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on the topic "**INTERNATIONAL PROJECTS OF ECONOMIC**
ASSISTANCE TO UKRAINE"

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Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

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MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 "International Economic Relations")
student 4th course, group ME-92a.аН
(course number) (group's code)
Sofia Dikhtyar
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approved by the order of the university from « 11 » May 2023 № 0484-VI

2. The term of completed paper submission by the student is «06» June 2023

3. The purpose of the qualification paper is to investigate the directions of international economic aid projects of Ukraine and to test the approach to determining the effectiveness of such projects.

4. The object of the research is the process of providing international economic assistance to Ukraine during the war and for post-war reconstruction

5. The subject of research is the influence of international economic aid on the socio-economic condition of Ukraine

6. The qualification paper is carried out on materials of websites of international organizations, as well as statistical data on the development of territorial communities of Ukraine in the pre-war period

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during the war and for post-war reconstruction.

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Chapter 1 deals with analysis of various international projects of economic assistance to Ukraine during the war and for post-war recovery.

Chapter 2 The effect from participation in international projects on the economic indicators of the territorial communities' development

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Chapter 2 deals with assessment of the impact of international economic aid projects on indicators of socio-economic development of territorial communities in Ukraine (based on the analysis of the impact of the international U-LEAD decentralization project)

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ABSTRACT

on bachelor's degree qualification paper on the topic
**« INTERNATIONAL PROJECTS OF ECONOMIC ASSISTANCE TO
UKRAINE»**

student Sofia Dikhtyar
(full name)

Ukraine is part of the democratic world community and has determined the socio-economic vector of its development - joining the European Union. Therefore, it is not surprising that many international organizations support its development, so that Ukraine reaches international standards of the quality of life of the population. This was before the beginning of the Russian aggression, but international aid became much more important after the full-scale invasion. At the same time, the question of the structure, availability and effectiveness of international economic aid arose, to which this diploma is dedicated.

The purpose of the bachelor's degree qualification paper is to determine the main directions and structure of international economic assistance to Ukraine during the war and post-war reconstruction, as well as to contribute to the development of approaches to the assessment of such effectiveness.

The purpose of the work is realized by performing the following tasks:

- ✓ identify the main stakeholders and projects of international economic assistance to Ukraine before the war;
- ✓ identify the main stakeholders and countries providing international economic aid during the war;
- ✓ describe the projects providing international economic assistance to Ukraine during the war;
- ✓ to test the approach to determining the effectiveness of international economic aid projects.

The conclusions of the work justify the importance of international economic aid to Ukraine for the countries providing it in the context of victory in the war, preservation of the human and socio-economic potential of Ukraine, as well as for Ukraine's future accession to the European Union.

The diploma uses econometrics approaches, in particular the STATA program. It contains 2 figures and 10 tables.

Keywords: INTERNATIONAL PROJECTS, INTERNATIONAL PROGRAMS, ECONOMIC AID, WAR, POST-WAR RECONSTRUCTION

The year of qualifying paper fulfilment is 2023.

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INTRODUCTION

International economic aid to Ukraine was extremely important even before the start of the war on February 24, 2022. This is due to several reasons.

First, Ukraine has experienced significant difficulties since the beginning of the war in the east of the country in 2014. This conflict led to internally displaced persons, destroyed infrastructures, economic losses and humanitarian needs of the Ukrainian population. International aid is important to ensure the necessary humanitarian needs of the population, including food, medical equipment, housing and other basic means of livelihood.

Moreover, international aid also plays an important role in supporting political stability and democratic reforms in Ukraine. This includes providing financial and technical support to strengthen democratic institutions, improve justice, fight corruption and develop civil society. International partners can provide expert assistance, training and funding for these tasks.

The next reason is that Ukraine needs foreign investments and technologies for its economic development. International aid can help attract foreign investors, support the development of small and medium-sized businesses, promote trade and investment, and develop infrastructure. This will help create new jobs, raise the standard of living of the Ukrainian population, and reduce the country's economic dependence.

The geopolitical importance of Ukraine, which is an important geopolitical player in Eastern Europe, is also important. Ukraine's support is important for strengthening stability and security in the region. International aid can help the Ukrainian government to ensure defense capability and protect its borders, as well as develop cooperation with other countries in the field of security and defense.

In general, international assistance to Ukraine has been important in meeting humanitarian needs, supporting political and economic reforms, and strengthening

security and stability. This contributes to the strengthening of Ukraine as an independent, democratic and prosperous country, and also contributes to international security and stability.

With the start of the war in 2022, all the above reasons were supplemented by the need to respond to the social and economic consequences of the war, which led to huge destruction and a drop in GDP for 2022 by more than 40%.

This diploma is devoted to the question of the characteristics of various directions of international economic aid to Ukraine during the war and for post-war recovery.

CHAPTER 1. INTERNATIONAL PROJECTS OF SOCIO-ECONOMIC ASSISTANCE TO UKRAINE DURING THE WAR AND FOR POST-WAR RECONSTRUCTION

In its development, Ukraine is a part of the democratic world community and has determined the socioeconomic vector of its development - its accession to the European Union. Therefore, it is not surprising that many international organizations support its development so that Ukraine reaches international standards of the quality of population's life.

A list of some international organizations that actively supported the economic and social development of Ukraine:

1. European Union (EU) - one of Ukraine's largest partners in economic and social development. It provides financial support, helps implement reforms, facilitates trade and investment, and provides political support.
2. International Monetary Fund (IMF) provides financial support to Ukraine, including lending programs and consultations on economic development, financial stability and reforms.
3. The World Bank is actively working in Ukraine, providing financial and technical support for the implementation of projects in such sectors as infrastructure, education, health care, agriculture and others.
4. European Bank for Reconstruction and Development (EBRD) invests in projects in Ukraine to support the private sector, entrepreneurship development, energy efficiency, transport infrastructure and other industries.
5. American Agency for International Development (USAID) provides financial and technical support to Ukraine to promote economic development, democracy, reforms in the field of justice, health care, education and other areas.

6. European Banking Association (EBA) actively cooperates with Ukrainian banks and the financial sector, providing support, consultations and promoting the modernization of the country's financial system.
7. United Nations (UN) promotes the development of Ukraine in many areas, including sustainability, energy efficiency, environmental protection, small business development, gender equality and others.

This is not a complete list of international organizations that actively support the economic and social development of Ukraine. Many other organizations are also engaged in cooperation with the country to support its development.

In addition to international organizations, the social and economic development of Ukraine was supported by many international and national projects.

There is a list of some projects below that supported the social and infrastructural development of Ukraine before the war:

1. "Open Ukraine". The Open Ukraine Foundation promotes the development of civil society, strengthening democracy and supporting youth leaders.
2. "Ukraine Crisis Media Center". The Crisis Information Center of Ukraine provides objective information about the situation in Ukraine and maintains contact with international partners.
3. "Reform Support Teams" - the program of the European Union, which provides professional support in the implementation of reforms in Ukraine, in particular in the economy, education, health care, etc..
4. "TechUkraine" is an organization that promotes the development of the Ukrainian technological ecosystem, in particular by supporting startups, innovative companies and technological entrepreneurship.
5. "UkraineInvest" is a state agency for investment support and project development in Ukraine, which provides consulting and informational support to foreign investors.
6. "ProZorro" is an electronic system of public procurement, which is designed to ensure the transparency and efficiency of public procurement in Ukraine.

