

## Impact of global trends on Ukrainian fiscal policy under martial law

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■ **Abstract.** Analysis of the impact of global trends, such as the decline in international trade, armed conflicts, political changes in other countries and the introduction of new technologies, is necessary for adapting Ukraine's fiscal policy, ensuring effective public finance management and maintaining economic stability under martial law. The study aimed to examine the impact of global trends on Ukraine's fiscal policy and to develop and substantiate recommendations for overcoming their negative effects and using new opportunities to ensure economic stability under martial law. The study analysed the adaptation strategies of the Ukrainian government, such as increasing tax revenues, optimising public spending, attracting international assistance and using innovative technologies in the tax sphere. The impact of these measures on economic stability, budget deficit and long-term prospects for economic recovery was assessed. The study examined the impact of inflationary pressures on public finances, as well as the effectiveness of existing mechanisms for combating inflation and their role in stabilising the economy. The study also considered the consequences of the decline in international trade for Ukraine's economy, including lower export revenues and changes in the conditions of international economic cooperation. The analysis also covered the impact of geopolitical instability, in particular the outbreak of armed conflicts around the world, on defence financing needs, which requires adjustments to budget priorities. The analysis of electoral processes in other countries and their possible impact on Ukraine's fiscal policy due to changes in international economic conditions was conducted. In addition, the study analysed the introduction of artificial intelligence in the field of entrepreneurship, which can have both a positive and negative impact on the tax system and the budget, particularly in the context of changes in tax revenues and employment structure. The results of the study can be useful for developing effective policy solutions aimed to maintain economic stability and financial sustainability of the country in times of crisis

■ **Keywords:** global economic trends; elections; conflicts; artificial intelligence; economic stability; international assistance

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## ■ Introduction

In the context of martial law, Ukraine faces numerous challenges that require the adaptation of fiscal policy to new realities. These impacts are key to effective public financial management and ensuring the country's economic stability. Global economic trends, such as global inflation, a decline in international trade, as well as changes in the international political context due to armed conflicts and elections in other countries, and technical innovations related to the rapid development of technology, including artificial intelligence (AI), have an impact on Ukraine's financial system and budgetary policy. These factors pose serious economic challenges that require further study of these processes, their implications for the Ukrainian economy, identification of the main challenges and threats in this area, as well as opportunities and prospects for overcoming them.

One of the main challenges is the decline in local budget revenues due to the fall in business activity, population displacement and the government's anti-crisis fiscal measures as a result of Russia's full-scale invasion. This is stated in the study by T.H. Bondaruk (2022). The study addressed territorial disproportions: the largest losses were recorded in communities located in the areas of hostilities and temporary occupation. The study included the diversification of the community economy, improvement of budget planning, risk assessment and regional needs, as well as expenditure cuts to minimise local budget deficits for maintaining financial sustainability.

T.V. Stetsenko & D.I. Ryadnov (2024) studied the transformation of the structure of the state budget of Ukraine under martial law. The study demonstrated a shift in the emphasis in Ukraine's spending policy: a reduction in the share of spending on the social sphere and economy in favour of financing the defence and security sectors, which caused an imbalance in the financial system. In their opinion, the key task of the state is to strike a balance between financing critical needs and preserving the potential for economic growth in the future.

V. Krasko (2024) identified the key challenges faced by the tax system of Ukraine in the context of martial law and intensified European integration. In particular, the author highlighted the destabilisation of budget revenues due to a decline in economic activity, simplification of taxation during the crisis, growth of tax debt and uneven distribution of the tax burden. Institutional challenges include imperfect tax administration, insufficient digitalisation, and fragmented changes in tax legislation. In addition, European integration commitments require harmonisation of the national tax framework with EU law, which puts an additional burden on the system. The formation of a stable tax environment will be facilitated by the implementation of a comprehensive reform strategy, modernisation of administration, and strengthening of the institutional capacity of fiscal authorities.

V.P. Goryn *et al.* (2024) viewed tax innovations of the first stage of the full-scale as a tool to reduce the tax burden, aimed to support taxpayers, preserving business

liquidity and mitigating economic shocks. The key measures included simplification of administration procedures, reduction of rates, expansion of the simplified taxation system, and moratoriums on audits. The second half of 2022 and 2023 saw a gradual withdrawal from anti-crisis easing and a return to stricter fiscal discipline, accompanied by the restoration of tax control, the cancellation of certain privileges, and an increase in the fiscal burden. According to the study, such a transformation was a natural response to the need to restore budget revenues and finance the defence sector but requires increased predictability and flexibility of tax policy in a highly uncertain environment.

Tax trends in crisis conditions were the subject of a study by O. Grin *et al.* (2024), analysing in detail the impact of the COVID-19 pandemic and economic instability due to the war on the tax systems of Ukraine and the EU countries. The study examines the implemented response mechanisms, such as the introduction of tax holidays, reduction of tax rates for certain sectors of the economy and the introduction of new tax benefits for businesses affected by the pandemic and war. In addition, the study analysed the optimisation of tax revenues in Ukraine by reducing the tax burden on businesses during the crisis. The article draws analogies with EU countries, where similar measures have been implemented to support economic activity, by increasing public spending to support small and medium-sized businesses, as well as by introducing new digital tax initiatives.

Among the studies on fiscal policy in times of instability, it is worth highlighting the study by O. Blanchard *et al.* (2021) on the role of fiscal rules and public borrowing limits in advanced economies. The study discussed the limits of fiscal sustainability in the context of rising public debt after the pandemic crisis and in the context of new geopolitical threats. The study argued that high debt levels are not critical, if interest rates are low and public institutions are trusted. They also emphasised the importance of moving away from tight fiscal constraints to more flexible rules focused on sustainable growth.

The global economic consequences of the war in Ukraine, in particular the impact on international trade, inflation and economic growth, are analysed in S. Galiani (2023). The study noted that the war has disrupted supply chains and reduced trade, due to restrictions on energy exports from Russia, which has led to price increases and inflationary pressures in many countries. A substantial aspect of the current fiscal discourse is the need to reorient Ukraine's fiscal policy in line with the transformed economic environment caused by growing security, social and financial risks. Such a transformation should be based on economic diversification, active attraction of international financial support, and reform of the tax system to stimulate economic growth and ensure macrofinancial stability.

The macroeconomic consequences of the war in Ukraine were the subject of a study by P.K. Ozili (2024). The study emphasised that the full-scale war triggered profound economic changes, including inflationary pressures,

price shocks in energy and food markets, a decline in trade activity, and increased geo-economic instability. The study stressed that countries with high levels of external borrowing are particularly vulnerable to the effects of war, which necessitate flexible budgetary decisions, more efficient public debt management, and adaptation of budget priorities to new threats. It is strategically necessary to use international financial support to ensure macro-financial stability in the face of a protracted crisis.

Among the fundamental studies that analyse fiscal policy in the face of shocks, it is worth mentioning the study by A.J. Auerbach & W.G. Gale (2020), which focuses on the impact of the COVID-19 pandemic on the US federal budget. The study demonstrated that the pandemic has significantly changed budget forecasts due to a significant increase in expenditures and a decrease in revenues, which together led to an increase in the budget deficit. At the same time, an increase in the debt burden is not automatically a destructive factor, given the flexible monetary policy and confidence in the financial system.

Despite the existence of a significant number of studies, Ukraine's fiscal policy under martial law requires further study in terms of the impact of global trends, adaptation to new global challenges in the context of European integration, and assessment of the effectiveness of measures aimed to ensure economic stability and recovery of the national economy after the war. The study aimed to analyse the impact of global trends on Ukraine's fiscal policy under martial law, to assess the effectiveness of current fiscal measures, and to develop recommendations for adapting fiscal policy to new global realities. Correlating with this goal, the objectives of the study were to identify global trends that influence the formation of Ukraine's fiscal policy in the context of current challenges; analyse the nature and extent of this influence; and develop sound recommendations for adapting fiscal approaches to strengthen financial sustainability and improve the efficiency of public financial management under martial law.

## ■ Materials and Methods

The research methodology was based on a comprehensive approach that includes a combination of theoretical analysis, empirical research and comparative analysis. The study was conducted in six stages. At the first stage, the theoretical basis of the study was formed by analysing scientific literature, analytical reports of international organisations (IMF, World Bank, OECD, SIPRI), as well as official documents (laws of Ukraine, documents of the National Bank of Ukraine (NBU), and the Ministry of Finance of Ukraine). The purpose of this stage was to identify key global trends that affect Ukraine's fiscal policy. The content analysis method and the deduction method were used to form the theoretical framework of the study.

