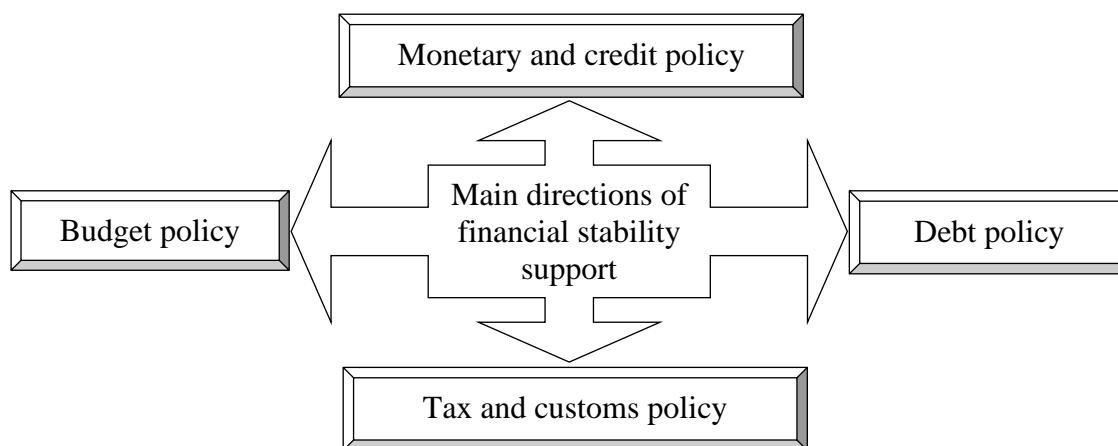


## THE MAIN ELEMENTS OF SUPPORTING THE FINANCIAL STABILITY OF THE NATIONAL ECONOMY UNDER MARTIAL LAW

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The main elements of supporting the financial stability of the national economy in the conditions of martial law in Ukraine include the monetary, credit sphere, tax, customs policy, budget policy, and the debt sphere [1-10; 17].



**Fig. 1.** Basic areas of support for the financial stability of the national economy under martial law in Ukraine as of November 1, 2022 [1-10]

*Monetary and credit policy.* During October 2022, The National Bank of Ukraine continued to implement a set of interrelated measures aimed at maintaining the financial stability of the state and regulation of the financial sector under martial law. An additional tool was introduced to protect citizens' hryvnia savings from the risk of exchange rate fluctuations and to preserve the country's international reserves [2-8].

Starting from October 21, 2022, natural persons have been given the opportunity to buy US dollars at the official rate of the National Bank of Ukraine, followed by their placement on a term deposit in banks and the mandatory resale of the purchased currency after the end of the term of the deposit at the official rate on the day of the reverse transaction. The amount and number of such deposits for one client of the bank are not limited. The interest rate on the deposit will be set in accordance with the banks' interest policy; the term of the deposit is from six months with the possibility of extension, but without the right of early termination [2; 4-6; 19].

According to the regulator's assessment, such an instrument will create for citizens an additional alternative to investing in cash foreign currency, which will help reduce demand for it, stabilize expectations and reduce pressure on the exchange rate in the cash segment of the foreign exchange market. Banks, for their part, will be able to buy US dollars from the NBU for such deposit operations at the official exchange rate in

order to level their own currency risk, and in the future will place the purchased currency in a separate account at the NBU. Banks will not be able to use this currency for other purposes, except for its mandatory resale to the regulator at the current official exchange rate after the expiration of such currency deposits. In order to compensate for the costs of conducting such operations, the NBU will charge banks interest on foreign currency balances in the corresponding separate account at the NBU with payment in hryvnias [2].

The regulator expects that such an instrument will also make it possible to tie up part of the structural surplus of liquidity in the banking system, and therefore contribute to increasing competition among banks for deposits in the national currency, which, accordingly, will stimulate an increase in interest rates on hryvnia deposits and improve monetary transmission. This instrument will not have a negative impact on international reserves, as it involves the reverse sale of foreign currency [2; 11; 4-7].

The Verkhovna Rada of Ukraine adopted the Law of Ukraine dated October 6, 2022, No. 2643-IX «On Amendments to the Tax Code of Ukraine and some other laws of Ukraine regarding the peculiarities of withdrawing a systemically important bank from the market under martial law». The law created an effective legal and non-selective (regarding all systemically important banks) mechanism for solving potentially possible wartime crises with systemically important banks with the priority of maximally ensuring the interests of the state and clients of these banks. In particular, the procedure for withdrawing a systemically important bank from the market in the event of such a bank losing liquidity during martial law in Ukraine has been optimized. The specifics of the state's participation in the procedure for withdrawing such a bank from the market are also defined [2; 13; 15; 16].