7. "UA:Pershyi" is a national television company in Ukraine, which provides objective information and cultural programs for the Ukrainian population and plays an important role in the formation of civil society.
8. "Lviv IT Cluster" is an IT cluster in Lviv, which unites companies, universities and public organizations to develop information technologies and attracting investments.
9. "Kyiv Smart City" is the "Smart City Kyiv" project, which works on the implementation of innovative technologies to improve the quality of citizens' life, optimize public services and save energy.

These are just some examples of projects that support Ukraine. The country has many other initiatives and organizations that contribute to the development of various spheres of life.

Wartime and post-war reconstruction require much greater efforts by the world community to help Ukraine, which defends world democracy. First of all, Ukraine needs weapons to defeat Russian aggression, but it also needs international programs for social and economic development.

According to the Ministry of Finance, from February 2022 to the beginning of April 2023, Ukraine has already received a total of \$45.8 billion in state budget support from international partners. \$17.9 billion (39% of the aid received) of them are grants. In particular, \$32.1 billion in financial aid was provided for 2022, and grants amounted to \$14.3 billion (45% of the received aid). For 2023 (as of April), \$13.6 billion in financial aid was provided, and grants accounted for \$3.7 billion (27%) [1].

Who provides this money and why? According to the response of the Ministry of Finance, as of April 6, 2023, from February 2022, international financial organizations have provided about \$8.6 billion in financial support to Ukraine on the terms of preferential long-term loans. In particular, our country received \$5.4 billion from the IMF, \$1.7 billion from the European Investment Bank, and \$1.5 billion from the World Bank [1].

Since February 2022, Ukraine has received \$5.4 billion in financial support from the IMF. In particular, on March 9, 2022, the Fund's Board of Executive Directors decided to provide \$1.4 billion to Ukraine under the Rapid Financing Instrument (RFI). On October 7, 2022, the IMF approved the allocation of another \$1.3 billion to Ukraine as part of the RFI to meet urgent balance of payments needs. On April 3, 2023, the general fund of Ukraine's state budget received the first tranche of \$2.7 billion from the IMF under the new four-year Extended Fund Facility (EFF) program for Ukraine [1].

These investments focus on five key areas – energy security, vital transport and municipal infrastructure, food security, private sector resilience and trade finance. "We have taken significant risk on our balance, but we have also received very generous support from a number of our shareholders who work with us to strengthen the Ukrainian real economy," the EBRD says.

Who provides grants to Ukraine? The main grant providers for Ukraine are the USA, which gave \$15.5 billion in financial support exclusively in the form of grants; as well as Germany, which provided about \$1.3 billion in grants [1].

After the full-scale invasion of the Russian Federation into Ukraine, cooperation with the World Bank increased significantly. 50% of all financial support provided to Ukraine in 2022 was obtained using World Bank instruments. In particular, new platforms have been created: the Ukrainian Aid, The Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF) and the Multi-Donor Trust Fund (MDTF) [1].

Thus, thanks to the cooperation of the Ukrainian Ministry of Finance and the WB team, in 2022, Ukraine managed to attract loans and grants for a total of \$12.9 billion (\$12 billion of which were grants) and 2.968 billion EUR (1.088 billion EUR of which were grants). From this amount, \$9.8 billion and 2.3 billion EUR have already been received to finance the general fund of the State Budget [1].

The largest joint project, launched in 2022 by Ukraine and the World Bank, was "Supporting public expenditures to ensure sustainable public administration in Ukraine (PEACE)". It is the largest project the World Bank implemented during its

existence. Within its framework, during 2022, the Ukrainian State Budget received \$12.7 billion, which should have been spent on salaries for civil servants, teachers, doctors, and employees of rapid response services, as well as on the support of priority social expenditures (pension payments, payments to internally displaced persons, low-income and persons with disabilities) etc.

Ukraine received 1.5 billion EUR from the Germany government and the German state bank Kreditanstalt für Wiederaufbau (KfW). 1.2 billion EUR of these is a grant for budgetary support and support for the payment of housing assistance for IDPs.

All the money that Ukraine receives from abroad supports the country's vital activities, social expenses, salaries of doctors and teachers, pensions, etc. At the same time, we undertake not to spend these funds on war. It means that military expenses are financed from the income from our taxpayers.

Unfortunately, the partnership is used for numerous manipulations, when demands are attributed to donors that were not actually voiced. For example, at the beginning of May, stories began to circulate that, as if the MFI were demanding the nationalization of Sens Bank. Although the Memorandum with the MFI says otherwise, namely, high risks of possible nationalization are noted and recommendations are made for reprivatization.

"Since the risks of further nationalization of banks are growing, the authorities make decisions that are in line with the overall strategy of reducing state ownership in the banking sector. One small bank is in the nationalisation process, and the risk of further nationalization remains high. The authorities pledged that any decisions that could potentially increase state ownership in the banking sector would be made in consultation with MFI staff and would be strictly limited to matters related to national security during the martial law period and the preservation of financial stability. In this regard, any further nationalization should also include plans for the rapid reprivatization or liquidation of the banks concerned," the Memorandum with the MFI says [1].

Some MFIs, primarily the EBRD, remain owners of shares in some Ukrainian banks, in particular with foreign capital. A separate area of cooperation is the cooperation of MFIs with state banks. They are further considered as potential future owners of shares in these banks. Banks also continued to cooperate with MFIs within the framework of lending programs, particularly in critical areas to the Ukrainian economy. In general, after the beginning of the large-scale invasion of Russia, the majority of MFIs expanded the scope of support to Ukraine.

As for EBRD funds, each EBRD project undergoes a thorough and rigorous evaluation before it is signed and disbursed. It includes integrity, financial, environmental and procurement due diligence. Although this process takes time, it minimizes the risks involved in financing transactions and ensures that our projects have the "gold standard" guarantees. The bank adheres to this principle and is determined that, while supporting Ukraine, we do not compromise on quality. It's a win-win for everyone, and it's a legitimate demand from our shareholders, who are responsible for the use of their taxpayers' money. These standards are very similar for all international institutions.

It is possible to add the following list of some international organizations that provide military assistance to Ukraine during the war with Russia:

NATO (North Atlantic Treaty) provides practical and security and defense support, including training, advice, supply of military equipment and expert assistance.

USA provides significant military assistance to Ukraine, including training, arms and equipment supplies, military advice, and financial support.

Canada actively supports Ukraine with military aid, including arms, training and support for veterans.

Poland is an important partner of Ukraine in security and defense, providing military assistance, training and exchange of experience.

Lithuania, Latvia and Estonia - The Baltic States also provide support to Ukraine, including training, equipment supplies and expert assistance.

