



CREDIT INTELLIGENCE RATING AGENCY (CIRA)

ТОВ «Рейтингове агентство „Кредит Інтелідженс“»

Thematic Research · Sovereign Economic Policy · Ukraine

The Cost of Capital Controls for Ukraine's Economy

An assessment of the losses the state bears from wartime
FX restrictions and of the effect of their phased removal

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Key message: what the restrictions cost

Forgone capital: about US\$26–27bn over 2022–2025. Of this:

- **about \$19bn** – foreign direct investment: the gap between actual Ukraine and a “synthetic Ukraine” assembled from comparators (in detail – Section 5; checks by other methods give \$12–21bn);
- **about \$7.5bn** – funds Ukrainian companies did not raise on the international bond market: four years without a single new placement. This shortfall does not overlap with the foreign direct investment gap: such borrowing would have passed through other balance-of-payments items (Section 4).

The war and the restrictions created this gap jointly; CIRA puts the contribution of the restrictions themselves at approximately **\$7.6bn**. The share taken for each component is substantiated in Sections 4–5; the summary is set out in Table 1.

Additional budget costs: about \$2.8bn over 2022–2025 (a scenario-based estimate). Without non-resident demand for domestic government bonds (OVDP) the state borrows in hryvnia more expensively, and the budget pays more on its debt than it would with an open market. This is budget expenditure, not capital, so the sum stands apart; the contribution of the restrictions within it is \$1.4–2.8bn.

Taken together, the contribution of the restrictions over 2022–2025 is about \$9–10bn.

The cost of maintaining the restrictions. Every year the regime stays in force costs:

- **about UAH31bn (\$0.7bn)** – additional hryvnia debt-service costs;
- **\$0.6–2.1bn** – forgone GDP growth.

This cost accumulates. Another three years of the regime would cost about **\$4–13bn** of forgone GDP and more than **\$2bn** in additional debt costs; another five years – **\$10–32bn** of forgone GDP (about \$16bn in the central scenario) and **\$3.5bn** on debt (in nominal terms, undiscounted; the calculation is in Section 7). And for as long as the regime stays in force, Ukrainian assets are worth **12–21%** less than they would be without it.

It is the restrictions, not the war alone, that create this cost. S&P grants Ukraine no uplift at all above its transfer and convertibility (T&C) assessment – the level above which the agency generally does not rate a country's companies; Ukraine is here among 42 of 143 sovereigns. The insurance market prices this risk separately from war risk, and 78% of the executives surveyed say the restrictions harm investment attractiveness (European Business Association). CIRA's recommendation is in Section 10: a guaranteed right of exit for new capital, auction-based clearing of the old.

CIRA's View

The FX restrictions introduced in February 2022 did the crisis-management job asked of them: in a package with external official financing they helped hold international reserves and prevent an uncontrolled devaluation of the hryvnia. That is precisely why the original justification has largely been exhausted: in 2025–2026, with reserves at historical highs, the restrictions cost the state ever more. Their principal cost is not the capital trapped inside the country but the capital that never entered: an investor factors in the inability to exit freely before it commits. For the same reason more than the current losses is at stake: recovery and reconstruction needs of \$587.7bn cannot be financed without private foreign capital on a large scale. In CIRA's view, the optimum is neither retention nor a one-off abolition of the restrictions but their phased, managed removal for new capital with a guaranteed right of exit. The analytical horizon of this research report is 2026–2028.

Key indicators

Indicator	Value
GDP (2025)	US\$214.2bn
International reserves (June 2026)	\$51.3bn (+12.1% month on month; before that – a decline from a peak of \$57.7bn in January to \$45.7bn in May 2026; 5.2 months of future imports)
Reserve adequacy (the IMF's composite Assessing Reserve Adequacy (ARA) metric)	129.3% at end-2025; on the IMF's projection – about 129% at end-2026
Exchange rate regime	managed flexibility (since October 2023)
Sovereign ratings	S&P 'CCC+' · Fitch 'CCC' · Moody's 'Ca'
Domestic debt in domestic government bonds (June 2026)	UAH1,978bn, of which the hryvnia-denominated segment – UAH1,834bn
Non-resident share of domestic government bond holdings	0.9% at end-June 2026 (peak – 15.9% in February 2020)

Source: CIRA; NBU, State Statistics Service of Ukraine, S&P, Fitch, Moody's.

1. Context and the subject of this assessment

With the introduction of martial law on 24 February 2022, the National Bank of Ukraine fixed the official exchange rate [36] and imposed a set of FX restrictions (NBU Board Resolution No. 18) that in effect closed off free capital exit from the country for foreign investors (hereafter the FX restrictions, or capital controls). Together with external official financing, these measures helped hold international reserves (\$30.9bn at end-2021, a low of \$22.4bn in July 2022, \$28.5bn at end-2022) [35] and were consistent with the IMF's position on the temporary role of outflow restrictions in a crisis.

The subject of this study is a quantitative estimate of how much of the fall in foreign investment was caused by the restrictions rather than by the war, and what that costs the budget and critical sectors.

2. The perimeter of the restrictions and the accumulated queue

Resolution No. 18 is built on the principle that everything is prohibited except what is permitted: cross-border currency transfers are banned, except for transactions on a defined list (paragraph 14) [53]. Permissions for the investor appeared gradually. From 13 May 2024 dividends may be repatriated, but within a cap of EUR 1 million per month per company and only out of the profit of recent years: initially profit earned from 2024, and from 6 August 2025 the cut-off was moved back to the start of 2023 [53]. Two permissions were later added for those bringing new funds into Ukraine: the "investment limit" (from 12 May 2025) and the "loan limit" (from 14 January 2026) – the right to transfer abroad approximately as much as the company has brought in as new capital or new borrowing [53].

A non-resident may enter domestic government bonds (OVDP) and receive the coupon, but has no guarantee of recovering the principal: no general exemption permitting the conversion and transfer abroad of proceeds from redemption or sale was identified in the regulation in force. This asymmetry – entry is possible, guaranteed exit is not – is the price of the regime, and the investor assesses it before entering. By international standards Ukraine sits at the most closed end of the scale: the normalised Chinn-Ito index of capital account openness equals 0.000 (zero being fully closed capital movement, one fully free), while the overall outflow restrictions index of Capital Control Measures: A New Dataset (Fernández, Klein, Rebucci, Schindler, Uribe – FKRSU) (one meaning that all types of transaction are restricted) already stood at 0.95 in 2019 – the highest among the comparators [55; 56].

The exit queue: \$47bn on the NBU's own estimate. The restrictions do not cancel obligations – they accumulate them. The National Bank puts pent-up demand for foreign currency under transactions currently subject to the restrictions at approximately \$47bn for 2026–2027; of that, about \$19bn is payments already past due [63]. The main components of the queue:

- “old” external corporate loans (drawn before the cut-off dates set by the NBU): principal – \$22bn, of which \$13bn is past due; interest – \$6bn, past due in full;
- unpaid dividends: \$9bn for companies, \$2bn for banks;
- payment for imports delivered before the invasion (“old” customs declarations) – \$3bn;
- corporate eurobonds – \$3bn; banks’ transactions – \$1bn.

This queue does not disappear of its own accord: either the state clears it in a managed way, or it hangs as an open-ended obligation that a prospective investor sees and builds into the price. The queue holds both Ukrainian debtors unable to pay abroad and foreign investors unable to take out what they have earned.

