport and logistics 3.3. Residential, office, social and industrial infrastructure 3.4. Public utilities 3.5. Communications and telecommunications, server centres 3.6. Innovative infrastructure	3.1. Stabilisation, modernisation and integration of energy and energy technologies into the European economic space 3.2. Modernisation, reconstruction of existing and creation of new transport and logistics routes, roads and logistics centres 3.3. Restoration of destroyed residential, office, social and industrial infrastructure based on modern European practices 3.4. Introduction of leading European rules and technologies for public utility management; comprehensive re-equipment of machinery and vehicles 3.5. Integration and upgrading of communication systems, means of communication and server centres in line with European standards 3.6. Launch and full, effective operation of technology parks, incubators, and platforms for start-ups; integration and re-equipment of research institutions, laboratories, retraining centres, platforms for the development of new technologies, or joint research centres with the EU	3.1-3.4 2025-2027  3.5 2026
IV. Innovative economy (sectoral transformation of Ukraine)	4.1. Mechanical engineering 4.2. Chemical and biochemical industry 4.3. Lithium-titanium production 4.4. Medical and pharmaceutical sector 4.5. Deep processing of agricultural products 4.6. IT sector, science, education, innovation	4.1. Emergence and expansion of machine-building enterprises that are actively operating in domestic and foreign markets, with a share in the economy of at least 15-20% 4.2. Full provision of domestic needs of the military, defence industry, medical and pharmaceutical and other processing industries 4.3. Full provision of domestic needs of the high-tech military-industrial complex, medical equipment, production of accumulators, batteries, medical	2025-2030

Programme cluster	Programme name	Expected outcome	Implementation period
1	2	3	4
		and aerospace products 4.4. Expansion of medical and pharmaceutical companies in domestic and foreign markets. 4.5. Diversification and emergence of branded agricultural products on domestic and foreign markets. 4.6. Emergence and expansion of IT companies actively operating on domestic and foreign markets with a share in the economy of at least 15-25%; systematic increase in the number of educational services and students for export; revitalisation of the innovation market and the share of innovative companies to 20-30% of the total number of firms	
V. Social development	5.1. Revival of the social base of the education system 5.2. Revival of the social base of the healthcare system 5.3. Modernisation of housing infrastructure 5.4. Employment and economic integration 5.5. Demographic and family policy 5.6. Social support for vulnerable groups 5.7. Development of local communities	5.1. Restoration of schools and universities, modernisation of educational programmes, support for European-level vocational training 5.2. Construction and restoration of medical facilities, ensuring access to medical services, launching psychological support programmes 5.3. Restoration of residential buildings, provision of temporary housing for internally displaced persons using European technologies and taking into account new environmental and energy challenges 5.4. Job creation, especially in manufacturing industries, including programmes for veterans and internally displaced persons 5.5. Restoration of at least pre-war birth rates and support for young families; return of the vast majority of Ukrainians from abroad; consolidation of	2025-2030

Programme cluster	Programme name	Expected outcome	Implementation period
1	2	3	4
		family values as the core values of Ukrainian society 5.6. Providing assistance to internally displaced persons, veterans, persons with disabilities, large families and elderly people in accordance with EU standards 5.7. Optimal decentralisation with full regional and local budgets; emergence of active local self-government and systematic involvement of citizens in local development decision-making	
VI. Ecology	6.1. Regeneration of Ukraine's land and forest resources 6.2. Water resources and aquatic biodiversity 6.3. Disposal of military waste 6.4. Waste management 6.5. Ecological transition to sustainable and "green" production and consumption	6.1. Clearing landmines and ammunition from the soil to a level safe for use; recultivating territories to their pre-war level; restoring forests and national parks to 20-30% above their pre-war level 6.2. Introduction of modern water treatment facilities throughout Ukraine; restoration of water reserves to pre-war levels; increased liability and penalties for pollution 6.3. Complete clearance of ammunition and debris from cities, villages and areas affected by the war; effective decontamination of waste 6.4. Introduction of environmentally friendly waste processing technologies 6.5. Significant increase in the share of green energy (solar, wind, biogas) in the economy; qualitative improvement in the processing of industrial and consumer waste	2025-2030

*Source:* developed by the author based on the author's empirical expert assessment, which takes into account the scale of military aggression, economic indicators and GDP of Ukraine; EU capabilities; data: CMU, World Bank, International Monetary Fund, EBRD

In Table 2, the author presents comprehensive programmes for qualitative socio-economic change in Ukraine that will strengthen defence capabilities, provide impetus for economic development and social stability in society, and are strategically aimed at full and more successful integration into the EU.<sup>17</sup> The most effective mechanisms for implementing the programmes presented will be appropriate legislative changes and the appointment of passionate professionals in each specific area, providing them with the necessary regulatory tools and powers, the acceptance of their reform programme by society, and ensuring public control over its implementation.