Great Britain provides support to Ukraine through military training, the supply of military equipment and the provision of advisory support.

Sweden and Finland are important security partners of Ukraine, providing support, training and advice.

European Union provides support to Ukraine in the military sphere, including project financing and training.

In the future, we will present the characteristics of those international recovery programs that are already operating in Ukraine as of May 2023.

In particular, the Association of Cities of Ukraine collected a list of organizations and funds that help Ukrainian citizens who found themselves in difficult living conditions during the war:

1. Monetary assistance from UNICEF "Spilno".

Assistance is provided to families (including adoptive parents and foster parents) in Ukraine who belong to one of two categories:

have three or more children under the age of 18, at least one child of which has not reached the age of two at the time of application;

have two or more children under the age of 18, at least one child of which has a disability.

Amount of assistance: UAH 2,200 for each family member, but not more than five people.

Registration: <https://register.unicef.org/> [2].

2. Financial aid from the UN Refugee Agency.

Assistance is provided to internally displaced persons in Lviv, Cherkasy, Kirovohrad, Poltava, and Zaporizhia regions.

Amount of assistance: UAH 2,200 for each family member

You can get help through UNHCR offices: <https://www.unhcr.org/ua/43231-unhcr-is-launching-a-cash-assistance-programme-for-idps-ua.html> [3].

3. E-Dopomoga.

It is a platform that organizes the financial assistance from international organizations to the Ukrainian residents, including those who are in temporarily occupied, de-occupied territories or those who are in the zone of active hostilities.

Registration: <https://aid.edopomoga.gov.ua>

Checking the application status: <https://aid.edopomoga.gov.ua/check> [4].

4. Project \$1k Ukraine.

It is an assistance to families in need. The project connects the family with a sponsor who will donate money directly to a bank account in Ukraine.

Amount of assistance: 1000 \$

Registration: <https://airtable.com/shrvfSCquvjgdEJPy> [5].

5. Gate to Ukraine.

It is a platform that helps Americans provide assistance to Ukrainian families with many children who suffered as a result of the war, were forced to move, or are in temporarily occupied territories.

Amount of assistance: 100 \$

Registration: <https://gate.org/get-help/> [6].

6. Zaporizhzhia charity fund "Unity for the future".

Provision of multi-purpose material assistance to Ukrainians affected by the war.

Amount of assistance: UAH 2,220 per person for 1 or 3 months (depends on the region)

Registration: <https://register.pagulasabi.ee/uk/> [7].

7. Charity Foundation "Happy Child".

Assistance to seriously ill children, children with disabilities, IDPs with children, large families, single parents, guardians who lived only in the Zaporizhzhia, Kherson and Donetsk regions until February 24, 2022

Amount of assistance: UAH 1,500-4,000 per family

Registration: www.deti.zp.ua/antiwar [8].

8. Charity Foundation "SOS Children's Towns Ukraine"

It provides multi-purpose monetary assistance to internally displaced families from among foster families, family-type orphanages and guardian families in which three or more children under the age of 18 are raised in 5 regions (at the first stage) of Ukraine - Kherson, Zaporizhzhia, Luhansk, Kharkiv and Chernihiv.

Amount of assistance: UAH 2,200 per family member for 1 month.

Registration: <https://cutt.ly/0J9VCng> [9].

9. Community of parents "Kidfriendly" (help of sisters for mothers in need)

It helps Ukrainian mothers in difficult situations

Amount of assistance: small one-time financial support

Registration: <https://cutt.ly/5J9V1Ji> [10].

HUMANITARIAN FOUNDATIONS:

1. E-Dopomoga:

The E-Dopomoga platform was created by the Ministry of Social Policy of Ukraine with the support of the Ministry of Digital Transformation of Ukraine and UNDP with the financial support of Sweden to meet the urgent needs of citizens who suffered or were forced to change their place of residence due to Russian aggression. They provide various assistance to the population.

Registration: <https://social.edopomoga.gov.ua> [11].

2. Red Cross Society of Ukraine:

The Red Cross Society of Ukraine provides internally displaced persons with food kits (cereals, pasta, canned goods, sugar, flour, oil and other long-term storage products), hygiene products (baby and adult diapers, male and female hygiene products, disinfectant solutions, etc.). Medicines can be given to people if available.

Regional contacts of the Red Cross Society: <https://redcross.org.ua/contacts/> [12].

3. Spivdiia:

Spivdiia is coordinated with the support of the humanitarian aid coordination staff of the Office of the President of Ukraine, the Ministry of Youth and Sports, the Ministry of Development of Communities and Territories of Ukraine, the Ministry

of Health and the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine. They provide various assistance to the population.

Registration: <https://spivdiia.org.ua> [13].

4. CF “Mother and me”:

Write in Direct for help: https://instagram.com/fond_mama_plus_me [14].

5. CF "In mother's hands".

Assistance to families with children from among IDPs living in cities where hostilities are taking place

Registration: https://choko.link/charityfoundation_ua [15].

6. Christian Church "Victory".

Help with products, Hipp baby food and basic necessities (Kyiv); prayer, moral and spiritual support

Call the indicated phones: <https://victorychurch.org.ua/ye-nadiya-dopomoga>. [16].

Information about these opportunities is posted on the resources of the Association of Cities of Ukraine. Link to information from the Association of Cities of Ukraine: <https://auc.org.ua/novyna/perelik-organizaciy-ta-fondiv-yaki-dopomagayut-ukrayincyam-pid-chas-viyny> [17].

It is also possible to characterize the help and support of Ukraine during a full-scale invasion from various countries.

Poland. When the war started, Poland became a very important partner and proved that it is a true friend for Ukraine. From the first minutes of the invasion, the country was one of the first to provide military equipment and humanitarian aid.

The Poles became the first to announce their readiness to supply Ukraine with heavy tanks for the de-occupation of all captured territories. As a result, more than 200 Soviet-type tanks and 14 Western tanks were allocated to Kyiv.

Warsaw also did everything possible to accommodate Ukrainian refugees on its territory. During the war, more than 1.5 million Ukrainian citizens found refuge

in Poland, for whom the Polish government simplified a number of procedures for comfortable living.

Great Britain. The British people and government have become the main allies of Ukraine in Europe for the supply of military equipment. With the help of British weapons, our military liberated and continues to liberate the occupied territories. British instructors continue to train Ukrainian servicemen and assist them in conducting operations.

London launched the process of supplying Western tanks, which Ukraine so desperately needs.

The British also opened their doors to a considerable number of refugees. In total, since the beginning of the war, 134,000 Ukrainian citizens entered the country, for whom Great Britain created special programs [18].

USA. As of the end of February 2023, the United States of America is unquestionably in first place in terms of funds allocated to support Ukraine. In total, since the beginning of the war, Washington has provided Kyiv with 73.1 billion EUR, of 44.3 billion EUR of which are for military purposes [18].

America is the leader in all criteria of support for Ukraine. The US leadership succeeded in uniting NATO countries for long-term assistance to the Ukrainian army, which continues to fight for the freedom of its country. In particular, the Ukrainian army received from the States such basic weapons as HIMARS MLRS, M2 Bradley armored vehicles, Abrams tanks and Patriot air defense systems.