The easings in force do not clear the queue. The permissions for “new money” are little used: of the limits accumulated (across the two combined) of \$1,271m, \$707m has been used and \$564m remains available [63]. The issue is not an absence of demand but the design of the permission: the loan limit applies only to new loans from abroad drawn after the date set by the NBU, at a rate no higher than 12% a year, with all transactions routed through a single servicing bank and only for five types of payment [63]. Against a queue of \$47bn, the \$707m used is a vent rather than a door. The 2026 easings are likewise largely technical: settlement deadlines for certain export goods have been extended (from 180 to 270 days), and transfers to pay customs charges in the EU have been permitted after the European Union abolished the EUR 150 duty-relief threshold [71]. For investment capital the regime is essentially unchanged.

3. Methodology: how the war and the restrictions are separated

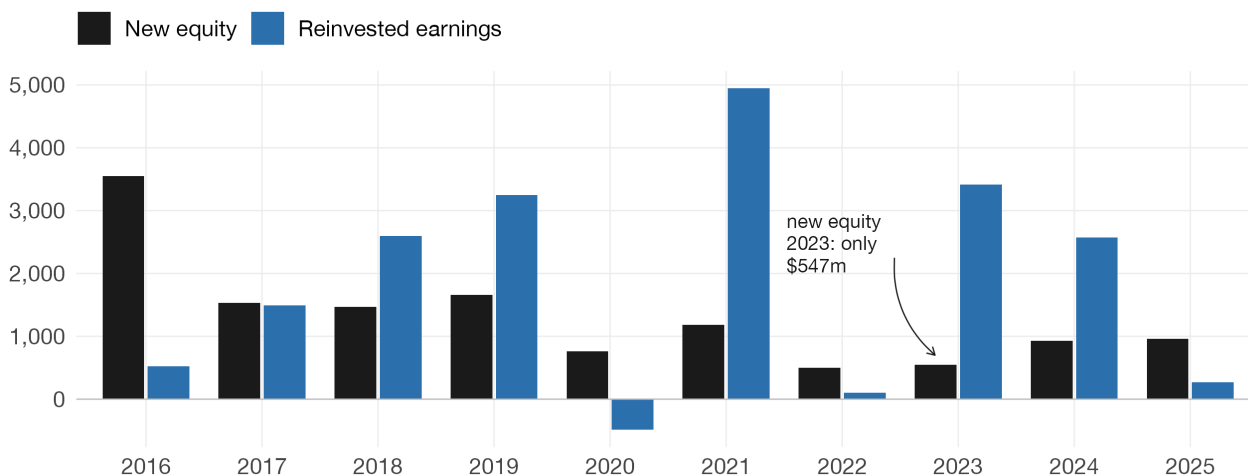
The war distorts any direct comparison, so this study offers no complete causal proof. It addresses three tasks instead. First, it measures the **gross gap** – everything forgone under the war and the restrictions jointly. Second, it presents signs that part of the gap is created by the restrictions themselves (Section 5). Third, for each component it sets an **attribution weight** – a conservative value, substantiated in Sections 4–5 and summarised in Table 1 – and multiplies the gross gap by it; the product is the **contribution of the restrictions**. No estimate is constructed so that the entire gap falls on the restrictions.

4. Forgone capital and additional budget costs

Foreign direct investment. Pre-war new equity investment (averaging \$1,555m a year over 2017–2019) fell to \$498m, \$547m, \$932m and \$962m in 2022–2025 – a gross shortfall on this narrow measure alone of about \$3.3bn (Exhibit 1) [33]. The year 2023 is telling: the entire foreign direct investment headline of \$4.47bn was 76% reinvested earnings, while new equity investment came to just \$547m – new entries compressed to a minimum. This is not an investment decision but accounting mechanics: the share of profit paid out as dividends fell from a pre-war 0.52 to 0.10, and blocked profit was automatically recorded under reinvested earnings (the BPM6 balance-of-payments identity) [33]. The headline was held up by funds that could not be taken out. The full shortfall in direct investment across all components is estimated by the synthetic control in Section 5 – about \$19bn; that is the figure carried into the summary. Compulsorily retained profit is not a “saved” resource: under such restrictions companies operate below efficient scale and borrow more expensively [25], and profit stays where it was earned rather than where the return is highest [27].

Direct investment: new capital collapses, reinvested earnings inflate the headline

Inward foreign direct investment (liabilities), US\$m



Source: CIRA; NBU, balance of payments.

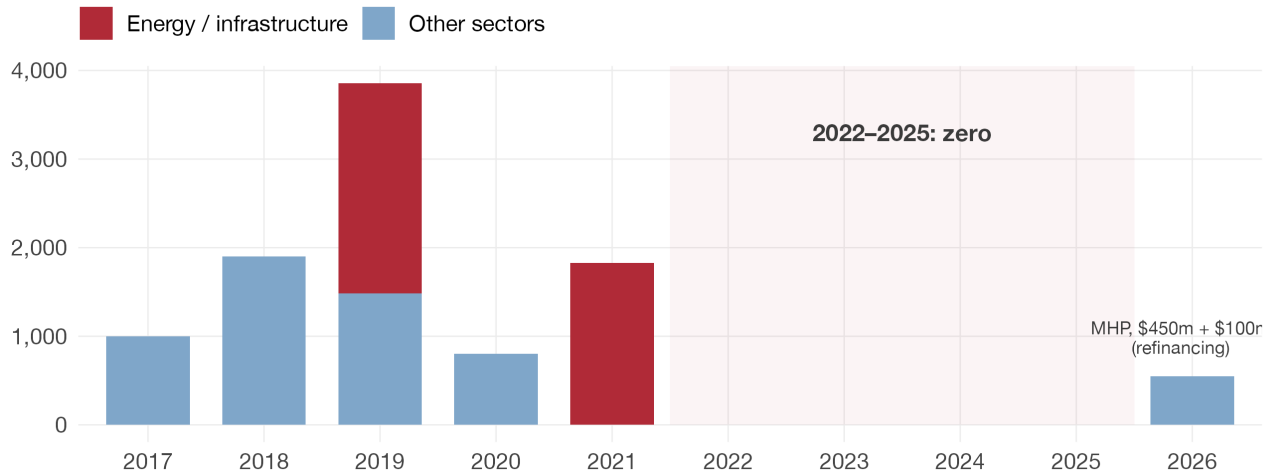
Exhibit 1. The structure of foreign direct investment: new equity investment against reinvested earnings

Corporate FX financing. Before 2022 Ukrainian companies raised an average of about \$1.9bn a year through eurobonds on international markets, of which about \$0.84bn was energy and infrastructure (Ukrenergo, Naftogaz, DTEK) [52]. After 24 February 2022 there were no new placements until MHP's issue in January 2026 (\$450m plus a \$100m tap; refinancing) (Exhibit 2). The gross shortfall over 2022–2025 is about \$7.5bn (calculated on annual data without rounding), of which energy and infrastructure account for about \$3.4bn; excluding refinancing, “new money” is about \$6.0bn [52]. Part of this shortfall was not created by the restrictions: over 2022–2024 the sovereign and the largest issuers (Naftogaz, Ukrenergo, DTEK) were going through debt restructurings, so the market would have been largely closed even without Resolution No. 18. CIRA therefore attributes only half of this shortfall to the restrictions (an attribution weight of 0.50 in Table 1).

These \$7.5bn do not overlap with the foreign direct investment gap, so the two magnitudes are additive without double counting. Quasi-sovereign issues were structured outside the direct investment perimeter: Naftogaz borrowed through an orphan special purpose vehicle, Kondor Finance plc, whose shares are held by a trust administrator – which is why its loans are classified as other investment – while Ukrenergo placed its paper directly, and that is portfolio investment [52]. Private groups issued through parent holding companies which, under standard issue terms, pass the proceeds to the group's Ukrainian companies as intragroup loans; only those loans would enter the debt instruments of direct investment. On a net basis this component is close to zero: on NBU statistics it averaged –\$0.06bn a year over 2016–2021, precisely when companies were raising \$1.9bn a year on the bond market, and over 2022–2025 it came to just +\$0.05bn in total [33].

