

# Half of Ukrainian 2023 budget dedicated to NATO proxy war against Russia

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Initial details on Ukraine's 2023 draft \$70 billion budget have revealed that half of the country's spending for the upcoming year will be devoted to the NATO-backed proxy war with Russia. By contrast, social spending on medicine, housing and pensions will be cut massively as the country continues to run a monthly budget deficit of approximately \$3 billion to \$5 billion.

According to the popular Ukrainian news outlet Strana, the government expects GDP to grow by 4.6 percent after contracting by a third this year due to the war. Meanwhile, the Ukrainian working class will be faced with an astounding 30 percent inflation rate and 28.2 percent unemployment.

In addition, subsidies for housing will be cut by approximately \$1 billion, education will be cut by approximately \$800 million, and the medical budget will be cut by over \$500 million, even as the COVID-19 pandemic continues to rage. Both the national minimum wage and pension rates will remain unchanged.

While 7.4 million out of a pre-war population of 41 million have fled the country amid the war, the cuts combined with rapidly rising inflation will amount to a noticeable decrease in social spending for the remaining population.

Overall, the country is facing an economic disaster as the World Bank predicted on Tuesday that the economy will fall by 35 percent, contradicting Kiev's expectations of modest growth.

Estimates put the cost for rebuilding what has already been destroyed by the war at a minimum of \$349 billion, or 1.5 times the size of the Ukrainian pre-war economy. Eight months into the war, a third of Ukraine's population has been displaced and 60 percent are living below the national poverty line.

With 7.4 million Ukrainian refugees living across Europe, it is also unclear when or if they will return to work in Ukraine, as large parts of the country could be left without heat this winter. As Europe faces its own energy crisis, the refugees remaining in Europe are already finding it harder to find shelter and food as local hosts themselves are unable to afford the rapidly increasing cost of living.

Alisa, a 16-year-old Ukrainian refugee living in Hungary, was recently told by her hosts they could no longer afford to provide her housing after the Hungarian government raised energy prices. "Back then, they said we could stay until the end of the war, but now they've realised they can't afford the energy bills. They very politely told us we had to leave," Alisa, who had been working long shifts at a factory as a minor, told the *Guardian*.

The increased rate of evictions was confirmed by Anastasia Chukovskaya, a Russian volunteer living in Budapest who heads an organization dedicated to helping Ukrainian refugees. "There is a wave of evictions now from families who say they cannot afford to be hosts," Chukovskaya said.

Due to the significant strengthening of the dollar this year, Ukraine itself will also face "a very serious debt situation" as it has to pay its massive debt back in dollars. Despite reaching a debt service freeze with Canada, France, Germany, Japan, the United Kingdom and the United States in September, the country will continue to spend billions of its revenue on paying off and servicing its external debt.

Without significant loans from the IMF and debt service freezes from its western creditors, the country would quickly be forced into default.

Regarding the country's financial budget being controlled by foreign creditors who are backing the

war, Oleg Pendzin, the head of the Ukrainian Economic Discussion club, stated, “In general, the budget for the next year is the cost of the war (\$1.21 billion hryvnias, that is, most of the country’s revenue). All expenses are due to external borrowing, that means we are talking about direct ‘eating’ of credit funds. This means that all expenses must be strictly agreed to with the main creditors.”

Whatever the final outcome of the Ukrainian budget, Strana admitted that the budget could rapidly change as the main purpose for the continued existence of the Ukrainian government is to continue the war at the behest of its imperialist backers—whatever the cost.

As Pendzin told Strana, “All these guys who are now running to lobby for their interests should keep in mind that the bulk of the money will go to the war. It is possible that the army’s already record funding will have to be increased even more. And the rest of the expenses will be cut. Plus every penny of spending should be agreed with creditors. In such a situation, I don’t see much room for maneuver. Although, of course, there will be all sorts of ‘small’ items of expenditure that they will try to stretch out for someone.”

The massive expenditure on the war compared with diminished social spending reveals the reactionary nature of the Ukrainian government, which has used the war as a pretext to attack the country’s working class.

In August, President Volodymyr Zelensky approved Law 5371, the so-called labor law, which effectively stripped Ukrainian workers at small and medium-sized companies of any labor protection rules. Earlier in July, the Zelensky government passed a law permitting employers to stop paying workers forced into the military. Another law legalized zero-hours contracts, which enable employers to forbid contracted workers from taking other jobs while cutting hours to whatever benefits the company. Further draft labor laws have proposed introducing a 12-hour work day and further enabling employers to fire workers without justification.

Such reactionary measures in addition to the war itself are largely being funded by the United States and the EU. On Thursday, the US Senate passed an emergency funding bill sending another \$12.3 billion in aid to Ukraine. The aid combined with previous packages means the US has already pledged \$65 billion

to Ukraine, which, as the *New York Times* noted, “will be the highest amount of military aid the United States has committed to any country in a single year in nearly half a century, since the Vietnam War.”

Should the current rate of US funding continue, US taxpayers could end up funding more than half of Ukraine’s proposed 2023 \$70 billion budget. Meanwhile, the US has signaled it will expand its industrial base as it expects the war in Ukraine “will last years.”



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