In addition, the American government has repeatedly provided Ukraine with financial assistance to support the country's economy.

And this is far from the entire list of help from American friends.

The European Union. The European Union ranks second in aid provided to Ukraine. In total, the countries of the union allocated almost 55 billion EUR to support Ukraine in wartime conditions. These funds were allocated to provide military, financial and humanitarian aid to Kyiv.

Among the EU states, there is real solidarity around our country.

From the point of view of GDP, the Baltic states and Poland (members of the European Union) are the leaders in providing aid to Ukraine. For example, Estonia only spends 1.1% of its gross domestic product on military aid to Ukraine, Latvia - 1%, Lithuania - 0.7%, Poland - 0.6% [18].

Germany and France also take an active part in supporting Kyiv. In particular, Berlin and Paris played an important role in strengthening Ukraine's air defense. These countries have also created conditions that make it easy for people who have fled the war to settle in their territories and participate in preferential programs.

When the war started, almost all EU countries immediately began resettling refugees from Ukraine. According to Brussels, only in the first year of the war, more than 13.6 million people received humanitarian aid from the European Union and other European donors.

Turkey. Despite its ambiguous policy, Turkey is Ukraine's most important partner. It was the Turkish drone "Bayraktar" that became one of the most terrifying types of weapons for the Russians. On more than one occasion, the Turkish company for the production of strike drones provided the Ukrainian army with drones for free.

In addition, since the beginning of the war, according to some data, more than 220,000 Ukrainians have found refuge in Turkey. The Turkish government continues to make efforts to support Ukrainian citizens who fled the war.

Other countries. The war united almost the whole world around Ukraine. Aid to Ukrainian citizens and military continues to come from various corners of the Earth, including Australia, Japan, the UAE, Kazakhstan, Pakistan, South Korea, as well as other Arab, Asian, and Latin American countries.

Help comes even from the African continent. For example, Morocco became the first and so far the only African country to declare its readiness to transfer tanks to Ukraine [18].

According to the publication of the Kiel Institute "The Ukraine Support Tracker: which countries help Ukraine and how?", the largest financial obligations come from the EU institutions - for a total amount of 30.32 billion EUR. This amount is provided almost exclusively in the form of loans.

The United States is Ukraine's second largest financial donor, with a total of 25.11 billion EUR, all of which comes in the form of non-repayable grants.

Great Britain and Canada follow, with financial assistance in the amount of 2 to 3 billion EUR each.

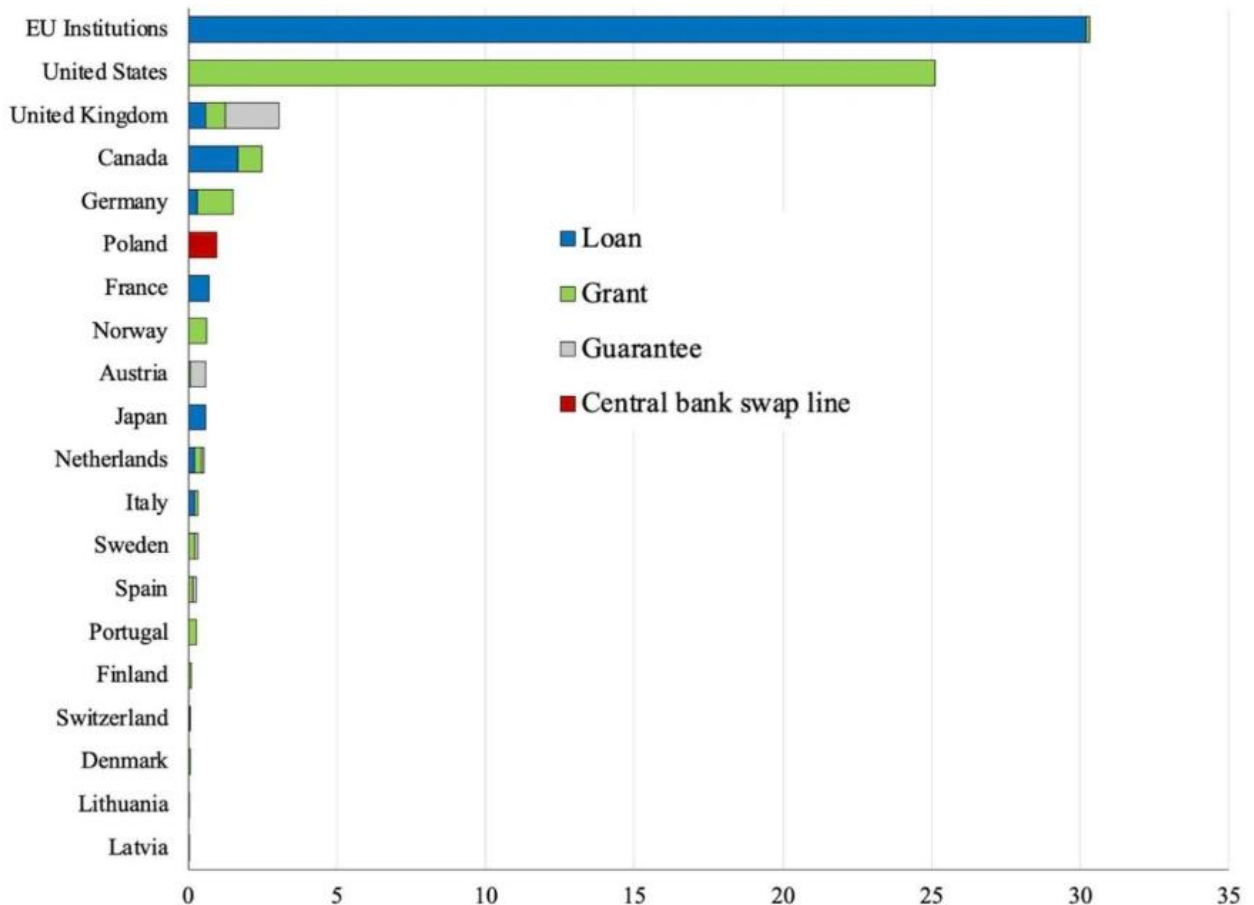


Figure. 1.1 – Financial aid to Ukraine for the first year of the war, billion EUR [18].

However, there is a noticeable gap between the financial aid allocated and the financial aid disbursed. As of January 15, 2023, only 48% of the committed external budget support has been paid (€30.99 billion out of total commitments of €64.16 billion) [18].