The following criteria were used to select the sources: relevance (publications from 2019 onwards were addressed), scientific validity (peer-reviewed articles, analytical reviews of leading international organisations, studies

published in scientific journals or international publications were included), relevance to the research topic (the selection was based on the keywords "fiscal policy", "global trends", "economic crisis", "institutional capacity in times of war", etc.), geopolitical relevance (sources related to both Ukraine and partner countries, in particular, the United States, EU countries, etc.) The main sources for the study were reports, reviews and other materials of the International Monetary Fund (2022; 2023), the European Central Bank (Checherita-Westphal *et al.*, 2022), the Stockholm International Peace Research Institute (SIPRI) (Davis, 2023), the National Bank of Ukraine (2023; 2024), official data of the National Security and Defence Council of Ukraine (2023; 2025), the National Institute for Strategic Studies (2023a; 2023b; 2023c; 2024a; 2024b), covering the period of 2022-2025. In addition, the study analysed data from the State Statistics Service of Ukraine (Ukraine's foreign trade in goods..., 2025), the State Tax Service of Ukraine (2024) and the Main Department of the State Tax Service in Rivne region (2025). This approach ensured the representativeness and relevance of the data on the impact of global trends on Ukraine's fiscal policy. These materials became part of the source base for analysing external factors, assessing the budgetary burden, fiscal sustainability, and the scope of international assistance.

As part of the legal framework for the study, several official documents of Ukraine regulating fiscal policy under martial law were analysed. The selection covered the period from 2022. These include information documents of the Ministry of Finance of Ukraine (2024), State and government debt of Ukraine (2025), Ministry of Digital Transformation of Ukraine (Roadmap for regulating..., 2024). In addition, the study used certain provisions of the laws on the State Budget of Ukraine for 2023 and 2024 (Law of Ukraine No. 2710-IX, 2022; Law of Ukraine No. 3460-IX, 2023), which served as a source of factual data and a basis for analytical conclusions. This tracked the dynamics of fiscal changes, identified adaptation solutions in the budgetary sphere, assessed the amount of international support, and responded to key institutional challenges in public finance management.

At the second stage, the study identified the factors of global influence, in particular, structures global trends into four blocks: economic, political, geopolitical and technological. For this purpose, the method of analysis and a systematic approach were applied. The characteristics of each factor (inflation, armed conflicts, elections, digitalisation, etc.) were clarified, and their potential impact on fiscal policy was indicated. The third stage involved assessing the national context. The dynamics of GDP, exports and imports, budget deficit, public debt, and foreign aid were analysed. The goal was to identify changes in Ukraine's fiscal policy in response to global challenges.

The next step was to forecast possible scenarios. A predictive model was built that addresses the impact of changes in the political situation in Ukraine's partner countries (including elections in the US, Poland, Germany, etc.) on

the volume of foreign aid. Elements of scenario analysis were used to determine possible fiscal consequences. The final stage is the stage of drawing conclusions and recommendations. The synthesis of the results obtained formulated recommendations for adapting Ukraine's fiscal policy to current global challenges. The generalisation is based on the integration of the results of the previous stages using the inductive method.

Thus, in the process of conducting the study, a set of interrelated general scientific and special methods was used, which ensured the objectivity, reliability and representativeness of the results obtained. This ensured a comprehensive approach to the study of the problem, provided results, and formulated and substantiated conclusions.

## ■ Results and Discussion

### General characteristics of Ukraine's fiscal policy in the language of war

Russia's full-scale invasion has had a significant impact on the economic order in Ukraine, causing several negative processes in the fiscal sphere, which in turn have led to serious problems that need to be addressed. The war caused significant damage to Ukraine's energy, industrial and transport infrastructure, which reduced economic activity in many regions. Many businesses have ceased operations, and traditional sources of budget revenues have significantly decreased due to the hostilities and disruption of supply chains. Thus, one of the critical components of the Ukrainian budget revenue is export taxes. According to the National Bank of Ukraine (2023), the blockade of the Black Sea ports has had a significant impact on exports, especially of grain, metals, and oil. In 2022, exports decreased by 42.4% compared to the previous year. This was a result of the destruction of production facilities of export-oriented enterprises and logistical difficulties due to the closure of the Black Sea ports by Russia. While the launch of the grain corridor and the development of alternative routes partially compensated for these losses, they were unable to fully restore exports to pre-war levels, resulting in a decline in foreign exchange earnings and pressure on the state budget (Poharska, 2023).

At the same time, the government was forced to implement several measures to redistribute state budget expenditures in favour of ensuring Ukraine's defence capability: increased funding for the defence sector in general and for the Armed Forces of Ukraine (AFU), defence industry enterprises, and measures to further ensure national security and defence capability, which has become an absolute priority in the context of new challenges. The war requires huge financial injections: for armaments, military equipment, support for the military and social protection of the population. These expenditures, along with a decline in revenues, created a significant state budget deficit, which required a review of the basic principles of fiscal policy, the search for internal reserves to increase budget revenues, and the attraction of external assistance. According to the National Security and Defence Council of Ukraine (2023), in 2022, the security

and defence sector's expenditures under the general and special funds of the state budget amounted to 1,536.6 billion UAH, or 32.5% of gross domestic product.

The National Institute for Strategic Studies (2024a) estimates that Ukraine's direct losses from the war as of 2024 exceeded 152 billion USD, and that economic recovery will require long-term investment. Economic growth in 2023 reached 5.3%, but GDP remained at around 75% of pre-war levels. The results of 2024 showed a gradual recovery: state budget revenues amounted to approximately 3,122.7 billion UAH (up 16.9%, or 451 billion UAH, compared to 2023). At the same time, general fund expenditures on the security and defence sector alone amounted to 2,975.0 billion UAH, which was about 38.9% of GDP (National Security and Defence Council of Ukraine, 2025). Such a concentration of defence spending, while the GDP remained at only 75% of the pre-war level, indicates a critical burden on the budget. In addition, according to the Ministry of Finance of Ukraine (State and government debt of Ukraine, 2025), in 2024, the state budget deficit remained high at over 1,300 billion UAH, which necessitated large-scale external financing. Thus, despite the growth in revenues, the persistence of high expenditures and a low GDP base is causing significant fiscal pressure.

According to the Ministry of Finance of Ukraine (Minfin, 2025), the first year of the full-scale war saw a significant increase in public debt, which stood at 4,071.68 billion UAH (52.4% of GDP) as of 31 December 2022. In total, in 2022, the public debt increased by 1,399.86 billion UAH (52.4% of GDP), or 1,399.86 billion UAH, compared to the previous year. During 2024, the public debt continued to grow: as of 31 December 2024, it reached 6,980.9 billion UAH (166.1 billion UAH), an increase of 1,461 billion UAH (26.5% in UAH equivalent or 14.3% in USD) compared to the beginning of the year (Minfin, 2025). This indicates a significant increase in the burden on Ukraine's economy in times of war. The almost twofold increase in the public debt indicates the need for active external support and reform of fiscal and budgetary policies to ensure the sustainability of public finances. Faced with challenges such as attacks on infrastructure and migration flows, Ukraine was forced to make large public expenditures to ensure economic stability and provide assistance to the victims, while maintaining financial stability in the crisis. This required adapting fiscal policy by attracting international assistance and introducing measures to control defence and infrastructure spending.

The energy crisis was one of the key factors that influenced Ukraine's fiscal policy, especially in 2022-2023, after the massive attacks on energy infrastructure. In particular, as a result of the destruction of generation and distribution facilities, fiscal policy was adapted by allocating additional budget funds for the purchase of equipment for the energy sector, compensation mechanisms for the population, subsidies and reserves for critical infrastructure. This is confirmed by the data of the Cabinet of Ministers of Ukraine (2024) and the conclusions of the International

Monetary Fund (2022). The main measures taken to stabilise the situation in this sector of the economy include temporary exemption from import duties and VAT benefits for energy equipment, gas subsidies for a wide range of consumers, and lending for energy purchases, including through loans from international partners. These measures significantly eased the energy crisis in 2022-2024, meeting critical social needs and reducing budgetary pressure within the state budget, which was key to maintaining financial stability. At the same time, the state implemented measures to control defence spending and infrastructure restoration, as reflected in the main provisions of the State Budget of Ukraine for 2024 (Law of Ukraine No. 3460-IX, 2023), including energy, to ensure a mitigation of the crisis, which can be defined as multi-level. This, in particular, is emphasised in the study by T. Bogdan (2024).

As fiscal policy cannot act in isolation in the context of a full-scale war, monetary policy, in particular, the anti-crisis measures of the National Bank of Ukraine, are special in stabilising the economy. The coordination between budgetary instruments and currency regulation measures helped to maintain macrofinancial stability and prevent deeper economic destabilisation. Particular attention was paid not only to budgetary instruments but also to banking instruments, in particular to the measures taken by the NBU to support the financial system and ensure macrofinancial stability. According to C. Checherita-Westphal *et al.* (2022), the introduction of anti-crisis measures, such as a fixed exchange rate and measures to preserve the banking system maintained Ukrainian economic functionality even in the context of aggression. Since the beginning of 2022, the NBU has introduced several measures to support the economy and the stability of the banking system in times of war, including restrictions on the foreign exchange market, ensuring liquidity for financial institutions. On 24 February 2022, Resolution of the National Bank of Ukraine No. 18 (2022) fixed the official hryvnia exchange rate and introduced strict currency restrictions, which stabilised the foreign exchange market and reduced the risk of capital outflows. This step was necessary to ensure national economic security and protect the domestic market from destabilising external factors. Thus, under martial law, fiscal and monetary policies, including currency control, demonstrate flexibility and adaptability to new crisis challenges. As national security is a priority, fiscal policy should consider not only economic but also military and social needs, striking a balance between supporting the economy and the financial stability of the state. The measures implemented were substantial for economic recovery and stabilisation of the national currency and remain relevant to this day.

