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# European Economic Support for Ukraine: From Stabilisation to Recovery

*Abstract*: The article examines Ukraine's economic recovery and integration into the European Union in the context of current geopolitical challenges. It analyses key structural obstacles, investment strategies, and policy recommendations to promote sustainable economic resilience. The study examines the role of the European Union in supporting Ukraine through macro-financial assistance, trade preferences, and regulatory harmonization. Particular attention is paid to adapting the legislative framework, the strategic use of international sanctions, and the mobilization of foreign investment. The study uses comparative analysis, systematic research, legal interpretation, and policy evaluation to assess the effectiveness of integration mechanisms and economic recovery strategies. The results contribute to understanding the long-term trajectory of Ukraine's economic alignment with the EU and global finance.

*Keywords*: Ukraine, European Union, economic recovery, financial assistance, integration, foreign investment, regulatory harmonization, structural reforms, international sanction.

## Introduction

The European Union is one of the largest financial donors to Ukraine, providing funds both within the framework of macro-financial assistance and through unique mechanisms aimed at fostering business development. In 2023, the EU launched the *Ukraine Facility*, a €50 billion program designed to ensure macroeconomic stability, recovery, and long-term development of Ukraine from 2024–2027 (*The World Bank, 2024*). A crucial element of this program is supporting small and medium-sized enterprises (SMEs), offering accessible loans, and grant funding for innovative projects.

Furthermore, in October 2024, the EU and the Group of Seven (G7) countries agreed to jointly provide $50 billion, combining loans to support Ukraine's budget, military needs, and reconstruction efforts. This financing is sourced from the proceeds of *frozen Russian assets*, with the EU contributing $20 billion, of which the first $3.2 billion was disbursed in January 2025 (*International Finance Corporation…, 2023*).

Ukraine has significant potential for attracting foreign capital, particularly in regions without severe destruction. The western regions, which remain relatively stable, continue to be a hub of investment activity. In response, the EU is expanding its business support programs, offering grant funding for enterprise modernization and adaptation to European market standards.

At the same time, access to financing remains a serious challenge for Ukrainian companies. The share of financial aid directed toward the private sector accounts for only 5% of international funding (*Foreign direct investment…, 2024*). This creates significant obstacles for SMEs, requiring additional recovery and growth resources.

Thus, EU support during wartime is crucial for Ukraine's future economic stability. Practical international assistance should cover budgetary needs facilitate entrepreneurship, stimulate investment, and improve access to financial resources. Financial innovations, business insurance mechanisms, and increased grant support from the EU play a key role in this process, serving as essential conditions for sustainable economic recovery in Ukraine.

## Materials and Methods

A number of general scientific and legal research methods will be applied to comprehensively analyze Ukraine's economic recovery and integration into the European Union.

The comparative analysis method will be used to identify similarities and differences between Ukraine's national regulatory framework and EU legislation and assess the effectiveness of integration processes.

A systematic analysis will study Ukraine's economic recovery as a complex legal, economic, and political system. This approach will allow for a deeper understanding of the interdependence between institutional reforms, investment policy, and international partnerships.

Analyzing regulatory documents will contribute to an in-depth review of legislative acts, policies, and strategic agreements shaping Ukraine's economic development within the EU. This method will help assess the compliance of national policies with European legal standards.

In addition, legal interpretation will be used to ensure the correct understanding and application of European and Ukrainian legal norms, particularly in areas related to financial assistance, investment protection, and economic governance.

Together, these methods will provide a structured and objective approach to assessing Ukraine's integration into the EU, allowing for a thorough assessment of progress, challenges, and the trajectory of economic and legal harmonization.

## Results

The Ukrainian business sector faces numerous challenges that significantly complicate its operations, particularly under wartime conditions with no clear political resolution. The most critical issues include a shortage of accessible financing, limited access to credit resources, low equity investments, and dysfunction within the insurance market. Mechanisms such as life and health insurance in combat zones, stringent safety requirements for construction projects—including the mandatory establishment of bomb shelters—and substantial security-related expenses impose additional financial pressure on enterprises.