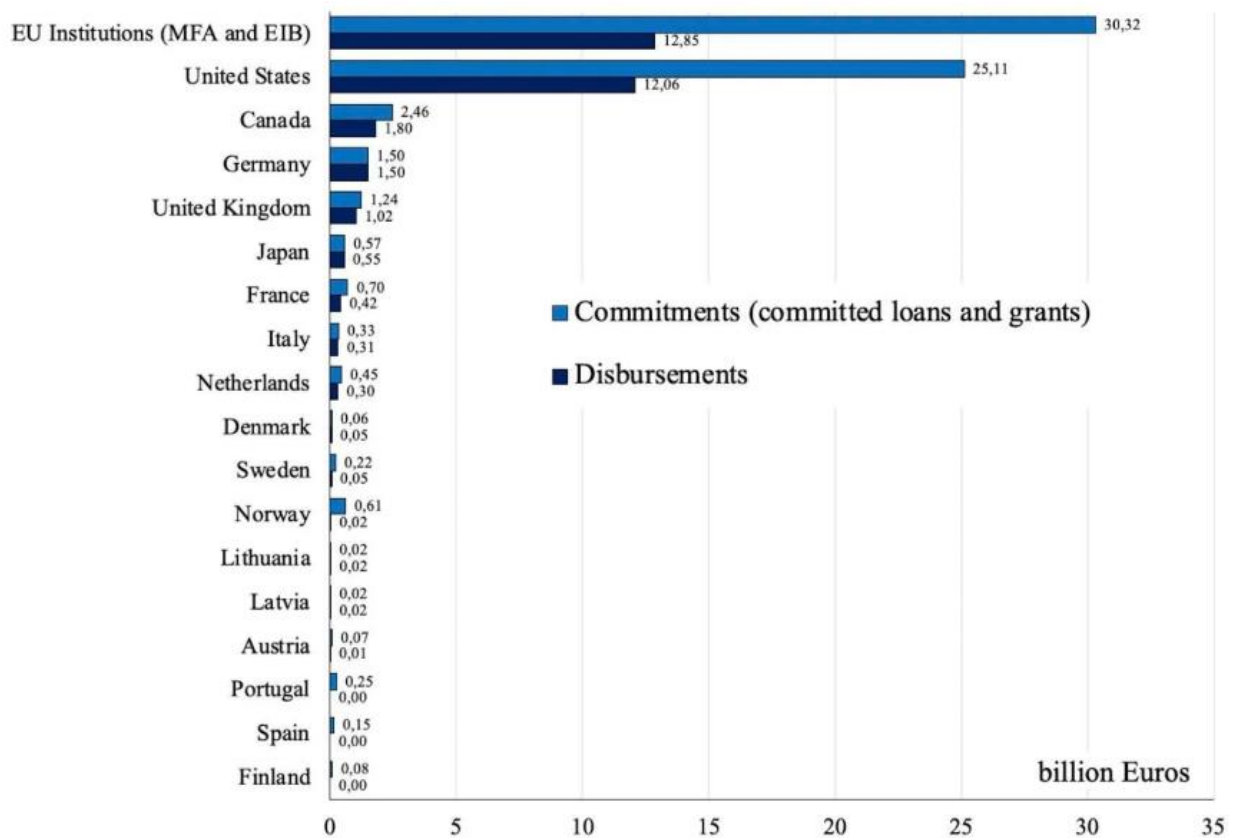


Figure. 1.2 – Financial aid to Ukraine for the first year of the war, billion EUR [18].

In general, with the main allies of the USA and the EU, Ukraine has every chance to accelerate its path to a more sustainable future. Taking into account the current contribution to the stability of the economy and the forward-looking efforts of many organizations around the world, the recovery of Ukraine, under the condition of good governance, will definitely occur with a better, brighter and healthier future for the country that is currently suffering from war..

To overcome the immediate and long-term consequences of the war in Ukraine, a number of international projects aimed at restoring important branches of the country's functioning have been implemented and planned. These projects are supported by such international organizations as the World Bank, EBRD, UNDP, FAO, etc.

1. One of the critical ones is the project to restore the main logistics infrastructure and connect to the network (RELINC), the purpose of which is to mitigate the impact of disrupted transport networks on the economy and population of Ukraine. The World Bank is financing this project with a budget of 585 million US dollars [19].

2. The project "Promoting Health and Saving Lives in Ukraine" (HEAL) is another World Bank initiative aimed at restoring and improving access to basic medical services, meeting new and urgent needs in health care and providing financial protection during emergencies. The budget of this project is 500 million US dollars.

3. Energy infrastructure is crucial for Ukraine's economic recovery. The project "Emergency restoration of the Ukrenergo power transmission network", financed by the EBRD, the USA and the Netherlands, is aimed at restoring the energy network of Ukraine, which was badly damaged by the Russian bombings. The budget of the project is 370 million EUR.

4. The NEFCO Green Recovery program for Ukraine with a budget of 50 million EUR is aimed at providing financial and technical assistance to municipalities for the repair and reconstruction of residential infrastructure in an environmentally sustainable manner. The program also covers investments and measures related to heating, water supply and drainage.

5. The UNDP project "Supporting early recovery in war-affected areas" with a budget of \$4.19 million focuses on dealing with debris, destruction and explosive ordnance, environmental threats and damage to infrastructure and utilities [19].

6. The budget of the Ukraine Recovery Program, which is financed by the EIB and the Government of Ukraine, amounts to 340 million EUR, and is aimed at restoring social and critical infrastructure in 10 regions. The program supports the restoration of schools, kindergartens, hospitals, heating, water supply and sewage facilities.

7. The UNECE has planned a project to draw up the Recovery Plan of Ukraine, which examines the initial state, general vision and directions of recovery and

development of construction, urban planning and modernization of cities and regions.

8. FAO and the EU plan to support the recovery and development of value chains in agriculture in Ukraine with a budget of 15.5 million dollars. Grants ranging from \$1,000 to \$25,000 will be allocated to support rural households, small farmers and small agricultural businesses.

9. The EBRD and the EU are supporting environmental innovators in Ukraine with grants of 500,000 EUR to promote effective environmental solutions. 13 innovative Ukrainian companies received Climate Innovation Vouchers, each of which will receive up to 50,000 EUR for the development and implementation of new environmental technologies that reduce greenhouse gas emissions, increase energy efficiency and prevent climate change [19].

CHAPTER 2. THE EFFECT FROM PARTICIPATION IN INTERNATIONAL PROJECTS ON THE ECONOMIC INDICATORS OF THE TERRITORIAL COMMUNITIES' DEVELOPMENT

Since the beginning of 2014, decentralization and regional development have become important priorities for the Ukrainian government. Efforts at the national level have resulted in important laws and implementation guidelines; others are being developed. Budget and tax laws were changed to allow municipalities to generate more of their revenue and support the local financial system.

At the beginning of the war in 2022, the implementation of the decentralization reform was not yet sustainable. State structures at the national, regional and local levels still needed to gain all the necessary experience and financial resources to perform their duties effectively. The Ministry of Development of Communities and Territories of Ukraine, which is responsible for the implementation of the decentralization reform, received support for better coordination of the reform process and effective communication of its goals and benefits.

This function was performed by the project supporting the decentralization reform in Ukraine, namely the "U-LEAD with Europe" program. The program worked in all 24 country regions, including Donetsk and Luhansk. The program's regional offices support local governments by providing expertise in regional development, decentralization, local finance, communication, municipal services, land use planning and legal issues.