The international bond market: about US\$1.9bn a year → zero

Corporate and quasi-sovereign FX eurobonds, US\$m (equivalent)



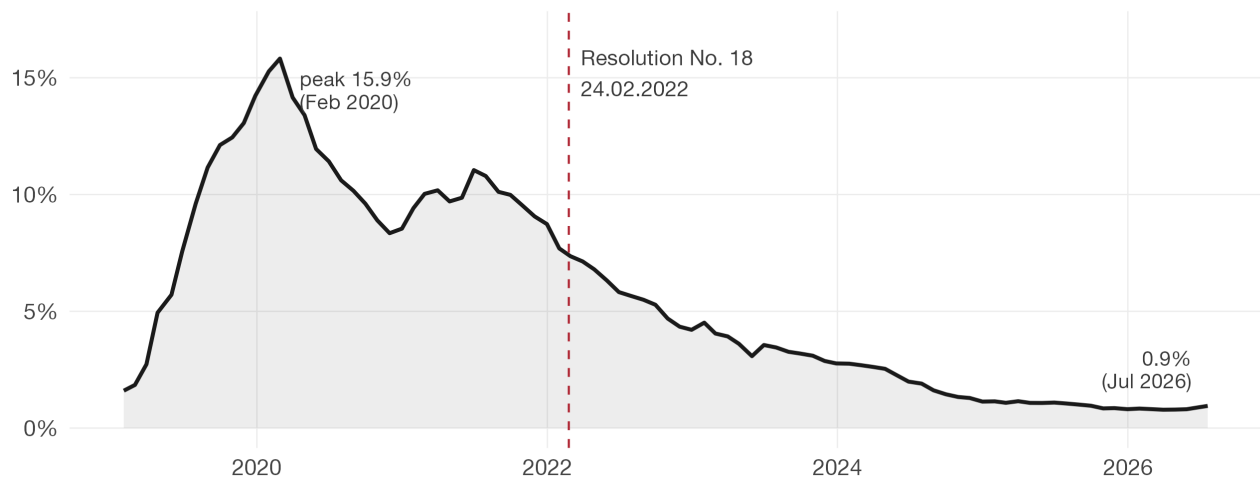
Source: CIRA; issuer prospectuses and disclosures.

Exhibit 2. Placements by Ukrainian companies on the international bond market

The budget. The non-resident share of domestic government bonds fell from a peak of 15.9% (\$5.25bn, February 2020) to 8.7% on the eve of the invasion and 0.9% (\$0.39bn) at end-June 2026 (Exhibit 3) [34]; the recovery in 2021 (from UAH85bn to UAH92.6bn) shows that the pre-war trend was not a declining one. Without non-resident demand the state borrows in hryvnia more expensively; by how much is calculated in Section 7 (for 2022–2025 the central estimate is about \$2.8bn).

Non-resident holdings of domestic government bonds: a regime break, not a trend

Share of total domestic government bond holdings, monthly data



Source: CIRA; NBU, Depositary.

Exhibit 3. The non-resident share of domestic government bonds

5. Attribution: how much of this the restrictions create

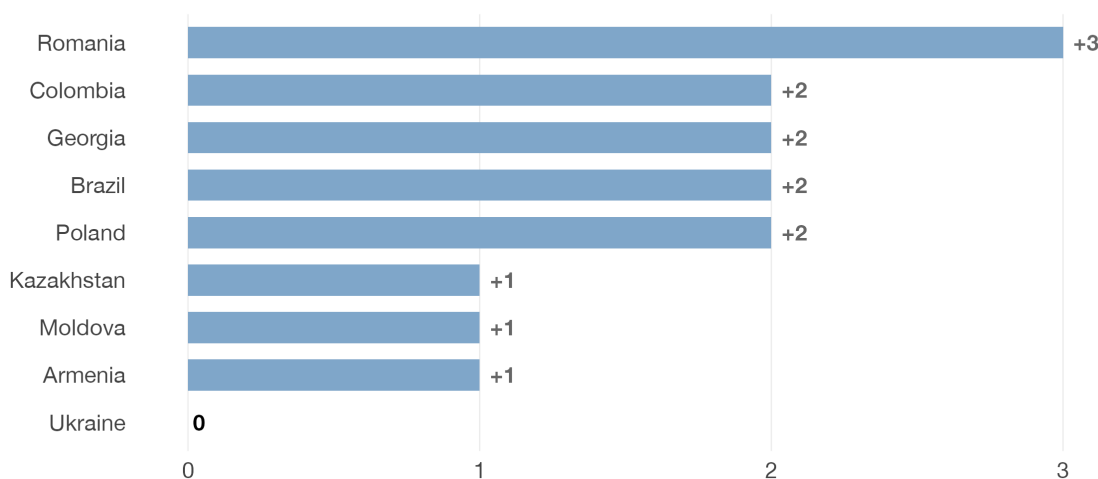
The war and the restrictions created the gap jointly. Two independent signs point to the contribution of the restrictions: the price sign – how the rating agencies and the insurance market assess inconvertibility risk – and the stated sign – how investors themselves assess it.

The price sign: zero transfer and convertibility (T&C) uplift. The T&C assessment is the level above which a rating agency will generally not rate a country's non-sovereign borrowers; it reflects the risk

that the state will block the conversion and transfer of foreign currency – precisely the risk created by Resolution No. 18. In 101 of 143 sovereigns S&P's assessment sits above the sovereign rating; Ukraine is among the 42 with no uplift (Exhibit 4) [37; 39]. The price of a single notch is given by the published sovereign default spread scale by rating: the step between adjacent notches at this level of the scale is about 85 basis points ('CCC+'/'Caa1' – 637; 'B-'/'B3' – 552; 'B'/'B2' – 467; 'B+'/'B1' – 383) [69]. For the central scenario CIRA takes two notches – this is not an assumption of its own but the agencies' own standing ceilings: Fitch maintains a Country Ceiling for Ukraine of 'B-', two notches above the foreign-currency rating of 'CCC' (the first notch is the ceiling model's anchor, the local-currency rating of 'CCC+'; the second is a qualitative adjustment by the rating committee under the balance-of-payments restrictions pillar) [40; 41; 42], while Moody's maintains its ceiling one notch above the rating [43; 44]. Two notches is also the median for speculative-grade sovereigns that receive an uplift. Hence the scenarios of 85–170–254 basis points; S&P's methodology does not permit more than three notches [38].

T&C uplift: Ukraine against comparable sovereigns

Transfer and convertibility uplift above the sovereign rating, notches (S&P)



Source: CIRA; S&P Global Ratings. Ukraine is among 42/143 sovereigns with zero uplift.

Exhibit 4. T&C uplift against comparable sovereigns

The stated sign: investor surveys. 78% of the executives surveyed consider that restrictions on FX transactions have a negative effect on Ukraine's investment attractiveness (European Business Association, 2025 wave; 81% in 2024) [45]; the question was put separately from war and security. In the American Chamber of Commerce survey (June 2026) FX restrictions are not the principal current obstacle (19% against 82% for staff safety), but easing repatriation restrictions ranks sixth among expectations of the government (18%) [64]. Both surveys cover companies already operating in Ukraine; the deterrence of new capital that never entered is measured not by surveys but by the price signs set out above.