All of these internal factors, which are mostly caused by the war, are exacerbated by external trends in the financial sector and are further complicated by the impact of global economic trends. Global inflation, rising energy prices, disruptions in supply chains and a general slowdown in economic development limit access to international markets and constrain Ukraine's ability to support its

economy in a crisis through exports. In addition, financial support from international partners, although substantial, is accompanied by requirements for reforms and budget balance, which also affect the state's fiscal policy. In particular, in March 2023, the International Monetary Fund approved a new 48-month programme for Ukraine to support Ukraine's macroeconomic stability under the Extended Fund Facility (EFF) worth approximately 15.6 billion USD. The programme required Ukraine to reduce inflation, stabilise the UAH exchange rate and achieve fiscal sustainability. The programme also included a gradual transition to a revenue management strategy and investment activities necessary for the post-war economic recovery.

### **Functional principles of fiscal policy in the context of war and post-war reconstruction**

Given the above-mentioned set of domestic and global factors affecting the financial system of Ukraine, there is a need to clearly define what exactly the concept of fiscal policy includes and what its key functions are in the context of the crisis. Most scholarly works interpret the concept of fiscal policy as a set of government measures aimed to regulate the economy through the state budget, taxes and public spending to ensure macroeconomic stability, stimulate economic growth and ensure social justice. Thus, A. Zolkover *et al.* (2024) noted that fiscal policy is, first, a strategy for managing the financial resources of the state to ensure the proper performance of its functions and tasks. It is implemented by regulating taxes, expenditures, social transfers and subsidies. Each country sets its priorities for socio-economic development and, accordingly, these priorities are reflected in the choice of fiscal policy instruments. In a broad sense, fiscal policy includes the process of generating budget revenues and expenditures, managing public debt, defining fiscal rules and instruments to influence the economy through tax and budget policy.

The main functions of fiscal policy are stabilisation, distribution, resource allocation, and strategic planning. The stabilisation function is to ensure macroeconomic equilibrium by counteracting cyclical fluctuations, curbing inflation, and stimulating economic activity in a recession. In times of war, this function is of paramount importance, as the instability of the external environment and internal risks (inflation, budget deficit, and falling GDP) require a tightly controlled and predictable fiscal policy to avoid a macro-financial crisis. In turn, the distributional function is implemented through the system of taxation and transfers, which ensures the redistribution of resources between different social groups to reduce inequality and support socially vulnerable groups. In wartime, this function is critical to maintaining social stability, as poverty levels rise and the need for state support, for internally displaced persons, pensioners, military personnel and healthcare workers, becomes a dominant fiscal burden. The resource function is primarily related to the mobilisation of financial resources to fulfil the state's obligations. Tax collection, borrowing on the domestic and foreign markets, and receiving grant

aid are all channels to meet the needs of the state. In times of war, the focus shifts to ensuring defence capability, which requires a significant increase in budget expenditures on the Armed Forces, military equipment, logistics, medical services, especially for combatants and those who suffered from shelling, and medical and psychosocial rehabilitation. In such circumstances, the resource function balances between attracting internal sources of financing (primarily tax revenues, domestic borrowing) and external resources of international assistance and loans.

Emphasising the importance of the internal component of fiscal policy in times of crisis, O. Dobrovolska et al. (2024) noted that under martial law, a substantial element of activating internal factors of economic growth is tax policy, which is focused not only on fiscal goals but also on stimulating entrepreneurial activity and job preservation. The experience of the European Union shows that in crisis conditions, institutional flexibility of tax systems, adaptation of tax rates, deferral of tax payments for affected businesses, and targeted support for certain sectors of the economy are of particular importance. For Ukraine, these approaches may become relevant in terms of developing compensatory mechanisms for the recovery period, by introducing preferential taxation for small businesses operating in areas of reduced economic potential or supporting businesses integrating into the supply chain of dual-use goods.

Thus, the resource and distributional functions of fiscal policy should interact to create an adaptive but fair system of financial support in an environment of high uncertainty. In turn, the strategic function of fiscal policy involves creating the preconditions for long-term economic development by supporting capital investment, infrastructure development, education, science and innovation. Post-war Ukraine will need this function to ensure economic transformation and growth. Therefore, it is necessary to lay the financial foundation for such processes, through effective planning of public investments, interaction with international donors and investors, and ensuring transparency of financial flows. Thus, the functions of fiscal policy in times of war not only remain relevant but are also transformed according to the circumstances. Their interconnection is

becoming closer: economic stabilisation requires resource support; social equilibrium requires efficient distribution; and strategic vision requires flexible financial management in the face of uncertainty.

In the context of crisis conditions, such as war or global shocks, institutional trust, defined as the degree of public confidence in the ability of state institutions to effectively perform their functions, including in public finance, becomes especially relevant. As A. Krysovaty (2023) emphasises, the lack of trust of citizens and businesses in the government forces them to provide funds to volunteers rather than pay taxes, which makes public finances vulnerable and overly dependent on international financial assistance. Thus, a high level of institutional trust is a prerequisite for the voluntary fulfilment of tax obligations, the legitimacy of fiscal measures and the effective attraction of external financial resources.

Thus, in the current conditions of war and deep economic instability, the functional basis of Ukraine's fiscal policy is undergoing a significant transformation, reflecting the need for flexible management of state revenues and expenditures. The interaction of stabilisation, distribution, resource and strategic functions is of particular importance, as it ensures macro-financial stability, maintains social equilibrium and creates the basis for post-war development. Increasing institutional trust is becoming a key condition for the effective implementation of fiscal decisions in wartime and post-war periods.

#### Mechanisms of global influence on national fiscal policy

Given the multi-vector nature of fiscal policy functions and the growing demands on its effectiveness in times of war, the analysis of external factors that influence the processes of fiscal regulation in Ukraine is noteworthy. The external environment shapes not only the overall macroeconomic situation but also directly or indirectly determines the adaptation of public policy to changes in the global order. In this context, it is advisable to consider the mechanisms of global influence on the fiscal policy of the state, which actualise the need to revise the priorities of the national fiscal policy (Table 1).

**Table 1.** Mechanisms of global influence on national fiscal policy

Category of mechanisms	Description of the mechanisms
Financial and economic	Transmission of global inflationary waves, fluctuations in energy prices, changes in international investment, and the impact of global economic crises on the macroeconomic stability of developing countries.
Institutional and regulatory	Requirements of international financial institutions (IMF, World Bank) to fiscal discipline, transparency, public debt management and tax administration.
Geopolitical	Wars, sanctions, regional conflicts, and political instability in partner countries change the volume of international aid, lending and access to foreign markets.
Technological	The introduction of digital technologies and artificial intelligence in tax administration has changed approaches to tax control, anti-evasion and risk assessment.

**Source:** compiled by the authors based on V.P. Goryn et al. (2024), P.K. Ozili (2024)

These mechanisms have both a direct and indirect impact on national fiscal policy, causing it to adapt to changes in the global environment, especially in conditions

of high volatility, such as the war in Ukraine. The analysis of the table shows that financial, economic, institutional, and regulatory factors are dominant, requiring a

systemic restructuring of budget planning and increased fiscal transparency. In turn, geopolitical risks and technological changes create new requirements for the responsiveness of the fiscal system and the integration of innovative management tools.

The globalisation of economic processes and geopolitical changes have significantly affected fiscal policies, posing new challenges to governments in the area of public finance management. This is especially relevant for countries experiencing crises or military conflicts, where the impact of economic trends is particularly relevant. Ukraine, in the context of Russian aggression and the introduction of martial law, has witnessed unprecedented changes that necessitate a deep rethinking of the state's economic policy. The main global trends in 2025 include inflationary pressures, a decline in international trade, an increase in the number of armed conflicts in the world, political processes, including elections, in other countries, and the introduction of the latest technologies, including artificial intelligence. These factors create new conditions for the formation and implementation of Ukraine's fiscal policy under martial law.

H.S. Hryhoriev (2024) noted that in the context of globalisation, inflation has become a significant factor affecting the economies of many countries. Rising prices for energy, raw materials, and food products have led to an increase in inflationary pressures, which in turn leads to a deterioration in the economic situation. In response, countries are pursuing policies aimed to curb inflation, which, however, may harm investment processes. In addition, the decline in international trade due to economic sanctions, trade barriers and supply chain disruptions is harming the global economy, slowing the recovery of global economic growth.