The implementation of the above-mentioned measures should help reduce the population's demand for cash currency, ensure the positive dynamics of the country's international reserves, strengthen the resource base of the banking system, rehabilitate the population's funds in term bank accounts, which will have a positive effect on the dynamics of inflation, amortization of the objective difficulties of the temporary stay of Ukrainians for border, additional financing of the Armed Forces of Ukraine, ensuring the financial stability of the country's banking system [1-4].

*Tax and customs policy.* Payers support the state in difficult wartime by faithfully paying taxes to the budget. Thus, in January - October 2022, the receipts (balance) to the general fund of the state budget for payments controlled by the State Tax Service (STS) of Ukraine amounted to UAH 575,7 billion. Indicators of the schedule of the Ministry of Finance of Ukraine for the revenues of the general fund of the state budget were fulfilled by 101,8%, additional revenues amounted to UAH 9,9 billion. VAT reimbursed to payers' accounts - UAH 62,9 billion. In October 2022, receipts to the general fund of the state budget amounted to UAH 42.4 billion. VAT was reimbursed to payers' accounts - UAH 10,9 billion [2-6].

Thus, according to the results of October 2022, a record monthly budget compensation was provided during the war, which was the result of the work, in particular, of the sea «grain corridor». Provision by the state of timely and full budgetary reimbursement of VAT is a guarantee of maintaining the sustainability of

domestic exporters. Ukraine joined the Convention on the common transit procedure and the Convention on the simplification of formalities in trade in goods in accordance with the Association Agreement between Ukraine and the EU [2; 10; 14; 18].

The application of the Conventions began on October 1, 2022. Together with the accession of Ukraine to the Convention on the Common Transit Procedure, Ukrainian business can already enjoy the following advantages and simplifications:

1. one transit declaration and one guarantee for moving goods between 36 countries (with EU countries, Great Britain, Turkey, Serbia, North Macedonia, Iceland, Norway, Liechtenstein and Switzerland);
2. authorized enterprises will be able to send and receive goods at their enterprise without going to customs terminals;
3. Ukrainian financial guarantees will be valid in another 35 countries of the world.

As a result, «customs visa-free» will facilitate the simplification of procedures and speed up the passage of customs formalities at the border for entrepreneurs, and therefore reduce the corresponding costs. At the same time, «customs visa-free» will ensure the development of information exchange and increase the effectiveness of customs control over the movement of goods [2-10].

The government approved the draft law on the implementation of the CRS General Reporting Standard in Ukraine. The decision of the Cabinet of Ministers of Ukraine approved the project of the Law of Ukraine «On Amendments to the Tax Code of Ukraine regarding the implementation of the international standard of automatic exchange of information on financial accounts». The purpose of the draft Law is the implementation by Ukraine of the General Standard of Reporting and Due Diligence of Information on Financial Accounts (CRS Standard), which provides for the annual international automatic exchange of data on financial accounts [2; 4; 8].

Implementation of the requirements of the CRS Standard into national legislation is a mandatory condition for Ukraine to join the international information exchange system within the framework of the Multilateral Agreement of Competent Authorities on the Automatic Exchange of Information on Financial Accounts, to which Ukraine, represented by the DPS, joined in August 2022. Adoption of the project the law will ensure Ukraine's proper fulfillment of international obligations regarding the exchange of information for tax purposes, increase the transparency and reliability of Ukraine as a partner state for information exchange, and also contribute to the prevention of tax evasion and improve the level of compliance with tax legislation [2].

*Budget policy.* In the conditions of a full-scale military invasion of the Russian Federation on the territory of Ukraine, limited opportunities for the receipt of funds to the state and local budgets and the growing need for budget expenditures, the government in October 2022 continued to work on meeting the state's primary needs in the field of national security and defense, ensuring social support population and business [2-5].

