

ACCOUNTING, ANALYSIS AND AUDIT: NATIONAL FEATURES AND GLOBAL TRENDS

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PROBLEMS OF INVENTORY, ASSESSMENT AND COMPENSATION OF LOSSES CAUSED BY THE RUSSIAN AGGRESSION IN UKRAINE

Continuing russian aggression against Ukraine already caused and still causes countless deaths and injuries of Ukrainian citizens as well as material losses of hundreds of billions of euros for civilian property, private and state-owned enterprises. There are also many other losses and costs, caused by the war, which should be properly assessed and documented so that the guilty party would compensate for all damages after the end of the war.

Even the process of losses assessment itself is heavily complicated by the continuing combat operations of russian “army” against Ukrainian defenders and civilians in Kharkiv, Luhansk, Donetsk, Zaporizhzhia, Kherson and Mykolaiv regions, while almost all the other regions are regularly attacked by russian missiles, as well as Iranian kamikaze drones. But it has to be done, because Ukraine will need proof for the international lawsuits against russia.

Except for the valuation of directly damaged or destroyed property of private and legal persons, like houses and apartments, utility buildings, cars, other belongings, and all kinds of fixed and circulating assets of enterprises, it is also necessary to consider items, which were stolen by terrorists from russia and so-called “Donetsk and Luhansk people republics” on the occupied and recently de-occupied territories. It is already a huge amount of work, but that’s not all.

In addition to material damage, it is necessary to estimate the amount of compensation to the wounded and the families of military and civilian casualties, moral damages, especially for residents of territories that were and are regularly shelled by russians and forced migrants, demining costs for thousands of square km of munitions-contaminated territory, stolen natural resources, including water and gas stolen in the temporarily occupied Crimea since 2014, environmental damage, unearned profits of enterprises and the state budget of Ukraine, etc.

It is impossible to measure the lost life and health of people with money, and there are no established mechanisms of compensation to the victims of wars. However, there are mechanisms for compensation by the guilty party to the relatives of the victims of downed civilian planes. Unfortunately, two most recent examples of such situations, Russia's downing of Malaysian Boeing MH17 in Donbas and Iran's bringing down of UIA flight PS752 in Tehran, are linked to Ukraine, and both planes were destroyed by russian weapons. In the case of MH17, the Attorney General of the Netherlands at the end of 2021 voiced rather soft demands on russia – it should pay from 30 to 40 thousand euros to each relative of the 1st to 3rd categories [1]. The average amount of compensation for each victim will thus be between 300000 and 1 mln of euros, but the final amounts will be established by the court in Hague later this year. In the case of PS752, Iran, which is now an accomplice of russia in its war against Ukraine, agreed in 2020 to pay \$ 150,000 to the relatives of each victim [2], however, they and Ukraine have refused such an offer. Meanwhile, a Canadian judge awarded compensation to the relatives of the six victims of the disaster in the amount of 107 million Canadian dollars (79 million euros), more than 13 million euros for each person killed [3]. The injured should be compensated for all medical expenses, income lost during the period of incapacity, as well as significant amounts of moral damages. If, as a result of injury, a person has permanently lost the ability to work completely or partially, for example, as a result of limb amputation, the amount of payments should be comparable to payments to the relatives of the deceased.

The number of victims among the Ukrainian military since February 24, according to official data, is about 10,000 [4]. It is currently impossible to count the number of killed civilians, but in every unoccupied large city, such as Kyiv, Kharkiv, Mykolaiv, Zaporizhzhia, Kryvyi Rih, Sumy or

Chernihiv, the number of victims of shelling and bombing is hundreds of people. Bodies of the murdered and tortured are still being found long de-occupied regions. In each of the small towns of Kharkiv region with a population of 30–50 thousand people, de-occupied in September, such as Izyum, Balakliya and Kupyansk, burials of several hundred to over a thousand people are found. We will never know the number of people killed by russia in Mariupol, as the perpetrators had the time, opportunity and desire to hide their crimes, but in the spring, officials claimed 25,000–30,000 people [5]. So, unfortunately, currently we may talk about at least 50,000 victims of russian aggression, and as long as the war continues, these numbers will continue to grow. According to war statistics, the number of wounded is 2–3 times higher. All the victims of hostilities in Donbas since 2014 should be added to these figures. In international lawsuits, Ukraine will demand from russia compensation for the families of the victims of at least 1 mln euros, plus comparable amounts for the injured, so the amount of payments here may exceed 100 billion euros.