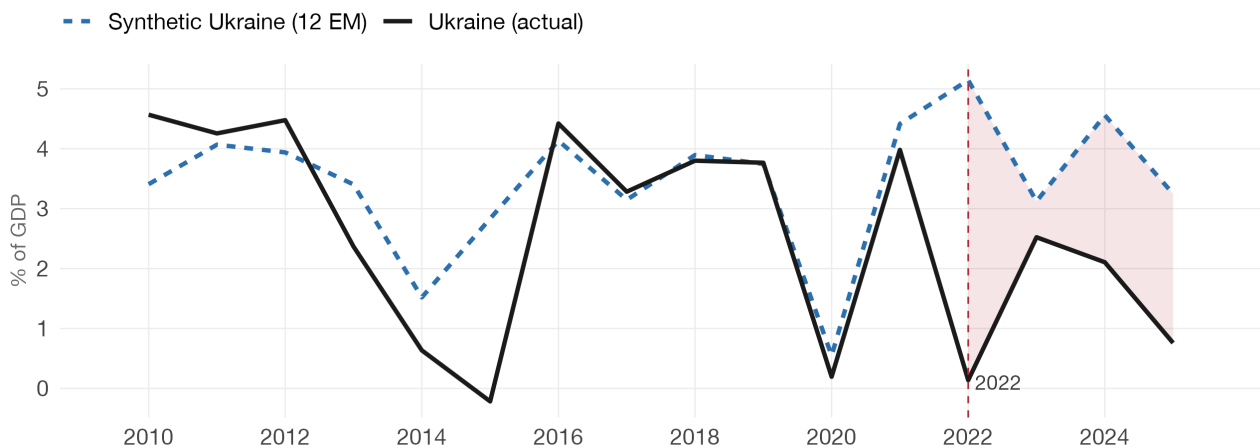
How much this risk adds to the cost of capital. The country risk premium comprises a financial part (sovereign default, inconvertibility and the prohibition of transfer) and a physical part (destruction, expropriation). The restrictions raise only the first; physical war risk does not depend on them, so the premium of 85–254 basis points is removed neither by victory nor by reserves, but only by lifting the restrictions. That this risk is real and separately priced is visible in the insurance market: MIGA covers inconvertibility and transfer restriction as a distinct risk category (the trigger being an act or omission of the state; currency depreciation is not covered) with an average premium of about 1% of the insured sum a year across all countries and cover types [70] – the same order of magnitude as the premium calculated here. At the same time, 170 basis points is a scenario magnitude calibrated on rating ceilings, not a measured effect on domestic government bond yields: the T&C assessment concerns the foreign-currency debt of non-sovereign borrowers, and carrying it across to hryvnia-

denominated domestic government bonds is a calibration by proxy, which is why this research report presents all derived magnitudes as scenario ranges.

The synthetic control: the full measure of the investment shortfall. The method constructs a “synthetic Ukraine” – a weighted combination of comparable countries which, up to 2022, most closely reproduced Ukraine’s direct investment trajectory [13]. The difference after 2022 is the estimate of the cumulative shortfall: about \$19bn over 2022–2025 on a sample of twelve countries, cleaned of relocation-driven capital inflows from Russia; Ukraine is the largest deviation in the sample (Exhibit 5) [47]. This is the joint effect of the war and the restrictions. CIRA sets the attribution weight for direct investment at 0.20 – the lowest of the three components – for two reasons. First, decisions about physical assets are dominated by the war: in the American Chamber of Commerce survey security factors are named four times as often as FX ones (82% against 19%). Second, this is a deliberate lower bound: the conclusions of this research report must hold even under the harshest scepticism about attribution. The price and stated signs indicate that the actual share is higher, so CIRA treats 0.20 as a floor: at any higher share the contribution of the restrictions only increases.

Synthetic control: cumulative direct investment gap ≈ US\$19bn

Foreign direct investment, net inflows, % of GDP. The gap after 2022 – war and policy jointly



Source: CIRA; World Bank Open Data (2025: Ukraine – calculated on NBU data; Croatia and Türkiye – 2024 values). Rank 1/13; pseudo p-value 0.077.

Exhibit 5. Synthetic control: the foreign direct investment gap, 2022–2025

Verification. The \$19bn estimate has been checked against an alternative econometric method and a placebo test, and compared with international studies of the effect of liberalisation [5; 29]: all approaches converge on a magnitude of \$12–21bn. This is a robust estimate of scale, not a precisely measured value; the methodological detail of the checks is in Section 11.

From the gross gap to the contribution of the restrictions. The summary is assembled in Table 1: gross gap × attribution weight = contribution of the restrictions (Exhibit 6). Forgone capital and additional budget costs are magnitudes of different kinds, so their gross amounts are not summed; only the contribution of the restrictions is summed, as a monetary measure of the losses.

Table 1. The gross gap and the contribution of the restrictions, 2022–2025

Component	Gross gap	Attribution weight	Contribution of the restrictions
Foreign direct investment	\$19.0bn	0.20	\$3.8bn
Corporate FX financing	\$7.5bn	0.50	\$3.8bn
Total forgone capital	about \$26.5bn		about \$7.6bn
Additional debt-service costs (scenario, central estimate)	\$2.8bn	0.50–1.00	\$1.4–2.8bn
Total contribution of the restrictions			about \$9–10bn

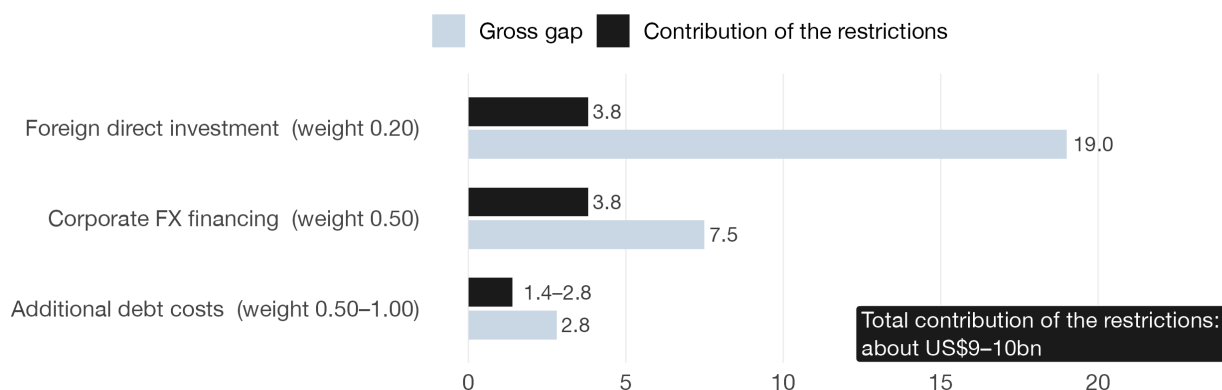
Source: CIRA; NBU, S&P Global Ratings, World Bank Open Data.

For the budget component the upper bound of the weight is one, and this is not an overstatement: by construction the T&C assessment measures precisely the risk of a prohibition on conversion and transfer, that is, the action of policy. CIRA holds the lower bound at 0.50 out of caution, for two reasons: the rating assessment does not show how much of the zero uplift is accounted for by the restrictions themselves and how much by the war and institutional factors; and carrying the premium from the ceiling for companies' foreign-currency debt across to the yield on hryvnia-denominated domestic government bonds is a calibration by proxy rather than a direct measurement. The greater the share of policy in the zero uplift, the closer the contribution lies to the upper bound of \$2.8bn. The estimate of the gross gap is, if anything, understated: compulsorily retained profit is recorded as reinvested earnings and artificially raises the reported direct investment figures.