We decided to test the approach of assessing the effect of participation in international projects based on changes in the economic indicators of communities that participated in this decentralization project in 2015-2016.

The difference-in-differences method was applied to analyze the results of community participation in the U-LEAD project on the economic indicators of their development. The essence is to find the difference between the socioeconomic indicators of the studied communities' development before (2006) and after (2011) participation in the project "Local Development, oriented to the Community", We

used the matching on observables method to search for control communities. For each community participating in the first phase, a control territorial community, the closest in terms of socioeconomic development indicators, was determined. The sample consisted of 35 communities (territorial communities that participated in the 1st phase of the "U-LEAD with Europe" program).

The analysis used a statistical database of communities' socioeconomic development, formed during the passportization of the Sumy region villages in 2015 and data provided by the Department of Finance of the Sumy regional state administration from 2015 to 2021. Descriptive statistics of socioeconomic indicators of the territorial communities' development, which became the object of analysis, were calculated based on the STATA software package.

Using the model described by Duflo, Glennerster, and Kremer (2006), we defined $Y_1^T (Y_1^C)$ in the resulting econometric model as the potential outcome of "participation in a crowdfunded project" (non-participating in a project) in period 1, the current period of project participation, and $Y_0^C (Y_0^C)$ as the potential outcome of "participating in the project" (non-participating in the project) in period 0, "before" participating in the project. Rural territorial communities belong to group T or group C . Rural territorial communities belonging to group T participate in the project in period 1, but did not participate in the project in period 0. Rural territorial communities belonging to group C never participated in the project. X is a set of variables on the basis of which the studied and control communities are subject to matching. Then the difference-in-differences estimator looks like this:

$$\hat{DD} = \left[\hat{E}[Y_1^T | X, T] - \hat{E}[Y_0^C | X, T] \right] - \left[\hat{E}[Y_1^C | X, C] - \hat{E}[Y_0^C | X, C] \right] \quad (2.1)$$

In this case, zero hypothesis $\hat{DD} = 0$, is tested against alternative hypothesis $\hat{DD} \neq 0$.

This approach was used in the works of my supervisor Yu.M. Petrushenko. and his graduate Onoprienko K. [21] in previous years (their works are placed in the repository of Sumy State University).

We assessed the impact of the "U-LEAD with Europe" [22] program on changes in the following socioeconomic indicators: the number of permanent residents in the community; number of households; bus service (number of routes per day); the number of streets in the village; the number of people who left the village, per capita; the number of people employed in all spheres of activity, per capita; the number of people employed outside the village, per capita; the number of deaths per capita; the number of the population engaged in entrepreneurial activity, per capita; number of places in schools and kindergartens; the number of visits to medical institutions, revenues of general and special funds of the budgets of territorial communities.

Considering the specifics of the organizational mechanism of the "U-LEAD with Europe" program, we applied matching based on different groups of indicators to determine control communities. Initially, territorial communities that were similar in terms of three socioeconomic indicators were found: 1) the number of households; 2) the number of the population employed in all spheres of activity; 3) bus service (number of routes per day). These three indicators from the statistical information available most systematically characterized the socioeconomic condition of the studied territorial communities. Matching based on a larger number of indicators did not provide a sufficient number of control territorial communities [22].

In addition, we identified four groups of potential control territorial communities: 1) territorial communities that applied for participation in the first phase of the "U-LEAD with Europe" program; 2) territorial communities that did not apply for participation in the project; 3) all territorial communities (which submitted and did not submit an application for participation in the project) taking into account the affiliation of the rural territorial community to a certain district; 4) all territorial communities (which submitted and did not submit an application for

participation in the project) regardless of whether the village belongs to a certain district [22].

The regression analysis results with the STATA software package when using each of the 4 groups of potential control territorial communities are shown in Tables 2.1–2.4.

Table 2.1 – Regression analysis results of the participatory financing impact of on the socioeconomic indicators of communities participating in the "U-LEAD with Europe" program¹

| № | Socioeconomic indicators of the territorial communities' development | The effect of the international project |
|----|--|---|
| 1 | The number of permanent population in the community | 0.013+ |
| 2 | Number of households | 0.002 |
| 3 | Bus service (number of routes per day) | 0.142 |
| 4 | The number of streets in the community | 0.015 |
| 5 | The number of people who left the community, per capita | –0.429 |
| 6 | The number of people employed in all spheres of activity, per capita | 0.209* |
| 7 | The number of people employed outside the community, per capita | –0.215 |
| 8 | The number of deaths per capita | –0.131 |
| 9 | The number of the population engaged in entrepreneurial activity, per capita | 0.873 |
| 10 | The number of places in schools and kindergartens | 0.014 |
| 11 | The number of visits to medical institutions | –0.001 |
| 12 | Revenues of the general fund of the local budget | 0.022* |
| 13 | Revenues of the special fund of the local budget | 0.024* |

Error probability: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

¹ matching based on socioeconomic development indicators; control communities were found among the communities that applied for participation in the first phase of the "U-LEAD with Europe" project

Table 2.2 – Regression analysis results of the international funding influence on the socioeconomic indicators of communities participating in the "U-LEAD with Europe" project¹

| № | Socioeconomic indicators of community development | The effect of the international project |
|----|--|---|
| 1 | The number of permanent population in the community | 0.022+ |
| 2 | The number of households | 0.007 |
| 3 | Bus service (number of routine per day) | 0.138 |
| 4 | The number of streets in the community | -0.051 |
| 5 | The number of people who left the community, per capita | -0.527+ |
| 6 | The number of people employed in all spheres of activity, per capita | 0.244* |
| 7 | The number of people employed outside the community, per capita | -0.895 |
| 8 | The number of deaths per capita | -0.199 |
| 9 | The number of the population engaged in entrepreneurial activity, per capita | 1.108+ |
| 10 | The number of places in schools and kindergartens | 0.025 |
| 11 | The number of visits to medical institutions | -0.008 |
| 12 | Revenues of the general fund of the local budget | 0.063* |
| 13 | Revenues of the special fund of the local budget | 0.132* |

Error probability: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

¹ matching based on socioeconomic development indicators; control communities were found among communities that did not apply for participation in the first phase of the U-LEAD with Europe project

Table 2.3 – The regression analysis results of the international project impact on the socioeconomic indicators of the communities participating in the "U-LEAD with Europe" project¹

| № | Socioeconomic indicators of territorial communities' development | The effect of the international project |
|----|--|---|
| 1 | The number of permanent population in the community | 0.02+ |
| 2 | The number of households | 0.019 |
| 3 | Bus service (number of routine per day) | 0.25* |
| 4 | The number of streets in the community | 0.02 |
| 5 | The number of people who left the community, per capita | -0.404* |
| 6 | The number of people employed in all spheres of activity, per capita | 0.38 |
| 7 | The number of people employed outside the community, per capita | -1.7+ |
| 8 | The number of deaths per capita | -0.18* |
| 9 | The number of the population engaged in entrepreneurial activity, per capita | 0.85 |
| 10 | The number of places in schools and kindergartens | 0.09 |
| 11 | The number of visits to medical institutions | -0.05 |
| 12 | Revenues of the general fund of the local budget | 0.03* |
| 13 | Revenues of the special fund of the local budget | 0.06* |

