

**COUNTERING FINANCIAL SECURITY THREATS UNDER MARTIAL LAW,  
PEACEBUILDING AND NATION'S RECOVERY<sup>2</sup>**

One of the key factors in the financial resilience of modern socio-economic systems (SES) is their regulatory potential in terms of adequate diagnostics and constructive opposition to various disruptions of stability, partnership, and balance in the space of business activity of economic agents. The trends of new geopolitical<sup>3</sup> and geo-economic<sup>4</sup> realities, chaos and managerial entropy increase the challenges of SES imbalances, which are influenced by many unpredictable factors related to the spread of the reflexivity phenomenon [7], unexpected behavioural factors, management errors, etc. Threats of turbulent phenomena provoke the emergence of various conflicts and collisions.

Against the background of pessimistic forecasts regarding the achievement of the Sustainable Development Goals – 2030 [8] the update of the universally recognized system of international rules for ensuring the healthy evolution of financial systems at all levels should be aimed at supporting the sovereignty and preserving the territorial integrity of states – taking into account the escalation of the geopolitical conflict related to the full-scale Russian invasion of Ukraine. Our country, with the status of an aspirant for EU membership, needs to pay maximum attention to the implementation of program directions for countering the threats of unpredictable fluctuations in the national institutional environment. Taking into account the challenges of the modern geo-economic reality, the further implementation of supranational spatio-temporal norms and rules should take place on the basis of the synergy of increasing the competitiveness of domestic business entities, uniform standards regarding structural reshaping of value-added chains on the basis of increasing the efficiency of human capital, technological advantages of strategic innovations, etc. Strengthening of new threats to the financial security of the state is observed in connection with the beginning of a long-term era of the globally spread primary phenomena of limited fragmentation of economic relations [6], accompanied by significant risks of recession, instead of a period of growing economic integration that is coming to an end.

The regulations of modern domestic scientific schools [1-3] are oriented towards the search and implementation of ways to strengthen the potential of stress resistance of all components of Ukraine's socio-economic space in the conditions of the hybrid «peace-war» system. When countries have lost or are at risk of losing their ability to borrow on open markets, international financial institutions provide resources to conflict-prone and fragile states not only to correct imbalances, but also to strengthen the intangible asset of trust, which, together with tangible components, renews the levers of countering threats to financial security.

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<sup>3</sup> Geopolitics, geographical policy – political concept on regional supervision, on division and distribution of the centres of power, influence centres of states and interstate unions.

<sup>4</sup> Geoeconomics or implementation of the policy of power through economic means is a competition in the space of global trade and investments, but not on the traditional battlefield; sovereign states participate in this form of active economic intrusion still more often applying sanctions, export regulations and subsidies, simultaneously developing the mechanism of checking investments, means of technology localization, databases, etc.

Threats to resilience at different levels are largely determined by the nature of the consequences associated with them. In the field of financial security, the loss of funds and the destruction of the infrastructure that ensures the functioning of the state's financial system should be considered as the ones. In the conditions of martial law, it is also important to objectively assess the scale of the negative outcomes of shocks and take adequate regulatory measures.

The prospects for change management in the state administration of Ukraine aligned with the recommendations of the International Monetary Fund (IMF), are aimed at restoring medium-term external viability, preparing the country for post-war reconstruction, and facilitating the path to joining the EU. Due to international aid the Ukrainian public finance management system is being improved in order to maintain its own resilience, provide financial support for the Armed Forces, solve acute social problems, and rebuild the economy in the post-war period. The implementation of strategic approaches in public administration appears to be critical.

The priorities of the state fiscal and monetary regulation in Ukraine [4] are: 1) easing of currency restrictions, transition to a more flexible exchange rate regime, return to inflation targeting; 2) ensuring the stability of the market of government bonds and local loan bonds; 3) implementation of the updated medium-term strategy of public debt management and restructuring of wartime debts. At the same time, the institutional principles of the functioning of the system of state regulation of financial relations of economic agents [4] are oriented towards: 1) return to meeting the needs of the budget due to the increase in tax revenues due to the growth of the economy, the deshadowing of business, and the reduction of the cost of servicing loans; 2) improvement of the resource base of social guarantees, strengthening of the financial stability of the pension system; 3) promoting the development of capital markets and providing the economy with long-term financial resources; 4) the growth of the culture of long-term savings, the formation of long-term reserves of the economy for investments in the future; 5) financing large-scale programs of capital renewal.