The contribution of the restrictions: about US\$9–10bn

Cumulative 2022–2025, US\$bn. The gross gap is the joint effect of war and restrictions; contribution = gross gap × attribution weight.

Capital and additional budget costs are of different kinds; gross amounts are not summed



Source: CIRA; NBU, S&P Global Ratings, World Bank Open Data. Additional debt costs – scenario estimate (Section 7).

Exhibit 6. The gross gap and the contribution of the restrictions

6. What the restrictions switch off: the investment engine of recovery

The premium in the cost of capital is the static part of the price. The dynamic part is that the restrictions switch off the channel through which a recovery normally begins: investment and equity prices turn before GDP does [1]. For Ukraine this channel is documented: construction is more volatile than GDP (a standard deviation of about 18% against 8%), and the assets of collective investment institutions grew from UAH106bn to UAH496bn over 2010–2021 [2]. Equity market liberalisation has historically delivered an investment boom [4] and a lower cost of capital with a temporary acceleration in growth [3; 5; 6]; stock market development is a leading indicator of economic growth [7]. The restrictions close this channel off – there is no foreign portfolio investment, the eurobond market is

shut (Section 4), and capital for real estate and infrastructure is trapped – at precisely the moment when reconstruction needs the strongest investment boom.

The price in asset values. A reduction of 170 basis points in the cost of capital raises the present value of cash flows by approximately 13% (a range of 9–17%; up to 26% at 254 basis points) – and mirror-wise: the restrictions hold the value of Ukrainian assets 12–21% below where it would be without them (the same increase of 13–26%, restated as a discount from the higher base) [18]. The discount is not irreversible: after liberalisation, shares that became available to the foreign investor appreciated by 15.1% on average [30]. In the literature the net effect of opening is more modest (5–75 basis points [17]); the Ukrainian premium is higher because it adds inconvertibility and trapped profit.

The ceiling weighs on real investment. Ceiling-bound firms cut net investment by about 6.3pp more than firms not bound by it [28], and capital controls widen corporate bond spreads – by up to 35 basis points per standard deviation of the restrictions index (estimated for inflow restrictions, so for Ukraine this is evidence of the mechanism, not of the magnitude) [31]. Ukraine's T&C assessment sits at the level of the sovereign, that is, it binds to the maximum – this is the micro-mechanism behind the shortfall in corporate financing set out in Section 4. Illustratively: the difference of 6.3pp applied to a notional capital base of ceiling-bound firms of \$10–15bn is \$0.6–0.9bn of forgone investment a year.

The other side. The restrictions also insulate the economy from the global financial cycle, sudden stops and the collateral channel [8; 9; 10; 11; 12]. But that insulation protects above all against short-term speculative capital, whereas reconstruction needs long-term equity and infrastructure capital [14] – which sudden stops hit least and the restrictions deter most. The conclusion is therefore not to “open everything” but to open up for new capital with a guaranteed right of exit, while retaining the safeguards against “hot money”.

7. The impact on the budget

The principal fiscal effect is the saving on servicing hryvnia debt once non-residents return to the domestic government bond market. The base is the hryvnia-denominated segment of UAH1,834bn (out of UAH1,978bn of total domestic government bond debt): non-residents buy hryvnia paper. Every 100 basis points of yield reduction is worth about UAH18bn a year; the scenarios by T&C uplift are set out in Table 2 (Exhibit 7).

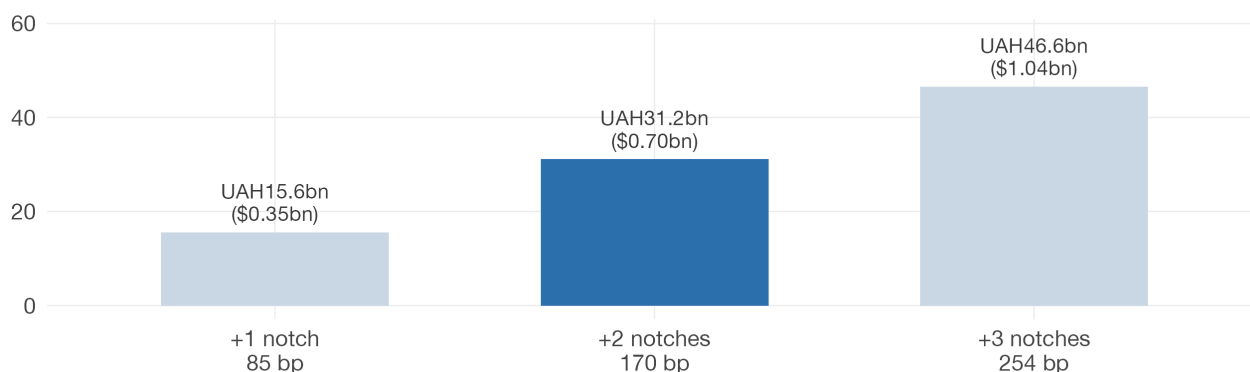
Table 2. Annual debt-service savings by T&C uplift

T&C uplift	Yield reduction	Annual saving (hryvnia-denominated segment, UAH1,834bn)
+1 notch	85 basis points	about UAH16bn (\$0.35bn)
+2 notches (central)	170 basis points	about UAH31bn (\$0.70bn)
+3 notches	254 basis points	about UAH47bn (\$1.04bn)

Three qualifications. First, about a third of the hryvnia-denominated segment (UAH656bn) is held by the NBU itself, and a return of non-residents does not touch that paper. Counted only on the market-held stock (about UAH1,178bn), the central saving is about UAH20bn a year; Table 2 therefore shows an upper bound. Second, the saving comes gradually, as the debt is refinanced. Third, the four-year estimate of \$2.8bn (2022–2025) is an illustrative extension of the annual scenario over four years at the debt stock and the exchange rate as at mid-2026; it is an estimate of magnitude, not measured historical costs. In the wider context, the current regime is “reverse financial repression”: classic repression yields the state implicit revenue of about 2% of GDP by compelling domestic creditors to hold debt at a below-market rate [22; 23]; the Ukrainian restrictions work in the opposite direction – by cutting non-residents out they make debt more expensive by approximately 0.3% of GDP a year.

Debt savings from removing the restrictions: UAH16–47bn a year

Annual saving by T&C uplift, hryvnia segment of domestic government bonds; central case – +2 notches



Source: CIRA; NBU, Depository. Calculation: UAH1,834bn × yield reduction. The effect accrues gradually, over the debt refinancing cycle.

Exhibit 7. Debt-service savings from removing the restrictions

What each further year of the regime costs. The annual growth effect accumulates: the growth forgone this year does not come back and lowers the base for every subsequent year, so the bill rises faster than linearly. International research shows that removing the restrictions accelerates growth, but the estimates of the magnitude differ [5; 20; 6; 21]. CIRA therefore computes three scenarios – from a restrained +0.3pp a year to an upper +1.0 – and presents the losses by horizon: one, three, five or, as a technical limit, ten years (Table 3).

Table 3. Losses depending on how much longer the regime remains in place

If the regime lasts another	Forgone GDP (+0.3 / +0.5 / +1.0pp)	Forgone tax revenue (27–30%)	Additional debt costs (central)
1 year	\$0.6 / 1.1 / 2.1bn	\$0.2–0.6bn	\$0.7bn
3 years	\$3.9 / 6.4 / 12.9bn	\$1.0–3.9bn	\$2.1bn
5 years	\$9.6 / 16.1 / 32.1bn	\$2.6–9.6bn	\$3.5bn
10 years	\$35 / 59 / 118bn	\$9–35bn	\$7.0bn

Source: CIRA. Forgone GDP: \$214.2bn × the increment to the growth rate × cumulated years (1+2+...+N), undiscounted; tax revenue – from the minimum scenario × 27% to the maximum scenario × 30%; debt costs – linear at the central scenario of \$0.70bn a year.