Several factors, not only economic, but also political and geopolitical, have a significant impact on the stability and efficiency of national economic systems. The SIPRI Yearbook 2023 (Davis, 2023) provides a comprehensive analysis of armed conflicts that occurred in 2022, with a focus on global and regional trends and their impact on international stability. According to the report, in 2022, the number of armed conflicts in the world increased, and existing conflicts gained new momentum, which led to an aggravation of the international situation. Thus, as of 2022, Ukraine was only one of 56 countries with ongoing armed conflicts, which is five more than in 2021. At the same time, three of these armed conflicts (in Ukraine, Myanmar, and Nigeria) were classified as major conflicts with more than 10,000 deaths. The war in Ukraine is notable as it has not only become a key element of global geopolitical tension but has also created numerous economic and humanitarian problems. The report also highlights other significant conflicts, particularly in regions such as the Sahel, the Middle East and Africa, where wars have caused numerous civilian casualties and large numbers of refugees. A substantial aspect, according to the SIPRI report, is the impact of these conflicts on international stability. Armed

conflicts lead to political and economic changes that are often global in nature. For example, conflicts in Ukraine and other parts of the world have led to the imposition of international sanctions, which in turn have led to a decline in international trade, disruption of supply chains and a reduction in investment.

The impact of global factors on the economies of countries was studied by N. Reznikova & V. Panchenko (2023). They conducted an in-depth analysis of socio-economic and political transformations, including the growing energy crisis, disruptions in global supply chains, changes in the structure of international trade, and a slowdown in economic growth in Europe. Thus, the study emphasised that the Russian Ukrainian war poses a powerful threat to the global economy, causing de-globalisation, recession, inflation, payment imbalances, budget deficits, supply chain disruptions, humanitarian and migration crises, energy and food crises, as well as secondary effects of political decisions. They examined the delays in economic policy responses to these effects and analysed the impact of the war on the exacerbation of humanitarian crises, the disruption of global production and supply chains, the growing imbalance between supply and demand, and capital outflows from emerging and developing countries. At the same time, the study emphasised the need to adapt policies and strategies to overcome current challenges and ensure economic stability in the context of globalisation. In addition, the analysis of the current political process in the global and regional contexts contributed to the above political factors that have a significant impact on the economy, such as elections in countries that are world or regional leaders.

The importance of the influence of geopolitical and political factors on the global world order in general and current trends in the global economy, in particular, was confirmed by the fact that the 54<sup>th</sup> World Economic Forum (2024) called the current stage of human development the era of "Global Uncertainty". One of the key catalysts for this transformation was the full-scale war in Ukraine, which became a factor of geopolitical destabilisation, caused shifts in security systems, disrupted supply chains and had profound economic and humanitarian consequences on a global scale. At the same time, the rapid development of AI, which is transforming economic models and changing approaches to work, productivity, data management, and decision-making, was identified as another determining factor of the new era. Both phenomena, war as an example of global instability and AI as an example of a technological breakthrough, symbolise polar but interconnected vectors of modern global development that create new challenges, including for national fiscal systems.

The impact of modern scientific and technological progress on the global and national economies is highlighted in the collective monograph by A.V. Lisovyi *et al.* (2024), the authors of which consider the possibilities of introducing artificial intelligence into the activities of tax authorities as an effective tool for analysis and

control. The study emphasised that AI can be used for automating the processes of identifying and assessing risks associated with tax evasion and customs violations. AI can analyse large amounts of data, detect anomalies and potential violations, which significantly increases the efficiency of control and reduces the human factor in the inspection process.

Thus, it is possible to conclude that the main global factors affecting the current global and national economies directly or indirectly shape Ukraine's fiscal policy in terms of both revenues and expenditures. For example, rising prices on global markets put pressure on domestic consumer prices, which requires adaptation of tax policy. A decline in trade and logistical gaps reduces revenues from foreign economic activity. At the same time, the need to finance the defence sector in times of war creates a steady and high level of public spending, which necessitates the search for new sources of budget revenues. In the context of technological changes, the active introduction of artificial intelligence not only changes the structure of the labour market but also opens new opportunities for the digitalisation of fiscal administration (in particular, automation of tax control, identification of tax evasion risks). Thus, these are crucial for the development of an adaptive and sustainable fiscal policy capable of responding to both global challenges and the domestic needs of the national economy. Given the crucial role of these factors in the transformation of Ukraine's fiscal policy, it is necessary to analyse each in detail, addressing both the internal and external contexts of their influence.

### Inflationary pressures as a global challenge to fiscal policy

Inflationary pressure is a macroeconomic phenomenon that manifests itself in an increase in the general level of prices for goods and services, which in turn reduces the purchasing power of the national currency. From a fiscal policy perspective, inflation affects both budget revenues and expenditures. On the one hand, nominal price increases can temporarily increase budget revenues through value-added taxes (e.g., VAT). On the other hand, budget expenditures, especially fixed social payments, lose their real value, requiring their indexation or revision of funding.

Traditional instruments to combat inflation in the fiscal sphere include: 1) fiscal consolidation to reduce the budget deficit by cutting expenditures or increasing revenues; 2) targeting expenditures and prioritising financing of strategically relevant areas (defence, social protection); 3) indexation of social transfers to protect vulnerable groups; 4) revenue mobilisation by improving tax administration, combating evasion, and introducing new sources of revenue; 5) reforming subsidy policy to reduce inefficient subsidies.

The impact of inflationary pressures on fiscal policy is a substantial aspect, especially in times of war and economic instability. In the context of high inflation, governments are forced to adapt their fiscal policy to prevent excessive financial losses and ensure the stability of public finances. To stabilise its fiscal policy in the face of inflationary pressures exacerbated by war and economic instability, Ukraine has implemented several strategies, as shown in Table 2.

**Table 2.** Strategies for stabilising fiscal policy in the context of inflationary pressures in Ukraine (2022-2025)

Direction	Period	Content of the events	Aim (expected effect)	Challenges	Overall score
Optimisation of budget expenditure	2024-2025	Increased defence spending to 45%-55% of the budget; reduced funding for capital investment, culture, and sports.	Concentrating resources on critical areas of defence, humanitarian aid, and infrastructure.	Increased budgetary pressure on social sectors and limited investment potential of the economy.	Ensured fiscal mobilisation in critical sectors but exacerbated the structural imbalance in spending.
Containment of budget demand	2022-2025	Maintaining existing transfers (pensions, subsidies, IDP assistance) without expanding new payments.	Maintaining social stability without stimulating inflation.	The need to balance inflationary risks with social expectations of the population.	Negates excessive growth in budget demand but reduces the flexibility of social policy.
Refusal to monetise the deficit	2023	Reduction of the NBU's repurchase of domestic government bonds; switching to domestic and external borrowing.	Reduction of inflationary pressure and ensuring stable financing.	The need to boost the domestic debt market and maintain the trust of international partners.	Significantly reduced inflationary pressures but also increased the cost of debt servicing.
Control over budget procurement	2023-2024	Restrictions on imports in public procurement; incentives for domestic suppliers.	Reduced foreign currency demand and support for the national economy.	Potential cost increases due to limited competition and local product shortages.	Reduced foreign exchange demand and supported domestic production but highlighted the need for greater transparency of procedures.
Enterprise support	2022-2025	The eRobota programme: microgrants up to 250 thousand UAH, grants for processing, gardening, IT, and greenhouses.	Preserving entrepreneurship, creating new jobs, and supporting SMEs.	Uneven access to resources, difficulties in administering and controlling the targeted use of funds.	Maintained business activity during the war and created new jobs, especially at the local level.

**Source:** compiled by the authors based on eRobota program portal (2022), National Bank of Ukraine (2024), S. Matuszak (2024),

In other words, in the face of heightened inflationary pressures caused by the war and general economic instability, Ukraine's fiscal policy has undergone several adaptive changes. One of the key areas was the reorientation of budget expenditures. During the 2024-2025 years, the share of defence expenditures increased to 45%-55% of the total budget, which necessitated cuts in capital investment, as well as in spending on culture and sports. Such a concentration of resources on priority areas, including defence, infrastructure and humanitarian aid, ensured a quick government response to critical wartime challenges, according to the OSW Centre for Eastern Studies (Matuszak, 2024). However, the implementation of this strategy was accompanied by the risks of structural imbalances in the budget system and limited investment potential in the medium term.

At the same time, the NBU implemented a strategy to curb budget demand, which involved maintaining existing social transfers (pensions, subsidies, and assistance to internally displaced persons) without significantly expanding new payments. This maintained social stability without additional inflationary pressure on the consumer sector. At the same time, keeping expenditures at the same level posed a risk of reducing the state's ability to respond promptly to new social challenges, which is relevant in the context of population displacement, demographic changes, and the growing social vulnerability of certain categories of citizens.

A significant step was the abandonment of the practice of monetising the budget deficit. In 2022, the NBU repurchased government bonds worth about 15 billion USD, which significantly boosted inflation. In the second half of 2023, the NBU significantly reduced the volume of such operations, which significantly boosted inflation. The budget deficit was mainly financed by domestic and external borrowing, which helped to contain inflationary pressures (National Bank of Ukraine, 2023). However, at the same time, this increased the debt burden on the state, creating new risks in terms of servicing borrowings and maintaining confidence in macrofinancial stability.

Control over public procurement has also gained strategic importance. Restrictions were imposed on imports in the public sector, while domestic producers were encouraged to participate. This approach reduced foreign exchange demand while supporting domestic suppliers. At the same time, the increased localisation could have been accompanied by risks of reduced competition and thus the efficiency of budget spending.