Error probability: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

¹ matching based on socioeconomic development indicators; control communities were found among all communities (which applied and did not apply

for participation in the first phase of the project "U-LEAD with Europe"), considering the relation of the village to a certain district

Table 2.4 – Results of the regression analysis of the influence of international funding on the socioeconomic indicators of communities participating in the "U-LEAD with Europe" project¹

| № | Socioeconomic indicators of territorial communities' development | The effect of the international project |
|----|--|---|
| 1 | The number of permanent population in the community | 0.04* |
| 2 | The number of households | 0.03 |
| 3 | Bus service (number of routine per day) | 0.09+ |
| 4 | The number of streets in the community | 0.03 |
| 5 | The number of people who left the community, per capita | -0.25+ |
| 6 | The number of people employed in all spheres of activity, per capita | 0.27** |
| 7 | The number of people employed outside the community, per capita | -1.28* |
| 8 | The number of deaths per capita | -0.25 |
| 9 | The number of the population engaged in entrepreneurial activity, per capita | 0.78 |
| 10 | The number of places in schools and kindergartens | 0.7** |
| 11 | The number of visits to medical institutions | -0.06 |
| 12 | Revenues of the general fund of the local budget | 0.04* |
| 13 | Revenues of the special fund of the local budget | 0.07* |

Error probability: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

¹ matching based on socioeconomic development indicators; control communities were found among all communities (which applied and did not apply for participation in the first phase of the U-LEAD with Europe project), without taking into account the relation of the village to a certain district

Table 2.5 shows changes in socioeconomic indicators during 2015–2021 for territorial communities that applied for participation in the project and those that did not apply.

Table 2.5 – Change in socioeconomic indicators of communities that applied and did not apply for participation in the first phase of the "U-LEAD with Europe" project during its validity

| № | Output data (variables) | The output data change | |
|---|---|--|--|
| | | Territorial communities that applied for participation in the international project | Territorial communities that did not apply for participation in an international project |
| 1 | The number of permanent population in the community | –0.07 | –0.26 |
| | | Territorial communities that applied for participation in the international project "U-LEAD with Europe" | Territorial communities that did not apply for participation in an international project |
| 2 | The number of households | –0.34 | –0.23 |

| | | | |
|----|--|-------|-------|
| 4 | Bus service (number of routes per day) | 0.37 | 0.06 |
| 5 | The number of streets in the community | -0.02 | 0.01 |
| 6 | The number of people who left the community, per capita | -0.06 | 0.07 |
| 7 | The number of people employed in all spheres of activity, per capita | 0.10 | 0.01 |
| 8 | The number of people employed outside the village, per capita | 0.76 | 1.04 |
| 9 | The number of deaths per capita | -0.06 | 0.23 |
| 10 | The number of the population engaged in entrepreneurial activity, per capita | 0.65 | 0.90 |
| 12 | The number of places in schools and kindergartens | -0.08 | 0.06 |
| 13 | The number of visits to medical institutions | -0.04 | -0.05 |

The data in Tables 2.1–2.4 testify to the positive influence of international financing within the framework of the "U-LEAD with Europe" project on such indicators of their socioeconomic development as "the number of permanent residents in the village" (the effect of participatory financing is significant according to all the matchings used: tables 2.1–2.4); "the number of people who left the village, per capita" (the effect of international funding is significant in tables 2.2, 2.3 and 2.4); "the number of the population employed in all spheres of activity, per capita" (the effect of the international financing is significant according to all the matchings used above); "number of the population employed outside the village, per capita" (the effect of international financing is significant in Tables 2.3 and 2.4).

The research demonstrates the practical international financing and social mobilization mechanisms included in the "U-LEAD with Europe" project. Thanks to participation in implementing micro-projects to develop territorial communities,

which provided for international funding, changes in people's thinking and behavior are taking place, leading to a transition from a traditional to a modern, more appropriate way of life. Such components of socioeconomic development as the employment of the population and its demographic dynamics are most affected. Residents of the communities that participated in the project, which provided for international funding, work more (employment indicators) and leave their native communities less.

The results shown in Tables 2.1–2.2 and Table 2.5 allow concluding that the very fact of the local community preparing an application for participation in the economic cooperation project indicates the availability of internal resources for development. Communities that applied and were not selected for participation in the project demonstrate better socioeconomic development indicators than communities that did not apply at all. It again confirms the importance of organizational capacity and social activity in communities. Therefore, the introduction of such effective tools as international financing, which contributed to the social mobilization of territorial communities' residents and intensified the desire of people to help themselves, is an important direction in the search and use of reserves for the economic development of local communities, which increase the efficiency of the available financial resources.

Based on the results obtained during the study of the international financing effect on the socioeconomic indicators of the local communities' development, it is possible to hypothesize that the tendency to collective action is an important feature that affects the international financing of the socioeconomic development of communities. We decided to test this hypothesis based on the analysis of the "U-LEAD with Europe" project impact on the livelihood of territorial communities in various districts of the Sumy region.

The analysis results are shown in Tables 2.6–2.10.

Table 2.6 – Changes in socioeconomic indicators of the communities' development participating in the U-LEAD with Europe project, which involved international funding, in the Konotop district during the first phase of the project (%)

| Socioeconomic development indicators of communities | Communities | | Difference |
|--|-------------|---------------------|------------|
| | Control | Under investigation | |
| The number of population | – 30,96 | –11,09 | 17,87 |
| Born per year | 0,37 | 0,41 | 0,04 |
| Died per year | –1,38 | –0,48 | 1,09 |
| Arrived | 1,07 | 1,45 | 0,37 |
| Left | 1,76 | –1,62 | –3,18 |
| Number of families | –4,57 | –1,50 | 3,18 |
| Number of households | – 18,26 | –15,92 | 2,44 |
| Number of residential buildings | – 24,35 | –12,23 | 12,31 |
| Total living space | – 22,72 | –21,48 | 1,44 |
| Number of population employed in all spheres of activity | –6,96 | 12,8 | 19,98 |
| Engaged in business activities | 0,39 | 0,51 | 0,47 |
| Engaged outside the village | 3,38 | 0,98 | –2,59 |
| Number of unemployed | 0,73 | 0,81 | –0,16 |

Table 2.7 – Changes in socioeconomic indicators of the communities' development participating in the project "U-LEAD with Europe", which involved international funding, in the Okhtyrka district during the first phase of the project (%)

| Socioeconomic development indicators of communities | Communities | | Difference |
|--|-------------|---------------------|------------|
| | Control | Under investigation | |
| The number of population | – 15,52 | –6,53 | 11,09 |
| Born per year | 0,90 | 2,82 | 1,91 |
| Died per year | –2,83 | –1,69 | 1,14 |
| Arrived | 0,67 | 0,55 | –0,11 |
| Left | 1,24 | –0,66 | –1,61 |
| Number of families | –8,51 | –6,46 | 1,74 |
| Number of households | –7,08 | –5,58 | 1,50 |
| Number of residential buildings | –6,08 | –1,20 | 5,47 |
| Total living space | –5,64 | –0,35 | 4,8 |
| Number of population employed in all spheres of activity | 0,62 | 5,70 | 4,95 |
| Engaged in business activities | 0 | 1,47 | 1,97 |
| Engaged outside the village | 1,18 | –0,2 | –2,51 |
| Number of unemployed | 0,56 | 0,81 | –0,62 |