The Ministry of Finance informed [1] about the state of implementation of the State Budget in January - October 2022. According to operational information of the Treasury, for 10 months of 2022, cash expenditures of the State Budget amounted to

UAH 1978,6 billion (in particular, the general fund – UAH 1817,4 billion, which was 86,4% of the schedule of the reporting period). In October 2022, cash expenditures of the state budget were made in the amount of UAH 231,7 billion (in particular, the general fund – in the amount of UAH 222,5 billion). At the same time, the state budget for 10 months of 2022 was implemented with a deficit for UAH 638,7 billion. In October 2022, the state budget deficit amounted to UAH 143,4 billion (including the general fund – UAH 147,1 billion) [2-9].

In October, the next amendments to the Law of Ukraine «On the State Budget of Ukraine for 2022» entered into force (since the beginning of the military aggression of the Russian Federation against Ukraine, amendments were made 12 times). According to the amendments introduced by the laws of Ukraine dated September 21, 2022 No. 2619-IX and October 18, 2022 No. 2675-IX, the expenditure part of the state budget was increased to UAH 3037 billion, the state budget deficit to UAH 1497,2 billion (+ UAH 1308,4 billion) [2; 4-10].

In accordance with Law No. 2619-IX, the amount of the reserve fund was increased to UAH 205,7 billion, and in 2022, about 50% of the funds of the state road fund were allowed to be directed to the construction and reconstruction of international road crossing points with the countries of the European Union. The changes introduced by Law No. 2675-IX related to the increase in expenditures from the general fund of the state budget to subjects of the national security and defense sector (+ UAH 386,9 billion) [2].

Financial support from the reserve fund for the implementation of priority measures for the reconstruction of destroyed and damaged infrastructure, national security and defense, support of local authorities that accommodated IDPs, social support of the population, as well as stimulation of business development was continued [2-6].

*Debt policy.* The focus of Ukraine's debt policy in October was the implementation of state internal and external borrowing to finance the state budget deficit and negotiations with external partners to find sources of funding for the next year. In general, international partners noted the efforts of the Ukrainian government to maintain macro-financial stability in the current difficult conditions, as evidenced by the election on October 14 of the Minister of Finance of Ukraine Serhiy Marchenko as the head of the Board of Governors of the World Bank and the IMF for 2023 [1-10].

As of February 24, 2022, Ukraine has already received about 19,4 billion dollars. US financial support from foreign partners. In addition, by the end of this year, Ukraine expects to receive 5 billion euros from the EU, 4,5 billion dollars. USA from the United States of America and 1,3 billion dollars. USA from the IMF. In particular, sources of financing of the state budget of Ukraine for the period from February 24, 2022 to November 1, 2022 were military bonds, loans from international financial organizations, as well as bilateral loans and grants [2-6].

Continuation of cooperation with the IMF is one of the main directions of the government's work in the conditions of a full-scale war. On October 13, 2022, Ukraine received 1,3 billion USA from the IMF as part of the Rapid Financing Instrument (RFI). The funds were directed to finance priority expenditures of the state budget. In addition, on October 18, 2022, Ukraine received the first 2 billion euros as part of the

EU macro-financial assistance program (MFD), the total funding of which is 5 billion euros. Obtaining credit funds from the MFD contributed to maintaining financial stability in Ukraine. It is assumed that Ukraine will receive the next tranches under the program by the end of 2022 [2-4].

In early October, Ukraine received EUR 550 million in financial assistance from the European Investment Bank (EIB). These funds are the second part of the second aid package, developed in cooperation with the European Commission, for a total amount of 1,59 billion euros. The second part of the second package of financial assistance from the EIB is aimed at ensuring the priority needs for the restoration and modernization of electricity, heat, water supply and housing and communal infrastructure facilities damaged because of hostilities. Part of the funds was allocated to prepare for the heating season, as well as to ensure energy efficiency and energy saving. In addition, Ukraine will receive additional financing from the World Bank for urgent needs [2; 8; 20].

Military bonds remain an important internal source of financing the state budget – as a tool for supporting the state budget and the Armed Forces of Ukraine during martial law. Ukraine started issuing marketable military bonds on March 1 of the current year, and since then, more than UAH 131 billion has been attracted to the state budget since their placement [2; 15-20].

From October 3, 2022, every citizen of Ukraine can purchase state military bonds in the «Diya» application. In the «Diya» application, citizens have the opportunity to buy discount military bonds with a maturity of less than a year, which are sold at a price below par, and coupon bonds with a maturity of more than a year and scheduled coupon payments. The nominal value of one military bond is UAH 1,000. The service is implemented by the Ministry of Digital Transformation of Ukraine together with the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, and the National Bank of Ukraine [2-10].

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