The tax share is taken from the IMF's baseline scenario: tax revenue excluding social contributions – 26.9% of GDP in 2021, 28.4% in 2025 and about 30% thereafter [60]. Theory, too, caps the upper bound of the annual gain: the permanent gain from full financial integration is put at approximately 1% of consumption – at the current level of private consumption that is up to \$1.5bn a year [24]. The theoretical bound is close to the central scenario, while the upper +1.0pp deliberately goes beyond it – which is why it is presented only as a scenario. The empirical estimates of the acceleration are documented over horizons of about five years, so the “10 years” row in Table 3 is a technical extrapolation beyond that research. These values are scenarios, not a forecast.

For scale. The annual saving under the upper scenario (UAH47bn) is approximately the annual budget of the State Emergency Service of Ukraine (UAH46.1bn in 2026) [67]. The contribution of the restrictions of \$9–10bn is \$610–680 for every Ukrainian household; the estimate is a lower bound, because the denominator taken is the pre-war number of households (14.7m, 2021) [68].

Why forgone tax revenue does not add to the total. Forgone investment also means forgone corporate income tax, and this channel is real: enterprises with foreign capital paid UAH31.8bn of corporate income tax into the State Budget in 2024 and UAH23.3bn in 2023 (code 11020300 –

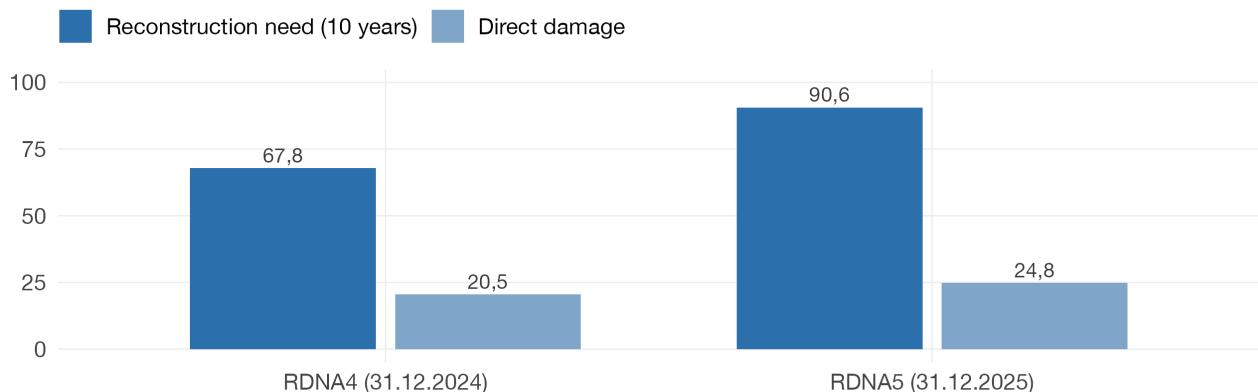
enterprises established with the participation of foreign investors – and code 11020500 – foreign legal entities; an administrative benchmark, not a statistical definition of foreign direct investment) [72]. At the pre-war rate of return on direct investment – 10.3% a year on average over 2016–2020, excluding the 2021 spike in payouts [33] – the forgone volume of investment costs the budget about \$0.4bn of corporate income tax a year on the gross gap and about \$0.1bn on the contribution of the restrictions (the rate is 18%; balance-of-payments income is recorded net of tax, so the base is restored to pre-tax profit) [54]. This amount is excluded from the total for a methodological reason, not out of doubt about it: this study already counts the tax loss by translating forgone GDP into tax revenue at a share of 27–30% (Table 3), and corporate income tax is a component of those very 27–30%; a separate line would mean counting the same money twice over the scenario horizon, while for 2022–2025 the exclusion is a deliberate choice in favour of a conservative total. The estimate cited plays a different role – it independently corroborates the magnitude of the tax channel, and leaving it out keeps the total conservative. Two further amounts remain outside the total, each for its own reason: withholding tax on dividends (15% under the general rule, from 5% under double taxation treaties [54]) accompanies every release of trapped profit – on the gross volume of the war years that is about \$0.19bn at an assumed effective rate of 10% – but this is tax deferred, not tax lost; the indirect tax on the increment to GDP (about \$0.05bn) is a model quantity with no independent evidentiary weight.

8. Critical sectors: energy and defence

The energy reconstruction need under RDNA5 (February 2026) is \$90.6bn over ten years (RDNA4 – \$67.8bn), with direct damage of \$24.8bn [48; 49]; the nearest-term need to close the capacity deficit is, on the International Energy Agency's estimate, \$13.4bn (gas turbines) or \$15.5–23bn (renewables with storage) (Exhibit 8). Before 2022 it was above all energy-sector companies that opened the foreign-currency debt market: Ukrenergo (\$825m, 2021), Naftogaz (\$500m, €600m, \$335m), DTEK Renewables (€325m) [52]. After 2022 not a single energy company has returned to the market (the only placement being MHP's refinancing, in agriculture). The restrictions deprive energy of private foreign-currency financing precisely when it needs about \$90bn.

The energy reconstruction need: about US\$91bn over ten years

Damage and needs assessment (RDNA), US\$bn. The private FX financing channel is closed



Source: CIRA; RDNA (World Bank, Government of Ukraine, European Commission, UN).
Pre-war private FX issuance by the sector ≈ US\$0.84bn a year → 0.

Exhibit 8. The energy reconstruction need

In defence technology the Brave1 cluster has brought together more than 3,500 projects; foreign investment is growing, but from an ultra-low base (about \$105m in 2025 on Brave1's estimate; \$129m of investment and grants on the Kyiv School of Economics' estimate) [61]. For the commercial venture capital capable of scaling the sector, a guaranteed right of exit remains a key condition; at the same time, none of the sources cited links a specific investment directly to the operation of the restrictions, so here CIRA confines itself to noting the insufficiency of the data.

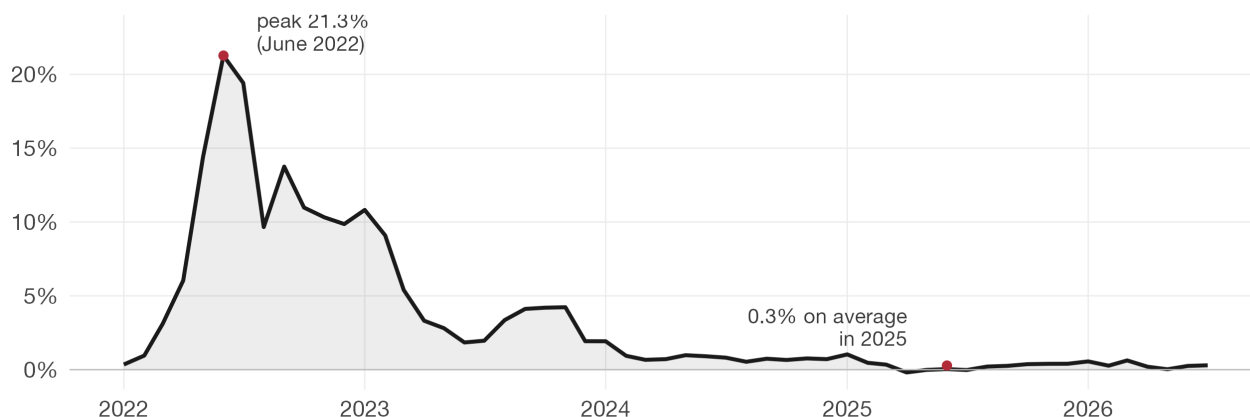
9. The arguments against removal – and the responses

The arguments in favour of the current regime relate above all to 2022: the restrictions helped hold reserves in the most acute phase (Section 1), which is consistent with the IMF's Institutional View [57], under which restrictions on outflows are a temporary crisis instrument; of the Ukrainian measures the Fund noted at the time that they "appear appropriate in the very short term" [58]. Conditions have changed since: reserves at end-2025 stood at 129.3% of the IMF's composite reserve adequacy metric and 5.6 months of imports, with a projection for end-2026 of \$65.5bn [60], and the subsequent growth in reserves ran in parallel with a gradual easing of the restrictions. The most common objections to removal are worth taking one by one.