Table 2.8 – Changes in socioeconomic indicators of the communities' development participating in the "U-LEAD with Europe" project, which involved international funding, in Shostka district during the first phase of the project (%)

| Socioeconomic development indicators of communities | Communities | | Difference |
|--|-------------------|---------------------|-------------------|
| | Control | Under investigation | |
| The number of population | -6,49 | -6,65 | 0,53 |
| Born per year | 0,24 | 0,46 | 0,50 |
| Died per year | -0,66 | -1,19 | -0,53 |
| Arrived | -0,41 | 1,25 | 1,76 |
| Left | 0,77 | -0,15 | -0,62 |
| Number of families | no data available | no data available | no data available |
| Number of households | -18,93 | -6,16 | 12,67 |
| Number of residential buildings | 0,815 | -1,60 | -2,52 |
| Total living space | 1,98 | -0,35 | -2,63 |
| Number of population employed in all spheres of activity | -10,39 | -2,01 | 8,38 |
| Engaged in business activities | 0,72 | -0,09 | -0,82 |
| Engaged outside the village | -0,26 | 1,14 | 1,40 |
| Number of unemployed | 1,50 | 7,96 | 6,46 |

Table 2.9 – Changes in socioeconomic indicators of the communities' development participating in the "U-LEAD with Europe" project in Sumy district during the first phase of the project (%)

| Socioeconomic development indicators of communities | Communities | | Difference |
|--|-------------|---------------------|------------|
| | Control | Under investigation | |
| The number of population | -12,44 | -19,77 | -7,34 |
| Born per year | -1,10 | 0,34 | 1,46 |
| Died per year | -3,65 | 0,77 | 4,42 |
| Arrived | -1,38 | -2,94 | -1,56 |
| Left | -2,47 | -3,07 | -0,58 |
| Number of families | -7,54 | -5,80 | 1,43 |
| Number of households | -7,76 | -1,02 | 6,74 |
| Number of residential buildings | -1,82 | -1,02 | 0,8 |
| Total living space | -3,66 | -1,17 | 2,48 |
| Number of population employed in all spheres of activity | 2,82 | 4,16 | 1,36 |
| Engaged in business activities | 0,39 | 0 | -0,39 |
| Engaged outside the village | -1,34 | 4,05 | 5,39 |
| Number of unemployed | -3,69 | 5,42 | 9,11 |

Table 2.10 – Changes in socioeconomic indicators of the communities’ development participating in the "U-LEAD with Europe" project in Romny district during the first phase of the project (%)

| Socioeconomic development indicators of communities | Communities | | Difference |
|--|-------------|---------------------|------------|
| | Control | Under investigation | |
| The number of population | -7,81 | -7,01 | 0,80 |
| Born per year | -1,05 | 1,97 | 0,04 |
| Died per year | -1,44 | -0,91 | -0,46 |
| Arrived | -1,45 | -0,23 | 1,22 |
| Left | 0,66 | -2,02 | -2,02 |
| Number of families | -5,75 | -6,47 | -0,78 |
| Number of households | -3,56 | -6,23 | -2,67 |
| Number of residential buildings | -1,98 | -1,20 | 0,78 |
| Total living space | -3,17 | -0,43 | 2,75 |
| Number of population employed in all spheres of activity | -7,64 | 6,44 | 14,07 |
| Engaged in business activities | -0,27 | 0,11 | 0,378 |
| Engaged outside the village | 1,08 | 0,88 | -0,19 |
| Number of unemployed | 4,63 | 1,98 | -2,64 |
| Number of streets in the village | 0 | -14,16 | -14,16 |
| Bus connection | -5,72 | -1,20 | 4,52 |

The data in Tables 2.6–2.10 testify to the effectiveness of the international financing mechanisms in the "U-LEAD with Europe" project. However, it is necessary to note the difference between the changes in the socio-economic indicators of the rural communities' development in the more northern (Shostka and Konotop) and southern (Romny, Okhtyrka, Sumy) districts of the Sumy region. The positive impact of participatory financing on the northern regions is more tangible, which can be explained by a greater inclination to social mobilization and collective actions, the awakening of which is called for by international financing of the "U-LEAD with Europe" project. Historically and culturally, the northern regions belong to the historical Sivershchyna, where a high tendency to collective actions characterized the inhabitants, while the southern areas belong to Slobozhanshchyna, known for its individual traditions.

In our opinion, the way to understand changes in the actual indicators of the local communities' development affected by international financing of local development lies in the study of the institutional components of the development process and the cultural components of the social capital of communities. It will provide an opportunity to find the answer to why some communities are more effective than others and some are not able to implement a co-financing approach at all.

CONCLUSION

The analysis of the effective use of international donor funds in peacetime proved that international financial aid at the local level should consider the peculiarities of economic culture in territorial communities and be aimed at using the positive and limiting the negative potential of the local economic mentality. In addition, the international financial policy can become a tool that will have a limiting effect on the negative features of economic culture (propensity to corruption, lack of independence, indiscipline, etc.) and, on the contrary, will promote the development of such positive features as innovativeness, responsibility, and focus on results.

In the second section of the work, the approach to evaluating the effectiveness of international projects was tested, which was made on the basis of the analysis of the impact of the international project on the socio-economic indicators of the development of territorial communities in Ukraine. Based on the detailed analysis, conclusions were drawn regarding the policy of attracting international funds for economic development.

When forming the financial policy for the socioeconomic development of territorial communities in Ukraine, the following aspects revealed in researching the institutional factors to implement the "U-LEAD with Europe" project should be taken into account:

- the success of international management of financial resources depends on the cultural and historical features of the previous development of local communities;
- the application of international funding was ineffective in the conditions of dominant leadership or weakness of institutional mechanisms for making legitimate collective decisions;
- the success of the methodology of international financing is likely in the conditions of establishing a partnership between residents of local communities, authorities and public organizations.

It is clear that for post-war recovery, many factors need to be taken into account for international financing of local development, first of all, the modelled structure

of the community economy in the future, which is consistent with regional and national strategies.

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When forming the financial policy for the socioeconomic development of territorial communities in Ukraine, the following aspects revealed in researching the institutional factors to implement the "U-LEAD with Europe" project should be taken into account:

- the success of international management of financial resources depends on the cultural and historical features of the previous development of local communities;
- the application of international funding was ineffective in the conditions of dominant leadership or weakness of institutional mechanisms for making legitimate collective decisions;
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It is clear that for post-war recovery, many factors need to be taken into account for international financing of local development, first of all, the modelled structure of the community economy in the future, which is consistent with regional and national strategies.

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