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Ukraine needs money from the US and Europe to keep its economy running. Will the aid come?

Україні потрібні гроші США та Європи, щоб підтримувати роботу своєї економіки. Допомога прийде?

Міжнародний валютний фонд заявив, що економіка України продемонструвала "чудову стійкість". У перші місяці війни у 2022 р. країна втратила третину свого економічного виробництва через окупацію та руйнування. Інфляція також злетіла до колосальних 26 %, тому довелося друкувати гроші, щоб покрити бюджетні дефіцити. Проте в 2023 р. ситуація відновилася: інфляція впала до 5,7 %, а економіка зростає на 4,9 % - більше, ніж у деяких великих економіках, як Німеччина. Але, як пише репортер Девід Макх'ю, економічна стабільність України знову перебуває під загрозою, оскільки уряд стикається з великою бюджетною діркою, а два її найбільші союзники та спонсори - Сполучені Штати та Європейський Союз - досі не змогли ухвалити рішення про розширення допомоги. Цьогорічний бюджет України передбачає виділення донорських грошей у розмірі 41 млрд доларів, щоб закрити дефіцит і уникнути друкування грошей. Україна розраховує на 8,5 млрд дол. від США та 18 млрд дол. від ЄС.

<https://www.independent.co.uk/news/world/europe/ukraine-ap-inflation-european-union-russia-b-2479880.html>

Ukraine has won praise for stabilizing its economy under dire circumstances

Ukraine's hard-won economic stability is under threat again as the government faces a large budget hole and its two biggest allies and sponsors — the United States and the European Union — have so far failed to decide on extending more aid.

Without pledges of support by the start of February — when EU leaders meet to decide on aid — and if no money arrives by March, that could risk the progress Ukraine has made against inflation. It has helped ordinary people keep paying rent, put food on the table and resist Russia's efforts to break their society's spirit.

The issue was on the minds of U.S. Secretary of State Anthony Blinken and Ukrainian President Volodymyr Zelenskyy when they met at the World Economic Forum in Davos, Switzerland on Tuesday.

“We’re determined to sustain our support” for Ukraine, Blinken said, “we’re working very closely with Congress in order to do that. I know our European colleagues are doing the same thing.”

Here are key things to know about Ukraine's economy and why funding from allies is crucial:

HOW IS UKRAINE'S ECONOMY DOING?

The International Monetary Fund has said Ukraine's economy has showed "remarkable resilience." The first months of the war in 2022 saw the country lose a third of its economic output to occupation and destruction because Russia controls the heartland of Ukraine's heavy industry.

Inflation also soared to a whopping 26% because the central bank had to print money to cover yawning budget gaps.

However, things rebounded last year, with inflation falling to 5.7% and the economy growing 4.9% — more than some major economies like Germany. Ukraine's banking system has kept functioning, schools and health clinics are open, and pensions are being paid.

That's a lifeline for people like Nadiia Astreiko and her 93-year-old mother, who live on their combined pensions of \$170 a month.

"The war has changed everyone's life," said Astreiko, 63. "In terms of money, it's also hard because now I have to count every penny. ... It's very hard for us."

WHY DOES UKRAINE NEED FINANCIAL HELP?

Ukraine spends almost all the money it brings in through taxes to fund the war. That leaves a huge deficit because there are other bills to keep society functioning, like old-age pensions and salaries for teachers, doctors, nurses and state employees.

At the beginning of the war, Ukraine resorted to having the central bank print new money, a dangerous stopgap because it can fuel inflation and destroy the value of the country's hryvnia currency.

As donor contributions became more regular and predictable, Ukraine was able to halt the practice, and the budget passed by parliament in November does not rely on it.

One key accomplishment was adjusting old-age pensions, which can be about the equivalent of \$100 per month, to compensate for inflation, said Hlib Vyshlinsky, executive director of the Center for Economic Strategy, a policy institution in Kyiv.

Printing money again and the resulting inflation "would bring a lot of people into real poverty," he said.

To avoid that again, Ukraine needs "a decision by the start of February, and the money by the beginning of March," Vyshlinsky said.

WHAT'S THE IMPACT ON ORDINARY PEOPLE?

Ukraine is significantly poorer than the rest of Europe. Millions of people are like Astreiko and her mother, with 80% of their money covering food and the rest going to buy medicines for Astreiko's mother.

The only way to afford things like clothes or shoes is to skimp on food and medicine.

The pair eat fish twice a week, and meat once or twice a week. For vegetables, mushrooms and fruit, Astreiko grows them herself or picks them in the forest and cans or freezes them for winter.

She insists there are bigger worries than the economy — soldiers are dying and frequent missile strikes hit Kyiv, where her grandchildren live.

“We will survive. If only the war would end,” Astreiko said.

The economic rebound has helped sustain businesses like Dmytro Felixov's concert.ua website, one of the most widely used in Ukraine for purchasing tickets to plays, concerts and comedy shows. He's been through more than one crisis, including Russia's 2014 seizure of the Crimea Peninsula.

He says the war has led to a “certain cultural renaissance” and sparked heightened interest in Ukrainian culture. He envisions a return to prewar profit levels around 2025, saying, “Our business will survive.”

Even the frequent missile attacks no longer significantly affect Felixov's business. During a record number of missile and drone attacks by Russia on Dec. 29, ticket sales dipped by 20%, only to rebound to normal levels the following day, he said.

If before people went to performances for relaxation, now they help people decompress, he said: “They go to concerts to heal.”

WHERE DO THINGS STAND NOW?

Ukraine's budget this year calls for \$41 billion in donor money to close the deficit and avoid printing money. Ukraine is counting on \$8.5 billion from the U.S. and \$18 billion from the EU, but that's still uncertain.

EU leaders in December failed to agree on a four-year, \$52 billion package of assistance. Hungary blocked the agreement, which requires unanimity from all 27 EU members. The bloc is working, however, to find a way for the remaining 26 countries to come up with the money ahead of a leaders' summit on Feb. 1.

Less certain is the situation in Washington, where congressional Republicans have tied money for Ukraine to border security measures aimed at preventing illegal entry by migrants. There's no decision yet.

The White House in October asked Congress for \$11.8 billion to provide 12 months of budget support. The money would “ensure that Putin does not succeed in collapsing the Ukrainian economy,” Office of Management and Budget Director Shalanda D. Young wrote in an Oct. 20 letter to Congress.

Zelenskyy said Tuesday in Davos that he believed it was “a matter of weeks” until the EU and U.S. come through with more aid.

The IMF has played a key role in rallying support, approving a \$15.6 billion, four-year loan program for Ukraine. That money leveraged \$115 billion more from other donors because it imposes conditions to ensure good economic policy and requires Ukraine to improve its legal and tax systems and fight corruption.

There's a debate about seizing some \$300 billion in Russian assets held abroad that have been frozen by governments supporting Ukraine. That money could, in theory, relieve the logjams over taxpayer money

in Washington and Brussels — but faces concerns about the legal precedent and economic impact of such a drastic step.