1. **"Reserves are not that solid: in June 2026 Ukraine missed the net international reserves criterion."** True, the IMF recorded the miss and granted a waiver, linking the deviation to the war in the Middle East and a temporary increase in interventions [60]. But this concerns net reserves on the programme definition; gross reserves rose 12.1% in June, to \$51.3bn [35], and adequacy remains above the 100% threshold.
2. **"The IMF advises caution – so let us defer."** The Fund's position is caution, not prohibition: the programme contains no structural benchmark on FX liberalisation, and the only commitment in force is not to introduce new restrictions [60]. The Ukrainian side has itself undertaken to complete, by the end of August 2026, a stocktaking of FX measures – to satisfy itself that they "remain effective in the aggregate" [60]; the Fund separately records that current account operations have largely been restored, while liberalisation of the capital account remains limited [60]. The question of effectiveness is already on the agenda; this research report adds the dimension of cost.
3. **"The \$47bn queue will exhaust reserves."** That is precisely why CIRA proposes not a one-off release of the overhang but its auction-based clearing in managed tranches, separately from the regime for new capital (Section 10). The queue does not shrink through inaction (Section 2). Nigeria cleared airlines' blocked funds from \$850m to about \$19m within a year of unifying the FX market [65] – trapped capital exits quickly once a mechanism exists (the clearing took place against the background of a deep depreciation of the naira, so the example demonstrates the speed of the mechanism, not the painlessness of exchange rate policy).
4. **"Easing has been tried already – no new capital came."** This is the NBU's own observation: the "traditional" measures "provided limited stimulus to the inflow of new capital" [63]. But it tells against the method, not the objective: widening quotas within a permission-based regime does not give an investor confidence in exit – only a separate regime with a guarantee does that.
5. **"Blocked profit is not lost – it is invested in Ukraine."** The NBU does indeed note that the restrictions lead to an accumulation of resources which "are used for investment" [66]. Part of these funds does work. But compulsorily retained capital is not free: it is deployed where it was earned rather than where the return is highest [27], companies operate below efficient scale [25], and the very fact of blocking, which the next investor observes, raises the cost of capital for everyone and holds the value of Ukrainian assets 12–21% lower (Sections 5–6).
6. **"Removal will destabilise the exchange rate."** Historically, liberalisation did not raise the volatility of equity returns, while exchange rate and inflation volatility even declined [19]; managed removal on an announced timetable serves as a signal of confidence, which historically turned outflows into inflows [26]. The domestic signal points the same way: the cash-market premium over the official exchange rate, which reached 28% at its 2022 peak, averaged 0.3% in 2025 (Exhibit 9) – the tension for which the restrictions were introduced has lapsed.

The cash-market premium has lapsed to nothing

Excess of the weighted-average cash sale rate at bank tills over the official rate, monthly averages. The tension for which the restrictions were introduced has lapsed



Source: CIRA; NBU, weighted-average cash FX market rates and the official rate.
 Authorised banks' tills are the legal retail market, so this is a lower bound on the true 2022 premium.

Exhibit 9. The cash-market premium: the crisis signal has lapsed

None of the six objections restores the justification of 2022. What remains a permanent burden is the forgone investment, the premium in the cost of capital and the closed foreign-currency market for critical sectors; reserves and war insurance do not lift that burden, because it is non-physical and created by policy (Section 5).

10. Recommendations

CIRA recommends the phased, managed removal of the restrictions – on Iceland's tested model, with a clear separation of new and old capital:

- Stage 1 (immediately): "new money".** Capital entering after the opening date is credited to segregated accounts with a guaranteed right of free exit. The existing "loan limit" mechanism (Section 2) is extended from loans to portfolio and equity investment.
- Stage 2: clearing the "old" capital.** The NBU periodically auctions a pre-limited volume of foreign currency; holders of trapped hryvnia funds bid for exit on a competitive basis – as a rule, at a discount to the official exchange rate. The NBU controls the pace and the aggregate volume, so the overhang is reduced in a managed way rather than through a single outflow.
- Stage 3: full convertibility** – on sustained compliance with the thresholds (reserves above five months of imports, the ARA metric above 100%). Grounds for a pause at any stage: reserves below three months of imports, or a sustained decline in the ARA metric below 100%.

Why this is safe. "New money" creates its own foreign-currency cover: the guarantee of exit is limited to the volume of currency that this capital brought in, so the net burden on reserves is limited and known in advance. The specific mechanics – custodial accounts, the conversion procedure, the alignment of maturities – are for the NBU's regulatory design to determine. The old portfolio capital that could exit simultaneously with the launch of Stage 1 is small: \$0.4bn in non-resident holdings of domestic government bonds – less than 1% of reserves; even a complete one-off exit would reduce coverage on the adequacy metric by less than one percentage point (the level of the metric at end-2025 was \$44.3bn: against it, June reserves of \$51.3bn give about 116%, while the May low of \$45.7bn gave about 103%; the 129.3% figure in the key indicators is calculated on reserves at end-2025). This is a sensitivity at an unchanged level of the metric: the actual metric for 2026 is set by the IMF on updated data, and on the Fund's projection coverage at end-2026 will be about 129%. The overhang of undistributed profit for 2023–2024 (about \$1.9bn) has already been cleared through payments in 2025 and the first quarter of 2026 without pressure on reserves, and at an even slower

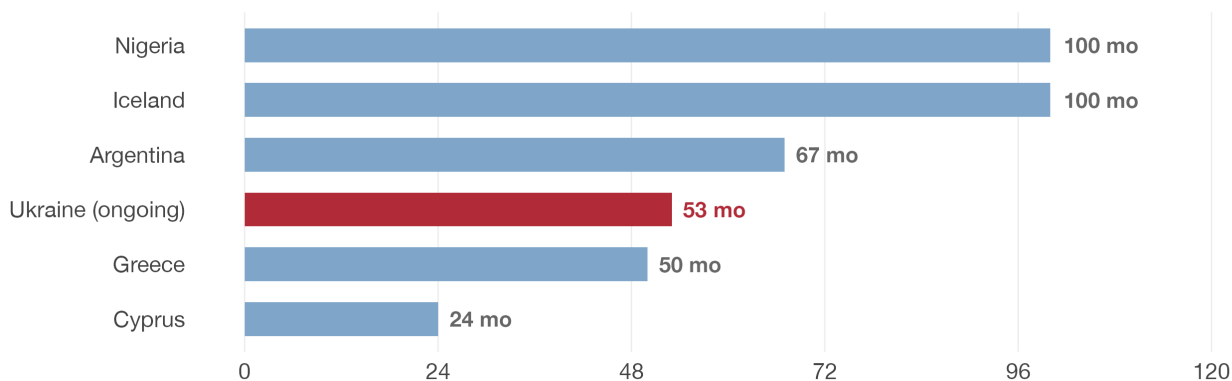
pace than the IMF expected [46]: managed release has been tested in practice. The wider \$47bn queue (Section 2) belongs to Stage 2 and exits in auction tranches against available reserves. And the outflow that was feared already happened, in 2022: the non-resident share of domestic government bonds fell from 8.7% to 0.9%, reserves passed through a low of \$22.4bn and rose to an all-time high of \$57.7bn in January 2026.