### **Reforms necessary for rapprochement and convergence with EU countries**

The proposed clusters of programmes in Ukraine can only be implemented with the necessary political will and effective state institutions. In this context, reform of the political system and state institutions is necessary and urgent. In our view, one of the leading problems of political and state governance in Ukraine is the avoidance of dualism of power in the state – when the presidential power vertical and the Cabinet of Ministers of Ukraine, in their struggle for control over the country's resources, hinder each other more than they contribute to the development of Ukraine's socio-economic sphere. The Parliament is often involved in these actions. In such conditions, our state is not focused on strategically oriented plans for socio-economic development, but in the struggle for power and resources, it loses its subjectivity, internal resources and international competitiveness. During a full-scale war, this permanent crisis is not particularly evident, but it has accompanied virtually the entire short 30-year history of Ukrainian statehood and has led to a crisis in public administration. In addition, it is advisable to introduce a gradual, phased political mandate, whereby a politician with an impeccable reputation and relevant expertise who has proven themselves at the local level can be elected at the higher regional level, and a regional politician can move to the national level. The current crisis of populism and biased communication and media technologies, both in Ukraine and in many other countries around the world, is increasingly bringing populist politicians who are unprepared for systemic and long-term reforms to power, which worsens the socio-economic landscape and leads to permanent crises at the

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<sup>17</sup> Ukraine as a civilisational subject of history and modernity: national report / ed. by S.I. Pirozhkov, V.A. Smoliy, G.V. Boryak, Ya.V. Vermenych, S.S. Dembitsky, O.M. Maiboroda, S.V. Stoetskyi, N.V. Khamitov, L.D. Yakubova, O.V. Yas. Institute of History of Ukraine, National Academy of Sciences of Ukraine. Kyiv: Nika-Center, 2020. 356 p.

national, regional and global levels. Therefore, for the effective launch and dynamic implementation of the proposed programmes, it is necessary to revive Ukraine's professional state institutions, which are accountable to the public interest and operate transparently within the framework of the relevant legislation. This process will also be facilitated by decentralisation, backed by own budgets and funds, with the active involvement of Ukrainian citizens in decision-making on local and regional development.

In our view, state regional policy in Ukraine is largely characterised by imbalance, disorder and short-sightedness (when the vertical structure of government in the regions often conflicts with local authorities or implements its programmes and government initiatives without involving local authorities and communities). Regional development should be perceived by central authorities as a structural component of the country's successful socio-economic development. Unfortunately, over the last 30 years, Ukraine's socio-economic development has not taken this element into account as an important foundation for the country's further successful development and the prosperous life of its people. On the contrary, regional elites have been perceived by central authorities mainly as Ukraine's competitors in the struggle for control over the country's resources, as political rivals; this has resulted in short-sighted centralisation, manual control of budget funds for loyal and disloyal regions, and destructiveness in the development of self-sufficient communities. The decentralisation reform launched in 2014 somewhat mitigated the existing contradictions, but overall did not provide a significant impetus for the development of local communities. There has been a significant widening of the gap between regions in terms of gross regional product, local budget revenues and living standards. This leads to uneven development of different communities and increased disparities. Economic activity is concentrated mainly in large cities, which causes the expansion of depressed areas and a decrease in the investment attractiveness of peripheral regions. There are significant differences in the level of development between cities and rural areas, both within a single region and across the country as a whole, which makes it difficult to ensure equal access to infrastructure, social services and opportunities for the population. In addition, the insufficient integration of regions into the national economy weakens economic ties and reduces the effectiveness of state regional policy<sup>18</sup>.