The situation is challenging for small and medium-sized enterprises (SMEs) with limited access to capital and struggle to secure credit under viable conditions. Most international financial aid is directed toward supporting large companies that had resource access before the full-scale invasion. This constrains the banking sector, reducing the pool of viable borrowers. Furthermore, many Ukrainian enterprises lack access to medium—and long-term credit, further complicating their operations amid ongoing instability.

Following the outbreak of full-scale war, the European Union has become a key partner of Ukraine, providing substantial financial and economic assistance. One of the most significant decisions was the introduction of temporary trade preferences in 2022, allowing Ukrainian producers duty-free access to the EU market. Additionally, Ukraine receives macro-financial assistance through loans and grants to maintain macroeconomic stability, restore critical infrastructure, and strengthen economic resilience (*Dalevska & Boiko, 2022*).

Ukraine is actively harmonizing its legislation according to EU standards as part of the European integration process. This includes implementing European sanitary and phytosanitary control regulations, industrial regulation, energy security, and consumer protection. These measures enhance the competitiveness of Ukrainian goods in the European market and create the foundation for further integration into the EU economic space.

The free trade area between Ukraine and the EU, which has been in effect since 2016, has significantly intensified during the war (*Doing Business…, 2022*). Export growth has been particularly notable in the agricultural sector, where key export products include grain, oilseeds, and processed agricultural goods. However, the war has led to the destruction of logistical routes, mainly due to the blockade of Black Sea ports, forcing Ukraine to expand alternative supply channels via railway and road corridors along its western borders (*Boiko, 2024*).

One of the key challenges remains the destruction of transport and energy infrastructure, complicating the stable operation of industrial enterprises and freight transportation. Ukraine has been compelled to adapt production to new conditions, diversify exports, and invest in infrastructure recovery.

The EU has imposed extensive sanctions against Russia, including restrictions on trade, financial transactions, the energy sector, and the export of critical technologies. These measures have weakened Russia's economic capacity and impacted the structure of Ukraine's economy, as specific sectors were previously dependent on trade with Russia. The sanctions policy has driven Ukraine to diversify its external economic relations actively and develop alternative energy sources (*Budiachenko, 2025*).

The EU and international financial institutions actively mobilize investments for Ukraine's economic recovery. Funding is allocated to projects related to infrastructure modernization, energy restoration, digitalization of the economy, and the development of green energy. Particular attention is given to supporting small and medium-sized enterprises as the foundation for future economic growth.

Ukraine's agricultural sector remains strategically vital to its economy, as it is one of the world's largest exporters of grain and oilseeds. The blockade of Black Sea ports has forced the EU and Ukraine to seek alternative transport solutions, leading to "grain corridors" that enable the export of agricultural products via rail and Danube ports. These measures have helped stabilize global food markets and maintain Ukraine's role as a crucial supplier of agricultural goods.

We support E. Kaka's recommendations that the EU should better adapt its investment support to the wartime situation. The European Commission (EC) could simplify and accelerate the procedures for allocating funds to infrastructure projects, particularly in the energy sector. To enhance the capacity of the Ukrainian administration at the regional level, it would be advisable to subsidize the development of teams of officials responsible for investment projects and provide them with training in areas such as strategic planning and project management.

In the private sector, the EC could further increase the availability of war risk insurance. Financial institutions implementing EU assistance could expand their advisory services for Ukrainian companies on project preparation and implementation while increasing the presence of their representatives on the ground.

To ensure Ukraine's efforts to improve the regulatory environment for business, the EC should strictly apply the conditionality mechanism for reforms in the rule of law sector and work towards a smooth negotiation process for accession. Additionally, the Ukrainian authorities and the European Commission could facilitate effective communication with foreign investors regarding the progress of reforms in Ukraine (*Kaka, 2024*).

