

DOI: [https://doi.org/10.30970/fp.3\(51\).2023.212627](https://doi.org/10.30970/fp.3(51).2023.212627)

JEL Classification: E62; F34

THE IMPACT OF INTERNATIONAL FINANCIAL ASSISTANCE ON BUDGETARY STABILITY

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Abstract. *The article examines the impact of international financial assistance on Ukraine's budgetary stability. Macroeconomic indicators for the years 2022-2023, including foreign exchange reserves, inflation, and the financial sector, are analyzed. The risks of dependency on external aid are considered, and the necessity of structural reforms for long-term stability is emphasized.*

Key words: *public finance, international financial assistance, budgetary stability, macroeconomic indicators, foreign exchange reserves, inflation.*

International financial assistance plays a vital role in supporting Ukraine's budgetary stability, particularly amid economic and political challenges. It contributes to stabilizing macroeconomic indicators and reducing the budget deficit. However, long-term dependency on external financial resources may have negative consequences, including limiting economic sovereignty and social risks. To ensure long-term budgetary stability, it is

necessary to combine international assistance with domestic economic development strategies, including structural reforms and attracting foreign investments.

Ukraine has received significant international financial assistance from various sources, including the International Monetary Fund (IMF), the World Bank, the European Union, and other donors. Since the onset of the conflict in the eastern region, the total amount of credits and grants provided has

substantially increased. These financial resources are directed towards supporting macroeconomic stability, economic reform, and improving the social sector.

The analysis of macroeconomic indicators demonstrates that international assistance has had a significant impact on stabilizing Ukraine's economy during 2022-2023. During the major economic challenges posed by Russia's full-scale invasion, international aid became critically important for maintaining economic stability. According to the National Bank of Ukraine (NBU), Ukraine's international reserves increased from \$28.7 billion in January 2022 to \$30.9 billion by the end of 2023. This growth was made possible by substantial financial inflows from the IMF, EU, and other international donors. The stability of foreign exchange reserves helped maintain the exchange rate of the hryvnia at a relatively stable level despite significant economic shocks.

International assistance also contributed to stabilizing the financial

sector. Significant financial inflows helped the banking system avoid a liquidity crisis. Trust in the banking system is gradually being restored, which is crucial for long-term financial stability.

While international assistance supports short-term stability, there are risks associated with long-term dependency on external financial resources. Specifically, the conditions attached to the assistance may limit the country's economic sovereignty and affect the socio-economic situation. Additionally, if international assistance were to be reduced or halted, Ukraine could face severe financial problems.

To ensure long-term budgetary stability, it is essential not only to utilize international assistance but also to develop domestic economic development strategies. Structural reforms aimed at improving the business climate, combating corruption, and developing the domestic market play a crucial role in this process. Attracting foreign investment is also a key factor for achieving sustainable economic growth.

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