European regional policy (cohesion policy) serves as an example for Ukraine in terms of reducing regional disparities and comprehensive

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<sup>18</sup> Redziuk, Ye.V. Local self-government as a factor in the reconstruction of the Ukrainian economy. *Problems of Innovation and Investment Development. Scientific and Practical Journal*. N2/30. — Kyiv: Millennium, 2023. — pp. 57-71 DOI <https://doi.org/10.33813/2224-1213.30.2023.6>

investment in sustainable and inclusive socio-economic growth. The EU Structural Funds (ERDF, ESF+) support innovation, infrastructure projects, the development of small and medium-sized businesses, digitalisation and industrialisation, the improvement of employment conditions, skills development, and investment in education and social integration. The Cohesion Fund finances large infrastructure projects (e.g. transport infrastructure, energy efficiency, ecology). Interreg territorial cooperation programmes support cross-border, interregional and international cooperation. The Just Transition Fund focuses on supporting regions facing economic and social challenges due to the transition to a climate-neutral economy. Smart Specialisation (S3) programmes aim to identify and support the competitive advantages of regions in the field of innovation and technology.<sup>19</sup> There are also separate programmes to support agricultural areas and cross-border cooperation.

The imbalance and lack of a defined, targeted state regional policy for the harmonious development of Ukraine's regions is largely due to the absence of planning and allocation of productive forces based on relevant resources, with a clear strategy for the gradual development of goods and markets, followed by the conquest of the domestic market and the gradual capture of foreign niches and segments. Singapore, Taiwan, South Korea, China, Estonia, Poland, Israel, Turkey and Indonesia have demonstrated successful experience in this area over the last 30-40 years. The lack of vision among Ukraine's political leadership for a long-term socio-economic development strategy for the country and the focus solely on ultra-liberal approaches, according to which "the market will regulate itself and create a highly competitive economy," have led to significant economic, social, and demographic problems. In practice, Ukraine's economy has become structurally narrowed and simplified, and many promising industries have been lost (the military-industrial complex, rocket construction and space research, precision engineering and electronics, chemical and automotive industries, shipbuilding, etc.). To overcome these problems, political reforms, an update of state regional policy and the introduction of a strategy for the socio-economic development of Ukraine based on a comprehensive audit of resource potential (human capital, material resources, financial resources, infrastructure) with appropriate measures to gradually strengthen regions, industries and areas of activity are necessary.

The above-proposed reforms will provide strategic focus, manageability and substance in the political, social and economic development of

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<sup>19</sup> European Commission. (2021). Cohesion Policy 2021-2027. [https://ec.europa.eu/regional\\_policy/en/2021\\_2027/](https://ec.europa.eu/regional_policy/en/2021_2027/); European Commission. (2020). European Structural and Investment Funds (ESIF). Retrieved from [https://ec.europa.eu/regional\\_policy/en/funding/](https://ec.europa.eu/regional_policy/en/funding/); European Commission. (2021). Interreg Programmes. <https://interreg.eu/>; European Investment Bank. (2023). EIB Support for Regional Development. Retrieved from <https://www.eib.org/en/projects/regions/eu-cohesion-policy>.

Ukraine. With the manageability of political and state institutions, respect for democratic rights, effective anti-corruption policies and the rule of law, it will be advisable to carry out strategically oriented economic reforms (taking into account regional resource potential) with a gradual shift in the structure of the economy towards a military-innovation economy with higher added value and better integration into global value chains. To this end, it is necessary to introduce stimulating tax and legal support for the business environment, maximise digitalisation and include legal support in Ukraine's law enforcement and judicial systems. The successful experience of innovative development of countries in the 21<sup>st</sup> century shows that further improvement of digitalisation, depersonalisation and transparency of business registration procedures, customs and tax regulation, inspection systems, and seizures in Ukraine is needed, locally or regionally — the possibility of introducing Anglo-Saxon law. All this together can qualitatively change the business environment in Ukraine for the better and give an impetus for systematic economic growth. The successful example of the introduction of the "Diia" application gives grounds to introduce the above measures promptly with the appropriate political will and strategically oriented economic policy<sup>20</sup>.

The launch of the economy on new principles and approaches provides grounds for the revival and launch of a full-fledged social policy in Ukraine. Thanks to the dynamic development of the domestic economy, Ukrainian citizens will return more actively from abroad, and it will be possible to more actively involve migrants in economic processes. And with the introduction of a responsible comprehensive social policy of family values in Ukraine (information campaigns, financial incentives, preferential mortgages for young and large families, developed maternity infrastructure, a wide network of preschool institutions and subsidies, etc.), it will be possible to gradually and significantly solve the existential problem of increasing the birth rate and supporting young families. Most environmental problems can also be solved through well-established political processes, transparent and effective state institutions, and a dynamic economy (Fig. 1).