The EU's financial assistance consists of highly concessional loans financed through joint borrowing, utilizing the debt management infrastructure established for funding the recovery mechanism under NextGenerationEU and backed by the EU budget. The EU's decision to lend money rather than donate it directly, as the US did until July 2024, is particularly notable in this context. In the short term, unlike those provided by the IMF, EU loans do not impose an immediate financial burden on the Ukrainian government. Loan repayments will not begin before 2033, and the EU has exceptionally agreed to cover Ukraine's interest payments and other associated loan costs. Additionally, the repayment period extends over 35 years, reducing the annual financial obligations. These highly favorable conditions, alongside the unprecedented volume of funding allocated to a non-EU country, reflect significant political efforts to leverage the EU's financial capabilities in line with geopolitical considerations.

In this regard, L. Spielberg's observation that EU support for Ukraine since 2022 has been crucial is particularly relevant. While the EU has not agreed on large-scale budgetary grants, it has used its new borrowing powers to finance most international financial aid to Ukraine. It has offered exceptionally favorable loan conditions and introduced a new budget guarantee framework to support third countries on an unprecedented scale. At first glance, the EU's lending approach carries risks for the EU budget, and political-economic factors make it unlikely that member states will proactively cancel Ukraine's debt obligations. Nevertheless, the EU has various alternatives to outright debt forgiveness, both technical and political, that could mitigate the impact of its loans on Ukraine's public finances. The European Commission's recent proposal to allocate revenues from sanctioned Russian assets to finance another emergency loan for Ukraine underscores the EU's central role in ensuring international financial support (*Spielberg, 2024*).

In conclusion, our research highlights the following key areas shaping Ukraine's future strategic relationship with the European Union:

*1. Economic challenges and structural barriers*

The Ukrainian business sector faces profound structural challenges exacerbated by the ongoing war, with no immediate resolution. The most pressing issues include a lack of accessible financing, limited credit availability, and an underdeveloped insurance market. These factors disproportionately impact small and medium-sized enterprises (SMEs), restricting their ability to secure necessary capital for sustainability and growth. While large corporations benefit from international financial aid, SMEs remain vulnerable due to their constrained access to credit, which impedes economic diversification and resilience.

The destruction of critical infrastructure, particularly in the transport and energy sectors, presents another significant barrier to economic stability. The blockade of Black Sea ports and the need for alternative supply chains have forced Ukraine to adapt its logistics, further straining resources rapidly. These challenges highlight the necessity for targeted economic policies that promote business continuity and foster new avenues for trade and investment.

*2. The role of the European Union in Ukraine's economic resilience*

The European Union has emerged as Ukraine's primary economic partner, offering substantial financial support through concessional loans and macro-financial assistance. The introduction of temporary trade preferences in 2022, which granted Ukrainian businesses duty-free access to EU markets, played a crucial role in maintaining trade flows. Furthermore, the EU's commitment to harmonizing Ukrainian legislation with European standards accelerates the country's long-term economic integration with the bloc.

Despite these efforts, concerns remain regarding the sustainability of financial assistance. The EU's preference for issuing loans rather than grants contrasts with the U.S. approach, which focused on direct financial aid until mid-2024. While these loans offer highly favorable terms—such as a 35-year repayment period and deferred interest payments – their long-term impact on Ukraine's fiscal health requires careful consideration. Effective debt management strategies will be essential to prevent future economic burdens and ensure the viability of Ukraine's post-war recovery.

*3. The necessity for strategic investment attraction*

Attracting foreign investment remains a critical priority for Ukraine's economic recovery. However, the perception of high risk among international investors limits large-scale capital inflows. Many foreign businesses view economic activity in Ukraine as a form of humanitarian aid rather than a profitable venture. To counter this, Ukraine must enhance its investment climate by:

- Ensuring regulatory transparency—Strengthening legal protections for investors and streamlining bureaucratic processes.
- Showcasing successful investment cases—Highlighting foreign companies that have successfully navigated Ukraine's economic environment.
- Expanding risk insurance mechanisms—Encouraging the EU to broaden insurance coverage for enterprises operating in high-risk conditions (*Transparency International Ukraine, 2020*).

Combined with EU-driven financial support, these measures will enhance investor confidence and stimulate new business ventures in key sectors such as energy, infrastructure, and digital industries.

*4. The strategic use of sanctions and confiscated Russian assets*

The EU's imposition of wide-ranging sanctions against Russia has significantly impacted both economies, restricting trade, financial transactions, and access to critical technologies. While these sanctions have weakened Russia's economic capacity, their effectiveness in supporting Ukraine depends on long-term enforcement and strategic utilization.

