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## **THE ROAD TO RECOVERY: UKRAINE'S ECONOMIC CHALLENGES AND OPPORTUNITIES**

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Introduction:

This work considers the state, problems and prospects of the development of the economy and management in Ukraine.

The Ukrainian economy has lost over 30 percent of GDP in the year following Russia's invasion in 2022. According to the Ministry of Finance, this is the largest loss in economic activity they the country has experienced since independence in 1991.

The Ukrainian government is working desperately to regain economic growth. This is not the first recession that the country has encountered as it previously faced recession in 2014-15 as a result of the conflict in Donbass which resulted in the lowered prices of goods. Ukraine again faced a recession in 2020 due to the COVID-19 pandemic.

However, in both cases, the average economic recovery rate did not go beyond 3 percent. According to the Economics Observatory, it could take Ukraine 13 years to fully recover its economy if it grows at 3 percent per year. To avoid falling behind by ten years, the country needs to reach a new high growth rate of at least 4 percent. This will involve facing and overcoming many challenges.

Despite ongoing conflicts, Ukraine's economy is showing signs of stability, mirroring the resilience of its citizens. This positive trend is largely due to the government's decision to lower income taxes, reduce VAT on imports, and cut fuel taxes.

These measures have helped curb inflation and sustain Ukrainian businesses during periods of active combat. Throughout the conflict, Ukraine has maintained access to public services, largely thanks to advanced digitalization initiated during the Covid-19 pandemic.

The Diia portal, offering over 100 types of documents and services remotely, has seen a 63% increase in usage since 2020. Over half of Ukraine's adult population uses these digital services, enhancing the efficiency of future welfare programs, improving service delivery, combating corruption, and reducing bureaucratic overhead. This digital adaptability has kept critical sectors like banking, logistics, IT, and public services operational, demonstrating the resilience and agility of Ukraine's state mechanisms in crisis response.

As mentioned before, the Ukrainian government has been able to help resolve some bureaucratic issues and reduce corruption by digitizing major services in the country. Corruption is a major problem Ukraine continues to struggle with. As Ukraine continues to receive aid for postwar development, it is crucial that Ukraine was held accountable for the prevention of corruption with regard to the aid money. It is important to note that in 2021, Ukraine was ranked the second-most corrupt country in the world, ironically behind Russia.

There are worries that top officials in Ukraine might misuse the incoming aid and funds meant for reconstruction. It's crucial for Kyiv to establish a mechanism that ensures these funds are exclusively spent on postwar rebuilding. Addressing corruption remains a critical challenge in Ukraine, and overcoming it's essential for the nation's successful reconstruction and recovery.

Rebuilding Ukraine involves not just reconstruction but also substantial modernization to shed its outdated Soviet-era infrastructure. Many of Ukraine's key

industries, like the steel sector which lost major factories in Mariupol, are struggling with old technology and high operational costs, making them uncompetitive. Modernizing these industries, such as with a proposed \$6.6 billion investment in steel, would align Ukrainian businesses with European standards, enhance their global competitiveness, and kickstart broader economic growth and re-industrialization. This process, however, will take time as industries adapt to new technologies already prevalent in the EU.

Despite a high unemployment rate of around 26%, Ukraine is experiencing labor shortages, especially in western regions where many companies have relocated. By January 2023, these areas had nearly returned to pre-war employment levels, making it increasingly difficult to find new workers. Companies in Ukraine might have to choose between curbing business expansion, which could slow economic recovery, or increasing wages to compete with local and foreign firms. Higher wages could lead to inflation and deter investment due to rising labor costs. This issue also impacts neighboring countries like Poland, which has relied on Ukrainian migrants to fill its own labor gaps.

Ukraine faces significant economic challenges due to the war, with total estimated losses ranging from \$564 billion to \$600 billion. As of January 2023, infrastructure damage alone is valued at \$138 billion, and full recovery could take over a decade, costing between \$411 billion and over \$1 trillion—surpassing the Marshall Plan's efforts in Europe. To aid recovery, there are proposals to use over \$300 billion of frozen Russian central bank assets and \$30 billion from oligarchs linked to Putin. Proper management of these resources could significantly offset Ukraine's war damages and support economic restructuring.

#### Conclusion:

Ukraine's reconstruction presents a pivotal opportunity to tackle longstanding issues that have persisted since its independence 31 years ago. By addressing these challenges, Ukraine can enhance its security, strengthen its sovereignty, and catalyze economic growth across key sectors like agriculture, ICT, and energy. Such improvements could also make Ukraine more appealing to Western investors. The government is laying the groundwork for reconstruction, with a focus on establishing a new institutional framework that supports rebuilding efforts and moves Ukraine closer to EU membership.

One effective strategy has been the swift and efficient digitization of government services, which has streamlined bureaucracy and made business operations smoother while helping to combat pervasive corruption. Additionally, enhancing productivity and modernizing production processes are crucial for economic recovery, addressing labor shortages, and facilitating Ukraine's integration into the global economy.

Keywords: Ukraine, economy, management, challenges, development, investment, IT sector, agriculture, renewable energy.

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EGOV Economic Governence and Emu Security Unit—  
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