One of the optimistic confirmations of the correctness of Ukraine's course in countering threats to financial security is that the actual inflation rates of the current year are significantly lower than last year's forecasts of the Government, the National Bank of Ukraine and international organizations, which expected inflation at the level of 20-30 %. The trend of decreasing inflation has continued since the beginning of 2023 (in December 2022 it was 26,6 %). In September, the annual inflation rate decreased to 7,1 % against 8,6 % in August. Updated forecasts foresee annual inflation at the level of 8,5 %. The stability of the exchange rate is an important restraining factor of inflation. However, the presence of a significant deficit in the balance of payments requires spending foreign exchange reserves to support it. According to the results of 8 months of 2023 the balance of paying financial balance amounted to \$17 billion. This entire gap was covered by non-market international aid in the amount of \$30 billion. The dependence of the balance of payments on foreign aid exposes Ukraine to potential risks of future devaluation and related inflation. A high fiscal deficit (about 25 % of GDP) is potentially a significant destabilizing factor. At the same time, «fiscal inflation» is limited by the fact that 51 % of government spending is directed to defence needs, which mostly do not affect the activity of demand.

The strict monetary policy of the NBU can be attributed to the positive factors that ensure the limitation of threats to financial security in Ukraine. Keeping the conditions of high positive real rates (over 10 % per annum) caused the redirection of part of the money supply from the sphere of consumption to the sphere of savings.

Currently, our nation, with the support of international partners, has all the opportunities to respond to the numerous challenges that have arisen before us, as well as the grounds to become one of the leaders of global geopolitical and geoeconomic changes. Despite all the difficulties of the wartime, the strategic goal of Ukraine as an aspirant for EU membership is to strengthen its own national and civilizational identity, state institutions, and complete economic, social and political renewal after the victory over the aggressor.

The prospects for the predominance of an optimistic scenario of Ukraine's economic development against the background of increasing trends of dynamic chaos and the unfolding of

uncertainty phenomena are connected with the need to change the paradigmatic basis of the modernization of the financial security strategy and its priorities. Modern foreign economic policy must clearly align with the state of priority branches of the real sector, in particular the defence industry, and the conditions of its competitive cooperation with foreign manufacturers and multinational companies. On the one hand, we need strategic prospects for development, lengthening chains of added value, and on the other, productive use of analysis of the production conditions of major foreign producers (for example, climatic, natural factors, access to credit resources, the potential of export and industrial fiscal preferences, etc.). Despite the increasing threats of a pessimistic scenario, for the sustainable rise of industries, the state must ensure equal conditions for domestic business in the domestic market through tariff and non-tariff measures - to compensate for the advantages received by foreign competitors by applying import duties and other methods of supporting national producers within the framework of foreign economic policy. To prevent asymmetry of information, approaches to assessing the resilience and stability of the national economy should be differentiated at the macro-, meso- (regional dimension) and micro- (corporate dimension) levels. It is necessary to update the ratings previously established by the Ministry of Economy, to harmonize them with the threshold values of indicators of financial and economic security, with international standards for the use of uncertainty indicators [5], quantitative and qualitative assessments of the state of potentially fragile states [9, c. 35]. It is equally important to ensure the compliance of beacons established within the framework of international programs of external financing of the budget of Ukraine, in particular with the IMF and the World Bank. For this purpose, on the basis of the interdependence of the dynamics of the shadow economy and corruption, modern methods of organization of diagnostics and evaluation, it is worth using the results of the analysis of the interrelationships of security indicators of various spheres of SES, risk factors of legalization (laundering) of proceeds obtained through crime, or financing terrorism, with resilience and sustainable development indicators.

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