In the context of ensuring economic resilience, support for entrepreneurship has become particularly relevant. The government's eRobota programme (eRobota programme portal, 2022), which provides microgrants for business start-up and development, has been implemented since 2022 and will continue to operate in 2025. The programme provides funding on a competitive basis for projects in the areas of processing, horticulture, greenhouse management, and IT. Applicants are required to create jobs and apply through the Diia portal. According to the Ministry of

Economy of Ukraine (2025), the programme has already implemented hundreds of projects, which have become an effective tool to support small and medium-sized businesses in times of war and have boosted economic activity at the local level. At the same time, the programme faces challenges related to limited access to funding in certain regions, uneven distribution of funds, and the need to strengthen monitoring of the effectiveness of the grants provided.

In the context of implementing the latter strategy, it is worth noting that in response to inflationary pressures, Ukraine has implemented a series of fiscal and monetary measures aimed to stabilise the economy and optimise the tax system by introducing temporary tax breaks for small and medium-sized businesses. For this purpose, Law of Ukraine No. 3813-IX (2024) was specially adopted. This law provides for temporary tax relief for businesses that continue to comply with their tax obligations even in times of war. Businesses with a high level of voluntary compliance with tax laws may receive simplified reporting requirements and reduced financial burden. It was expected that this initiative would stimulate an increase in voluntary tax payments and create an institutional basis for further expansion of the tax base. Actual results show a moderate increase in revenues from small businesses in the second half of 2024. Thus, according to the State Tax Service, in 2024, the payment of the single tax by individual entrepreneurs amounted to more than UAH 55.14 billion UAH, which is 59% higher than in pre-war 2021 (Minfin, 2025). At the same time, according to the OpenDataBot open data platform, more enforcement proceedings were registered by business entities in 11 months of 2024 regarding debt obligations to the Ukrainian budget than in the entire year of 2023: 25.2 thousand against 22.2 thousand. This is also 22% more than in the whole of 2021, when 20,600 such proceedings were opened (more than 3,000 tax debts of businesses have been pending since 2021) (OpenDataBot, 2024). In general, the situation was not stable in 2024: the annual rate of tax arrears of individual entrepreneurs was +16% compared to the previous period, and at the beginning of 2025, 42,282 entrepreneurs were burdened with tax debts, which amounted to +3.3% (OpenDataBot, 2025). Thus, the implementation of fiscal measures aimed to support entrepreneurial activity under martial law by providing tax benefits and simplifying administration for bona fide taxpayers, has shown partial effectiveness: there has been an increase in revenues from individual entrepreneurs. At the same time, the increase in the number of enforcement proceedings for tax arrears and the general tendency to accumulate arrears indicate that some parts of the business sector are limitedly resilient to the fiscal burden of the crisis. This situation highlights the need to further improve tax policy instruments, in particular in differentiated support for taxpayers based on their financial standing and level of tax discipline. It is also necessary to address regional differences related to security and logistical challenges to business activities and, accordingly, compliance with tax discipline by business entities.

The State Budget for 2023, according to Law of Ukraine No. 2710-IX (2022), set the defence sector at 43% of total expenditures, providing funds for relevant security measures. Expenditures on social programmes, including support for internally displaced persons, were increased, although their growth lagged behind the projected one due to the reallocation of budget funds for defence. This partially achieved the expected reduction in social tensions, but further targeting and efficiency of such programmes are needed.

At the same time, the government has been actively working with international partners to attract financial assistance, which helps to maintain foreign exchange reserves and the stability of the hryvnia. International financial assistance, in particular from the International Monetary Fund and partners, supports the government in financing necessary expenditures and stabilising the economic situation (security and defence: meeting the needs of the Armed Forces of Ukraine and other security forces during martial law; social payments: financing pensions, social benefits and other social programmes to support the population; economic stability: supporting economic activity, including measures to restore infrastructure and stimulate business). According to the Ministry of Finance of Ukraine (2024), in October 2024, the State Budget of Ukraine received 1.4 billion USD in concessional financing from international partners. This helped maintain macroeconomic stability and combat inflationary pressures amid the economic and military crisis.

### The decline in international trade and its impact on the budget system.

The decline in Ukraine's international trade is a substantial factor for Ukrainian fiscal policy, especially under martial law, when the disruption of traditional supply routes and the blockade of some ports led to a significant decrease in exports and imports. The study by H.O. Shamborovskyi (2024) analysed the current state and prospects of Ukraine's foreign trade in the context of war. The study analysed the dynamics of exports and imports, including changes in the geographical structure of trade partners, a drop in trade with the CIS countries, and increased cooperation with the EU, Latin America, Asia, and Africa. The paper emphasises that one of the key factors in restoring Ukraine's trade potential is the diversification of markets, expansion of agricultural exports and integration into global production chains.

Thus, according to the National Institute for Strategic Studies (2023a), based on data from the State Statistics Service of Ukraine, Ukraine's trade turnover decreased by 21.3% in the first half of 2022 compared to the same period in 2021. Exports decreased by 24% and imports by 18.6%, while the physical volume of trade decreased by 36%. In 2023, merchandise exports totalled approximately 36.19 billion USD, down 18% compared to 2022, while imports increased by 14.9% to 63.56 billion USD. As a result, the negative balance of foreign trade reached 27.38 billion USD, which is 2.5 times higher than in 2022

(National Institute for Strategic Studies, 2023c). In 2024, the foreign trade deficit increased to 29.018 billion USD, exceeding the corresponding figure for the previous year. The import-export coverage ratio increased only slightly from 0.57 in 2023 to 0.59 in 2024 (Ukraine's foreign trade in goods..., 2025), indicating that a deep imbalance between export revenues and import costs persisted. This data confirms that the war has had a significant impact on Ukraine's foreign trade, leading to a decline in exports, an increase in imports, and a widening trade deficit, as illustrated in Figures 1 and 2.

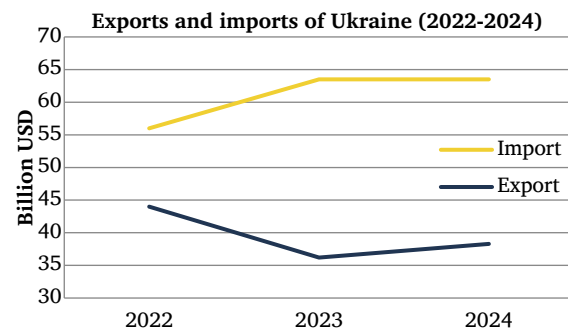


Figure 1. Dynamics of Ukraine's exports and imports in 2022-2024

Source: compiled by the authors based on materials from the National Institute for Strategic Studies (2024a)



Figure 2. Ukraine's foreign trade balance in 2022-2024

Source: compiled by the authors based on materials of the National Institute for Strategic Studies (2024a)

Thus, the decline in exports resulted in a loss of foreign exchange earnings, a decline in the profits of export-oriented enterprises, and, as a result, a decline in tax revenues to the budget (in particular, income tax and VAT on exports). At the same time, the growth in imports without a corresponding increase in exports deepened the trade deficit, increased pressure on the foreign exchange market, and increased the need for external financing. Therefore, the strategic objective of fiscal policy should be not only to support export-oriented industries, but also to diversify trade destinations and stimulate the processing industry, which can increase the added value in the export structure.

In response to the decline in international trade due to the war, Ukraine took several substantial measures. One of the key decisions was to resume grain exports through

the Black Sea through international agreements, the “grain deal” with the UN and Turkey, which resumed Ukrainian supply of agricultural products to global markets and improved food security. This reduced grain shortages in the countries most dependent on Ukrainian supplies, in North Africa and the Middle East, such as Egypt, Lebanon, Tunisia, and several Sub-Saharan African countries (World Economic Forum, 2022).

In the 2023-2024 years, the government additionally implemented several incentives to support exports: it opened an alternative sea corridor, introduced insurance coverage for ships against war risks, and established river logistics through the Danube. This resumed export flows. For example, thanks to the maritime transport corridor launched in August 2023, in December of the same year, exports by sea increased by 30.7%, or 7 million 340 thousand tonnes, compared to the previous month (Government portal, 2024a). At the same time, the legislation was amended to improve export regulation: a transparent licensing system was introduced, black schemes were eliminated, and conditions for monitoring market stability were established. In particular, the Resolution of the Cabinet of Ministers of Ukraine No. 1481-r (2024) established the export licensing and quota system for 2025, whereby the Ministry of Economy determines the list of goods and quota volumes, and the State Customs Service monitors and controls compliance with export conditions. This introduction of a transparent mechanism prevented the emergence of black market, ensure the controlled return of foreign exchange earnings, and track export flows. This is indirectly evidenced by the fact that in 2024, exports from Ukraine grew by at least 13.4% in monetary terms and 28.8% in weight (Government portal, 2024b). These measures also include the introduction of an export security regime. This ensured that VAT payers correlated with exports, set minimum price standards to prevent artificially lowering the value of goods, and improved the interaction between government agencies by avoiding double control. These measures can be viewed as an effective fiscal policy tool that combines elements of regulation and support for exporters, incorporating the military context and the needs of the state.

