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FINANCIAL SUPPORT FOR INTERNALLY DISPLACED PERSONS AS A TOOL FOR PRESERVING AND RESTORING UKRAINE'S HUMAN CAPITAL

The full-scale war has transformed internal displacement in Ukraine from a short-term humanitarian emergency into a long-term challenge for the system of financing human capital. Internally displaced persons lose not only housing and stable income, but also social ties, access to local labour markets, educational trajectories of children, medical care and social services. From the public-finance perspective, support for IDPs cannot be reduced to monthly compensation payments, because such assistance only partially mitigates the consequences of displacement and does not automatically create conditions for restoring economic activity and social integration.

The legal basis of state policy in this field is the Law of Ukraine on Ensuring the Rights and Freedoms of Internally Displaced Persons, which defines an IDP as a person forced to leave or abandon their place of residence as a result of, or in order to avoid, the negative consequences of armed conflict, temporary occupation, widespread violence, human rights violations or emergencies [1]. The procedure for accommodation allowance is regulated by Resolution No. 332 of the Cabinet of Ministers of Ukraine [2]. The broader logic of state policy is reflected in the Strategy of State Policy on Internal Displacement until 2025, which emphasises social adaptation, integration into host communities, employment support measures and conditions for voluntary return or integration in a new place of residence [3].

This paper substantiates the role of financial support for IDPs as an instrument for preserving and restoring Ukraine's human capital under wartime conditions. The study is based on systemic analysis, comparison and generalisation of Ukrainian legislation, public data of state authorities, United Nations agencies, the International Organization for Migration, UNHCR and Kyiv School of Economics. Such an approach makes it possible to consider financial support for IDPs not as an isolated social transfer, but as a component of a broader policy in which budget resources should contribute to housing stability, employment recovery, access to services and social integration of displaced households.

The scale of internal displacement confirms the systemic nature of this challenge. According to the United Nations in Ukraine and the International Organization for Migration, as of January 2026, around 3.7 million internally displaced persons were living in Ukraine, while more than 4.4 million people had returned after displacement [4]. These figures show that displacement remains not a temporary episode, but a factor that continues to influence household welfare, regional labour markets, municipal services, public expenditure and the quality of human capital. The longer displacement lasts, the higher the risk that people lose opportunities to work, study, maintain health and invest in their own development or in the development of their children.

Housing insecurity is one of the most direct channels through which displacement damages human capital. IOM data show that 54% of IDPs live in rented accommodation, compared with only 6% among non-displaced persons. Around 2.5 million people own housing that remains largely inaccessible, and 60% of such housing in areas of origin has been damaged. Two thirds of IDPs who rent housing cover rent from savings, while every fourth person spending 50% or more of household income on rent has already exhausted savings [5]. Under such conditions, households are forced to redirect resources from education, treatment, professional adaptation and children's development to basic survival. Consequently, housing support should not be treated as an auxiliary social measure; it is a prerequisite for the restoration of employment, learning continuity and integration into a community.

Cash assistance for accommodation performs an important stabilising function, especially for vulnerable households. In 2026, the Ministry of Social Policy, Family and Unity of Ukraine announced the renewal of payments for displaced children regardless of parents' income and the possibility of reviewing payments for IDPs unable to work in connection with changes in the subsistence minimum [6]. At the same time, the effectiveness of such assistance cannot be measured only by the number of recipients or the fact of payment. If cash transfers only maintain minimum consumption but are not connected with housing, employment, education, medical and social services, they reduce the severity of poverty without guaranteeing the recovery of human potential.

For this reason, housing programmes have become especially important in the policy mix. In 2026, the Ministry reported that housing programmes should cover the needs of more than 41 thousand IDPs, with total financing of UAH 5.4 billion. These measures include the eOselia programme for IDPs and frontline territories, supported living for persons with disabilities and older people, and a social rental model [7]. This structure is closer to a recovery-oriented model of assistance, because stable housing increases the probability that a person can search for work, maintain family routines, receive medical or psychological support and keep children in education.

Available survey data also demonstrate that support for IDPs still largely performs a maintenance function rather than a full integration function. According to the national IDP protection survey presented by UNHCR and the Ukrainian Parliament Commissioner for Human Rights, only 28% of IDPs support themselves through earnings, while 63% depend on state social assistance, including pensions. In addition, 69% of respondents reported a negative impact on mental health, and 8% already felt unable to cope with daily stress [8]. These indicators confirm that preserving human capital requires an integrated combination of payments, labour-market measures, psychological support, social services and local infrastructure in host communities.

The labour-market dimension is also crucial. KSE Institute reports that in 2025 Ukraine had 10.7 million employed persons paying social contributions, 10.2 million pensioners, 1.7 million veterans, 3.6 million persons with disabilities and 4.6 million registered IDPs; the number of employed social contribution payers decreased by 1.3 million compared with 2021 [9]. The difference between 3.7 million IDPs estimated by IOM and 4.6 million registered IDPs in administrative data should be read not as a contradiction, but as evidence that registers, actual residence and real needs do not fully coincide. This strengthens the argument for more targeted assistance based on household vulnerability, housing status, employment barriers and access to services.

Therefore, the effectiveness of financial support for IDPs should be evaluated not only through allocated funds or the number of beneficiaries, but through real changes in the situation of displaced households. Key criteria should include reduced housing instability, lower dependence on passive transfers, access of children to education, continuity of healthcare, availability of psychological and social support, and transition of working-age persons from assistance to employment. In this sense, financial support becomes not the final result of policy, but a mechanism for returning displaced persons to a relatively stable social and economic trajectory.

Financial support for internally displaced persons is an important instrument for preserving and restoring Ukraine's human capital. In wartime, it must combine a compensatory function with a recovery function. The further development of this policy should rely on targeted cash assistance, housing programmes, employment services, psychological support, educational tools for children and strengthening of local social infrastructure. Under this approach, IDPs are considered not only a vulnerable group requiring budget support, but also carriers of human capital whose preservation is a prerequisite for post-war reconstruction, fiscal sustainability and long-term socio-economic development of Ukraine.

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