Fig. 1 reflects the priority, phasing and expediency of financing in the time dimension of the socio-economic environment, especially during full-scale military operations on the territory of Ukraine. In addition, an essential component of successful financing of the state's development is the understanding and vision of Ukraine's political leadership of the country's long-term socio-economic development strategy.

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<sup>20</sup> Redziuk, E.V. Mechanisms for effective state stimulation and priorities for investing in Ukraine's economy. *Economy of Ukraine*. 2021. No. 8 (717). — pp. 68–80. DOI<https://doi.org/10.15407/economyukr.2021.08.068>

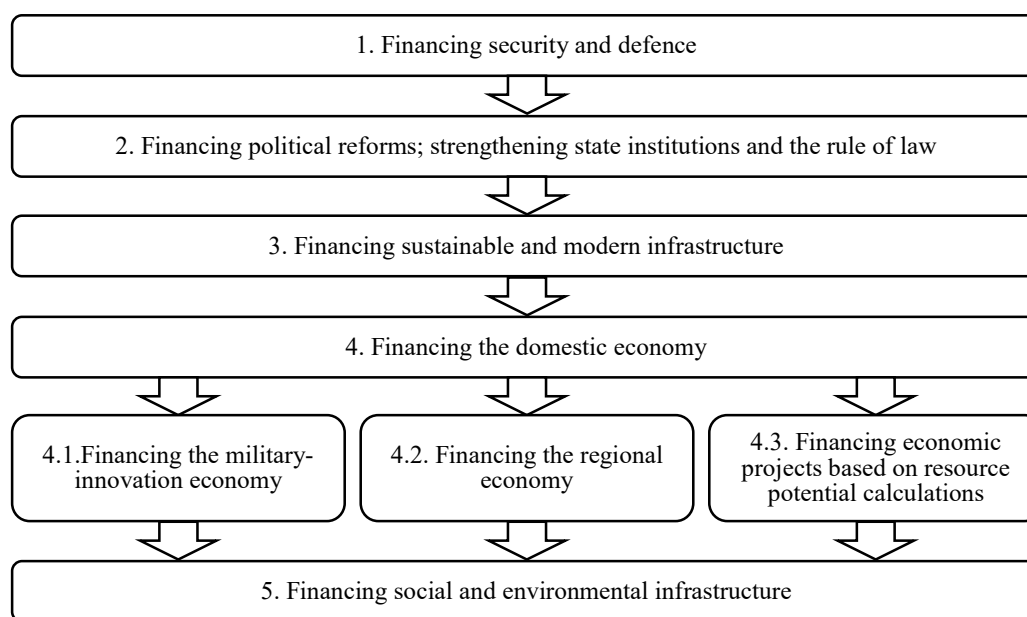


Fig. 1. Algorithm for optimal phased comprehensive financing of programmes and projects in Ukraine to achieve strategic targets, successful economic transformation and integration into the EU

*Source:* developed by the author

Whether such a strategy exists for 15-30 years, and whether there is a political elite that can take responsibility for its implementation, is an open question... Structuring the problems and their significance for the survival and rapid socio-economic recovery of Ukraine during a full-scale war requires overcoming incompetence, lack of comprehensiveness in financing, and chaos in reforms. Therefore, the measures proposed by the author, together with clearly focused financial and investment support from EU countries and the introduction of a responsible, strategically oriented policy for the development of the domestic socio-economic environment, will provide greater capacity, confidence and dynamic impetus for the revival of Ukraine's subjectivity and harmonious integration into the EU countries.

## Conclusions

In conclusion, we note that long-term and structured financing of EU assistance programmes for Ukraine should be based on approaches and mechanisms that guarantee gradual progress and bring the domestic socio-economic environment closer to the parameters of Eastern European

countries. This requires complex comprehensive reforms and long-term financing. The author has conducted an in-depth study of financial and investment assistance to Ukraine from EU countries and identified significant underfunding of programmes aimed at strengthening the security of Ukraine and EU countries. In addition, the lack of comprehensiveness in programme funding has been noted. The author proposes to take into account six programme clusters, which include 35 main programmes that require urgent funding and are designed for the period 2025-2030. In our opinion, their implementation is possible using the following algorithm: 1) launch and financing of the security system, political-democratic and state institutions, transformation of the rule of law; 2) launch of investment and economic programmes based on qualitatively new legislation and regulation; 3) dynamic economic development provides an opportunity to improve social policy through various programmes, funds and projects.

\*This article was translated from its original in Ukrainian.

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