During the war, Ukraine revised its tax regime for foreign economic activity, balancing the need for fiscal revenues with the need to maintain trade activity (Law of Ukraine No. 2142-IX, 2022). At the initial stage of the full-scale invasion (March-July 2022), the government cancelled or reduced customs duties and VAT for: fuel, humanitarian aid, and strategic equipment. This step quickly provided the necessary goods, but significantly reduced customs revenues, which traditionally accounted for a significant share of the budget. In mid-July 2022, pursuant to Law of Ukraine No. 2325-IX (2022), Ukraine began a phase of gradual refunds of duties and VAT on imported goods, including cars, fuel and machinery. The Verkhovna Rada resumed the collection of these taxes on 1 July, which restored budget revenues of over 3 billion UAH per month, previously lost due to the full or partial refusal to

make customs payments. The restoration of customs and tax discipline also helped to curb excessive imports of lower-priority goods, which at the same time supported the UAH, reducing pressure on the foreign exchange market. The adoption in April 2023 of Law of Ukraine No. 3019-IX (2023) and Law of Ukraine No. 3020-IX (2023) introduced a complete cancellation of VAT and import duties on the import of military goods (weapons, ammunition, armoured vehicles, drones, communication systems, etc.) during martial law. This decision significantly reduced the financial burden on the budget and accelerated the supply of critical resources to the Armed Forces of Ukraine through “customs priority” and simplified clearance. The positive effect on the state budget was a significant reduction in the cost of procuring critical resources for the Armed Forces, which redirected budget funds to other strategic areas, while compensating for some of the losses through international assistance and more effective fiscal policy.

#### **Escalation of armed conflicts as a factor of fiscal burden**

An equally relevant global trend is the growing number of armed conflicts in the world, which significantly affects the international assistance received by Ukraine. According to S.M. Sarbash (2023), the war in Ukraine has led to an increase in defence spending in many countries, which may affect the amount of international aid available to Ukraine. On the other hand, the growing number of global armed conflicts, in the Middle East, such as in Syria and Iraq, as well as escalating tensions in the South China Sea and the armed conflict in Tigray (Ethiopia), may change the priorities of international donors. As Ukraine’s experience shows, not only financial support but also strategic decisions on aid provision depend on political changes in donor countries, which poses certain risks to the sustainability of this support in the long term. This leads to competition for funding and other types of support between different affected countries. At the same time, donor countries such as the US, UK, EU, and others, which previously sought to maintain their assistance to Ukraine as they considered it necessary for ensuring stability in Europe and deterring Russian aggression in the international arena (Jenkins, 2023), have different political interests and internal dynamics in the new geopolitical environment, which may affect the amount and regularity of support for Ukraine. In such circumstances, the key task of Ukraine’s fiscal strategy is to maintain and strengthen partnership support by diversifying funding sources and attracting European countries’ participation in long-term security projects.

Armed conflicts in other regions of the world, including Syria, Israel and Africa, have had a significant impact on global security and the resources available to support Ukraine. These conflicts not only increased the level of global instability but also affected the international mechanisms that could be used to assist Ukraine. For instance, the war in Syria has long been a source of regional tension that has hampered diplomatic efforts to resolve other conflicts, including in Ukraine. In 2024-2025, the escalation of the

situation in Syria increased the burden on humanitarian and security resources, which in turn affected the ability of international institutions to support military and economic assistance to Ukraine (Sharifi, 2024). At the same time, the development of conflicts in Israel and the situation in Africa, particularly in Sudan and the Democratic Republic of the Congo, diverted a significant portion of Western humanitarian and military resources. This has led to competition for funding at the UN, EU and donor country levels. In general, as of early 2025, these events had a significant impact on the number of resources that could be channelled to Ukraine. The only systemic response was the creation of multi-regional prioritisation mechanisms that streamlined funding depending on the strategic importance and criticality of humanitarian or defence needs. An example of such a mechanism is the European Peace Facility (EPF), which was established in 2021 to assist partner countries and international organisations. After 2022, the allocation of its resources prioritised Ukraine, while leaving some funds for other regions based on their humanitarian and security priorities (The European Peace Facility, 2023). This approach was necessary to ensure European stability in the long term. In turn, tensions on the Korean Peninsula, between North and South Korea, also affect global security. First, in early 2025, North Korea conducted a series of tests of cruise and tactical ballistic missiles and stepped up its rhetoric about its readiness to use nuclear weapons in case of a threat from the United States or South Korea (Reuters 2025a). These moves have significantly diverted international attention and diplomatic resources, potentially taking them away from other crises, including the situation in Ukraine.

Consequently, the escalation of conflicts in these regions leads to a redirection of international aid and resources, which may limit Ukraine's access to the necessary support. For instance, the war in Ukraine has increased global food insecurity, as Ukraine is one of the main suppliers of grain to the world market. This could affect Ukraine's ability to receive economic aid and support from international partners. According to the SIPRI Yearbook (Davis, 2023), there is a possibility that support for economic stabilisation, food infrastructure rehabilitation and social improvement will be limited, particularly in the context of global food insecurity caused by the war. This conclusion is due to the fact that the escalation of armed conflicts in different regions of the world is leading to a redistribution of attention, political priorities and resources of the international community. In situations where the number of simultaneous crises is growing, donor countries are forced to review their foreign aid budgets, identifying which regions require urgent support. This creates competition for limited resources between affected countries. For Ukraine, this situation poses a risk of a decrease in funding, especially if donors' attention is shifted to other priority areas (e.g., the humanitarian crisis in Africa or the conflict in the Middle East). Thus, Ukraine may face competition for international resources and reduced financial support due to priorities

focused on other regions. This impact also extends to the state's fiscal policy through changing priorities in budget expenditures, increased spending on defence and humanitarian needs, and reduced revenues from economic activity.

#### **Political processes in other countries:**

##### **Implications for external financing**

In addition to purely economic trends, political trends are equally necessary the course of the political process in countries that are global economic and political leaders and in partner countries. Among such political processes, the election results are crucial and may significantly affect Ukraine's fiscal policy, as they may lead to changes in government priorities, macroeconomic management strategy and foreign policy, in financial relations with international partners. A change in the political course after the elections could lead to a revision of the terms of international assistance, the conclusion of new agreements or even changes in the amount of financial support from organisations such as the International Monetary Fund or the World Bank. In addition, the political situation may affect Ukraine's interaction with partner countries, which could change economic development strategies and fiscal policy.

The results of elections in donor countries significantly affect the volume and terms of external support to Ukraine, as changes in political courses in these countries may change the approach to providing financial assistance. These countries include, among others, France, the United Kingdom, Germany, Poland, and the United States. For example, the parliamentary elections in Poland in 2023 led to the re-emergence of several economic and social issues that affected relations between Poland and Ukraine, including as a reaction to Ukrainian fiscal policy (National Institute for Strategic Studies, 2023b). This is due to farmers' and transport workers' protests, as well as trade conflicts that intensified in the post-election period of 2023-2024. According to the NBU's Inflation Report as of April 2024 (National Bank of Ukraine, 2024), which is an analytical source of macroeconomic assessment and forecasting, in February 2024, due to the blockade of the Polish Ukrainian border, importers lost 350-400 million USD and exporters approximately 160 million USD in the first month of restrictions alone. This resulted in a loss of customs and VAT revenues of approximately 7.7 billion UAH (~200 million USD), affecting the ability to finance defence without additional government payments. Thus, the border blockade caused a significant weakening of budget revenues and required a prompt fiscal response from the government. In response, Ukraine promptly redirected export flows and took measures to mitigate the economic impact. The government's diplomatic and fiscal response helped to reduce dependence on a single market and maintain agricultural stability in the crisis.

Among all countries, the United States had the greatest impact on the Ukrainian and global economy on the US presidential election, which resulted in the victory of Donald Trump. His coming to power was marked

by a radical revision of the US foreign policy, including a change in approaches to supporting Ukraine. In January 2025, the newly elected president suspended new aid packages to Ukraine, justifying this by the need to review defence priorities and focus on US domestic policy (The White House, 2025). This decision caused considerable uncertainty in Ukraine's budget planning, particularly in the financing of the security and defence sector and threatened the timely delivery of modern weapons. Although some military assistance was later resumed, the overall situation caused a pause in the negotiation of new support packages, accompanied by an internal political dispute in Congress (Masters & Merrow, 2024). Since the beginning of spring 2025, the United States has effectively suspended much of its military assistance, as well as limited the provision of intelligence and intellectual support, arguing that it needed to reassess its strategic priorities.