Hundreds of thousands of people lost their homes and property in Ukraine because of the russian aggression. In Kharkiv alone, more than 150 thousand are homeless [6] due to everyday shelling over the 8 months. Police and local authorities are constantly busy assessing damages and trying to repair them if possible. People have to properly document losses to be able to hope for the future compensation, which takes a lot of time and effort, and sometimes is impossible, because of continued shelling, which makes people leave their homes. It is even more complicated with the enterprises, which may have hundreds and thousands of items of assets, destroyed by russians. The documentation, including electronic, is frequently lost, so the only reliable source of information about the assets are the depreciation statements, stored by the tax authorities. These statements may later be used to carry out the full inventory and ask for compensation by its results.

According to officials, 160 thousand square km of Ukrainian territory require mine clearance operations [7]. Even considering the very conservative cost of demining operations of 300 thousand dollars per 1 square km, the total cost will be about \$ 50 bln, while more realistic prices are times higher. As the only responsible side, russia should pay in full for its actions.

Environmental damage to Ukrainian nature is also very substantial. It is already estimated as \$ 35 bln. [8], which includes air, water, and land pollution, destruction of forests, damages in the Chernobyl exclusion zone, etc. If Russia dare to use an atomic weapon against Ukraine, which doesn't have such a weapon to respond, which is unlikely, but still possible, these costs will rise immensely.

Finally, we should separately focus on losses suffered by Ukraine as a result of shutdown of the Zaporizhzhia nuclear power plant, the largest in Europe, which has a design capacity of 6 GW, produces about 40 bln kWh of electricity per year, and currently costs about \$ 40 bln [9]. This power plant is temporarily occupied, and its infrastructure is subject to constant shelling by Russian troops, as a result of which the government made a grounded decision to completely shut down and cool down all units, that drastically reduces the risks of radiation accidents, but also leaves Ukraine without a critically important source of electricity, especially in the winter period. This may lead to the need to purchase energy abroad at extremely high prices, which will cost Ukraine hundreds of millions, if not billions of euros. All such costs must also be reimbursed by the aggressor.

In whole, the total amount of losses is currently estimated as more than 1 trillion of US dollars [10]. And it isn't even the final sum, as the war continues.

There is little chance that Russia will voluntarily pay for the damages, at least while Putin is alive and in power, so the only way to make it pay is to confiscate its assets abroad. Ukraine has already started this process by arresting the aggressor's property on its territory. Canada is the first of the G7 countries to create a regulatory framework for the confiscation of Russian assets in favor of Ukraine. Currently, Russian assets and funds worth about \$ 600 bln are frozen in dozens of countries around the world, including \$ 350 bln from the central bank of Russia, more than \$ 200 bln of funds belonging to Russian residents in Swiss banks, as well as 50 billion dollars of property belonging to sanctioned private persons and enterprises. The property of the former USSR, which Russia captured after its collapse with the help of various manipulations, also cost hundreds of billions of dollars. All these assets and funds must be transferred to Ukraine.

Property rights are sacred in developed countries, so most of these funds have been frozen, but not yet arrested, however, we expect the continuation of the processes initiated by Canada in other countries, as the act of brazen russian aggression is unprecedented in recent history. The trials of Ukraine against russia will last for years, maybe decades, but the final result will be the same – russia will be forced to pay for everything it has done.

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