The proposal to repurpose revenues from frozen Russian assets to finance Ukraine's reconstruction demonstrates a shift in EU policy toward leveraging economic measures for geopolitical stability. This approach strengthens Ukraine's fiscal position and sets a precedent for future international financial interventions in post-war rebuilding efforts.

*5. Policy recommendations for sustained economic recovery*

To ensure sustainable economic growth and integration into global markets, Ukraine and its international partners must adopt a multifaceted approach:

- Accelerating EU investment adaptation—To accelerate post-war recovery, the European Commission should streamline funding allocation procedures, particularly in the infrastructure and energy sectors.
- Enhancing public-private collaboration—Strengthening partnerships between government institutions, financial entities, and businesses will facilitate targeted investment strategies.
- Improving economic governance—Enforcing anti-corruption policies and aligning Ukraine's business environment with international best practices will foster long-term economic stability (*Skorik, 2024*).

Ukraine's economic resilience depends on a balanced strategy integrating immediate financial support with long-term structural reforms. The collaboration between Ukraine, the EU, and international financial institutions must remain adaptive to evolving geopolitical and economic conditions to ensure sustained recovery and future prosperity.

## Conclusions

*Strategies for supporting Ukrainian businesses and attracting investments*

Implementing innovative and flexible approaches to supporting Ukrainian businesses is crucial to addressing the challenges caused by the war and stimulating economic recovery both during the conflict and in the post-war period. A coordinated effort between international financial institutions, development organizations, Ukrainian state institutions, and the private sector can establish optimal support mechanisms.

*Short-term measures to support businesses:*

- Providing financial assistance for working capital;
- Offering risk insurance for enterprises operating in war conditions;
- Expanding access to international markets through trade facilitation measures;
- Providing consulting and mentoring support for entrepreneurs navigating the crisis.

*Medium-term initiatives to attract investments:*

- Creating a favorable investment environment with stable regulatory policies;
- Stimulating technological innovations and modernizing production facilities;
- Developing critical infrastructure, including transportation and logistics networks.

Despite the ongoing war, Ukraine remains an attractive market for investors due to several key advantages:

- *European integration and access to European markets*: Simplified trade procedures and enhanced economic cooperation with the EU facilitate smoother cross-border transactions.
- *Resource potential*: Abundant deposits of raw materials with strong global demand.
- *A sizable consumer base*: Over 40 million potential consumers.

- *A skilled and competitive workforce*: Strong capabilities in high-tech industries and engineering sectors.

However, some investors perceive Ukraine as a high-risk market, viewing economic engagement as humanitarian assistance rather than a commercially viable opportunity. To shift this perception, the following actions are necessary:

*Ensuring transparency and predictability of economic policy:*

- Strengthening legal frameworks to provide clear regulations for investors;
- Establishing transparent business practices and simplifying bureaucratic procedures;
- Enhancing anti-corruption measures to foster a more secure investment climate.

*Demonstrating successful investment cases:*

- Showcasing international companies that are successfully operating in Ukraine;
- Launching incentive programs to support new investors entering the Ukrainian market.

*Engaging with global investors:*

- Effectively communicating the long-term benefits of investing in Ukraine;
- Building trust through strategic international partnerships and comprehensive risk insurance mechanisms.

Sustainable support for the private sector, both during and after the war, depends on implementing comprehensive financial mechanisms. The key steps include:

- *Structural reforms*: Improving the business climate and aligning Ukrainian legislation with EU standards.
- *Strengthening international financial assistance*: Expanding business grant programs and investment mechanisms.
- *Utilizing frozen Russian assets*: Leveraging international legal frameworks to redirect confiscated assets toward Ukraine's economic recovery.

These initiatives require international coordination, a balanced approach, and careful consideration of legal, economic, and political factors. Only through such measures can Ukraine establish a stable economic foundation for post-war recovery and ensure deeper integration into the global economic system.

## Conflict of Interest

The author declares that there is no conflict of interest.

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