In this context, the previous dynamics of cooperation are particularly contrasting since the beginning of Russia's full-scale aggression in 2022, the United States has become Ukraine's largest donor, providing about 175 billion USD in aid, most of which was directed to defence (Masters & Merrow, 2024). This supported the operations of the Ukrainian Armed Forces and overall macroeconomic stability. However, the change in political leadership and growing isolationism in the United States have led to significant risks in ensuring sustained support for Ukraine in 2025. In response to the US restrictions, the European Union has announced its intention to increase its military assistance to Ukraine. Thus, in 2025, it announced a plan to increase military support to 40 billion EUR, which is more than double the previous year's figures. The use of Eurobond mechanisms to finance the new aid package was also considered, which demonstrates the EU's desire to compensate for the decline in US support and maintain Ukraine's fiscal stability in a highly difficult foreign policy environment (Council of the European Union, 2025).

Elections in EU member states have both positive and negative consequences for political and economic support for Ukraine in the EU. For instance, Germany's pro-Ukrainian course was strengthened after the parliamentary elections of 23 February 2025, in which the conservative CDU/CSU bloc led by F. Merz won. The latter's commitment to supporting Ukraine was confirmed during the election campaign and debates, repeatedly stressing that Europe needed to strengthen its defence capabilities independently, and Germany could not stand aside, especially if the United States put national interests above European security (Reuters, 2025b). At the same time, this provided political certainty to reduce the risk of disrupting assistance to Ukraine, a financial basis for increasing defence funding, and prospects for new initiatives, including missile programmes, participation in NATO systems, and reconstruction. For instance, in early March 2025, the Bundestag passed a large-scale package of laws on fiscal reforms, including amendments to the Basic Law and the exemption from the debt brake of more than 1% of GDP for defence and infrastructure (Rahn, 2025). This increased

German debt to finance military needs and provide military assistance to Ukraine and laid the groundwork for a long-term increase in support for Ukraine beyond traditional budgetary constraints.

At the same time, the risks arising from Ukraine's dependence on the results of elections and internal political processes in partner countries should be addressed. Among them:

- changes in international policy priorities may limit the resources available to support Ukraine;
- political instability in donor countries may limit the ability of these countries to assist at the international level;
- if the economic situation deteriorates, this could lead to a reduction or revision of the amount of assistance to Ukraine.

These factors confirm the importance of the political situation in donor countries in determining the level of support for Ukraine during the war. Thus, the analysis of the impact of the electoral process and election results in partner countries on Ukraine assessed risks and developed strategies to ensure the sustainability of fiscal policy even in the event of unfavourable political changes for the economy. To mitigate the risks associated with possible changes in the political courses of other countries, Ukraine can take several strategic steps.

Firstly, diversification of international partners. Ukraine should actively expand its diplomatic and economic cooperation with various countries, particularly in Asia, Africa and Latin America, to reduce its dependence on certain political blocs or countries. This will maintain stability and support in the event of changes in the governments of key partner countries. For example, one of Ukraine's main partners in Asia is India. This country has stable economic development and is a substantial player on the global stage. As of 2024, cooperation with India has significantly decreased (in particular, trade in goods with India for the first 10 months of 2024 amounted to 1.45 billion USD, which is 2.5 times less than in 2021), but may include the development of trade, particularly in agriculture, as well as the strengthening of political relations through shared interests in the context of global security, as stated on the website of the Embassy of Ukraine in the Republic of India (2024).

In turn, South Africa is one of the most economically developed countries in Africa and a substantial trading partner of Ukraine. Cooperation between Ukraine and South Africa covers several strategic areas, including agriculture, energy and international security. South Africa is key in the region and can help expand Ukraine's influence on the African continent. Mutual trade between the countries has prospects for development due to the opportunity for Ukraine to export its products, in particular agricultural products, as well as other goods that meet the needs of South Africa, according to the website of the Embassy of Ukraine in the Republic of South Africa (2024).

Argentina is one of Ukraine's largest trading partners in Latin America, particularly in the agricultural sector. Ukraine actively exports grain, oil and other agricultural products to Argentina. In January-October 2023, the



volume of trade in goods amounted to 49.4 million USD. Argentina also has significant potential for cooperation with Ukraine in the fields of science, engineering and energy, according to data on the website of the Embassy of Ukraine in the Argentine Republic (2023).

Second, deepening cooperation with international financial institutions. Ukraine can strengthen its ties with institutions such as the IMF, the World Bank, and the European Investment Bank to have access to financial assistance even in the event of changes in the political situation in partner countries, according to the article. This will ensure the stability of economic support in the face of international uncertainty. In 2024, Ukraine received significant financial support from international partners. According to the National Institute for Strategic Studies (2024b), on 3 July 2024, the state budget received the fifth tranche from the IMF in the amount of about 2.2 billion USD. This was the fifth tranche of the IMF's Extended Fund Facility programme. In addition, on 27 December 2024, Ukraine received a tranche of 485 million USD from the World Bank. The World Bank provided a tranche of 485 million USD under the Public Expenditure Support for Enhanced Accountability and Sustainable Governance in Ukraine (PEACE in Ukraine project) (Cabinet of Ministers of Ukraine, 2025). These steps demonstrate the deepening of Ukraine's cooperation with international financial institutions, which ensures the stability of economic support in the face of international uncertainty. In 2025, cooperation with international donors, including the World Bank, was further developed. According to the updated assessment of recovery needs presented in the fourth Russian Invasion Damage and Needs Assessment Report (RDNA4) prepared by Ukraine jointly with the World Bank, the recovery and reconstruction priorities for 2025 include both public investment projects and non-investment programmes totalling 17.32 billion USD. These cover the most urgent recovery needs. At the same time, funding in the amount of 5.46 billion USD was provided for public investment projects in 2025. 5.46 billion USD was provided for public investment projects in 2025, and 1.91 billion USD was provided for non-investment priority programmes in 2025. (7.37 billion USD in total) (World Bank..., 2025). The World Bank continues to mobilise external assistance and financial resources as part of its comprehensive support for Ukraine. Since 2022, the Bank has accumulated more than 80 billion USD of assistance. The Bank has accumulated more than 80 billion USD of assistance since 2012 and, in 2025, announced its readiness to deploy new funding packages under the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF), as well as other financial resilience mechanisms (World Bank Group, 2025).

Third, active diplomacy to strengthen international support. Ukraine should actively work to strengthen its diplomatic ties with key partners, both states and international organisations, regardless of political changes in these countries. Ukraine is currently working in this direction to implement as many activities as possible. An example of

this is the International Cultural Diplomacy Forum (2024), which took place in Kyiv on 8 October 2024 and was organised by the Ukrainian Institute in cooperation with the Ministry of Foreign Affairs of Ukraine. This annual event brought together leading experts from Ukraine and other countries to discuss ideas, practices, challenges and the future of international cultural diplomacy and cultural relations. Another example is the annual Ukraine Recovery Conference (2025), which, since 2017, has been a substantial platform for attracting international support and discussing ways to restore and develop Ukraine after the crisis. Participation in the conference will actively promote Ukrainian interests in the international arena, strengthen diplomatic ties and attract international support for the implementation of national goals. These strategies will help Ukraine maintain fiscal sustainability and stability in the event of changes in the international political situation.

#### **Implementation of AI:**

##### **Risks and opportunities for the tax system**

Among the innovative trends, it is worth noting the development of ICT, as well as the rapid introduction of its technology, such as artificial intelligence, which is becoming a substantial element in the formation of fiscal policy, particularly in Ukraine. Thus, the study by O. Lukianykhina *et al.* (2024) emphasised that Ukraine is actively integrating digital innovations such as blockchain and AI into its fiscal policy to increase transparency, efficiency and fight corruption. These technologies are regarded as key to modernising the economy and ensuring sustainable economic development. Among other things, blockchain and AI, in their view, promise a new era of fiscal policy characterised by enhanced security, transparency and operational efficiency. These modern tools offer innovative ways to improve tax collection processes, reduce fraud and increase overall fiscal transparency. It is worth noting that Ukraine is already implementing a roadmap for regulating AI developed by the Ministry of Digital Transformation of Ukraine (Roadmap for regulating..., 2024), which is focused on supporting the competitiveness of Ukrainian companies, protecting the rights of citizens and integrating into European legislation. The approach is based on the creation of tools for regulatory preparation, including methodologies for evaluating AI systems, regulatory sandboxes for testing, and recommendations for various sectors of the economy. This can be used to adapt the system to new challenges in fiscal policy, increasing the efficiency of public resource management and reducing costs by automating processes and forecasting economic risks.

Automation of tax processes and the use of technology to detect tax violations can reduce administration costs and increase the accuracy of determining tax liabilities. In particular, the World Economic Forum (2022) noted that the Ukrainian tax system is actively implementing AI-based systems to monitor financial transactions and detect violations, which contributes to more transparent and efficient tax collection. The introduction of AI can be used

for automation of routine tasks, such as processing declarations, which reduces the burden on tax officials and increases the speed of information processing, and is substantial in reducing bureaucratic costs and improving the

tax collection system, which is critical for countries experiencing an economic crisis. Examples of innovations using AI tools that Ukraine has already implemented to improve tax administration are presented in Table 3.