The moment for a decision is now. By the end of August 2026 the Ukrainian side is to complete a stocktaking of FX measures agreed with the IMF, and is already assessing amendments to the laws “On Currency and Currency Operations” and “On the National Bank of Ukraine” for the gradual removal of wartime restrictions [60]. A ring-fenced regime for new capital is a natural candidate for that package: it requires neither a change in exchange rate policy nor the unblocking of old capital, and so contradicts no commitment under the programme. The preconditions are met: reserves above five months of imports, the exchange rate in a managed flexibility regime, and an IMF Extended Fund Facility programme of \$8.1bn in operation (the first review was completed on 20 July 2026, with \$690m disbursed) [60]; the direction coincides with the NBU’s 2023 FX Restrictions Easing Strategy [59]. More than the current losses is at stake: every year of restrictions defers the private financing of reconstruction (\$587.7bn [48]).

How long such regimes last. Restrictions are introduced as a temporary measure: Cyprus held them for 24 months, Greece for 50, Argentina for 67 (until partial removal in 2025), Iceland and Nigeria for about 100. Ukraine, as at July 2026, is at 53 months – longer than the entire Greek episode (Exhibit 10). None of these countries was waging a full-scale war, so what is being compared is not the occasion for introduction but the dynamics of exit: in none of these episodes did exit trigger a new currency crisis.

Ukraine has had restrictions longer than the entire Greek episode lasted

Duration of capital controls, months (Ukraine – as at 26.07.2026)



Source: CIRA; central banks of Cyprus, Greece, Iceland and Nigeria, BCRA, ESM, NBU.

None of the comparable countries was waging a full-scale war: the comparison concerns the dynamics of exit, not the circumstances of introduction. Argentina – partial removal in April 2025.

Exhibit 10. The duration of restrictions: Ukraine against comparable episodes

Iceland: what this looks like in practice. After the 2008 collapse, the overhang of foreign capital in krónur reached about 40% of GDP; Iceland removed eight-year-old restrictions without a currency crisis and without a default [62]. Three features can be carried across to Ukraine: strict sequencing (first the claims of the creditors of the failed banks, then auctions for “hot” offshore capital, and residents last); auction-based exit at a discount (at the auction of 16 June 2016, about 190 ISK/EUR against a domestic rate of 138, that is, the price of exit was paid by the holders of trapped funds, not by the budget); and legal segregation of accounts, which made it possible to free residents independently of the auctions. The auction used part of the reserves, yet over the period as a whole reserves rose, the króna strengthened, and those who waited for full opening in 2017 exited on better terms (about 137.5 ISK/EUR).

Scenarios for 2026–2028.

1. **Baseline (inertial): the restrictions are retained.** A premium of about 170 basis points persists, inflows remain subdued, and critical sectors are left without private foreign-currency debt. The annual price of inertia is up to UAH47bn in additional debt costs and \$0.6–2.1bn of forgone GDP.
2. **Adverse: abrupt removal with weak reserves.** A one-off opening against falling reserves raises the risk of outflow and pressure on the exchange rate – and these are precisely the risks removed by the phased sequencing described above.
3. **Reform (recommended): phased, managed removal.** The return of non-residents delivers a yield reduction of 85–254 basis points (central scenario 170), budget savings of about UAH31bn a year, the gradual disappearance of the inconvertibility premium, and the opening of the foreign-currency market for critical sectors – over the course of the debt refinancing cycle.

11. Limits of the estimate and caveats

Causality. The war is the dominant factor, and no statistical method applied to single-country data separates its effect from the effect of the restrictions strictly. This is why the study nowhere attributes the whole gap to the restrictions: each component enters the total only with the conservative share set out in Table 1. The 170 basis point premium is a scenario calibrated against the current ceilings of Fitch (+2 notches) and Moody's (+1), not a measured effect on domestic government bond yields. The European Business Association survey result (78%) speaks to the materiality of the restrictions as a factor, not to their share of the gap. The growth-channel effect is presented as three scenarios with an upper bound of +1.0 percentage point (Table 3).

Robustness of the investment shortfall estimate. The \$19bn gap has been tested several ways. An alternative method – synthetic difference-in-differences [29] – gives about \$14.5bn, that is, the same order of magnitude; with a single country the confidence interval is wide, so this confirms the scale, not the precision. A placebo test (a counterfactual shock placed in peacetime 2019) finds no gap – the method does not show an effect where there should be none. A leave-one-out test over the donor pool leaves the gap in the \$12–21bn band. Donor weights were selected by direct matching on the pre-war trajectory (the approach of Doudchenko and Imbens [15]); the full Abadie procedure with covariates [13; 16] gives about \$16bn – inside the same band.

Data. The NBU marks reinvested earnings for the most recent quarters as estimates; for 2026 only the first quarter is included. Ukraine's 2025 figure is computed from NBU data (it is not yet in the World Bank database; GDP of \$214.2bn per WDI), and the values for Croatia and Türkiye are carried over from 2024. In the defence segment direct attribution is not possible for lack of data. The cash-market premium (Section 9) is computed from the rates of the legal retail market, so the actual 2022 premium was probably higher still.

A hypothesis that did not hold. CIRA tested the widespread claim that the restrictions are increasingly circumvented over time [32] against the balance of payments on three indicators (net errors and omissions; trade credits and advances; foreign cash held outside banks). No build-up of circumvention was found: trade credits have been negative every year after the 2022 spike, and the combined indicator fell from 34.9% of exports in 2022 to 20.1% in 2025. Only net errors and omissions are rising – the indicator least suited as a sign of circumvention, being largely an estimate. The argument that “the restrictions are circumvented anyway” is therefore not used in this study.

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Status and traceability of sources

The indicators of the NBU, the IMF, the World Bank, RDNA, the International Energy Agency, the Ministry of Finance, the Treasury, the State Statistics Service, the rating agencies, the European Business Association, the American Chamber of Commerce, MIGA and IATA [33–72] have been verified against the primary sources; the computed magnitudes are reproduced in CIRA’s calculation routines and its accompanying model. This study combines measured indicators with scenario-based magnitudes; the bounds of the estimates are summarised in Section 11.

Traceability exceptions and caveats: the T&C panel for 143 sovereigns [37] is a CIRA compilation from S&P’s official rating actions, not an agency publication. Market data on eurobonds [52] are a CIRA compilation from issuers’ prospectuses, exchange announcements and press releases, cross-checked against market aggregators; individual ISINs are not confirmed. The 78% share [45] has been verified directly against the published 2025 wave document (88 senior executives; the question “How do restrictions on FX transactions affect Ukraine’s investment attractiveness?”: negatively – 78%, no effect – 22%). The defence-segment indicators [61] are preliminary estimates by Brave1 and the Kyiv School of Economics, not independently verified by CIRA. The numerical data of the NBU presentation [63] have been read off the published slides; the sum of the components of the queue (\$46bn) differs from the printed total (\$47bn) because of the rounding of the components. Source [57] is an IMF policy document, not a statistical series. The data cut-off date is 27 July 2026.

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