**Table 3.** AI tools to improve tax administration in Ukraine

No.	Tool	Description	Effect
1	Automated risk analysis system (Big Data Transfer Pricing)	The State Tax Service, together with EU4PFM, has implemented the Big Data Transfer Pricing IT system. Automated algorithms can quickly identify risky transactions used by multinational companies to transfer profits from Ukraine to low-tax jurisdictions.	Increase control efficiency; reducing the human factor; detection of abuse; minimising the burden on bona fide taxpayers.
2	Single window for submitting electronic reports (e-audit)	A single window system for declarations with an e-audit module for automatic verification of data accuracy and compliance was introduced.	Automation of routine checks; reduced time for processing reports; improved accuracy.
3	Analytical panels of the NACP and the Ministry of Finance of Ukraine	The Prozorro service uses AI to monitor tenders and budget expenditures, while the NACP analyses declarations for corruption risks.	Increasing transparency; prevention of corruption; support for independent audits and budget control.

**Source:** compiled by the authors based on the State Tax Service of Ukraine (2024), Main Department of the State Tax... (2025)

Thus, the introduction of innovative technologies, including artificial intelligence systems, is strategic in transforming Ukraine's fiscal policy in the context of war and economic instability. The use of AI in the tax area contributes to increasing the transparency of public financial management, reducing administrative costs, automating routine processes, and improving the efficiency of tax collection.

#### **Systematisation of existing approaches to identifying the main global trends and their impact on the current fiscal policy in Ukraine**

To summarise the impact of global trends on Ukraine's fiscal policy, it is worth focusing on several key aspects. The first and most obvious factor is inflationary pressure. It is seen as a systemic factor that reduces the investment attractiveness of countries and forces governments to tighten monetary policy (Hryhoriev, 2024). However, in the Ukrainian context, this problem has its specifics: it is necessary to balance the rapid growth of defence spending with the fulfilment of social obligations. This brings to the fore the adaptability of fiscal mechanisms, which have not been adequately covered in previous studies. Therefore, the adaptability of fiscal decisions may become a non-standard, but critically substantial mechanism.

The second relevant challenge is the decline in international trade, which, as noted by N. Reznikova & V. Panchenko (2023), is due to de-globalisation, the destruction of logistics chains, and the rise of protectionism in the global economy. Ukraine suffered particularly severe consequences in the form of a sharp drop in exports after the outbreak of full-scale war. In this context, diversification of foreign trade should be viewed not only as an economic but also as a fiscal strategy to reduce the budget's dependence on vulnerable markets and stabilise revenues. This issue remains open but approaches to using foreign trade as a tool for fiscal stability are worth further study.

The next aspect is the growth of armed conflicts in the world. The war in Ukraine is not the only military confrontation in the world, and this affects the distribution

of international aid. S.M. Sarbash (2023) highlighted that increased geopolitical tensions lead to competition for international support resources, making it more difficult for Ukraine to access stable funding. SIPRI data (Davis, 2023) confirms the correlation between the intensity of armed conflicts and changes in the foreign economic policy of states. Therefore, new concepts of financial self-sufficiency are becoming relevant. Ukraine may consider options for internal financial reserves to reduce its dependence on external factors. This is proposed in the current study as an alternative strategy in case of a decrease in external assistance, which is a new direction of fiscal sustainability in war.

Another substantial point is the political processes in donor countries. N. Reznikova & V. Panchenko (2023) noted that political cycles in partner countries, such as the US and the EU, directly affect the amount of financial assistance to Ukraine. Changing governments or policy reorientation often reduces the willingness to support long-term financing. S.M. Sarbash (2023) adds that foreign aid becomes a "variable" subject to electoral preferences. Although political decisions are often unpredictable, institutionalising foreign aid through international agreements could make the process more stable and less dependent on domestic political changes in partner countries, thereby being used as a stabilising instrument.

A substantial technological trend is the introduction of artificial intelligence tools in fiscal policy. A.V. Lisovyi *et al.* (2024) and A. Shapovalova *et al.* (2024) believe that the automation of control and the use of artificial intelligence significantly improve the fight against shadow finance. The use of AI is not only technically crucial, but also strategically relevant, as it forms the basis for transparent post-war reconstruction and effective crisis finance management.

Each global trend creates new challenges for Ukraine, but at the same time opens opportunities for adaptation and improvement of fiscal policy. The results of the study indicate the need to revamp approaches to Ukraine's fiscal policy in the context of global transformations, with a



focus on increasing adaptability, ensuring domestic financial sustainability, institutionalising international support, and strategically introducing innovative technologies.

### ■ Conclusions

The comprehensive study analysed the impact of global economic trends on Ukraine's fiscal policy in the context of martial law and instability and assessed the effectiveness of current measures. The study identified key global factors (inflation, trade decline, armed conflicts, political changes, technology), analysed their impact on the budget, tax system and international aid, and proposed adaptation strategies.

The study examined the impact of global trends on Ukraine's fiscal policy during the war. Inflationary pressures, a decline in international trade, increased defence spending, the effects of political changes in partner countries, and the role of artificial intelligence in the tax system were analysed. The study determined that the war has significantly worsened economic performance, due to a drop in exports and an increase in debt. At the same time, adaptation measures (international assistance, tax reforms, and technology) were helping to stabilise the situation.

The results obtained emphasise that Ukraine's fiscal policy needs flexibility to counter global challenges. The study revealed interrelations between global trends and national economic policy in times of crisis, which is necessary for public administration and international cooperation. Based on a comprehensive analysis of the impact of major global trends on Ukraine's fiscal policy in a state of martial law, adaptive approaches to public finance management were developed, in particular regarding: optimising the structure of budget expenditures with a priority on defence and humanitarian areas; strengthening tax administration using digital tools; attracting external financing for strategic needs; supporting small and medium-sized businesses through grant and tax programmes. The interrelationships between key global processes, such as inflationary pressures, the decline in international trade, the rise of armed conflicts, political events around the world and

the introduction of new technologies, including artificial intelligence, have been systematised, demonstrating their practical reflection in Ukrainian fiscal policy: increased defence spending, increased debt burden, changing priorities for public investment, more difficult access to external markets, and new requirements for transparency and efficiency. The study pays particular attention to assessing the potential of artificial intelligence in fiscal administration. It shows that the introduction of AI technologies, for the automatic detection of tax risks, revenue forecasting and tax compliance monitoring, contributes to increasing the effectiveness of fiscal control, reducing the human factor and increasing the level of voluntary tax compliance. Such innovations are already being used in the digital services of the State Tax Service and make it possible to improve tax transparency and reduce budget losses. The impact of geopolitical instability caused by the growing number of international conflicts on the level of assistance provided by Ukraine's partner countries and on ensuring the stability of the national fiscal system has also been clarified.

Thus, global economic trends have a direct impact on fiscal policy, but require additional research in the context of Ukraine, especially under martial law, where the stability of public finances and the adaptation of the tax system to new economic realities become a critical task for ensuring the country's economic security. Further research could address the development of more detailed strategies for adapting Ukraine's fiscal policy to long-term challenges, including post-war recovery and integration into the global economy, as well as studying the impact of new technologies on the tax system and public finances.

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## Вплив глобальних світових трендів на фіскальну політику України в умовах воєнного стану

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■ **Анотація.** Аналіз впливу глобальних світових трендів, таких як скорочення міжнародної торгівлі, збройні конфлікти, політичні зміни в інших країнах та впровадження новітніх технологій, є важливим для адаптації фіскальної політики України, забезпечення ефективного управління державними фінансами та підтримання економічної стабільності в умовах воєнного стану. Мета дослідження полягала у вивченні впливу глобальних світових трендів на фіскальну політику України та розробці і обґрунтуванні рекомендацій щодо подолання їх негативних наслідків і використання нових можливостей для забезпечення економічної стабільності в умовах воєнного стану. Досліджено адаптаційні стратегії українського уряду, такі як підвищення рівня податкових надходжень, оптимізація державних витрат, залучення міжнародної допомоги та використання інноваційних технологій у податковій сфері. Оцінено вплив цих заходів на економічну стабільність, бюджетний дефіцит і довгострокові перспективи відновлення економіки. Досліджено вплив інфляційного тиску на державні фінанси, а також ефективність наявних механізмів боротьби з інфляцією та їх роль у стабілізації економіки. Окремо розглянуто наслідки скорочення міжнародної торгівлі для економіки України, що включає зниження доходів від експорту та зміни в умовах міжнародної економічної співпраці. Аналіз також охопив вплив геополітичної нестабільності, зокрема розгортання збройних конфліктів у світі, на потреби у фінансуванні оборони, що вимагає коригування бюджетних пріоритетів. Особлива увага була приділена аналізу виборчих процесів в інших країнах та їх можливому впливу на фіскальну політику України через зміну міжнародних економічних умов. Крім того, досліджено впровадження штучного інтелекту у сферу підприємництва, що може мати як позитивний, так і негативний вплив на податкову систему та бюджет, зокрема, у контексті змін у податкових надходженнях та структурі зайнятості. Результати дослідження можуть бути корисними для розробки ефективних політичних рішень, спрямованих на підтримку економічної стабільності та фінансової стійкості країни в умовах кризи

■ **Ключові слова:** глобальні економічні тренди; вибори; конфлікти; штучний інтелект; економічна стабільність; міжнародна допомога